

Third Quarter Summary Financial Information October 26, 2017



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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, 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

- ❑ Sales were up 6%, to \$1,010 million
 - Organic sales grew 6%
 - Acquisitions added 2%, offset by divestitures (2%).
- ❑ Adj.¹ EPS from continuing ops of \$.61, down 9% vs. \$.67 in Q3-16
- ❑ Adj.¹ EBIT of \$117 million, down 10% vs. Q3-16
- ❑ Adj.¹ EBIT margin of 11.6%, down 210 bps vs. Q3-16
- ❑ Narrowed 2017 full year sales and EPS guidance
 - Sales of \$3.95 - \$4.0 billion
 - Adjusted¹ Continuing Ops EPS range of \$2.45 - \$2.50.

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

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Q3 2017 Financial Highlights

<u>\$'s in millions (except EPS)</u>	<u>Reported</u> <u>Q3-17</u>	<u>Adj</u> ¹	<u>Adj</u> <u>Q3-17</u>	<u>Reported</u> <u>Q3-16</u>	<u>Adj</u>	<u>Adj</u> <u>Q3-16</u>	<u>Change</u>
Sales	\$1,010		\$1,010	\$949		\$949	6%
EBIT	109	8	117	130	--	130	(10%)
EBIT Margin	10.8%		11.6%	13.7%		13.7%	(210bps)
EPS (cont. ops)	.61	--	.61	.67	--	.67	(9%)
Cash from Operations	\$105		\$105	\$124		\$124	(15%)
EBITDA	141	8	149	159	--	159	(6%)

¹ See slide 24 for non-GAAP adjustments.

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Q3 2017 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
3 rd Qtr 2016	\$949	
Divestitures	<u>(16)</u>	(2%)
Adjusted Q3-16 sales	933	
Approx volume growth	38	4%
Approx raw material-related pricing and currency impact	<u>20</u>	<u>2%</u>
Organic sales	58	6%
Acquisitions	<u>19</u>	<u>2%</u>
3 rd Qtr 2017	\$1,010	6%
EBIT:		<u>margin</u>
3 rd Qtr 2016	\$130	13.7%
Other, volume gains primarily offset by higher steel costs (incl. LIFO expense)	<u>(13)</u>	
Adjusted 3 rd Qtr 2017 ¹	\$117	11.6%

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

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Q3 2017 Non-Operating & Taxes

\$'s in millions	Reported		Adj	Reported		Adj	Change
	Q3-17	Adj ¹	Q3-17	Q3-16	Adj	Q3-16	
EBIT	\$109	8	\$117	\$130	--	\$130	(10%)
Net Interest	8		8	9		9	
Pre-tax earnings	101	8	109	121	--	121	(10%)
Income taxes	17	9	26	28	--	28	
<i>Tax rate</i>			24%			23%	
Earnings from cont. ops	84	--	84	94	--	94	(11%)
Earnings from disc. ops	(1)	--	(1)	-	--	-	
Net earnings	83	--	83	94	--	94	(12%)
Non-controlling interests	-		-	-		-	
Net earnings attributable to L&P	83	--	83	94	--	94	(12%)
EPS	.60	--	.60	.67	--	.67	(10%)

¹ See Slide 24 for non-GAAP adjustments.

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Adjusted Working Capital

\$'s in millions	9/30 2017	6/30 2017	9/30 2016
Cash & equivalents	\$343	\$335	\$317
Accounts receivable, net	586	578	544
Inventories, net	558	580	519
Other current assets	<u>63</u>	<u>47</u>	<u>33</u>
Total current assets	<u>1,550</u>	<u>1,540</u>	<u>1,413</u>
Current debt maturities	(153)	(3)	(1)
Accounts payable	(382)	(388)	(335)
Accrued and other current liabilities	<u>(356)</u>	<u>(350)</u>	<u>(351)</u>
Total current liabilities	<u>(891)</u>	<u>(742)</u>	<u>(687)</u>
Working capital	659	798	726
% of annualized sales ¹	16.3%	20.1%	19.1%
W/C, excluding cash & current debt	469	466	410
% of annualized sales ¹	11.6%	11.8%	10.8%

¹ Annualized sales: 3Q17: \$1,010x4=\$4,040; 2Q17: \$989x4=\$3,956; 3Q16: \$949x4=\$3,796

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Debt & Equity

\$'s in millions	9/30 2017	6/30 2017	9/30 2016
Long-term debt	\$1,044	\$1,184	\$1,055
Current maturities	153	3	1
Less: cash	<u>(343)</u>	<u>(335)</u>	<u>(317)</u>
Net debt	855	852	739
Long-term debt	1,044	1,184	1,055
Other long-term liabilities	215	223	224
Shareholders' equity	<u>1,173</u>	<u>1,134</u>	<u>1,104</u>
Total capital	2,432	2,540	2,383
Current maturities	153	3	1
Less: cash	<u>(343)</u>	<u>(335)</u>	<u>(317)</u>
Net capital	2,243	2,208	2,067
Long-term debt to total capital	42.9%	46.6%	44.3%
<i>Net debt to net capital</i>	<i>38.1%</i>	<i>38.6%</i>	<i>35.8%</i>
Shares outstanding (end of period)	131.8m	132.3m	133.7m

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Cash Flow

\$'s in millions	3 rd Qtr		YTD	
	2017	2016	2017	2016
Net earnings	\$83	\$94	\$256	\$305
D&A	32	29	94	86
Impairment, write-offs & other	3	3	8	11
Other non-cash	(4)	8	21	20
Changes in working capital:				
Accounts receivable	(7)	(15)	(79)	(41)
Inventory	12	4	(39)	(21)
Other current assets	(4)	3	(11)	1
Accounts payable	(10)	(6)	14	28
Other current liabilities	<u>1</u>	<u>4</u>	<u>(2)</u>	<u>(3)</u>
Cash from operations	105	124	262	386
Capital expenditures	40	25	119	83
Acquisitions	-	11	39	28
Dividends	48	46	138	132
Share repurchases (issuances), net	42	17	155	177
Proceeds from asset sales	11	-	13	54
Additions (repayments) of debt, net	13	8	228	97

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YTD 2017 Financial Summary

\$'s in millions (except EPS)	Reported	Adj	Adj	Reported	Adj ¹	Adj	Change
	2017		2017	2016		2016	
Sales	\$2,959		\$2,959	\$2,846		\$2,846	4%
EBIT	347	8	355	404	(14)	390	(9%)
EBIT Margin	11.7%		12.0%	14.2%		13.7%	(170 bps)
EPS (cont. ops)	1.87	-	1.87	2.02	(.06)	1.96	(5%)
Cash from Operations	\$262		\$262	\$386		\$386	(32%)
EBITDA	441	8	449	490	(14)	476	(6%)

¹ See slide 24 for non-GAAP adjustments.

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YTD 2017 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
YTD 2016	\$2,846	
Divestitures	<u>(61)</u>	(2%)
Adjusted 2016 sales	2,785	
Approx volume gains	94	3%
Approx raw material-related pricing and currency impact	<u>33</u>	<u>1%</u>
Organic sales	127	4%
Acquisitions	<u>47</u>	<u>2%</u>
YTD 2017	\$2,959	4%
EBIT:		<u>margin</u>
Adj YTD 2016 ¹	\$390	13.7%
Other, volume gains more than offset by higher steel costs and other smaller factors	<u>(35)</u>	
Adj YTD 2017 ¹	\$355	12.0%

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

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2017 Guidance

- ❑ Sales guidance narrowed to \$3.95 - \$4.0 billion
 - 5-7% growth versus 2016
 - Assumes mid-single-digit volume growth plus commodity inflation
- ❑ Continuing Ops Adjusted¹ EPS narrowed to \$2.45-2.50
- ❑ Adjusted¹ full-year implied EBIT margin of ~12.0%
- ❑ Implied 4Q guidance
 - Sales of \$991-1,041 million
 - Adjusted¹ continuing ops EPS of \$.58-\$.63
- ❑ Operating cash should approximate ~\$425 million
- ❑ Dividends should require ~\$185 million
- ❑ Cap-ex of ~\$160 million
- ❑ Adjusted¹ full-year tax rate of ~23%
 - Q1 = 20%; Q2 = 23%; Q3 = 24%; Q4 ~24%
- ❑ Diluted shares of ~137 million

¹Excludes from 3Q: tax benefit from CVP divestiture (\$.04/sh), offset by CVP divestiture loss (\$.02/sh) and impairment charge (\$.02/sh).

Excludes from 4Q: remaining tax benefit from CVP divestiture (\$.02/sh) and real estate gain (\$.11/sh), offset by pension settlement charge (\$.09/sh).

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Segments

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Q3 2017 Segment Summary

	Q3-17 Organic Sales Growth ¹	Q3-17 adj. EBIT Margin²	Δ vs Q3-16
Residential Products	2%	11.7%	+60bps
Industrial Products	(3%)	4.4%	-730bps
Furniture Products	7%	8.5%	-140bps
Specialized Products	9%	16.4%	-200bps
Total Consolidated	6%	11.6%	-210bps

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

² See Slide 24 for non-GAAP adjustments.

Residential Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
3 rd Qtr 2016	\$407	
Divestitures	<u>(1)</u>	--%
Adjusted Q3-16 sales	406	
Acquisitions	15	4%
Organic sales	<u>10</u>	<u>2%</u>
3 rd Qtr 2017	\$431	6%

EBIT:		<u>margin</u>
3 rd Qtr 2016	\$45	11.1%
Other: primarily higher sales	<u>5</u>	
3 rd Qtr 2017	\$50	11.7%

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Residential – Key Points

- ❑ Q3 organic sales were up 2%:
 - Volume was flat
 - 2% volume growth was offset by fewer pass-through sales of adjustable beds, which reduced segment sales by 2%
 - Raw material-related price inflation and currency increased sales 2%
- ❑ Volume trends for Q3, excluding inflation and currency:
 - U.S. Spring component \$'s were flat
 - Total innerspring units decreased 3%; boxspring units down 6%
 - Comfort Core innerspring units increased 8%
 - Dollars outpaced units as content gains continued
 - International Spring \$'s up 15%
- ❑ EBIT and EBIT margin increased primarily from higher sales.

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Industrial Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
3 rd Qtr 2016	\$145	
Divestitures	<u>(5)</u>	(3%)
Adjusted Q3-16 sales	140	
Organic sales ¹	<u>(5)</u>	<u>(3%)²</u>
3 rd Qtr 2017	\$135	(7%)

¹ Steel related price increases (6%) offsetting lower volume (-9%).

EBIT:		<u>margin</u>
3 rd Qtr 2016	\$17	11.7%
Other: primarily higher steel costs (including LIFO expense) and lower volume	<u>(11)</u>	
Adj. 3 rd Qtr 2017 ²	\$6	4.4%

² Adjusted to exclude impairment charge of small operation (\$5m) in Q3-17.

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Industrial – Key Points

- ❑ Q3 organic sales down 3%, with steel related price increases partially offsetting lower volume.
- ❑ Adj. EBIT and Adj. EBIT margin decreased during the quarter primarily due to higher steel costs (including LIFO expense), the timing lag associated with passing along inflation, and lower volume.
 - EBIT and EBIT margin were still benefitting from steel deflation in Q3 2016.

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Furniture Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
3 rd Qtr 2016	\$266	
Acquisitions	4	1%
Organic sales	<u>18</u>	<u>7%</u>
3 rd Qtr 2017	\$288	8%

EBIT:		<u>margin</u>
3 rd Qtr 2016	\$26	9.9%
Other: benefit from sales growth offset by steel cost increases, incl. LIFO expense	<u>(2)</u>	
3 rd Qtr 2017	\$24	8.5%

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Furniture – Key Points

- ❑ Q3 organic sales were up 7%, primarily from growth in Adjustable Bed.
- ❑ Organic sales trends for Q3, excluding inflation and currency:
 - Adjustable Bed sales increased 35%
 - Work Furniture sales up 2%
 - Home Furniture sales down 3%
 - Fashion Bed sales declined 9%
- ❑ A small Work Furniture acquisition completed in Q1 added 1% 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, including LIFO expense, in Home Furniture.

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Specialized Products

Total Sales:	<u>mIn \$'s</u>	<u>% change</u>
3 rd Qtr 2016	\$221	
Divestitures	<u>(10)</u>	(5%)
Adjusted Q3-16 sales	211	
Organic sales ¹	<u>19</u>	<u>9%</u>
3 rd Qtr 2017	\$230	4%

¹ Higher volume (7%) and currency benefit (2%).

EBIT:		<u>margin</u>
3 rd Qtr 2016	\$41	18.4%
Other: benefit from higher sales offset by costs associated with growth, and currency adjustments	<u>(3)</u>	
Adj 3 rd Qtr 2017 ²	\$38	16.4%

² Adjusted to exclude CVP divestiture loss (\$3 m) in Q3-17.

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Specialized – Key Points

- ❑ Q3 organic sales grew 9%, from volume gains in Automotive and a currency benefit.
- ❑ Organic sales trends for Q3, excluding currency:
 - Automotive grew 8%
 - Aerospace increased 2%
- ❑ Q3 Adj. EBIT and Adj. EBIT margin decreased, with the benefit from higher sales offset by growth-related costs and currency adjustments.
- ❑ Divested the last remaining business within the Commercial Vehicle Products group in early August.
 - 2017 sales of approximately \$25 million

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at www.leggett.com

FOR ADDITIONAL INFORMATION

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Non-GAAP Adjustments

<i>(\$ millions, except EPS)</i>	Q3-16	Q3-17	YTD 2016	YTD 2017
Non-GAAP Adjustments (\$'s)¹				
Gain/loss from sale of business	-	3	(11)	3
Benefit from litigation settlement	-	-	(7)	-
Impairment charges	-	5	4	5
Non-GAAP adjustments (pre-tax \$'s)	-	8	(14)	8
Income tax impact		(3)	5	(3)
Tax benefit from CVP divestiture		(6)		(6)
Non-GAAP adjustments (after tax \$'s)	-	-	(9)	-
Diluted shares outstanding	139.4	136.9	140.2	137.5
EPS impact of non-GAAP adjustments	-	-	(.06)	-

¹ Calculations impacted by rounding