

Fourth Quarter Summary Financial Information

February 5, 2018



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Forward Looking Statements

Statements in this presentation that are not historical in nature are “forward-looking.” These statements involve uncertainties and risks, including the company’s ability to achieve its longer-term operating targets, the impact of the Tax Cuts and Jobs Act, price and product competition from foreign and domestic competitors, changes in demand for the company’s products, cost and availability of raw materials and labor, fuel and energy costs, future growth of acquired companies, general economic conditions, possible goodwill or other asset impairment, foreign currency fluctuation, litigation risks, and other factors described in the company’s Form 10-K and Form 10-Q’s. Any forward-looking statement reflects only the company’s beliefs when the statement is made. Actual results could differ materially from expectations, and the company undertakes no duty to update these statements.

Overview

4th Quarter:

- ❑ Adj. EPS¹ from cont. ops. of \$.59, up 11% vs. \$.53 in Q4-16
- ❑ Sales up 9%, to \$984 million
 - Volume added 5%
- ❑ Adj. EBIT¹ margin of 11.4% vs. 11.3% in Q4-16
- ❑ Adj. EBIT¹ of \$112 million, up 10% vs. Q4-16

Full Year:

- ❑ Adj. EPS¹ from cont. ops. of \$2.46, down 1% vs. 2016
- ❑ Sales from cont. ops. of \$3.94 billion, up 5% vs. 2016
 - Volume added 4%
- ❑ Adj. EBIT¹ margin down 120 bps, to 11.9%, vs. 13.1% in 2016
- ❑ Full year cash from operations was \$444 million.
- ❑ 2018 EPS guidance of \$2.65 - \$2.85 on sales of \$4.2 - \$4.3 billion

¹ See slides 4 and 10 for calculation of adjusted EPS and adjusted EBIT margin.

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Q4 2017 Financial Highlights

<u>\$'s in millions (except EPS)</u>	<u>Reported</u> <u>Q4-17</u>	<u>Adj</u> <u>Adj¹</u>	<u>Adj</u> <u>Q4-17</u>	<u>Reported</u> <u>Q4-16</u>	<u>Adj</u> <u>Adj¹</u>	<u>Adj</u> <u>Q4-16</u>	<u>Change</u>
Sales	\$984		\$984	\$904		\$904	9%
EBIT	120	(8)	112	118	(16)	102	10%
EBIT Margin	12.2%		11.4%	13.1%		11.3%	+10bps
EPS (cont. ops)	.27	.32	.59	.60	(.07)	.53	11%
Cash from Operations	\$182		\$182	\$167		\$167	9%
EBITDA	152	(8)	144	147	(16)	131	10%

¹ See slide 26 for non-GAAP adjustments.

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Q4 2017 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
4 th Qtr 2016	\$904	
Divestitures	<u>(17)</u>	(2%)
Adjusted Q4-16 sales	887	
Approx volume growth	48	5%
Approx raw material-related pricing and currency impact	<u>32</u>	<u>4%</u>
Organic sales	80	9%
Acquisitions	<u>18</u>	<u>2%</u>
4 th Qtr 2017	\$984	9%
EBIT:		<u>margin</u>
Adjusted 4 th Qtr 2016 ¹	\$102	11.3%
Other, primarily volume growth	<u>10</u>	
Adjusted 4 th Qtr 2017 ¹	\$112	11.4%

¹ See slide 4 for calculation of adjusted EBIT and adjusted EBIT margin.

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Q4 2017 Non-Operating & Taxes

\$'s in millions	Reported		Adj	Reported		Adj	Change
	Q4-17	Adj ¹	Q4-17	Q4-16	Adj ¹	Q4-16	
EBIT	\$120	(8)	\$112	\$118	(16)	\$102	10%
Net interest	10		10	8		8	
Pre-tax earnings	110	(8)	102	110	(16)	94	9%
Income taxes	74	(51)	23	27	(7)	20	
<i>Tax rate</i>			23%			22%	
Earnings from cont. ops	36	43	79	83	(9)	74	7%
Earnings from disc. ops	-		-	(1)		(1)	
Net earnings	36	43	79	82	(9)	73	8%
Non-controlling interests	-		-	-		-	
Net earnings attributable to L&P	36	43	79	82	(9)	73	8%
EPS	.27	.32	.59	.60	(.07)	.53	11%

¹ See Slide 26 for non-GAAP adjustments.

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Adjusted Working Capital

	12/31	9/30	12/31
\$'s in millions	<u>2017</u>	<u>2017</u>	<u>2016</u>
Cash & equivalents	\$526	\$343	\$282
Accounts receivable, net	562	586	487
Inventories, net	571	558	520
Other current assets	<u>74</u>	<u>63</u>	<u>37</u>
Total current assets	<u>1,734</u>	<u>1,550</u>	<u>1,325</u>
Current debt maturities	(154)	(153)	(4)
Accounts payable	(430)	(382)	(351)
Accrued and other current liabilities	<u>(359)</u>	<u>(356)</u>	<u>(352)</u>
Total current liabilities	<u>(943)</u>	<u>(891)</u>	<u>(707)</u>
Working capital	791	659	618
% of annualized sales ¹	20.1%	16.3%	17.1%
W/C, excluding cash & current debt	419	469	340
% of annualized sales ¹	10.6%	11.6%	9.4%

¹ Annualized sales: 4Q17: \$984x4=\$3,936; 3Q17: \$1,010x4=\$4,040; 4Q16: \$904x4=\$3,616

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Debt & Equity

	12/31	9/30	12/31
\$'s in millions	<u>2017</u>	<u>2017</u>	<u>2016</u>
Long-term debt	\$1,098	\$1,044	\$956
Current maturities	154	153	4
Less: cash	<u>(526)</u>	<u>(343)</u>	<u>(282)</u>
Net debt	726	855	678
Long-term debt	1,098	1,044	956
Deemed repatriation tax payable	62	-	-
Other long-term liabilities	224	215	227
Shareholders' equity	<u>1,191</u>	<u>1,173</u>	<u>1,094</u>
Total capital	2,575	2,432	2,278
Current maturities	154	153	4
Less: cash	<u>(526)</u>	<u>(343)</u>	<u>(282)</u>
Net capital	2,203	2,243	2,000
Long-term debt to total capital	42.6%	42.9%	42.0%
<i>Net debt to net capital</i>	<i>33.0%</i>	<i>38.1%</i>	<i>33.9%</i>
Shares outstanding (end of period)	131.9m	131.8m	133.5m

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Cash Flow

\$'s in millions	4 th Qtr		YTD	
	2017	2016	2017	2016
Net earnings	\$36	\$82	\$293	\$386
D&A	32	29	126	115
Impairment, write-offs & other	3	4	11	15
Other non-cash	73	1	95	21
Changes in working capital:				
Accounts receivable	39	44	(41)	3
Inventory	(8)	(13)	(48)	(33)
Other current assets	(25)	(3)	(37)	(2)
Accounts payable	44	23	59	51
Other current liabilities	(12)	-	(14)	(4)
Cash from operations	182	167	444	553
Capital expenditures	40	41	159	124
Acquisitions	-	2	39	30
Dividends	48	45	186	177
Share repurchases (issuances), net	-	16	155	193
Proceeds from asset sales	33	32	45	86
Additions (repayments) of debt, net	53	(90)	282	7

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YTD 2017 Financial Summary

<u>\$'s in millions (except EPS)</u>	<u>Reported</u> <u>2017</u>	<u>Adj</u> ¹	<u>Adj</u> <u>2017</u>	<u>Reported</u> <u>2016</u>	<u>Adj</u> ¹	<u>Adj</u> <u>2016</u>	<u>Change</u>
Sales	\$3,944		\$3,944	\$3,750		\$3,750	5%
EBIT	468	-	468	522	(30)	492	(5%)
EBIT Margin	11.9%		11.9%	13.9%		13.1%	(120 bps)
EPS (cont. ops)	2.14	.32	2.46	2.62	(.13)	2.49	(1%)
Cash from Operations	\$444		\$444	\$553		\$553	(20%)
EBITDA	594	-	594	637	(30)	607	(2%)

¹ See slide 26 for non-GAAP adjustments.

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YTD 2017 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
YTD 2016	\$3,750	
Divestitures	<u>(78)</u>	(2%)
Adjusted 2016 sales	3,672	
Approx volume growth	142	4%
Approx raw material-related pricing and currency impact	<u>65</u>	<u>2%</u>
Organic sales	207	6%
Acquisitions	<u>65</u>	<u>2%</u>
YTD 2017	\$3,944	5%
EBIT:		<u>margin</u>
Adjusted YTD 2016 ¹	\$492	13.1%
Other, volume growth more than offset by higher steel costs and several smaller factors	<u>(24)</u>	
Adjusted YTD 2017 ¹	\$468	11.9%

¹ See slide 10 for calculation of adjusted EBIT and adjusted EBIT margin.

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YTD 2017 Non-Operating & Taxes

\$'s in millions	Reported		Adj	Reported		Adj	Change
	2017	Adj ¹	2017	2016	Adj ¹	2016	
EBIT	\$468	--	\$468	\$522	(30)	\$492	(5%)
Net interest	36		36	35		35	
Pre-tax earnings	432		432	487	(30)	457	(5%)
Income taxes	138	(42)	96	120	(12)	108	
<i>Tax rate</i>			22%			24%	
Earnings from cont. ops	294	42	336	367	(18)	349	(4%)
Earnings from disc. ops	(1)		(1)	19	--	19	
Net earnings	293	42	335	386	(18)	368	(9%)
Non-controlling interests	-		-	-		-	
Net earnings attributable to L&P	293	42	335	386	(18)	368	(9%)
EPS	2.14	.32	2.46	2.62	(.13)	2.49	(1%)

¹ See Slide 26 for non-GAAP adjustments.

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2018 Guidance

- ❑ **Continuing Ops** EPS of \$2.65-\$2.85
- ❑ Sales of \$4.2 - \$4.3 billion
 - 6-9% growth versus 2017
 - Assumes mid-single-digit volume growth; commodity inflation should also add to sales growth
 - PHC acquisition expected to add 2% to sales
- ❑ Implied EBIT margin of 12.0% to 12.5%
- ❑ Operating cash is expected to approximate \$500 million
- ❑ Cap-ex of ~\$160 million
- ❑ Tax rate of ~22%
- ❑ Diluted shares of ~136 million

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Segments

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Q4 2017 Segment Summary

	Q4-17 Organic <u>Sales Growth</u> ¹	Q4-17 adj. EBIT <u>Margin</u>	<u>Δ vs Q4-16</u>
Residential Products	3%	10.2%	+30bps
Industrial Products	7%	2.9%	+320bps
Furniture Products	8%	5.8%	-360bps
Specialized Products	10%	21.5%	+270bps
Total Consolidated ²	9%	11.4%	+10bps

¹ Includes raw material-related price increases and currency impact.

² See Slide 26 for non-GAAP adjustments.

Residential Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
4 th Qtr 2016	\$374	
Acquisitions	14	4%
Organic sales	<u>12</u>	<u>3%</u>
4 th Qtr 2017	\$400	7%

EBIT:		<u>margin</u>
4 th Qtr 2016	\$37	9.9%
Other: primarily higher sales	<u>4</u>	
4 th Qtr 2017	\$41	10.2%

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Residential – Key Points

- ❑ Q4 organic sales were up 3%:
 - Volume increased slightly
 - Growth in most businesses offset by fewer pass-through sales of adjustable beds, which reduced segment sales by 2%
 - Raw material-related price inflation and currency increased sales 3%
- ❑ Organic sales trends excluding inflation and currency:
 - U.S. Spring component \$'s were essentially flat in Q4
 - Total innerspring units: down 2% in Q4; down 4% full year
 - Boxspring units: down 10% in Q4; down 7% full year
 - Comfort Core innerspring units: up 12% in Q4; up 8% full year
 - Dollars outpaced units as content gains continued
 - International Spring \$'s up 11% in Q4
- ❑ EBIT and EBIT margin increased, primarily from higher sales.

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Industrial Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
4 th Qtr 2016	\$130	
Divestitures	<u>(4)</u>	(3%)
Adjusted Q4-16 sales	126	
Organic sales ¹	<u>10</u>	<u>7%</u>
4 th Qtr 2017	\$136	4%

¹ Steel related price increases (10%) offset by lower volume (-3%).

EBIT:		<u>margin</u>
Adjusted 4 th Qtr 2016 ²	(\$0)	(0.3%)
Other: primarily lower LIFO expense	<u>4</u>	
4 th Qtr 2017	\$4	2.9%

² Adjusted to exclude divestiture gain of \$16 million.

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Industrial – Key Points

- ❑ Q4 organic sales were up 7% primarily from steel related price increases offset partially by lower volume.
 - A small divestiture completed in late 2016 reduced sales by 3%.
- ❑ Adjusted EBIT and adjusted EBIT margin increased during the quarter primarily due to lower LIFO expense.
 - Q4-16 segment EBIT and EBIT margin were significantly impacted by steel inflation, including LIFO expense.

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Furniture Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
4 th Qtr 2016	\$258	
Acquisitions	4	2%
Organic sales	<u>21</u>	<u>8%</u>
4 th Qtr 2017	\$283	10%

EBIT:		<u>margin</u>
4 th Qtr 2016	\$24	9.4%
Other: benefit from sales growth more than offset by steel cost increases, production inefficiencies, and other smaller items	<u>(8)</u>	
4 th Qtr 2017	\$16	5.8%

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Furniture – Key Points

- ❑ Q4 organic sales were up 8%, primarily from growth in Adjustable Bed.
- ❑ Organic sales trends excluding inflation and currency:
 - Adjustable Bed: up 44% in Q4; up 29% full year
 - Work Furniture: up 2% in Q4; up 4% full year
 - Home Furniture: down 5% in Q4; down 2% full year
 - Fashion Bed: down 7% in Q4; down 10% full year
- ❑ A small Work Furniture acquisition completed in Q1 added 2% to sales growth.
- ❑ EBIT and EBIT margins decreased, with the benefit from sales growth in Adjustable Bed and Work Furniture more than offset by steel cost increases, production inefficiencies, and other smaller items.

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Specialized Products

	<u>mln \$'s</u>	<u>% change</u>
Total Sales:		
4 th Qtr 2016	\$226	
Divestitures	(13)	(6%)
Adjusted Q4-16 sales	213	
Organic sales ¹	23	10%
4 th Qtr 2017	\$236	4%

¹ Higher volume (6%) and currency benefit (4%).

		<u>margin</u>
EBIT:		
4 th Qtr 2016	\$43	18.8%
Other: primarily higher sales and currency benefit	8	
Adjusted 4 th Qtr 2017 ²	\$51	21.5%

² Adjusted to exclude gain from sale of real estate of \$23 million.

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Specialized – Key Points

- ❑ Q4 organic sales grew 10%, from volume growth in Automotive and a currency benefit.
- ❑ Organic sales trends excluding currency:
 - Automotive: up 8% in Q4; up 10% full year
 - Aerospace: up 2% in Q4; up 5% full year
- ❑ Q4 adjusted EBIT and adjusted EBIT margin increased, primarily from higher sales and a currency benefit.

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FOR ADDITIONAL INFORMATION

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Non-GAAP Adjustments

<i>(\$ millions, except EPS)</i>	Q4-16	Q4-17	YTD 2016	YTD 2017
Non-GAAP Adjustments (\$'s) ¹				
Gain/loss from sale of business	(16)	-	(27)	3
Gain from sale of real estate	-	(23)	-	(23)
Pension settlement charge	-	15	-	15
Benefit from litigation settlement	-	-	(7)	-
Impairment charges	-	-	4	5
Non-GAAP adjustments (pre-tax \$'s)	(16)	(8)	(30)	-
Income tax impact	7	3	12	-
TCJA impact ²	-	50	-	50
Tax benefit from CVP divestiture	-	(2)	-	(8)
Non-GAAP adjustments (after tax \$'s)	(9)	43	(18)	42
Diluted shares outstanding	139.2	136.6	140.0	137.3
EPS impact of non-GAAP adjustments	\$(.07)	\$.32	\$(.13)	\$.32

¹ Calculations impacted by rounding.

² The recently enacted Tax Cuts and Jobs Act.

Reconciliation of Full Year Adj EBIT & Adj EBIT Margin

<i>(\$ millions)</i> ¹	Residential	Industrial	Furniture	Specialized
2016 EBIT	\$168	\$65	\$107	\$181
Impairment charges	-	-	-	4
Gain from sale of business	-	(16)	-	(11)
Litigation settlement gain	(7)	-	-	-
2016 Adjusted EBIT	\$161	\$49	\$107	\$174
2017 EBIT	\$184	\$21	\$82	\$196
Impairment charges	-	5	-	-
Loss on sale of business	-	-	-	3
Gain from sale of real estate	-	-	-	(23)
2017 Adjusted EBIT	\$184	\$26	\$82	\$176
2016 Total Sales	\$1,589	\$583	\$1,049	\$906
2017 Total Sales	\$1,639	\$546	\$1,113	\$943
2016 EBIT Margin	10.5%	11.2%	10.2%	20.0%
2016 Adjusted EBIT Margin	10.1%	8.4%	10.2%	19.2%
2017 EBIT Margin	11.2%	3.8%	7.3%	20.8%
2017 Adjusted EBIT Margin	11.2%	4.8%	7.3%	18.7%

¹ Calculations impacted by rounding.