# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

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# FORM 8-K

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**CURRENT REPORT**
**Pursuant to Section 13 or 15(d)**
**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported) November 13, 2007**

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# LEGGETT & PLATT, INCORPORATED
**(Exact name of registrant as specified in its charter)**

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| **Missouri** | **001-07845** | **44-0324630** |
|---|---|---|
| **(State or other jurisdiction of incorporation)** | **(Commission File Number)** | **(IRS Employer Identification No.)** |

| **No. 1 Leggett Road, Carthage, MO** | **64836** |
|---|---|
| **(Address of principal executive offices)** | **(Zip Code)** |

**Registrant's telephone number, including area code 417-358-8131**

**N/A**
**(Former name or former address, if changed since last report.)**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.05 Costs Associated with Exit or Disposal Activities.**

On November 13, 2007, the Company's Board of Directors approved a new strategic plan. As part of the strategic plan, the Company will manage its business units as a portfolio with different roles (Grow, Core, Fix or Divest) for each business unit based upon competitive advantages, strategic position and financial health. The Company is implementing a much more rigorous strategic planning process, in part to continually assess each business unit's role in the portfolio. After significant study, the Company intends to eliminate approximately $1.2 billion of its revenue base. This includes the anticipated divestiture of some operations, the pruning of some business and the closure of certain underperforming plants ("Exit Activities").

The largest portion (approximately $900 million in revenue) of the Exit Activities is the anticipated divestiture of the Company's Aluminum Products segment and six additional business units. The Company expects that the divestitures will generate about $400 million of after-tax proceeds. In addition to these divestitures, the Company anticipates pruning approximately $100 million (or approximately 20%) of the Store Fixture business unit's least profitable revenue. This unit was placed in the Fix category and given a 12-month deadline by which we anticipate its after-tax return should reach at least cost of capital levels. This unit will close four facilities. Finally, several Grow and Core business units, though otherwise healthy, contain individual plants operating at unacceptable profit levels. The Company anticipates the closure or disposition of a number of these unprofitable facilities, and an ensuing reduction in revenue of approximately $200 million. The Company anticipates that the Exit Activities will be completed by the end of 2008.

In conjunction with the approval of the new strategic plan on November 13, 2007, the Board concluded that it will likely incur costs and impairment charges associated with the Exit Activities, including employee termination costs, contract termination costs, asset impairment charges (including property, plant and equipment, goodwill and other intangibles), inventory obsolescence charges and other associated costs (primarily plant closure and asset relocation.) At this time, the Company is unable to make a good faith estimate of (i) the amount or range of amounts of each major type of cost and asset impairment charge that will be incurred, and (ii) the amount or range of amounts of costs and asset impairment charges that will result in future cash expenditures. However, the Company preliminarily expects that the total costs and asset impairment charges associated with the Exit Activities will be between $150-300 million, and that virtually all of the costs and charges will be non-cash.

When the Company is able to make a good faith estimate of the amount or range of amounts of each major type of cost and asset impairment charge, and the amount or range of amounts of costs and impairment charges that will result in future cash expenditures, it will file an amendment to this Current Report on Form 8-K and disclose the estimates. Also, once the Company obtains more information, it will disclose a more narrow range of the estimated total costs and asset impairment charges associated with the Exit Activities.

**Forward Looking Statements**

This Current Report on Form 8-K and our other public disclosures, whether written or oral, may contain "forward-looking" statements including, but not limited to, the estimates of the amounts and timing of costs and charges resulting from the Exit Activities; the number and nature of business units to be divested; the amount of revenue reduced as a result of the Exit Activities; the timing of and amount of proceeds anticipated to be generated from the divestitures; and the underlying assumptions relating to the forward-looking statements. These statements are identified either by the context in which they appear or by use of words such as "anticipate," "believe," "estimate," "expect," "intends," "may," "plans," "should" or the like. All such forward-looking statements, whether written or oral, and whether made by us or on our behalf, are expressly qualified by the cautionary statements described in this provision.

Any forward-looking statement reflects only the beliefs of the Company or its management at the time the statement is made. Because all forward-looking statements deal with the future, they are subject to risks, uncertainties and developments which might cause actual events or results to differ materially from those envisioned or reflected in any forward-looking statement. Moreover, we do not have, and do not undertake, any duty to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement was made. For all of these reasons, forward-looking statements should not be relied upon as a prediction of actual future events, objectives, strategies, trends or results.

It is not possible to anticipate and list all risks, uncertainties and developments which may affect the future operations or performance of the Company, or which otherwise may cause actual events or results to differ from forward-looking statements. However, some of these risks and uncertainties include the following:

- the preliminary nature of the estimates related to the Exit Activities, and the possibility they may change as the Company's analysis develops, additional information is obtained, and the Company's efforts to divest the businesses progresses;
- our ability to timely implement the strategic plan in a manner that will positively impact our financial condition and results of operation;
- the impact of the strategic plan on the Company's relationships with its employees, its major customers and vendors;
- our ability to dispose of assets pursuant to the strategic plan and obtain expected proceeds;
- our ability to improve operations and realize cost savings;
- factors that could impact costs, including the availability and pricing of steel rod and scrap and other raw materials, the availability of labor, wage rates and energy costs;

- our ability to pass along raw material cost increases to our customers;
- price and product competition from foreign (particularly Asian) and domestic competitors;
- a significant decline in the long-term outlook for any given reporting unit that could result in goodwill impairment;
- future growth of acquired companies;
- our ability to bring start up operations on line as budgeted in terms of expense and timing;
- litigation risks;
- risks and uncertainties that could affect industries or markets in which we participate, such as growth rates and opportunities in those industries, changes in demand for certain products, or trends in business capital spending;
- changes in competitive, economic, legal and market conditions and related factors, such as the rate of economic growth in the United States and abroad, inflation, currency fluctuation, political risk, U.S. or foreign laws or regulations, interest rates, housing turnover, employment levels, consumer sentiment, taxation and the like.

**Item 2.06 Material Impairments.**

The information contained in Item 2.05 relating to asset impairment charges is incorporated into this Item 2.06 by reference.

**Item 7.01 Regulation FD Disclosure.**

On November 13, 2007, the Company issued a press release announcing a new strategic plan, which among other things, is designed to: (i) change its primary strategic objective from sales growth to Total Shareholder Return; (ii) re-align its portfolio to concentrate on businesses with competitive advantages and financial health; (iii) eliminate over one-fifth of the Company’s portfolio, including the Aluminum Products segment; (iv) improve Free Cash Flow by reducing capital expenditures, engaging in fewer acquisitions, and enhancing return on assets; and (v) increasing the annual dividend by 39% from the current rate of $.72 per year to $1.00 per year. The press release is attached as Exhibit 99.1 and incorporated by reference.

“Total Shareholder Return” equals the change in stock price plus dividends received, divided by the beginning stock price. “Free Cash Flow” equals earnings before interest, taxes, depreciation and amortization, minus income taxes paid, minus capital expenditures, plus or minus the change in working capital, minus acquisitions, plus the proceeds from the sale of assets.

The Company has the authority from the Board of Directors to repurchase 10 million shares each calendar year. On November 13, 2007, the Board accelerated to November 15, 2007 the date on which the Company may commence purchasing the 10 million shares authorized for the 2008 calendar year. No specific repurchase schedule has been established. The timing and amount of shares repurchased will depend upon the availability of cash, market conditions and other factors.

The Company announced that it will discuss the strategic plan at an investor day presentation on November 14, 2007 at 7:30 a.m. Central (8:30 a.m. Eastern). The webcast (and related slide presentation) can be can be accessed (live or replay) from the Investor Relations section of the Company's website at www.leggett.com. Attached as Exhibit 99.2 and incorporated by reference are the slides to be used at the investor day presentation.

The information in this Item 7.01 and Exhibits 99.1 and 99.2 shall not be deemed to be "filed" for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of such section, nor shall such information or exhibits be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 8.01 Other Events.**

On November 13, 2007, the Board of Directors authorized a 39% increase to the dividend, moving the annual rate to $1.00 per share (from the current $.72). The new $.25 quarterly dividend will be paid in January to shareholders of record as of December 14, 2007.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release dated November 13, 2007 |
| 99.2 | Leggett & Platt, Incorporated Slide Presentation for Investor Day, dated November 14, 2007 |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LEGGETT & PLATT, INCORPORATED

Date: November 13, 2007

By: /s/ Ernest C. Jett

Ernest C. Jett

Senior Vice President, General Counsel and Secretary

## INDEX TO EXHIBITS

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**Exhibit 99.1**

FOR IMMEDIATE RELEASE: NOVEMBER 13, 2007

**LEGGETT & PLATT ANNOUNCES NEW STRATEGY INCLUDING DIVESTITURES AND 39% DIVIDEND INCREASE**

Carthage, MO, November 13 —

- Changing primary strategic objective from sales growth to total shareholder return (TSR)
- Re-aligning portfolio to concentrate on businesses with competitive advantage and financial health
- Eliminating over one-fifth of the portfolio, including the Aluminum Products segment
- Improving free cash flow via reduced capex, fewer acquisitions, and enhanced returns on assets
- Increasing annual dividend by 39% to $1.00 / share; yield becomes 5.5% (on $18.19 stock)

Fortune 500 diversified manufacturer Leggett & Platt announced significant changes to its strategy. The company is adopting a new strategic objective, implementing role-based portfolio management and more rigorous strategic planning, and narrowing its focus by eliminating over one-fifth of its portfolio. Leggett also intends to enhance returns on its remaining assets, return more cash to shareholders, and pursue disciplined growth.

CEO and President David S. Haffner commented, "We are making significant, necessary changes to the way we assess our portfolio of businesses, and to how we manage our asset base. We intend to be better stewards of shareholders' capital, generate significantly more free cash, and return a larger amount of that cash to our investors. Our shareholder returns have suffered for the past few years, as part of our portfolio has dragged us down. We are correcting that by divesting several of our businesses. These are tough decisions we don't make lightly because they affect many of our employee-partners; however, these actions are required to bring about a stronger, better performing, and more focused Leggett & Platt."

**Strategic Objective**

The company's new, primary objective is to consistently achieve annual TSR ([Change in Stock Price + Dividends Received] / Beginning Stock Price) of 12%-15% over the long term, which should place Leggett in the top third among the S&P 500. Revenue growth, long held as a primary goal, will now be viewed as one of several means to improve TSR.

Consistent with this change, the company is modifying its incentive plans to emphasize the importance of, and reward, TSR. Beginning in 2008, the company is introducing TSR-based performance incentives for senior executives and modifying business unit (BU) bonus calculations to include a return on assets element.

**Portfolio Management**

Leggett will also manage its BUs as a portfolio, with different roles (Grow, Core, Fix, or Divest) for each BU based upon competitive advantages, strategic position, and financial health. The company is implementing a much more rigorous strategic planning process, in part to continually assess each BU's role in the portfolio. Historically, Leggett managed its businesses fairly uniformly, with each expected to grow significantly; that will not be the case going forward. Those in the Grow category will provide avenues for profitable growth and investment in competitively advantaged positions. Those in the Core category are charged with enhancing productivity, maintaining market share, and generating free cash flow while using minimal amounts of capital. BUs in the Fix category will be given limited time in which to rapidly and significantly improve performance.

**Narrowing Focus**

After significant study, Leggett is narrowing its focus and eliminating approximately $1.2 billion of its revenue base via divestitures, pruning of some business, and closure of underperforming plants.

The largest portion of the revenue reduction (approximately $900 million) will come from divestiture of the Aluminum Products segment and six additional BUs. The company is pursuing divestiture of these businesses during 2008 and expects to generate about $400 million of after-tax proceeds.

The Store Fixtures business unit will prune about $100 million (or 20%) of its least profitable revenue. This unit was placed in the Fix category and given a 12-month deadline by which we anticipate its after-tax return should reach at least cost-of-capital levels. The unit will close four facilities, resulting in notable EBIT margin improvement and an increase in capacity utilization to about 80%.

Finally, several Grow and Core business units, though otherwise healthy, contain individual plants operating at unacceptable profit levels. The company anticipates the closure or disposition of a number of these unprofitable facilities, and an ensuing reduction in revenue of approximately $200 million.

**Improving Returns on Remaining Asset Base**

To remain in the portfolio, BUs are expected to consistently generate after-tax returns (on assets) in excess of the company's cost of capital. Though most of Leggett's BUs are generating adequate returns, each has opportunities to improve. BUs may employ a variety of means to achieve higher returns, including trimming expenses, introducing new products, improving productivity, adopting more disciplined pricing, reducing working capital, and consolidating assets. Business units that fail to attain minimum return goals will be moved to the Fix or Divest categories.

**More Cash to Shareholders**

Several factors, including divestitures, reduced capital spending, fewer acquisitions, and improved BU returns, are expected to contribute to significantly higher free cash flow. The company anticipates that free cash flow for the four-year period 2007-2010 should be more than double that of the 2003-2006 period.

The company plans to return much of this additional free cash to shareholders. In support of this objective, the Board of Directors authorized a 39% increase to the dividend, moving the annual rate to $1.00 per share (from the current $.72). The new $.25 quarterly dividend will be paid in January to shareholders of record as of December 14, 2007.

The company also expects to continue repurchasing shares, and has a standing 10 million shares per calendar year authorization from the Board. In addition, the Board has accelerated to November 15, 2007 the date on which the company may commence purchasing the 10 million shares authorized for 2008.

**Disciplined Growth**

For the next two years the company will focus on better managing its current asset base. That pursuit will require much of senior management's time and attention. During this period growth could be rather minimal.

Over the longer term, the company plans to focus its growth efforts on a narrower set of higher quality opportunities, and is anticipating 4-5% annual growth from the Grow, Core, and new BUs collectively. Growth capital will be predominantly earmarked for the Grow BUs, which are expected to expand at rates in excess of GDP. Core BUs are, for the most part, operating in markets that grow more slowly than GDP, and are expected to at least maintain market share. In addition, over the long term the company will be looking for opportunities to enter new, higher growth businesses that meet strict criteria.

**Financial Results**

With $1.2 billion of revenue reduction, and assuming modest growth from that reduced base, full year 2010 revenue could be approximately $4.3 billion. Assuming no deterioration in market demand or general economic conditions over the next few years, EBIT margin should increase to about 11% in 2010, largely as a result of divestitures, plant closures, and initiatives that will improve returns on the base portfolio. Based on those sales and margin assumptions, the company anticipates annual TSR over the next three years in excess of its 12-15% annual target.

As a result of these activities, the company expects significant restructuring-related charges. Though the magnitude and timing of these charges has not been finalized, they are expected to total $150-300 million, virtually all non-cash. Details regarding the impact on fourth quarter 2007 earnings will be communicated to investors once the amounts become more certain. Annual earnings guidance for 2008 will be issued as part of the January 24 earnings press release, and updated quarterly; however the company will no longer be issuing guidance regarding quarterly earnings.

**Closing CEO Comments**

CEO and President David S. Haffner summarized, “Our shareholders deserve the benefits that we expect will result from these actions. Longer term, I’m convinced we will reestablish Leggett & Platt as a growing and substantially more profitable enterprise, a company that consistently generates above-average total shareholder return.

“The current management team is absolutely dedicated to rapid implementation and precise execution on this change in strategy and focus.”

**Investor Day Presentation**

Management will discuss these changes at an Investor Day presentation on November 14 at 7:30 a.m. Central (8:30 a.m. Eastern). The webcast can be accessed (live or replay) from the Investor Relations section of Leggett’s website at www.leggett.com. Fourth quarter results will be released after the market closes on January 24, 2008, with a conference call the next morning.

FOR MORE INFORMATION: Visit Leggett’s website at www.leggett.com.

COMPANY DESCRIPTION: Leggett & Platt (NYSE: LEG) is a FORTUNE 500 diversified manufacturer that conceives, designs and produces a broad variety of engineered components and products that can be found in virtually every home, office, retail store, and automobile. The company serves a broad suite of customers that comprise a “Who’s Who” of U.S. manufacturers and retailers. The 124-year-old firm is composed of 28 business units, 32,000 employee-partners, and more than 300 facilities located in over 20 countries.

Leggett & Platt is North America’s leading independent manufacturer of: a) components for residential furniture and bedding; b) retail store fixtures and point of purchase displays; c) components for office furniture; d) non-automotive aluminum die castings; e) drawn steel wire; f) automotive seat support and lumbar systems; g) carpet underlay; h) adjustable beds; and i) bedding industry machinery for wire forming, sewing and quilting. Primary raw materials include steel and aluminum. Main operations include metal stamping, forming, casting, machining, coating, welding, wire drawing, and assembly.

FORWARD-LOOKING STATEMENTS: Statements in this release that are not historical in nature are “forward-looking.” These statements involve uncertainties and risks, including the company’s ability to improve operations and realize cost savings, 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, foreign currency fluctuation, litigation risks, and other factors described in the company’s latest Form 10-Q. 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.

CONTACT: Investor Relations, (417) 358-8131 or invest@leggett.com
David M. DeSonier, Vice President of Strategy and Investor Relations
Susan R. McCoy, Director of Investor Relations

P. O. BOX 757 · NO. 1 LEGGETT ROAD · CARTHAGE, MISSOURI 64836-0757 · 417/358-8131

Exhibit 99.2

Leggett & Platt®

# CHANGING COURSE

## Investor Day

November 14, 2007

# 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 improve operations and realize cost savings, 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, foreign currency fluctuation, litigation risks, and other factors described in the company’s latest Form 10-Q.  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.

# Presentation Topics

## Leggett is Changing Course

- Why Change?
- New Strategic Direction
- Key Changes
- Expected Results

### Presentation Team

- **Dave Haffner,** President and CEO
- **Karl Glassman,** Executive VP and COO
- **Matt Flanigan,** Senior VP and CFO
- **Dave DeSonier,** VP Strategy and IR

# Executive Summary

## Becoming Better Stewards of Shareholders' Capital

- **Historically: Revenue Driven**
- **Future: TSR Driven** (Total Shareholder Return)
  - Phase 1 (2-3 Years): Improve Returns on Assets<br>Increase Free Cash Flow
  - Phase 2 (2010+): Profitably Grow > GDP

## Why Change?

- Poor Return to Shareholders
- Inefficient Use of Capital
- Not Hitting Financial Targets
- Parts of Portfolio Weighing Us Down

# State of the Company

## Strengths

- Market Leadership
- Low Cost Converters
- Product Development
- Customer Relationships
- > 20% Foreign
- Generate Lots of Cash

## Weaknesses

- Too Patient
- Overly Optimistic
- “We Can Fix It”
- Strategic Planning

# Agenda: Key Changes

**Phase 1: Clean Up Portfolio & Implement More Rigorous Strategic Planning** (2-3 Years)

- **Success = TSR**
- **Role-Based BU Management**
- **Stronger BU-Level Strategic Planning**
- **Eliminate Over 1/5 of Portfolio**
- **Higher Returns on Base Portfolio**
- **39% Dividend Increase + Buybacks**

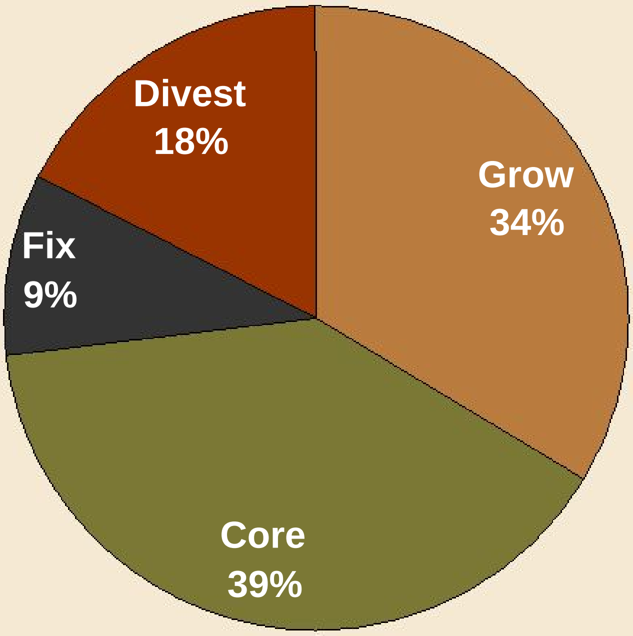
**Phase 2: Profitably Grow > GDP** (2010+)

# Success = TSR

- **TSR = (Δ Price + Dividends) / Initial Price**
- **Target Top 1/3 of S&P 500**
- **Several Levers:**
  - Δ Earnings = (Δ Revenue) x (Δ Margin)
  - Cash Yield = Dividends + Repurchases
  - Δ P/E Multiple
- **Exec and BU Incentives Linked to TSR**

# Role-Based BU Management

- **Different Goals:**
  - Grow: Profitable **Growth**
  - Core: Maximize **Cash**
  - Fix: Rapidly **Improve**
- **Based on Strategy and Returns**
- **Capex Skewed**




**2007 Expected Revenue**

# Rigorous BU Strategic Planning

- More Formal Process
- Influences BU “Role”
- Assess BU Position and Advantages
- 3-Year Plan to Achieve $\geq$ 10% TBR / yr

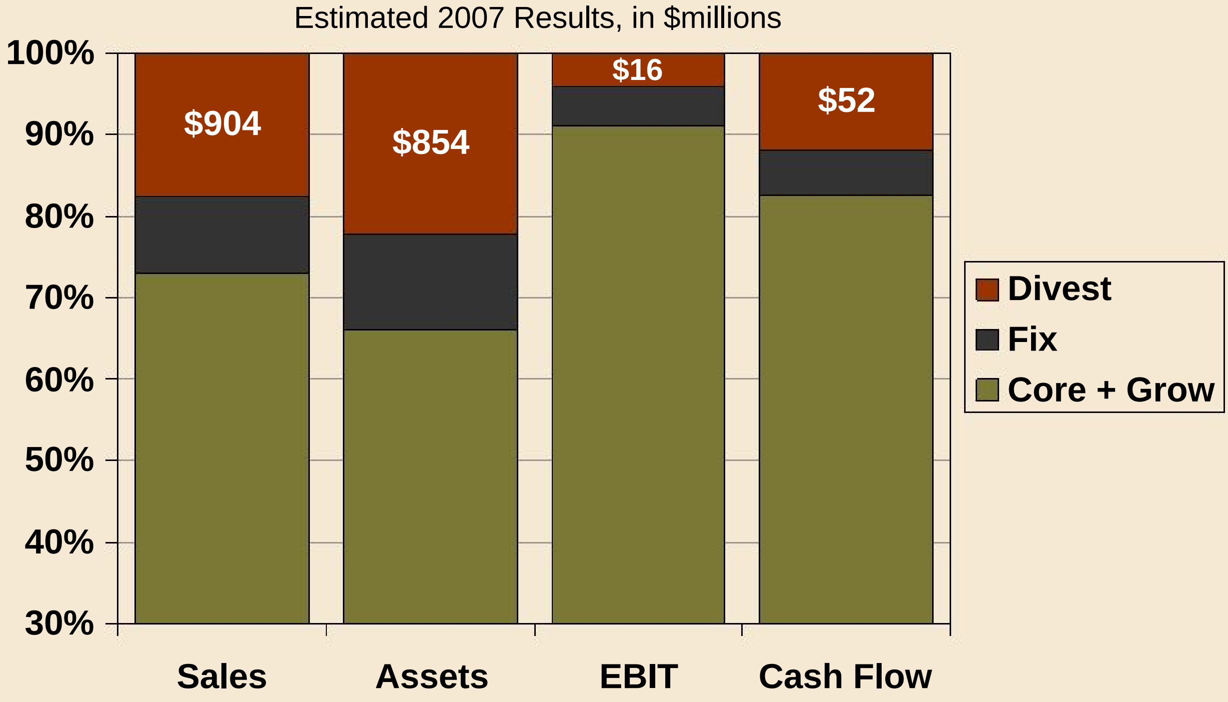
# Eliminate 1/5 of Portfolio Revenue

- $900m Divested:  Aluminum & 6 BUs
- $100m Pruned from Store Fixtures BU
- $200m from Poor Performing Plants
- Aim to Finish by End of 2008

# “Fix” the Store Fixtures BU

- **Shrink to Higher Profitability Core**
  - Prune ~$100m (20%) of Low-Margin Sales
  - Eliminate ~$180m (31%) of Production Capacity
    - Closing 4 of 14 Facilities; Utilization Increases to ~80%
- **Urgency; Hard Targets and Deadlines**
  - Attain Return ≥ WACC by Q4’08
  - 250 Basis Point Higher Margin (run rate) by March

# Prune Low Profitability BUs




Net Trade Sales; Assets = Receivables + Inventory + Net PPE + Goodwill + Intangibles;
EBIT excludes Non-Recurring items; Cash Flow = EBITDA + ΔWC – Capex

# Higher Returns on Base Portfolio

- **BU Bonus Linked to Returns**
- **Initiatives:**
  - Product Development
  - Pricing Discipline
  - Cost Reduction
  - Consolidation; Prune Underperforming Plants
  - Overhead
- **If BU Return < WACC, 1 Year to Improve**

# Send More Cash to Shareholders

- **Generate Much More Free Cash**
- **Increase Dividend by 39%**
  - To $1.00 / year (from $0.72 / year currently)
  - Requires Additional ~$50m in Cash / Year
    - More Than Offset by Reduction in Capex, Acquisitions
- **10m Shares / yr Standing Authorization**
  - Maintain Priority on Stock Repurchases
  - Use Proceeds from Divestitures

# Phase 2:  Profitably Grow > GDP

- **Minimal Growth for 2-3 Years (Phase 1)**
  - Focus is “Clean Up”, High Return
- **Longer Term:  4-5% Growth (Phase 2)**
  - Base Opportunities Identified in Strategic Plans
  - Possible New BUs; Must Meet Rigorous Criteria
- **Seek Growth, But Not at Expense of TSR**

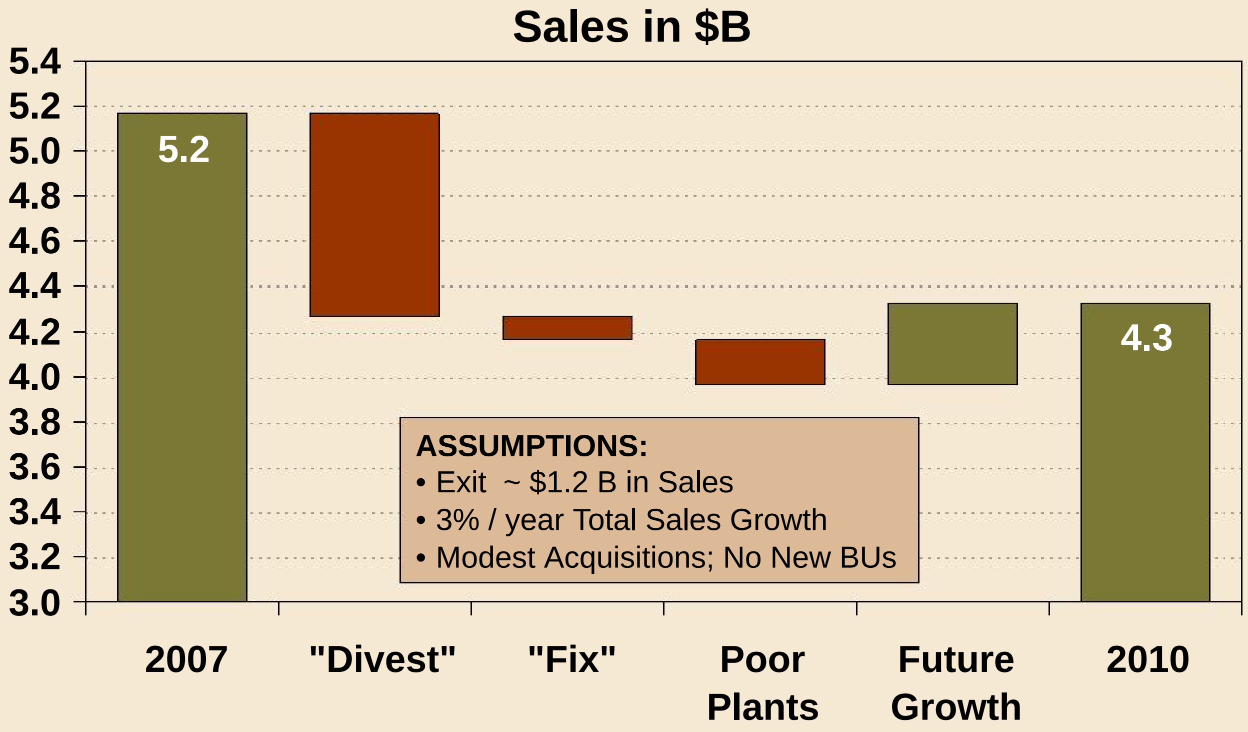
# Agenda: Expected Results

- Significant Restructuring Costs
- Lower Sales, Higher Margin
- 40% Lower Capex, Acquisitions
- Free Cash More Than Doubles
- 3-Yr TSR Exceeds Target Levels

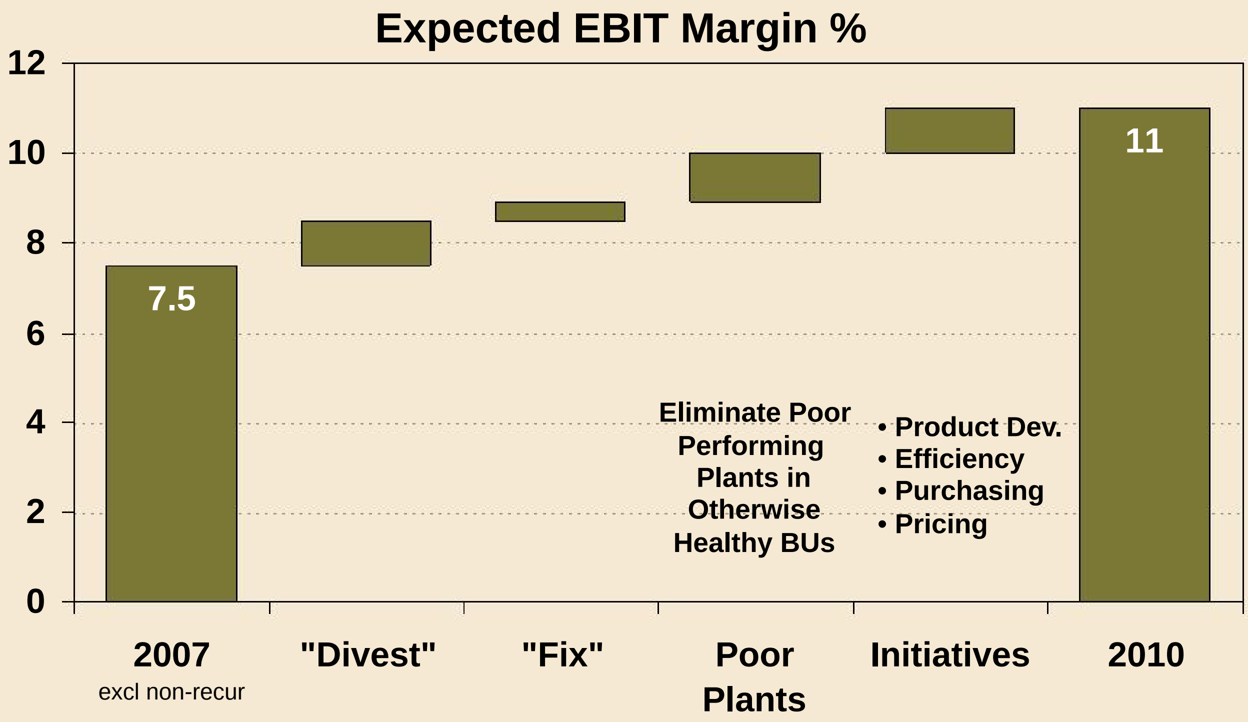
# Restructuring-Related Costs

- **Cost Estimates Not Yet Finalized**
  - $150 - 300 million, Virtually All Non-Cash
- **Update 4Q Guidance Once Resolved**
- **Issue 2008 Guidance on Jan 24**
  - Annual Guidance Only, Updated Quarterly

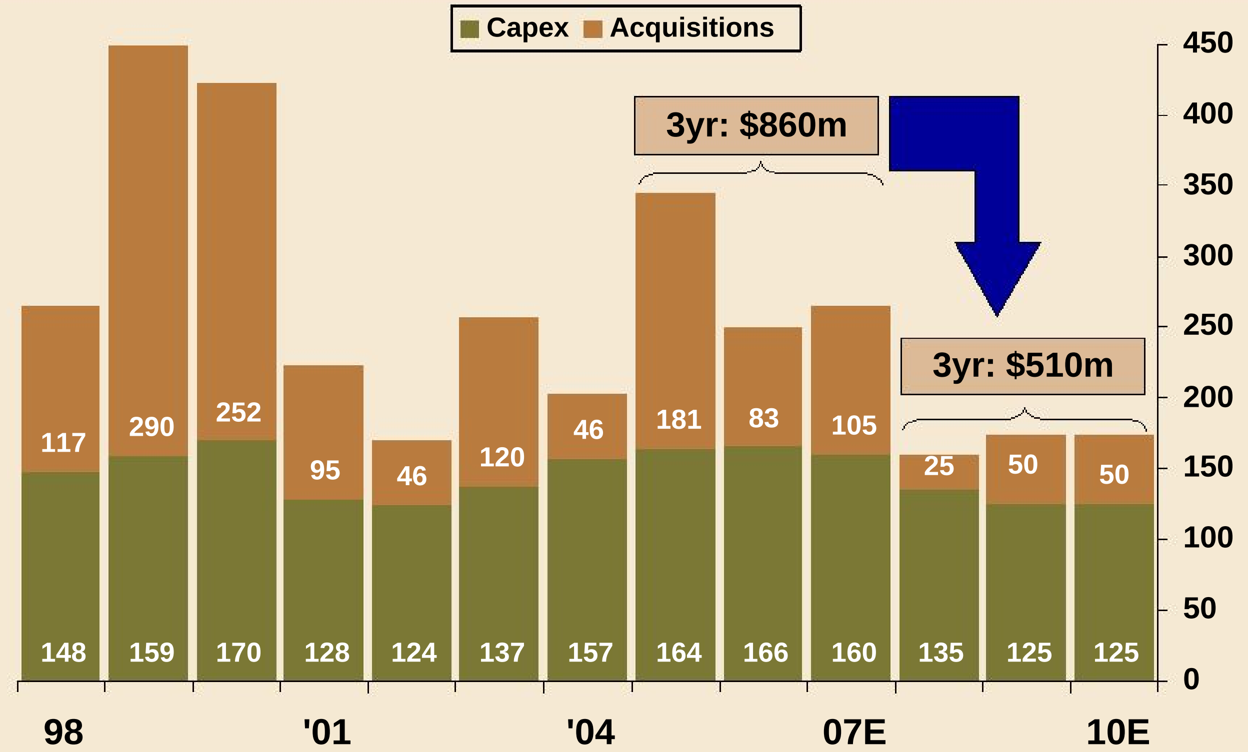
# Sales ≈ $4.3B in 2010



# EBIT Margin ≈ 11% by 2010



# ~40% Lower Capex and Acquisitions



# Free Cash Should More Than Double

| $B | '03-'06 | '07-'10 | |
|---|---|---|---|
| Cash from Ops | 1.6 | 1.8 | On Smaller Asset Base |
| Divestitures | 0.1 | 0.5 | .08 Prime Foam; 0.40 Future |
| Capex | (0.6) | (0.5) | 20% Lower in Future |
| Acquisitions | (0.4) | (0.2) | Assumes No New BUs |
| **Free Cash Flow** | **0.7** | **1.6** | **> 2 Times as Large** |
| Δ Net Debt | 0.3 | (0.1) | |
| **$B to Shareholders** | **1.0** | **1.5** | **> $500m Increase** |
| -- Dividends, $B | 0.5 | 0.6 | $1/share in '08; Annual Increase |
| -- Repurchases, $B | 0.5 | 0.9 | Buy 20-30m Shares '08-'10 |

# New Strategy, Same Principles

## Changing

- Success = TSR
- Portfolio Roles
- Divesting Several BUs
- Increased Urgency
- 39% Dividend Increase
- Less Capex, Acquisition
- Modest Growth Targets
- New Financial Metrics
- Strategic Plan Process
- Annual Guidance

## Continuing

- Integrity
- Down-to-Earth, Candid
- Commitment to Improve
- Product Innovation
- Relationships Matter
- Significant Cash Flow
- Annual Dividend Growth
- Clean Financials
- Strong Balance Sheet
- Mgmt Stock Ownership

# BACK UP SLIDES

# New Mindset is Required

| | Future | Recent History |
|---|---|---|
| **Overall Goal:** | **High TSR** | Revenue Growth |
| **Capex:** | **Judiciously Allocated** | Not Adequately Constrained |
| **BU Success:** | **Cash Flow Return** | Revenue & EBIT Growth |
| **Portfolio Mgmt:** | **Role Based on Strategy** | "1 Size Fits All" |
| **Acquisitions:** | **Fewer, Strategy Driven** | Opportunistic, "Good Deal" |
| **Divestitures:** | **Part of Port. Mgmt.** | Admitting Defeat |
| **Urgency:** | **Meet Deadline or Exit** | "We Can Fix It" |

# Criteria for Role Assignments

| | GROW | CORE | FIX / DIVEST |
|---|---|---|---|
| 1. COMPETITIVE POSITION | Advantaged | Solid, Stable | Tenuous or Disadvantaged |
| 2. MARKET ATTRACTIVE? | Strong, Growing | Attractive, But With Lower Growth Potential | Poor Or Declining |
| 3. FIT w/ LEGGETT | Strong | Strong | Limited |
| 4. RETURN (ROGI) | Consistently > 12% | Stable, 9-12% | Erratic or < WACC |
| 5. BU SIZE & MATERIALITY | Large, Significant | Large, Significant | Inconsequential, Distracting |

# BU Roles By Segments

| % of Leggett Revenues | GROW | CORE | FIX / DIVEST |
|---|---|---|---|
| Residential | 30% | 14% | 4% |
| Commercial | 4% | 2% | 12% |
| Aluminum | -- | -- | 9% |
| Industrial | -- | 10% | -- |
| Specialized | -- | 13% | 2% |
| Total | 34% | 39% | 27% |
| Target Mix | 50% | 50% | -- |

# Expectations by Portfolio Role

- **All: Credible Path to ≥ 10% TBR Required, else Exit**
- **Grow: Provide Profitable Growth; Return > WACC**
  - Invest Capital in Competitively Advantaged Positions
  - Identify Major Organic, M&A, or Rollup Investments
- **Core: Send Cash To Corporate; Return ≥ WACC**
  - Maintain Stable, Competitive Positions to Generate Cash
  - Aggressively Improve EBITDA and Free Cash Flow
  - Profitably Grow Market Share, But With Minimal Capex
  - Enhance Productivity; Reduce Costs, Overhead, Working Capital
- **Fix: Rapidly Restructure, else Exit**
  - 12 Months To Achieve Return ≥ WACC, Else Divest / Liquidate

# Capex and Acquisition Guidelines

## CAPEX: Reduced; Less Spent on Growth

**GROW:** Available.

**CORE:** **Limited;** For Productivity Enhancement, but Not Expansion.

**FIX / DIV:** **Severely Restricted;** Maintenance Only.

## ACQUISITIONS: Fewer, more strategic; higher "bar"

**ALL:** Value Creating; TSR Accretive; Clear Strategic Rationale; Sustainable Competitive Advantage; Attractive Market.

**GROW:** Typical: Revenue > $50m, Historical ROGI > 15%; If New Market, Growth > GDP.

**CORE:** **Rare;** Revenue > $15m; Adds Value at **15% Discount Rate;** Related to Current Served Market; Low Execution Risk.

**FIX / DIV:** **None** Allowed.

# Growth Discipline

- **Strat Plan Process Identifies "Grow"  BUs**
  - Advantaged Positions in Strategically Attractive Markets
- **Charter**
  - Desire Growth, But Not At Expense of TSR
  - Growth Capex Purposely Skewed to the "Grow" BUs
  - BUs Encouraged to Explore R&D and Mktg Investments
  - Acquisitions Allowed If Fits Strategic Plan, TSR Accretive
- **Discipline**
  - BU Bonus Based on Return and EBIT (but not revenue)
  - BU Plans Approved Only if 3-Yr TBR > 10% cagr

# BU Incentives / Bonus

- Historical: EBIT based
- 2008: Based on EBIT and Return
  - new emphasis on returns
  - linked to BU TBR and LEG TSR Goals
- 2009+: Linked to BU Strategic Plans

# New Financial Metrics

- **TSR: Total Shareholder Return**
  - Total Benefit Investor Realizes from Owing Our Stock
  - $\Delta$ Stock Price + Dividends
- **TBR: Total BU Return**
  - Analogous to TSR, but at BU Level
  - $\Delta$ BU Value + Free Cash Flow; (Value = EBITDA x Multiple)
- **ROGI: After-tax Return on Gross Investment**
  - Proxy for Expected Return of Incremental Organic Growth
  - Measure of the "Health" of BU; Basis for Role Assignment
  - (EBITA – Taxes) / (WC + Gross PP&E)
- **FCF: Free Cash Flow**
  - Amount of Cash, All In, the BU Returns to Corporate
  - EBITDA – Taxes – Capex – $\Delta$WC – Acquisitions + Sales Proceeds

# Formulae for Financial Metrics

$$TSR = \frac{(\Delta Earnings \times Multiple) + Dividends}{Initial\ Market\ Value} = \text{Total Shareholder Return}$$

$$TBR = \frac{(\Delta EBITDA \times Multiple) + FCF}{Initial\ Market\ Value} = \text{Total BU Return}$$

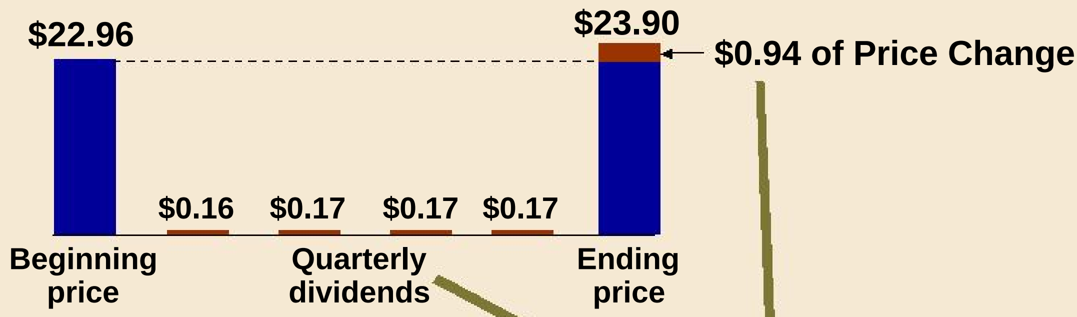
$$ROGI = \frac{EBITA - taxes}{WC + Gross\ PPE} = \text{Return on Gross Investment}$$

$$FCF = EBITDA - taxes - capex - \Delta WC - acquisition\ cost + sales\ proceeds = \text{Free Cash Flow}$$

WC = working capital; PPE = property, plant, equipment;
EBITA = earnings before interest, taxes, and amortization

# TSR: Total Shareholder Return

## Leggett's TSR for 2006




$$\text{TSR} = \frac{\text{Dividends + Price Change}}{\text{Beginning of year price}} = \frac{0.67 + 0.94}{22.96} = 7.0\%$$

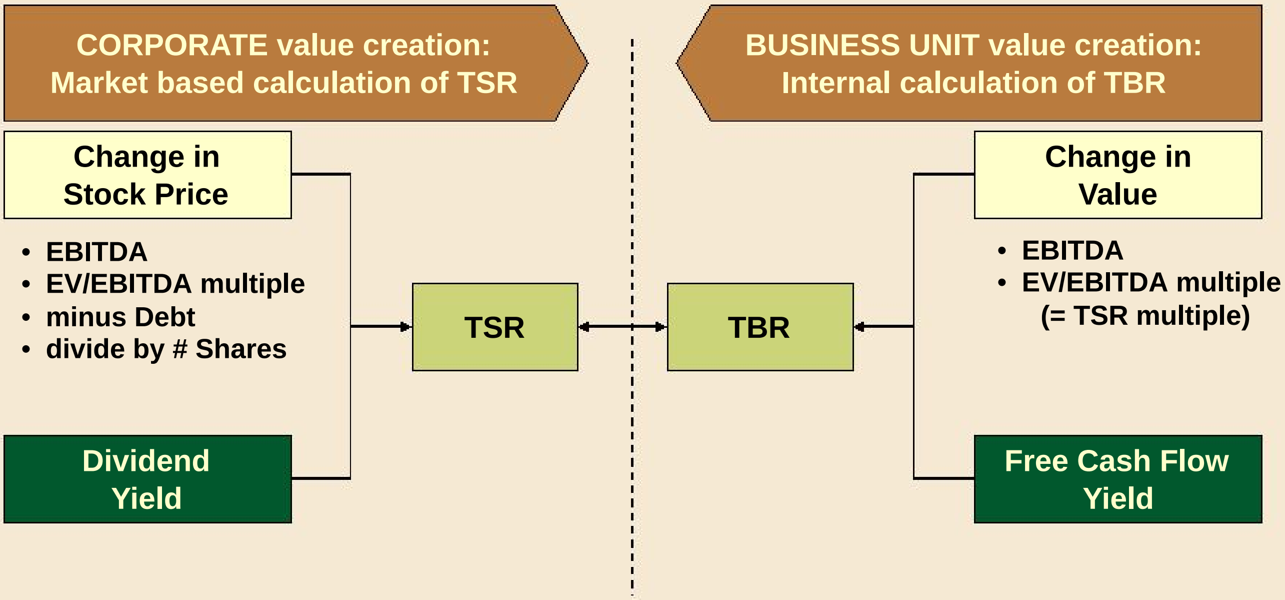
# Several “Levers” Drive TSR

**LEG, 2006**

| | | | |
|---|---|---|---|
| | 1. Δ **Earnings** | Δ Revenue | 4% |
| | + | Δ Margin | 5% |
| Δ Market Cap | | | |
| | 2. Δ P/E **Multiple** | | (8)% |
| | + | Δ Share Count<br>(e.g. share repurchases) | 3% |
| | 3. **Cash Return** | Dividend Yield | 3% |
| | = | | |
| | **TSR** | | 7% |

# TBR: Total Business Return

## TBR is the BU Equivalent of TSR



# TSR and TBR are Analogous

**TBR = Total Business Return = Return <u>Corporate</u> Receives on Its Investment**

| | Leggett TSR | | Business Unit TBR | | | | |
|---|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2005 | 2006 | 2007 | 2008 | 3-yr |
| **EBITDA** | **567** | **657** | **21** | **58** | **21** | **29** | |
| EV Multiple | x 9.1 | x 8.0 | x9.1 | x8.0 | x8.0 | x8.0 | |
| Value | 5160 | 5256 | 190 | 458 | 163 | 231 | |
| Debt | (955) | (980) | | | | | |
| Market Cap | 4204 | 4276 | | | | | |
| # Shares Outst. | 183 | 178 | | | | | |
| Share Price | $22.96 | $23.90 | | | | | |
| Change in Value | | $0.94 | | 268 | (295) | 68 | 41 |
| % Change | | 4.1% | | 141% | (64)% | 42% | 7% |
| **Dividend** or **FCF** | | **$0.67** | | **(29)** | **8** | **18** | **(3)** |
| % Yield | | 2.9% | | (15)% | 2% | 11% | (0)% |
| % TSR or TBR | | 7.0% TSR | | 126% | (62)% | 53% | 6% TBR |

**OPER LEVERS**

**FCF = Free Cash Flow = EBITDA – taxes – capex – ΔWC – acquis. cost + sale proceeds**

# Anticipated Future Results

- TSR of 12-15% per year
- Dividend Payout of 50-60%
- Sales Growth (in Phase 2) of ~ 4-5% / year
- ~11% EBIT Margin
- Net Debt-to-Cap of 30-40%

# Future Portfolio Composition

| | % Sales | EBIT Mgn |
|---|---|---|
| ▪ Residential | ~50% | 10-11% |
| ▪ Commercial | ~1/6 | ~ 9% |
| ▪ Industrial | ~1/6 | 8-9% |
| ▪ Specialized | ~1/6 | 10-11% |
| Total Company | 100% | ~11% |

**~ 30% Foreign Sales** (vs. ~ 21% today)

Segment margins based on Trade + Intersegment Sales; Company margin based on Trade Sales.