

# Company Update

## September 2019



LEG (NYSE)  
[www.leggett.com](http://www.leggett.com)

*Leggett & Platt®*

## Forward-Looking Statements

Statements in this presentation that are not historical in nature are “forward-looking,” including the financial results of ECS. These statements are identified either by their context or by use of words such as “anticipate,” “believe,” “estimate,” “expect,” “forecasted,” “intend,” “may,” “plan,” “should” or the like. All such forward-looking statements are expressly qualified by the cautionary statements described in this provision. We do not have, and do not undertake, any duty to update any forward-looking statement. Forward-looking statements should not be relied upon as a prediction of actual future events or results. Any forward-looking statement reflects only the beliefs of Leggett at the time the statement is made. All forward-looking statements are subject to risks and uncertainties which might cause actual events or results to differ materially from the forward-looking statements. Some of these risks and uncertainties include: uncertainty of the financial performance, including sales and sales growth of ECS; inability to deleverage in the expected timeframe; the Company’s and ECS’s ability to achieve their respective operating targets; projections of Company sales, earnings, capital expenditures, dividends, cash from operations, tax rate and diluted shares; price and product competition, the amount of share repurchases, demand for the Company’s products, cost and availability of raw materials and labor, fuel and energy costs, general economic conditions, possible goodwill or asset impairment, anticipated restructuring-related costs, foreign currency fluctuation, litigation risks and other risk factors in Leggett’s Form 10-K, Form 10-Q and Form 8-Ks. Unless we indicate otherwise, we base the information concerning our markets/industry contained herein on our general knowledge of and expectations concerning those markets/industry, on data from various industry analyses, on our internal research, and on adjustments and assumptions that we believe to be reasonable. However, we have not independently verified data from market/industry analyses and cannot guarantee their accuracy or completeness.

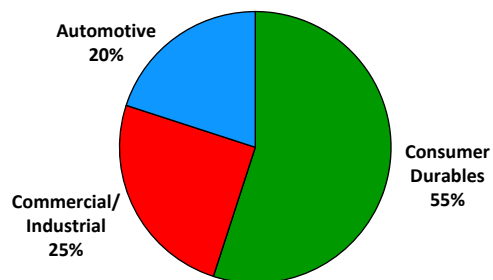
# TSR Focused Mid-Cap Manufacturer

- ❑ Targeting **Total Shareholder Return in top third** of S&P 500
- ❑ **~4% dividend yield**; 48 consecutive annual increases
- ❑ **Strong** balance sheet and cash flow
- ❑ **Leader** in most markets; few large competitors
- ❑ Poised for **continued growth**
  - Internal initiatives + market growth + acquisitions
- ❑ Management has **“skin in the game”**
  - Significant stock owners; forego comp in exchange for shares
  - Incentive comp aligned with TSR focus

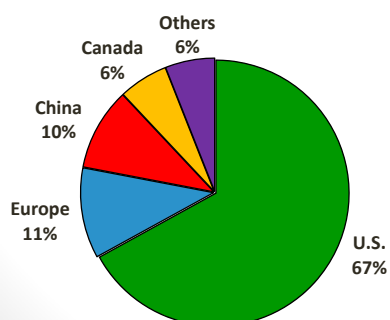
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## Diverse Markets

Macro Market Exposure

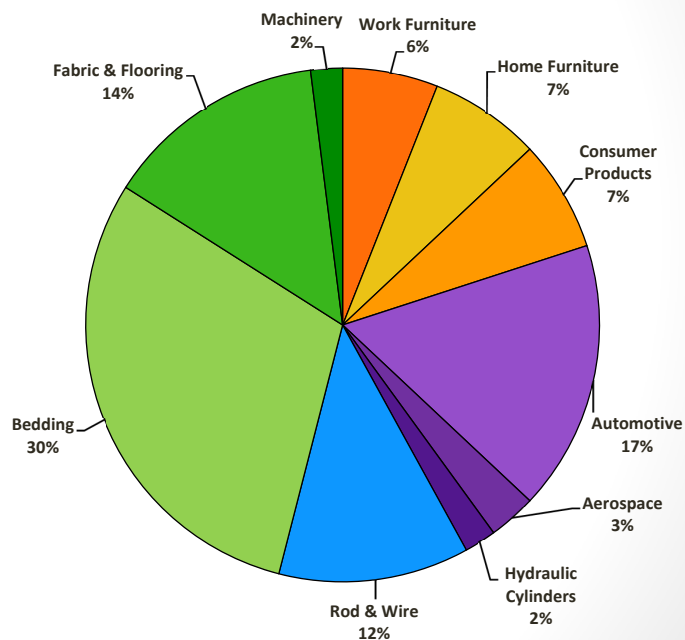


Geographic Split (based on production)



Product Mix

% of 2019 est. total sales



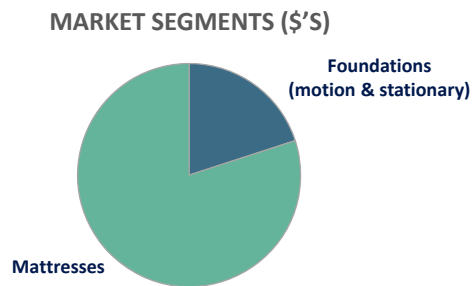
4 segments; 10 groups

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# U.S. Bedding Market Overview

## Finished Mattresses & Foundations at Wholesale\*

~\$10B  
Market



### COMPETITORS

Regional  
Innerspring and  
specialty foam  
component  
suppliers

Importers of  
finished  
mattresses

Private-label  
mattress  
manufacturers,  
primarily all foam

\*Source: ISPA; Furniture Today; internal analysis

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## ECS + US Spring: Creating a Leading Provider of Differentiated Products for the Bedding Industry



### Establishes a Global Leader in Bedding Technology and Manufacturing

- Leggett is the global leader in innerspring technology and manufacturing
- ECS brings critical capabilities in propriety foam technology, along with scale in the production of private-label finished mattresses, toppers and pillows



### Adds R&D Capabilities and Proprietary Foam Technologies

- Utilize ECS's substantial proprietary and patented technology to develop unique specialty foam products for individual customers
- Create new hybrid products through best-in-class specialty foam innovation and spring technologies



### Positions the Company to Grow

- Capability to supply components or private-label finished goods for nearly any mattress type, packaging form or distribution channel
- Capture greater share of global specialty foam for bedding

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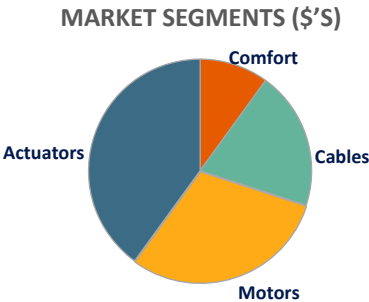
# Market Trends Support Our Strategy

- ❑ Growth of hybrid and specialty foam mattresses
  - Expected to double in size, to ~30% of the market, by 2022
- ❑ Growth of online mattress sales
  - Expected to be half of the market by 2026
  - Traditional OEMs and retailers are adding compressed mattress offerings
    - Reduces transportation and warehousing costs
    - Improve consumer purchasing convenience (i.e., cash and carry)
- ❑ Emergence of numerous compressed mattress brands
  - Fastest growing segment of online mattress sales
  - Brands are differentiating through hybrid products and specialty foams

# Global Automotive Market Overview

**Seat Comfort** (lumbar, suspension) + **Motors/Actuators** + **Cables**

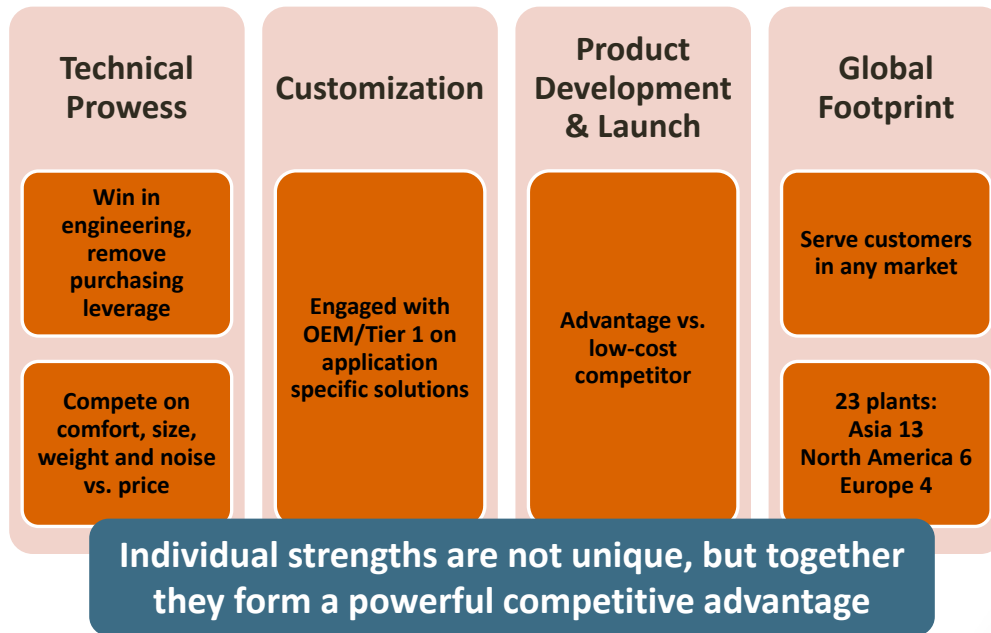
**~\$10B  
Addressable  
Market**



**COMPETITORS**







Comfort	Motors	Actuators	Cables
Few, single-product focus	Many; functionality vs. cost	Many; make vs. buy	Many, fragmented

# How We Differentiate



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# Market Trends

-  Comfort & convenience momentum continues
  - > Seat is a differentiator; more content in less space
  - > More power features in other parts of vehicle
-  More global programs as OEMs replicate platforms worldwide
-  OEM directed sourcing
-  Large share of the value chain is shifting to C.A.S.E.
-  CO<sub>2</sub> & fuel efficiency standards drive new emerging performance requirements for mass, efficiency, noise, sustainability, and overall cost
-  Our competitive advantages help us win

Technological advances will have significant consumer and industry impacts over next 5-10 years – Industry is transforming to our space in comfort and convenience

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# TSR Framework & Financial Priorities

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## TSR in Top Third of S&P 500

### Sources of TSR: Growth, Margin Improvement, Dividend Yield, and Share Buybacks

$$\text{Total Shareholder Return} = (\Delta \text{ Stock Price} + \text{Dividends}) / \text{Initial Price}$$

**Revenue Growth Target:** 6–9% annually

**Margin Improvement:** Growth in attractive markets, product development, portfolio management, cost savings, efficiency improvements

**Dividend Payout Target:** ~50% of earnings

**Excess Cash Use:** Stock buyback

# TSR Performance

	3-year CAGR				
	<u>13-16</u>	<u>14-17</u>	<u>15-18</u>	<u>16-19<sup>3</sup></u>	<u>Target</u>
<b>Revenue Change</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>8</b>	<b>6-9</b>
<i>ex divestitures/deflation/currency</i>	7	5	4	—	
<b>EBIT Margin Change</b>	<b>12</b>	<b>6</b>	<b>(5)</b>	<b>(5)</b>	<b>1</b>
<i>Change in Interest &amp; Taxes<sup>1</sup></i>	2	2	2	(4)	—
Change in Multiple <sup>1</sup>	(2)	(7)	(7)	(3)	—
<b>Dividend Yield</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Stock Buyback</b>	<b><u>2</u></b>	<b><u>1</u></b>	<b><u>2</u></b>	<b><u>1</u></b>	<b><u>1</u></b>
<b>Annual TSR</b>	<b>20</b>	<b>7</b>	<b>(2)</b>	<b>—</b>	<b>11-14</b>
<b>% Rank in S&amp;P 500<sup>2</sup></b>	<b>11%</b>	<b>56%</b>	<b>76%</b>	<b>76%<sup>4</sup></b>	

<sup>1</sup> Change in Multiple has historically included changes in interest and taxes; however, due to increased interest expense related to the ECS acquisition, changes in interest and taxes are presented on a separate line titled "Change in Interest & Taxes".

<sup>2</sup> 1% is best.

<sup>3</sup> TSR estimated based on mid-point of 2019 guidance and assumes a \$45 year-end share price.

<sup>4</sup> Relative TSR performance through mid-September 2019.

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## Growth Framework

- ❑ Targeting 6-9% average annual revenue growth; organic + acquisition
- ❑ Three avenues of growth:
  1. Should benefit from **Increasing Content and New Programs** for at least next few years
  2. Implemented a **Growth Identification Process** → to generate profitable growth initiatives in current markets
  3. Utilizing our **Styles of Competition** → to identify longer-term opportunities in new attractive markets

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# L&P's Style of Competition: Critical Components

		Dimension	Characteristic
Where we compete	Product / Service / Solution	1. Role in value chain	<b>Translate RM or components</b> into critical component
		2. Functional role	<b>Functionally essential</b> to end product
		3. % of finished COGS	<b>&lt;25%</b> of finished COGS
	Industry Structure	4. Customer set	Concentrated in <b>few large customers</b>
		5. Competitive set	<b>Small private</b> companies w/ single focus
	Econ-omics	6. Gross margin	Earns <b>attractive returns</b> at ~20-30% GM
		7. Asset intensity	<b>Light manufacturing</b> ~2x asset turns
How we compete		8. Deep customer engagements	<b>Deep understanding of customer</b> design, production pain points, long-term relationships
		9. Collaborative design	<b>Co-design</b> products/components for <b>better functionality</b> and lower total cost
		10. Flexible mfg	<b>Long-run SKUs</b> that can be adjusted to deliver <b>custom specs</b> w/ minimal additional capital
		11. Continuous cost improvement	<b>Continuous cost improvement</b> throughout life of long run-length SKUs

# Sources of Margin Improvement

### Near-Term Opportunities:

- ❑ **Exiting** Fashion Bed and **restructuring activities** in Home Furniture
- ❑ **Cost reductions** in businesses where market demand has slowed
- ❑ **Improving efficiency** in rapidly growing operations

### Ongoing Opportunities:

- ❑ **Portfolio management**
- ❑ **New products** with higher margins
- ❑ **Continuous improvement**



# Priorities for Use of Cash

1. Fund organic growth in attractive businesses
2. Increase dividends
  - **48 year history** of dividend increases; S&P 500 *Dividend Aristocrat*
3. In 2019/2020 pay down debt
  - Targeting ~2.5x debt to trailing 12-months EBITDA

## Longer term:

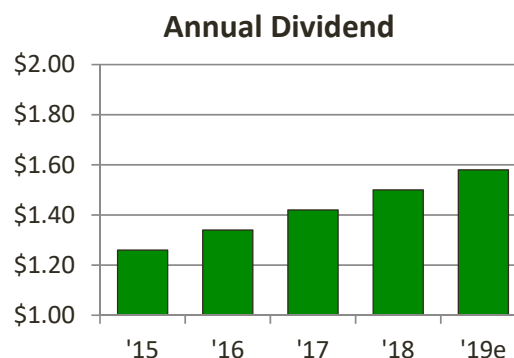
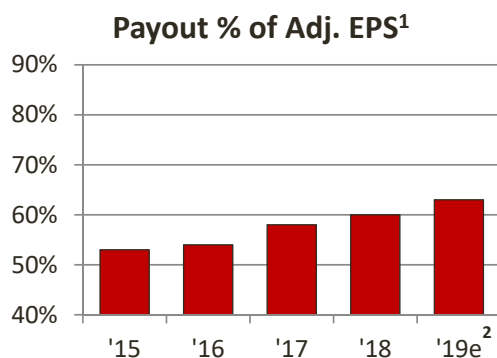
4. Fund strategic acquisitions
5. Repurchase stock with available cash

**Operating Cash has exceeded Dividends & Capital Expenditures every year for 30 years**

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# Dividend Growth

- ❑ Dividend payout target is **~50% of earnings** (vs. 50–60% previously); actual payout will likely be higher in the near-term
- ❑ Committed to extending 48-year history of consecutive annual dividend increases
- ❑ Dividend yield ~4%; one of the highest among the S&P 500 *Dividend Aristocrats*



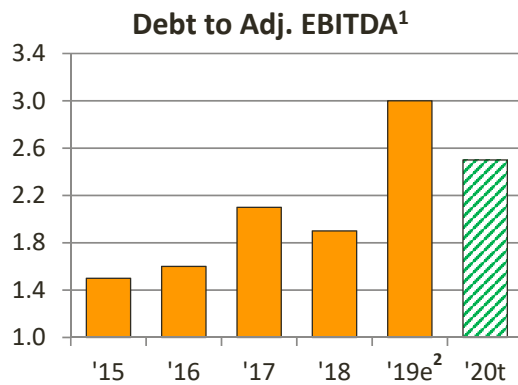
<sup>1</sup> EPS from continuing ops exclude unusual items. See appendix for non-GAAP reconciliations.

<sup>2</sup> 2019 estimates based on mid-point of guidance.

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# Strong Balance Sheet

- ❑ Maintaining long-held priority on financial strength
- ❑ Financed \$1.25 billion ECS acquisition in January 2019 with:
  - \$750 million of commercial paper (\$500 million refinanced March 2019 through public issuance of 4.4% 10-year notes)
  - Issuance of \$500 million 5-year term loan (variable rate)



<sup>1</sup> EBITDA from continuing ops exclude unusual items. See appendix for non-GAAP reconciliations.

<sup>2</sup> 2019 estimates based on mid-point of guidance.

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# Current Topics

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## Q2 2019 Highlights

- ❑ Sales of \$1.21 billion, up 10%
  - ECS and other smaller acquisitions added 16% to sales growth
  - Organic sales were down 6%
    - Volume down 6% (3% from exited business)
    - Raw material-related pricing and negative currency impact offset
- ❑ EPS of \$.64, up vs. \$.63 in Q2-18
- ❑ EBIT of \$136 million, up \$15 million vs. Q2-18
- ❑ EBIT margin of 11.2% vs. 11.0% in Q2-18
- ❑ Cash from operations of \$172 million, vs. \$81 million in Q2-18
- ❑ Debt to LEG & ECS 12-month pro forma adj. EBITDA<sup>1</sup> of 3.45x (target is ~2.5x)

# 2019 Guidance (issued 7/29/19)

- ❑ Sales guidance lowered to \$4.7–\$4.85 billion (vs. prior range of \$4.95–\$5.1 billion); 10–14% growth vs. 2018
  - Organic sales expected to decline -1% to -5%; including -3% from exited business in Furniture Products. Decrease due to:
    - Lower than previously expected production in the automotive market and lower trade demand for steel rod and wire
    - Negative currency impact and steel-related selling price decreases
  - Acquisitions should add 15%; including ~\$600 million from ECS (commencing from January 16<sup>th</sup> acquisition date). ECS decrease due to:
    - Lower than previously expected volume, primarily from programs that were delayed or did not develop, weakness in some non-bedding markets and raw material-related selling price decreases

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# 2019 Guidance, cont. (issued 7/29/19)

- ❑ Adj. EPS reduced to \$2.40–\$2.60 (vs. prior range of \$2.45–\$2.65)
  - Excludes expected restructuring-related charges of \$.10
  - Reduced mid-point by \$0.05 to \$2.50 due to:
    - Lower sales expectations partially offset by decreasing steel costs (including LIFO benefit)
- ❑ Implied adjusted EBIT margin of 11.1%–11.4%
- ❑ Operating cash is expected to approximate \$550 million
- ❑ Cap-ex of ~\$180 million; down \$15 million from prior guidance
- ❑ Depreciation and amortization of ~\$200 million
- ❑ Tax rate of ~24%
  - 1Q = 22%; 2Q = 24%; 3Q-4Q = ~24%
- ❑ Diluted shares of ~136 million

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# Macro Indicators

## ❑ **Consumer confidence**

- More crucial than home sales since majority (~2/3rds) of bedding/furniture purchases are replacement of existing product
- “Large ticket” purchases that are deferrable

## ❑ **Total housing turnover**

- Combination of **new and existing** home sales

## ❑ **Employment levels**

## ❑ **Consumer discretionary spending**

## ❑ **Interest rate levels**

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# Key Take-Aways

## ❑ **TSR in top-third of S&P 500** is primary financial goal

## ❑ Established process to support long-term **profitable growth**

## ❑ Maintaining **capital discipline**

## ❑ **Dividend growth** remains a top priority

## ❑ **ECS acquisition** creates attractive new avenue for growth

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## INVESTOR DAY

Monday, November 18, 2019

at


Omni Berkshire Hotel

21 E. 52<sup>nd</sup> St., New York

7:30 am Breakfast and Registration

8:30 – noon Presentation and Q&A

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### FOR ADDITIONAL INFORMATION

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Find our Fact Book at [www.leggett.com](http://www.leggett.com).

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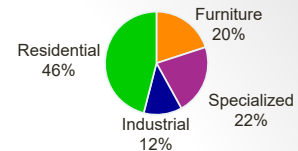
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# Additional Information

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## Segments

% of 2019 est total sales



### Residential Products

#### Bedding

- Mattress springs
- Private-label finished mattresses, mattress toppers, pillows
- Specialty bedding foams
- Foundations

#### Fabric & Flooring Products

- Textile converting
- Flooring underlayment
- Geo components

#### Machinery

- Quilting and sewing machinery for bedding mfg.
- Mattress packaging and glue-drying equipment



### Industrial Products

#### Wire

- Drawn steel wire
- Steel rod



### Furniture Products

#### Work Furniture

- Chair controls, bases, frames
- Private-label finished seating

#### Home Furniture

- Recliner mechanisms
- Seating and sofa sleeper components

#### Consumer Products

- Adjustable beds



### Specialized Products

#### Automotive

- Auto seat support and lumbar systems
- Motors, actuators & cables

#### Aerospace

- Tubing
- Tube assemblies

#### Hydraulic Cylinders

- Hydraulic cylinders used in forklifts, lift trucks, construction equipment, truck-mounted cranes, aerial work platforms, and other equipment



# Customers Include

## In North America:

Adient	HNI	Mattress Firm	Tempur Sealy
Ashley Furniture	JLG (Oshkosh)	MCF	Tesla
Best Home Furniture	Knoll	Rooms-to-Go	Toyota Boshoku
Berkshire Hathaway	La-Z-Boy	Sanyo	Toyota Industrial Equip
Casper	Lear	Serta	Tuft & Needle
Eaton	Lincoln Electric	Simmons	United Technologies
Haworth	Lowe's	Sleep Number	Walmart
Herman Miller	Magna	Steelcase	Wayfair

## In Europe and Asia:

Dreams	Hay	Kuka	Silentnight Beds
Eurasia	Hilding Anders	Natuzzi	Steinhoff
Faurecia	Himolla	Nestledown	Volkswagen
Fritz Hansen	Howe	Profim	

**Diverse Customer Base – Low Concentration**

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# Cost Structure

## Cost of Goods Sold composition (approximate):

- ❑ 60% Materials, composed of:
  - Steel ~25% of RMs
  - Chemicals ~15% of RMs
  - Woven & non-woven fabrics ~10% of RMs
  - Foam scrap, fibers ~3% of RMs
  - Titanium, nickel, stainless ~2% of RMs
  - Others, including sub-assemblies, hardware, components, finished products purchased for resale, etc. ~45% of RMs
- ❑ 20% Labor (includes all burden and overhead)
- ❑ 20% Other, composed of:
  - Depreciation, utilities, maintenance, supplies — each ~3% of COGS
  - Shipping/transportation ~10% of COGS
  - Other also includes rent, insurance, property tax, etc.
- ❑ Costs are roughly 75% variable, 25% fixed

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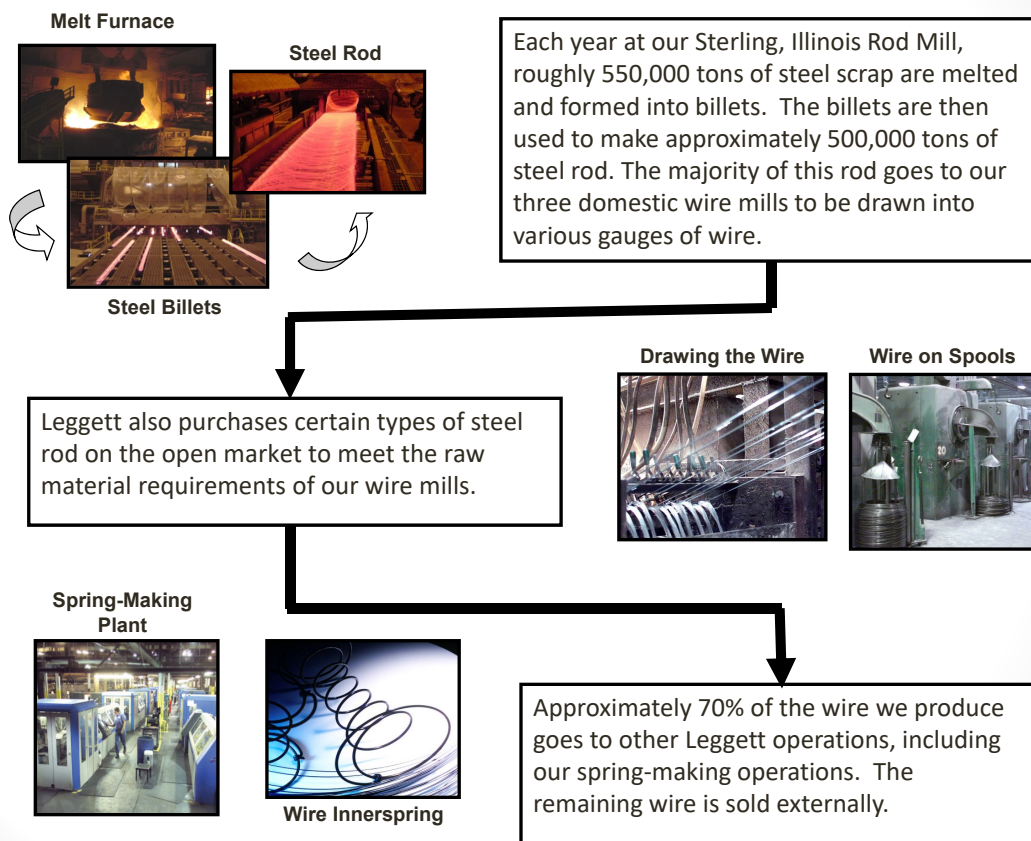


# Steel Impact

- ❑ Primary commodity exposure is steel; ~25% of RM's
- ❑ Main categories are scrap, rod, and flat-rolled
  - Many grades of scrap – market data is generally available
  - Limited credible data to track moves in other types of steel
- ❑ Impact from inflation/deflation
  - Typically pass through; lag is ~90 days
- ❑ LIFO accelerates inflation/deflation into COGS
- ❑ Changes in metal margin (mkt price for rod - mkt price for scrap) also impact earnings
  - Our scrap cost and rod pricing moves with the market; large swings cause Industrial Products segment earnings volatility

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# Vertical Integration in Steel



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# Strong Peer Group

## Diversified Manufacturers

w/ Ticker & Fortune 1000 Ranking (May 2019)

Leggett Ranking = 599

<b>CSL</b>	<b>Carlisle</b>	<b>570</b>	<b>ITW</b>	<b>Illinois Tool Works</b>	<b>214</b>
<b>DHR</b>	<b>Danaher</b>	<b>160</b>	<b>IR</b>	<b>Ingersoll Rand</b>	<b>n/a</b>
<b>DOV</b>	<b>Dover</b>	<b>412</b>	<b>MAS</b>	<b>Masco</b>	<b>366</b>
<b>ETN</b>	<b>Eaton Corp</b>	<b>n/a</b>	<b>PNR</b>	<b>Pentair</b>	<b>n/a</b>
<b>EMR</b>	<b>Emerson</b>	<b>178</b>	<b>PPG</b>	<b>PPG Industries</b>	<b>205</b>

## Characteristics of the Group

Multiple Business Segments  
 Sell Mainly to Other Manufacturers  
 Low Customer Concentration  
 Stamp, Cast, & Machine Materials  
 Moderate Labor & Capital Intensity

Primarily Manufacturers  
 In “Old Economy” Markets  
 Complex; Hard to Grasp  
 Old, Established Firms  
 Diverse Products

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# Governance/Directors

August 2019

- ❑ 9 Non-Management Directors (out of 10 total)
- ❑ Only Non-Mgmt Directors on Key Board Committees

## Non-Mgmt

		<u>Age</u>	<u>Joined</u>	<u>Position</u>	<u>Firm</u>
Mark Blinn	✧	57	2019	Retired President & CEO	Flowserve
Robert Brunner	◆✧	61	2009	Retired EVP	ITW
R. Ted Enloe †	◆✧	80	1969	Managing Partner	Balquita Partners
Manuel Fernandez	◆✧	73	2014	Managing Director	SI Ventures
Joe McClanathan	✧✧	67	2005	Retired President & CEO	Energizer Household Products
Judy Odom	✧✧	66	2002	Retired Chair & CEO	Software Spectrum
Srikanth Padmanabhan	✧	55	2018	Vice President	Cummins Inc.
Jai Shah	◆	53	2019	Group President	Masco
Phoebe Wood	✧✧	66	2005	Principal	CompaniesWood

## Management

Karl Glassman	60	2002	President & CEO	Leggett & Platt
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† Independent Board Chair

Committees: ✧ Audit ◆ Compensation ✧ Nominating & Corporate Governance

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# Compensation Rewards Strong Performance

- ❑ Annual Incentive
  - Based on current year **ROCE, free cash flow**, and individual goals
- ❑ Performance Stock Units
  - Long-term equity-based, significant portion of total comp for execs
  - Three-year performance period with two equal measures
    - **Relative TSR performance** (vs. peer group of ~320 companies)
    - Company or segment **EBIT CAGR**
- ❑ Deferred Comp Program
  - Opportunity (in December) to **forego** a portion of next year's cash salary and bonus to **buy** stock units

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# Role-Based Portfolio Management

- ❑ Strategic Planning Process
  - Assess market attractiveness and Leggett's advantages
  - Used to determine portfolio role
- ❑ Place each BU into Portfolio Role
  - Grow, core, fix, or divest
  - Different goals for each
    - Grow: profitable **Growth**
    - Core: maximize **Cash**
    - Fix: rapidly **Improve**

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# Criteria for Role Assignments

	<u>GROW</u>	<u>CORE</u>	<u>FIX / DIVEST</u>
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

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## Expectations by Portfolio Role

### □ Grow: Provide Profitable **Growth**; Return > WACC

- Invest capital in competitively advantaged positions
- Identify major organic, M&A, or rollup investments

### □ Core: **Generate Cash**; 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

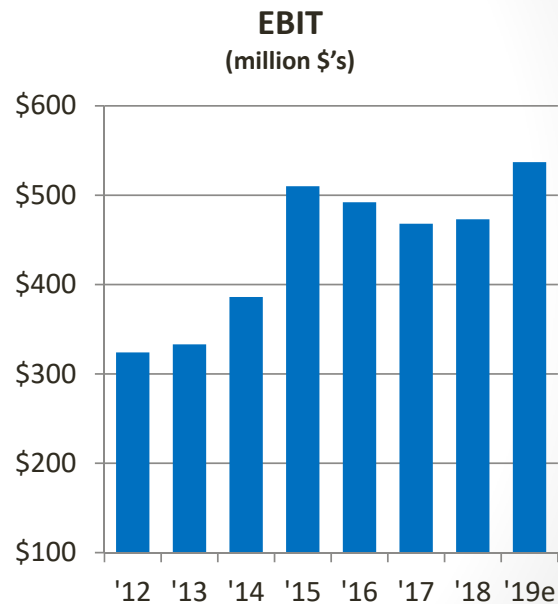
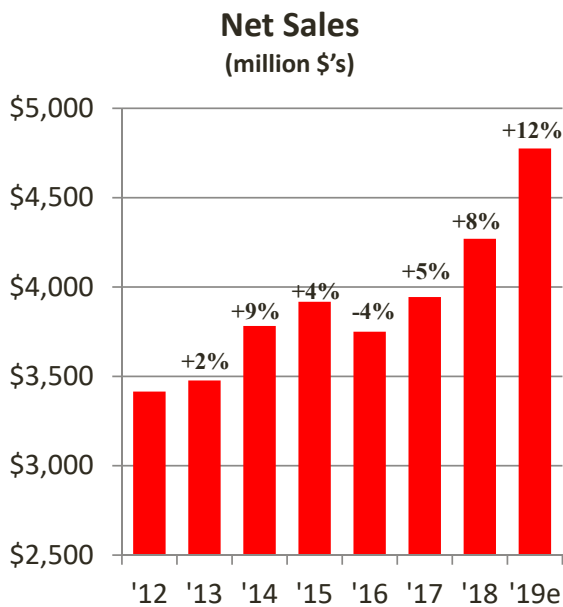
- Limited time to achieve return ≥ WACC, else divest / liquidate

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# Financial Information

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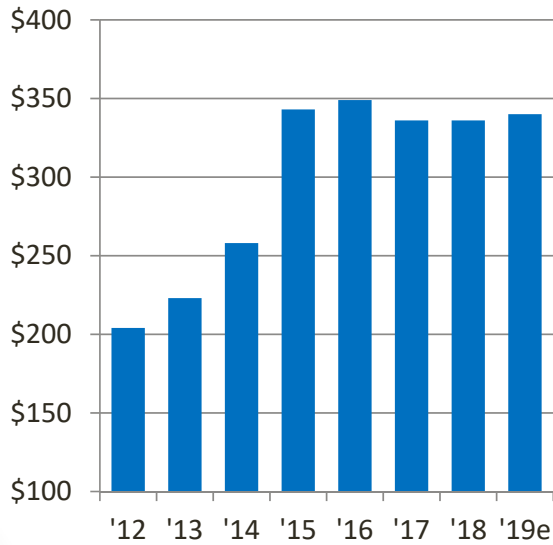
## Sales and EBIT



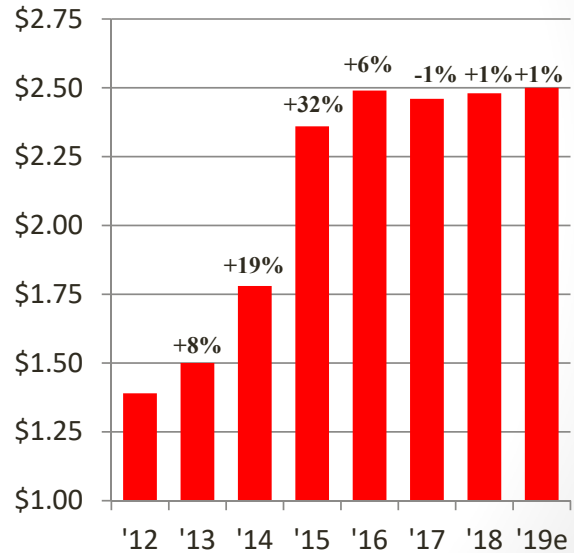
- Amounts are from continuing operations and exclude unusual items. See appendix for non-GAAP recon.
- 2019 estimates are based on mid-point of guidance.

# Net Earnings and EPS

**Net Earnings**  
(million \$'s)



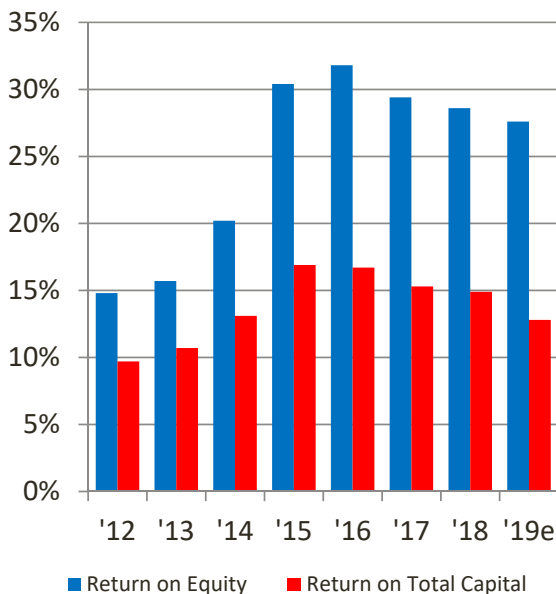
**EPS**  
(\$'s per share)



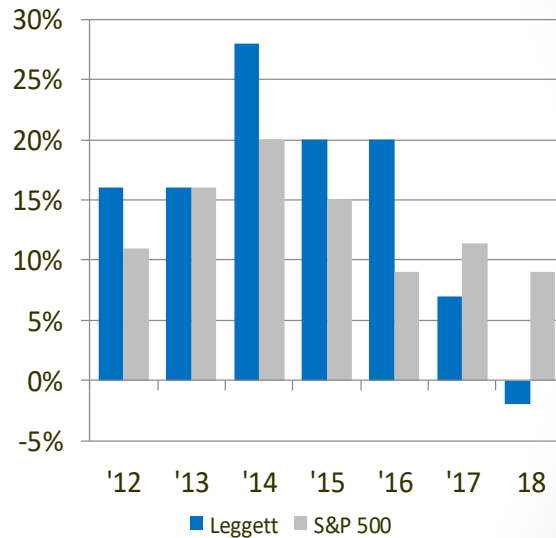
- Amounts are from continuing operations and exclude unusual items. See appendix for non-GAAP recon.
- 2019 estimates are based on mid-point of guidance.

# Returns and TSR

**Returns**

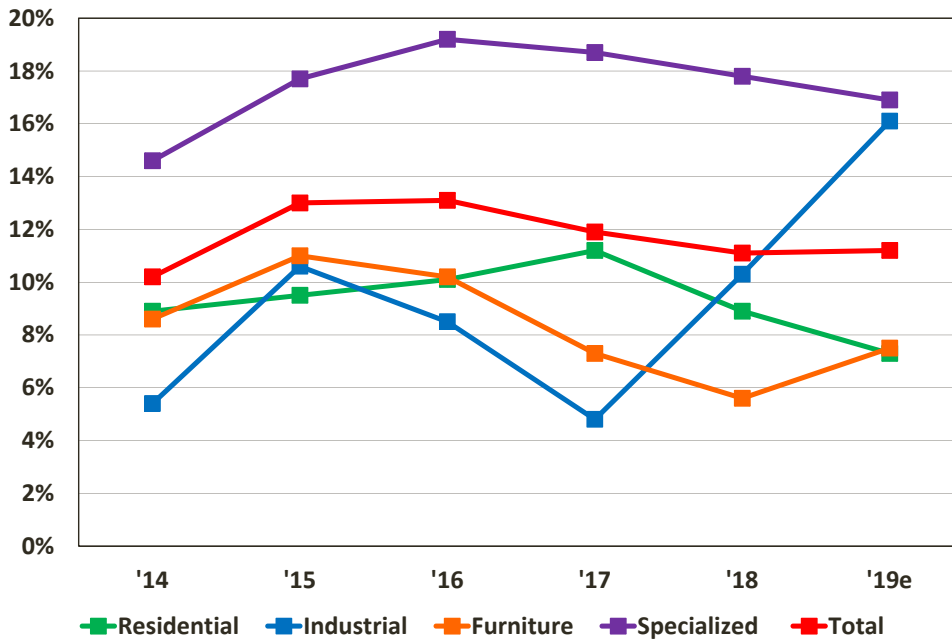


**3-Year Avg TSR - at year end**



- See appendix for return calculations.
- 2019 estimates are based on mid-point of guidance.
- TSR assuming dividends continually reinvested.

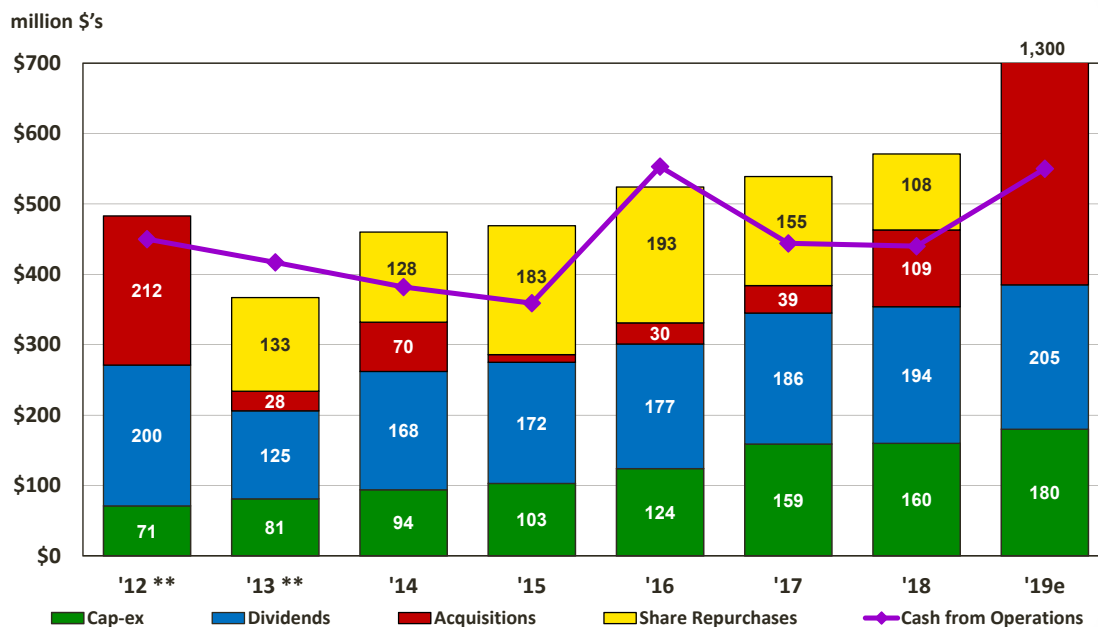
# Segment EBIT Margins



- Amounts exclude unusual items. See appendix for non-GAAP recon.
- 2019 estimates are based on mid-point of guidance.

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# Uses of Cash Flow



\*\* 3 qtr dividends paid in 2013; accelerated the Jan-2013 dividend payment of \$41 million into Dec 2012 in anticipation of higher tax rates.

Operating Cash > Capital expenditures + Dividends for 30 years

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# Cash Flow Details

<u>\$'s in millions</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019e<sup>3</sup></u>
Net Income	251	200	101	329	386	293	306	326
Deprec & Amort	116	123	118	113	115	126	136	200
Def Income Taxes	(22)	(33)	(40)	24	18	16	(3)	
Impairment & Other	17	83	124	19	15	11	32	
Working Capital	57	26	54	(171)	15	(80)	(46)	(6)
Other Non-Cash <sup>2</sup>	31	18	25	45	4	78	15	30
<b>Cash from Operations</b>	<b>450</b>	<b>417</b>	<b>382</b>	<b>359</b>	<b>553</b>	<b>444</b>	<b>440</b>	<b>550</b>
<b>Uses of Cash</b>								
Capital Expenditures	(71)	(81)	(94)	(103)	(124)	(159)	(160)	(180)
Dividends <sup>1</sup>	(200)	(125)	(168)	(172)	(177)	(186)	(194)	(205)
Acquisitions	(212)	(28)	(70)	(11)	(30)	(39)	(109)	(1,300)
Share Repurchases	6	(133)	(128)	(183)	(193)	(155)	(108)	-

<sup>1</sup> 5 qtr dividends paid in 2012 and 3 qtr dividends paid in 2013; accelerated the Jan-2013 dividend payment of \$41 million into Dec-2012 in anticipation of higher tax rates.

<sup>2</sup> 2017 Other Non-Cash includes \$67 million in deemed repatriation taxes as a result of the Tax Cuts and Jobs Act.

<sup>3</sup> 2019 estimated net income is based on mid-point of guidance.

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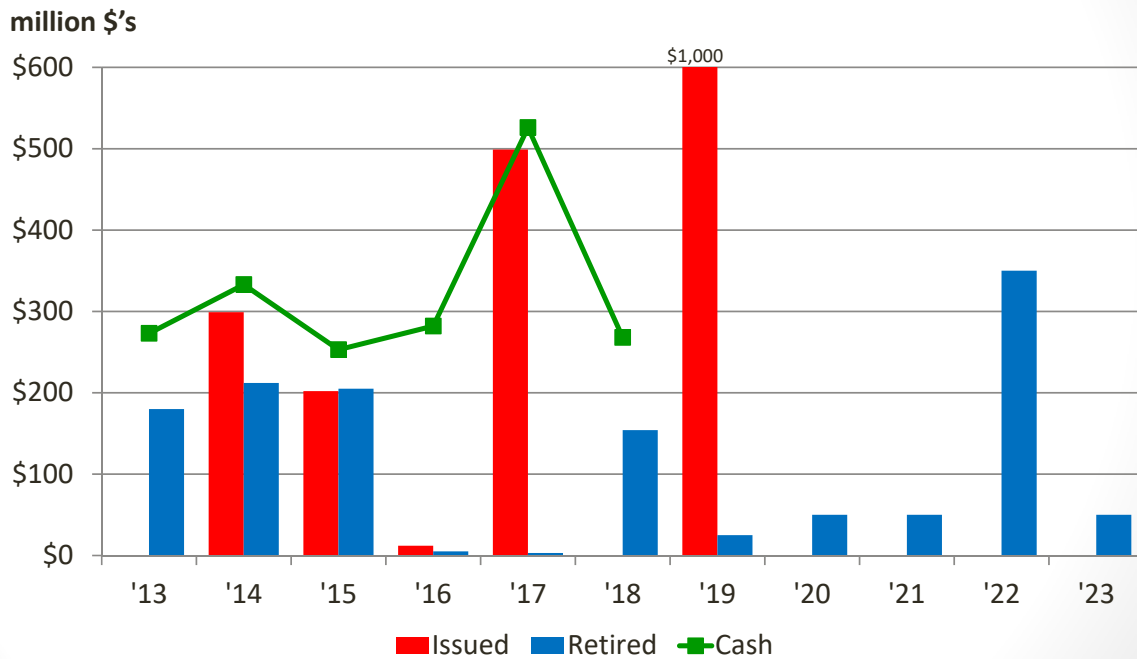
# Debt Structure (at 6/30/2019)

- ❑ \$2,415 million total debt
  - 3.8% avg. rate, 6.4 years avg. maturity
- ❑ \$866 million available commercial paper
  - Expanded commercial paper program from \$800 million to \$1.2 billion primarily to finance the ECS acquisition
- ❑ Financed ECS acquisition in January 2019 with:
  - \$750 million of commercial paper (\$500 million refinanced in March through the public issuance of 4.4% 10-year notes)
  - Issuance of \$500 million 5-year term loan

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# Debt Issued and Retired



• Excludes commercial paper borrowings

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# Financial Metrics Defined

## □ TSR: Total Shareholder Return

- Total benefit investor realizes from owning our stock
- $(\Delta \text{ stock price} + \text{dividends}) / \text{initial stock price}$

## □ EBIT CAGR: Compound Annual Growth Rate of EBIT

## □ ROCE: Return on Capital Employed

- Drives ~60–70% of annual bonus at operating level & corporate
- $\text{EBIT} / (\text{working capital (ex cash \& current debt)} + \text{net PP\&E})$

## □ FCF: Free Cash Flow

- Drives ~20–30% of annual bonus at operating level and corporate
- $\text{EBITDA} - \text{capex} \pm \Delta \text{ working capital (ex cash \& current debt)}$

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# Appendix

## Non-GAAP Reconciliations

*Leggett & Platt*

### Non-GAAP Adjustments, Continuing Ops

(\$ millions, except EPS)	2012	2013	2014	2015	2016	2017	2018	2019e
<b>Non-GAAP Adjustments (\$'s)<sup>1</sup></b>								
Restructuring-related charges	-	-	-	-	-	-	16	17
Note impairment	-	-	-	-	-	-	16	-
ECS transaction costs <sup>2</sup>	-	-	-	-	-	-	7	1
Gain from real estate sale	-	-	-	-	-	(23)	-	-
Impairment charges	-	67	-	6	4	5	-	-
Litigation accruals	-	-	54	6	-	-	-	-
Acq-related bargain purchase gain	-	(9)	-	-	-	-	-	-
Pension settlement charge	-	-	-	12	-	15	-	-
Gain/loss from sale of business	-	-	-	-	(27)	3	-	-
Litigation settlement gain	-	-	-	-	(7)	-	-	-
<b>Non-GAAP adjustments (pre-tax \$'s)</b>	<b>-</b>	<b>58</b>	<b>54</b>	<b>23</b>	<b>(30)</b>	<b>-</b>	<b>39</b>	<b>18</b>
Income tax impact	-	(21)	(21)	(9)	12	-	(7)	(4)
TCJA impact <sup>3</sup>	-	-	-	-	-	50	(2)	-
Unusual tax items	(27)	-	-	-	-	(8)	-	-
<b>Non-GAAP adjustments (after tax \$'s)</b>	<b>(27)</b>	<b>37</b>	<b>33</b>	<b>15</b>	<b>(18)</b>	<b>42</b>	<b>30</b>	<b>14</b>
Diluted shares outstanding	146.0	147.2	143.2	142.9	140.0	137.3	135.2	136.0
<b>EPS impact of non-GAAP adjustments</b>	<b>(\$.18)</b>	<b>\$.25</b>	<b>\$.23</b>	<b>\$.09</b>	<b>(\$.13)</b>	<b>\$.32</b>	<b>\$.22</b>	<b>\$.10</b>

<sup>1</sup> Calculations impacted by rounding.

<sup>2</sup> 2018 includes \$4 million in SG&A charges and \$3 million of financing-related charges in interest expense.

<sup>3</sup> Tax Cuts and Jobs Act of 2017.

# Reconciliation of Adj EBIT, Adj EBIT Margin, Adj Earnings, and Adj EPS

(\$ millions, except EPS)	2012	2013	2014	2015	2016	2017	2018	2019e <sup>2</sup>
EBIT (continuing operations)	\$324	\$275	\$332	\$487	\$522	\$468	\$437	\$520
Non-GAAP adjustments, pre-tax <sup>1</sup>	-	58	54	23	(30)	-	36	18
<b>Adjusted EBIT (cont. operations)</b>	<b>\$324</b>	<b>\$333</b>	<b>\$386</b>	<b>\$510</b>	<b>\$492</b>	<b>\$468</b>	<b>\$473</b>	<b>\$538</b>
Net sales	\$3,415	\$3,477	\$3,782	\$3,917	\$3,750	\$3,944	\$4,270	\$4,775
<b>Adjusted EBIT margin</b>	<b>9.5%</b>	<b>9.6%</b>	<b>10.2%</b>	<b>13.0%</b>	<b>13.1%</b>	<b>11.9%</b>	<b>11.1%</b>	<b>11.2%</b>
Earnings from cont. operations	\$231	\$186	\$225	\$328	\$367	\$294	\$306	\$326
Non-GAAP adjustments, after tax <sup>1</sup>	(27)	37	33	15	(18)	42	30	14
<b>Adj Earnings from cont. operations</b>	<b>\$204</b>	<b>\$223</b>	<b>\$258</b>	<b>\$343</b>	<b>\$349</b>	<b>\$336</b>	<b>\$336</b>	<b>\$340</b>
Diluted EPS from cont. operations	\$1.57	\$1.25	\$1.55	\$2.27	\$2.62	\$2.14	\$2.26	\$2.40
EPS impact from non-GAAP adjs <sup>1</sup>	(.18)	.25	.23	.09	(.13)	.32	.22	.10
<b>Adjusted EPS from cont. operations</b>	<b>\$1.39</b>	<b>\$1.50</b>	<b>\$1.78</b>	<b>\$2.36</b>	<b>\$2.49</b>	<b>\$2.46</b>	<b>\$2.48</b>	<b>\$2.50</b>

<sup>1</sup> See slide 52 for adjustment details.

<sup>2</sup> 2019 estimates are based on mid-point of guidance.

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# Calculation of Return on Equity and Return on Total Capital

(\$ millions)	2012	2013	2014	2015	2016	2017	2018	2019e <sup>3</sup>
<b>Return on Equity</b>								
Earnings from cont. operations	\$231	\$186	\$225	\$328	\$367	\$294	\$306	\$326
Non-GAAP adjustments, after tax <sup>1</sup>	(27)	37	33	15	(18)	42	30	14
Adj earnings from cont. operations	\$204	\$223	\$258	\$343	\$349	\$336	\$336	\$340
Avg shareholder equity	\$1,375	\$1,421	\$1,277	\$1,126	\$1,096	\$1,142	\$1,174	\$1,229
<b>Adj. Return on Avg. Equity</b>	<b>14.8%</b>	<b>15.7%</b>	<b>20.2%</b>	<b>30.4%</b>	<b>31.8%</b>	<b>29.4%</b>	<b>28.6%</b>	<b>27.6%</b>
<b>Return on Total Capital</b>								
Adj earnings from cont. operations	\$204	\$223	\$258	\$343	\$349	\$336	\$336	\$340
Plus: After-tax interest expense	31	34	31	30	30	34	46	68
	\$235	\$257	\$289	\$373	\$379	\$370	\$382	\$408
Avg total capital <sup>2</sup>	\$2,424	\$2,398	\$2,210	\$2,204	\$2,270	\$2,426	\$2,571	\$3,176
<b>Adj. Return on Avg. Total Capital</b>	<b>9.7%</b>	<b>10.7%</b>	<b>13.1%</b>	<b>16.9%</b>	<b>16.7%</b>	<b>15.3%</b>	<b>14.9%</b>	<b>12.8%</b>

<sup>1</sup> See slide 52 for adjustment details.

<sup>2</sup> Total capital = long-term debt + shareholder equity + d. taxes + other LT liabilities.

<sup>3</sup> 2019 estimates are based on mid-point of guidance.

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## Calculation of Dividend Payout % of Adjusted EPS

	2015	2016	2017	2018	2019e <sup>2</sup>
Diluted EPS from cont. operations	\$2.27	\$2.62	\$2.14	\$2.26	\$2.40
EPS impact from non-GAAP adjs <sup>1</sup>	.09	(.13)	.32	.22	.10
<b>Adjusted EPS from cont. operations</b>	<b>\$2.36</b>	<b>\$2.49</b>	<b>\$2.46</b>	<b>\$2.48</b>	<b>\$2.50</b>
Annual dividend per share	\$1.26	\$1.34	\$1.42	\$1.50	\$1.58
Dividend payout % of diluted EPS from continuing operations	56%	51%	66%	66%	66%
Dividend payout % of adjusted EPS	53%	54%	58%	60%	63%

<sup>1</sup> See slide 52 for adjustment details.

<sup>2</sup> 2019 estimates are based on mid-point of guidance.

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## Calculation of Debt to Adjusted EBITDA

(\$ millions)	2014	2015	2016	2017	2018	2019e <sup>3</sup>
EBIT (cont. operations)	\$332	\$487	\$522	\$468	\$437	\$520
Non-GAAP adjustments, pre-tax <sup>1</sup>	54	23	(30)	-	36	18
<b>Adjusted EBIT (cont. operations)</b>	<b>386</b>	<b>510</b>	<b>492</b>	<b>468</b>	<b>473</b>	<b>538</b>
Depreciation and amortization <sup>2</sup>	118	113	115	126	136	200
<b>Adjusted EBITDA</b>	<b>\$504</b>	<b>\$623</b>	<b>\$607</b>	<b>\$594</b>	<b>\$609</b>	<b>\$738</b>
Total Debt (long-term + current)	\$964	\$945	\$960	\$1,252	\$1,169	\$2,250
Debt to Adjusted EBITDA	1.9	1.5	1.6	2.1	1.9	3.0

<sup>1</sup> See slide 52 for adjustment details.

<sup>2</sup> D&A is from continuing operations.

<sup>3</sup> 2019 estimates are based on mid-point of guidance.

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# Non-GAAP Financial Measures

While we report financial results in accordance with accounting principles generally accepted in the U.S. (“GAAP”), this presentation includes non-GAAP measures. These include **adjusted EBIT**, **adjusted EBIT margin**, **adjusted earnings**, and **adjusted EPS**. We believe these non-GAAP measures are useful to investors in that they assist investors’ understanding of underlying operational profitability. Management uses these non-GAAP measures as supplemental information to assess the company’s operational performance.

We believe the presentation of **debt to adjusted EBITDA** provides investors a useful way to assess the time it would take the Company to pay off all of its debt, ignoring various factors including interest and taxes. Management uses this ratio as supplemental information to assess its ability to pay off its incurred debt.

The above non-GAAP measures may not be comparable to similarly titled measures used by other companies and should not be considered a substitute for, or more meaningful than, their GAAP counterparts.