

# Second Quarter Summary Financial Information

July 29, 2019



*Leggett & Platt®*

## Forward-Looking Statements

Statements in this presentation that are not historical in nature are “forward-looking.” 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; the impact of the Tax Cuts and Jobs Act, 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.

# Overview

- ❑ Sales were up 10%, to \$1,213 million
  - Acquisitions added 16%
  - Organic sales declined 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
- ❑ Reduced 2019 sales and EPS guidance
  - Sales of \$4.7–\$4.85 billion; 10–14% increase vs. 2018
  - Adj. EPS <sup>1</sup> of \$2.40–\$2.60
- ❑ Investor Day – Monday, November 18, 2019 in NYC

<sup>1</sup> See slide 13 for additional details on adjusted EPS.

3

## Q2 2019 Financial Highlights

<b>\$'s in millions (except EPS)</b>	<b><u>Q2-19</u></b>	<b><u>Q2-18</u></b>	<b><u>Change</u></b>
Sales	\$1,213	\$1,102	10%
EBIT	136	121	12%
EBIT margin	11.2%	11.0%	20 bps
EPS	.64	.63	2%
Cash from Operations	\$172	\$81	114%
EBITDA	186	155	20%
EBITDA margin	15.3%	14.0%	130 bps

4

# Q2 2019 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
2 <sup>nd</sup> Qtr 2018	\$1,102	
Approx volume decline <sup>1</sup>	(61)	(6%)
Approx raw material-related pricing and negative currency impact	<u>—</u>	<u>—%</u>
Organic sales	(61)	(6%)
Acquisitions	<u>172</u>	<u>16%</u>
2 <sup>nd</sup> Qtr 2019	\$1,213	10%
EBIT:		<u>margin</u>
2 <sup>nd</sup> Qtr 2018	\$121	11.0%
Other: primarily lower steel costs (including LIFO benefit) and ECS <sup>2</sup> earnings partially offset by lower volume and other smaller items	<u>15</u>	
2 <sup>nd</sup> Qtr 2019	\$136	11.2%

<sup>1</sup> -3% from exited business

<sup>2</sup> Includes \$12m of amortization expense.

5

# Q2 2019 Non-Operating & Taxes

<u>\$'s in millions</u>	<u>Q2-19</u>	<u>Q2-18</u>	<u>Change</u>
EBIT	\$136	\$121	12%
Net interest	22	14	
Pretax earnings	114	108	6%
Income taxes	28	22	
<i>Tax rate</i>	<i>24%</i>	<i>21%</i>	
Earnings	86	85	1%
Net earnings	86	85	1%
Non-controlling interests	—	—	
Net earnings attributable to L&P	86	85	1%
EPS	.64	.63	2%

6

# Adjusted Working Capital

<b>\$'s in millions</b>	<b>6/30 2019</b>	<b>3/31 2019</b>	<b>6/30 2018</b>
Cash & equivalents	\$290	\$263	\$446
Accounts receivable, net	700	665	650
Inventories, net	657	677	634
Other current assets	<u>56</u>	<u>54</u>	<u>52</u>
Total current assets	<u>1,703</u>	<u>1,659</u>	<u>1,783</u>
Current debt maturities	(51)	(51)	(154)
Current operating lease liabilities	(38)	(38)	—
Accounts payable	(453)	(431)	(451)
Accrued and other current liabilities	<u>(358)</u>	<u>(346)</u>	<u>(333)</u>
Total current liabilities	<u>(900)</u>	<u>(867)</u>	<u>(937)</u>
Working capital	803	792	846
% of annualized sales <sup>1</sup>	16.5%	17.1%	19.2%
W/C, excl. cash & current debt/lease	603	619	553
% of annualized sales <sup>1</sup>	12.4%	13.4%	12.5%

<sup>1</sup> Annualized sales: 2Q19: \$1,213x4=\$4,852; 1Q19: \$1,155x4=\$4,620; 2Q18: \$1,102x4=\$4,408

7

# Debt to Adjusted EBITDA

<b>\$'s in millions</b>	<b>6/30 2019 <sup>1</sup></b>	<b>3/31 2019 <sup>1</sup></b>	<b>6/30 2018</b>
Long-term debt	\$2,364	\$2,410	\$1,298
Current maturities	<u>51</u>	<u>51</u>	<u>154</u>
Total debt	2,415	2,461	1,452
EBIT, trailing 12 months	443	428	458
Depreciation & amortization	<u>165</u>	<u>149</u>	<u>131</u>
EBITDA	608	577	589
Non-GAAP adjustments (pretax)	<u>43</u>	<u>43</u>	<u>—</u>
Leggett reported adjusted EBITDA, trailing 12 months	651	620	589
ECS pre-acquisition adjusted EBITDA <sup>2</sup>	<u>49</u>	<u>72</u>	
Leggett & ECS pro forma adjusted EBITDA, trailing 12 months	700	692	
Total debt to Leggett reported 12-month adjusted EBITDA <sup>3</sup>	3.7x	4.0x	2.5x
Total debt to Leggett & ECS 12-month pro forma adjusted EBITDA <sup>3</sup>	3.45x	3.56x	

<sup>1</sup> Leggett's reported adjusted EBITDA includes ECS from January 16, 2019

<sup>2</sup> 6/30/2019: July 1, 2018 to January 16, 2019; 3/31/2019: April 1, 2018 to January 16, 2019

<sup>3</sup> These debt to adjusted EBITDA ratios are calculated differently than the Company's credit facility covenant ratio. For additional non-GAAP reconciliation information, see page 7 of the press release.

8

# Cash Flow

\$'s in millions	2nd Qtr		YTD	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net earnings	\$86	\$85	\$147	\$163
D&A	50	34	96	67
Impairment, write-offs & other	5	3	13	5
Other non-cash	14	15	23	23
Changes in working capital:				
Accounts receivable	(41)	(47)	(58)	(86)
Inventory	19	(32)	33	(53)
Other current assets	(2)	(7)	(5)	(8)
Accounts payable	21	28	(46)	20
Other current liabilities	<u>19</u>	<u>3</u>	<u>—</u>	<u>(6)</u>
Cash from operations	172	81	204	125
Capital expenditures	39	41	71	81
Acquisitions	—	4	1,244	90
Dividends	50	47	99	95
Share repurchases (issuances), net	—	52	2	107
Proceeds from asset sales	2	—	2	2
Additions (repayments) of debt, net	(48)	46	1,241	190

9

# YTD 2019 Financial Summary

<u>\$'s in millions (except EPS)</u>	<u>Reported</u> <u>2019</u>	<u>Adj</u> <sup>1</sup>	<u>Adj</u> <u>2019</u>	<u>Reported</u> <u>2018</u>	<u>Adj</u> <sup>1</sup>	<u>Adj</u> <u>2018</u>	<u>Change</u>
Sales	\$2,368		\$2,368	\$2,131		\$2,131	11%
EBIT	234	7	241	228		228	6%
EBIT Margin	9.9%		10.2%	10.7%		10.7%	(50 bps)
EPS	1.09	.04	1.13	1.20		1.20	(6%)
Cash from Operations	\$204		\$204	\$125		\$125	63%
EBITDA	331	7	338	296		296	14%
EBITDA Margin	14.0%		14.3%	13.9%		13.9%	40 bps

<sup>1</sup> See slide 26 for non-GAAP adjustments.

10

# YTD 2019 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
YTD 2018	\$2,131	
Approx volume decline <sup>1</sup>	(86)	(4%)
Approx raw material-related pricing and negative currency impact	<u>19</u>	<u>1%</u>
Organic sales	(67)	(3%)
Acquisitions	<u>304</u>	<u>14%</u>
YTD 2019	\$2,368	11%
EBIT:		<u>margin</u>
YTD 2018	\$228	10.7%
Other: primarily lower steel costs (including LIFO benefit) and ECS <sup>2</sup> earnings partially offset by lower volume and other smaller items	<u>13</u>	
Adjusted YTD 2019 <sup>3</sup>	\$241	10.2%

<sup>1</sup> -3% from exited business

<sup>2</sup> Includes \$26m of purchase accounting charges, of which \$5m is non-recurring.

<sup>3</sup> See slide 10 for calculation of adjusted EBIT and adjusted EBIT margin.

11

# YTD 2019 Non-Operating & Taxes

\$'s in millions	Reported		Adj	Reported		Adj	Change
	2019	Adj <sup>1</sup>	2019	2018	Adj <sup>1</sup>	2018	
EBIT	\$234	\$7	\$241	\$228		\$228	6%
Net interest	42		42	26		26	
Pre-tax earnings	192	7	200	203		203	(2%)
Income taxes	45	2	47	40		40	
<i>Tax rate</i>			23%			20%	
Earnings	147	5	153	163		163	(6%)
Net earnings	147	5	153	163		163	(6%)
Non-controlling interests	—		—	—		—	
Net earnings attributable to L&P	147	5	153	163		163	(6%)
EPS	1.09	.04	1.13	1.20		1.20	(6%)

<sup>1</sup> See slide 26 for non-GAAP adjustments.

12

# 2019 Guidance

- ❑ 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
- ❑ 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

13

## Assumptions at Guidance Mid-Point vs. Full Year 2018

Segment	2019 Sales Change	2019 Margin Change	Notes
Residential Products	Organic sales down slightly	Down ~150 bps	ECS and smaller acquisitions add \$645
Industrial Products	Down mid-single-digits	Up over 500 bps	
Furniture Products	Down high-single-digits	Up ~150 bps	Adjusted for restructuring
Specialized Products	Up low-single-digits	Down ~100 bps	

14

# Segments

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## Q2 2019 Segment Summary

	<b>Q2-19 Organic Sales Growth <sup>1</sup></b>	<b>Q2-19 EBIT Margin</b>	<b>Δ vs Q2-18</b>	<b>Q2-19 EBITDA Margin</b>	<b>Δ vs Q2-18</b>
Residential Products	(1%)	7.3%	-170bps	11.5%	-20bps
Industrial Products	(9%)	18.7%	+1080bps	20.5%	+1120bps
Furniture Products	(11%)	8.0%	+250bps	9.5%	+250bps
Specialized Products	(3%)	15.5%	-330bps	19.4%	-290bps
<b>Total Consolidated</b>	<b>(6%)</b>	<b>11.2%</b>	<b>+20bps</b>	<b>15.3%</b>	<b>+130bps</b>

<sup>1</sup> Includes raw material-related selling price increases and currency impact.



# Residential Products

Total Sales:	<u>mIn \$'s</u>	<u>% change</u>
2 <sup>nd</sup> Qtr 2018	\$443	
Acquisitions	172	39%
Organic sales <sup>1</sup>	<u>(5)</u>	<u>(1%)</u>
2 <sup>nd</sup> Qtr 2019	\$610	38%

<sup>1</sup> Lower volume -2% and currency -1% partially offset by raw material-related price increases +2%

mIn \$'s	<u>EBIT</u>		<u>D&amp;A</u>	<u>EBITDA</u>	
	<u>EBIT</u>	<u>margin</u>		<u>EBITDA</u>	<u>margin</u>
2 <sup>nd</sup> Qtr 2018	\$40	9.0%	\$12	\$52	11.7%
Change	<u>4</u>		<u>14</u>	<u>18</u>	
2 <sup>nd</sup> Qtr 2019	\$44	7.3%	\$26	\$70	11.5%

17

## Residential – Key Points

- ❑ Q2 organic sales were down 1%:
  - Volume was down 2% with market share and content gains in U.S. Spring more than offset by declines in other businesses
  - Raw material-related selling price increases, net of currency impact, added 1% to sales
- ❑ Organic sales trends excluding inflation and currency:
  - U.S. Spring sales increased 4%
  - International Spring sales were flat
- ❑ ECS acquisition completed on January 16 added 35% to sales growth; two small geo components acquisitions increased sales 4%
- ❑ Q2 EBIT increased 11%, with earnings from ECS (after \$12 million of amortization expense) partially offset by lower volume

18

# Industrial Products

<b>Total Sales:</b>	<b><u>mln \$'s</u></b>	<b><u>% change</u></b>
2 <sup>nd</sup> Qtr 2018	\$171	
Organic sales <sup>1</sup>	<u>(15)</u>	<u>(9%)</u>
2 <sup>nd</sup> Qtr 2019	\$156	(9%)

<sup>1</sup> Lower volume -17% partially offset by steel related price increases +8%

mln \$'s	EBIT		D&A	EBITDA	
	<u>EBIT</u>	<u>margin</u>		<u>EBITDA</u>	<u>margin</u>
2 <sup>nd</sup> Qtr 2018	\$13	7.9%	\$3	\$16	9.3%
Change	<u>16</u>		<u>—</u>	<u>16</u>	
2 <sup>nd</sup> Qtr 2019	\$29	18.7%	\$3	\$32	20.5%

19

## Industrial – Key Points

- ❑ Q2 organic sales were down 9%:
  - Volume declines of 17% were partially offset by raw material-related selling price increases implemented in 2018 of 8%
    - Softer steel demand resulted in fewer rod and wire shipments
- ❑ Q2 EBIT and EBIT margin increased, primarily from lower steel costs (including LIFO benefit)

20

# Furniture Products

<b>Total Sales:</b>	<b><u>mIn \$'s</u></b>	<b><u>% change</u></b>
2 <sup>nd</sup> Qtr 2018	\$295	
Organic sales <sup>1</sup>	<u>(34)</u>	<u>(11%)</u>
2 <sup>nd</sup> Qtr 2019	\$261	(11%)

<sup>1</sup> Lower volume from exited business -11%

mIn \$'s	EBIT		D&A	EBITDA	
	<u>EBIT</u>	<u>margin</u>		<u>EBITDA</u>	<u>margin</u>
2 <sup>nd</sup> Qtr 2018	\$16	5.5%	\$4	\$21	7.0%
Change	<u>5</u>		<u>—</u>	<u>5</u>	
2 <sup>nd</sup> Qtr 2019	\$21	8.0%	\$4	\$25	9.5%

21

## Furniture – Key Points

- ❑ Q2 organic sales were down 11%:
  - Volume was down 11% from our decision to exit Fashion Bed and planned declines in Home Furniture
  - Raw material-related selling price increases were offset by currency impact
- ❑ Organic sales trends excluding inflation and currency:
  - Home Furniture sales decreased 14%
  - Adjustable Bed sales up 2%
  - Work Furniture sales increased 2%
- ❑ Q2 EBIT and EBIT margins increased, primarily from improved pricing combined with lower raw material costs (including LIFO benefit) and lower fixed costs attributable to restructuring activity
- ❑ Home Furniture and Fashion Bed restructuring activity expected to be substantially complete by end of the third quarter

22

# Specialized Products

<b>Total Sales:</b>	<b><u>mIn \$'s</u></b>	<b><u>% change</u></b>
2 <sup>nd</sup> Qtr 2018	\$277	
Organic sales <sup>1</sup>	<u>(9)</u>	<u>(3%)</u>
2 <sup>nd</sup> Qtr 2019	\$268	(3%)

<sup>1</sup> Primarily negative currency impact slightly offset by raw material-related price increases

mIn \$'s	EBIT		D&A	EBITDA	
	<u>EBIT</u>	<u>margin</u>		<u>EBITDA</u>	<u>margin</u>
2 <sup>nd</sup> Qtr 2018	\$52	18.8%	\$10	\$62	22.3%
Change	<u>(10)</u>		<u>=</u>	<u>(10)</u>	
2 <sup>nd</sup> Qtr 2019	\$42	15.5%	\$10	\$52	19.4%

23

## Specialized – Key Points

- ❑ Q2 organic sales decreased 3%:
  - Volume was flat, with growth in Aerospace offset by softer demand in the automotive market
  - Currency impact, net of raw material-related selling price increases in Hydraulic Cylinders, decreased sales 3%
- ❑ Organic sales trends excluding currency and inflation:
  - Automotive sales decreased 3%
  - Aerospace sales were up 10%
  - Hydraulic Cylinders sales were flat
- ❑ Q2 EBIT and EBIT margin decreased, primarily from lower volume in Automotive, negative currency impact, and new program ramp up costs in Aerospace

24

Webcast replay is available  
at [www.leggett.com](http://www.leggett.com)

**FOR ADDITIONAL INFORMATION**

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## Non-GAAP Adjustments

(\$ millions, except EPS)	Q2-19	Q2-18	YTD 2019	YTD 2018
<b>Non-GAAP Adjustments (\$'s) <sup>1</sup></b>				
Restructuring-related charges <sup>2</sup>	—	—	6	—
Note impairment	—	—	—	—
ECS transaction costs <sup>3</sup>	—	—	1	—
<b>Non-GAAP adjustments (pre-tax \$'s)</b>	—	—	<b>7</b>	—
Income tax impact	—	—	(2)	—
TCJA impact <sup>4</sup>	—	—	—	—
<b>Non-GAAP adjustments (after tax \$'s)</b>	—	—	<b>5</b>	—
Diluted shares outstanding	135.2	135.0	135.1	135.7
<b>EPS impact of non-GAAP adjustments</b>	<b>\$—</b>	<b>\$—</b>	<b>\$.04</b>	<b>\$—</b>

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

<sup>2</sup> Restructuring-related charges affected the following line items on the income statement: YTD 2019: COGS \$2, Other Expense \$4

<sup>3</sup> ECS transaction costs affected the following line item on the income statement: YTD 2019: SG&A \$1

<sup>4</sup> The Tax Cuts and Jobs Act enacted in December 2017.