S&P Global
Market Intelligence

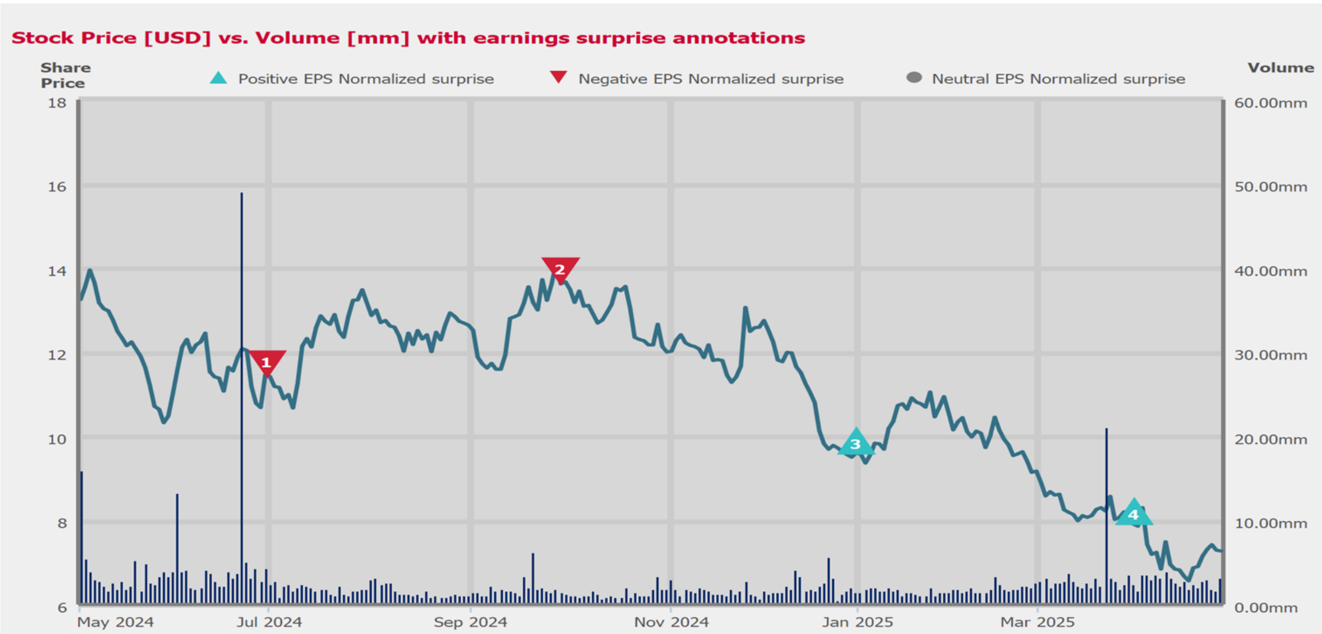
Leggett & Platt, Incorporated NYSE:LEG
FQ1 2025 Earnings Call Transcripts

Tuesday, April 29, 2025 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2025-			-FQ2 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.22	0.24	▲9.09	0.30	1.06	NA
Revenue (mm)	1019.81	1022.10	▲0.22	1063.30	4173.22	NA

Currency: USD
Consensus as of Apr-29-2025 12:31 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2024	0.30	0.29	▼(3.33 %)
FQ3 2024	0.33	0.32	▼(3.03 %)
FQ4 2024	0.20	0.21	▲5.00 %
FQ1 2025	0.22	0.24	▲9.09 %

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Call Participants

EXECUTIVES

Benjamin M. Burns
Executive VP & CFO

Cassie J. Branscum
Vice President of Investor Relations

J. Tyson Hagale
Executive VP & President of Bedding Products

Karl G. Glassman
President, CEO & Chairman

R. Sam Smith
Executive VP & President of Specialized Products & Furniture Flooring & Textiles Products

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Truist Securities, Inc., Research Division

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Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Presentation

Operator

Greetings, and welcome to the Leggett & Platt First Quarter 2025 Webcast and Earnings Conference Call. [Operator Instructions]

As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Cassie Branscum, VP of Investor Relations. Thank you, Ms. Branscum. You may begin.

Cassie J. Branscum
Vice President of Investor Relations

Good morning, and welcome to Leggett & Platt's First Quarter 2025 Earnings Call. With me on the call today are Karl Glassman, CEO; Ben Burns, CFO; and Tyson Hagale, President of the Bedding Products segment; and Sam Smith, President of the Specialized Products and Furniture, Flooring and Textile Products segment.

The agenda for our call this morning is as follows: Karl will provide an update on our strategic priorities and outline our current exposure to and plans to address tariffs. Ben will cover our first quarter operating results, demand trends, additional financial details and provide an update to our 2025 guidance and the group will answer any questions you have.

This conference call is being recorded for Leggett & Platt and is copyrighted material. This call may not be transcribed, recorded or broadcast without our expressed permission. A replay will be available on the Investor Relations section of our website. We posted to the IR section of our website yesterday's press release and a set of slides that contain summary financial information along with segment details, a tariff overview and a restructuring update.

These documents supplement the information we discuss on this call, including non-GAAP reconciliations. Remarks today concerning future expectations, events, objectives, strategies, trends or results constitute forward-looking statements. Actual results or events may differ materially due to a number of risks and uncertainties and the company undertakes no obligation to update or revise these statements.

For a summary of these risk factors and additional information, please refer to yesterday's press release and the sections in our most recent 10-K and subsequent 10-Q entitled Risk Factors and Forward-Looking Statements. I'll now turn the call over to Karl.

Karl G. Glassman
President, CEO & Chairman

Good morning, and thank you for joining our call today. We are pleased to report better-than-anticipated first quarter earnings. Our earnings improvement is a testament to the excellent execution of our restructuring plan and operational efficiency improvement initiatives as well as disciplined cost management. In the first quarter, we made further progress on our restructuring plan. In Bedding, we divested a small U.S. machinery business helping us to further narrow our product focus. In flooring products, we launched Phase 2 of our consolidation efforts.

Finally, we continue to make significant strides on our restructuring initiatives within hydraulic cylinders. We expect restructuring activity to be substantially complete by year-end. We are also continuing to make progress on our strategic business review. We recently signed an agreement to sell our Aerospace business and expect to receive after-tax cash proceeds of approximately $240 million. This transaction is expected to close this year and represents a step towards a more focused portfolio. While our experienced management team remains focused on our strategic priorities, they are also diligently working to guide our business through a complex and fluid tariff environment. Before I walk through the most significant potential tariff impacts, I would like to provide some context.

On the supply side, prior to recently implemented tariffs, our U.S. businesses sourced approximately $400 million annually from trade and intercompany suppliers located in foreign countries including approximately $100 million from China. On the sales side, the majority of our trade revenues are produced in the geography of consumption.

Approximately 60% of our trade revenues are produced and consumed in the U.S., while another 8% of revenues produced abroad are consumed in the U.S. with 5% currently exempt under USMCA. Tariffs present positive and negative impacts across our businesses, but in aggregate, are likely a net positive for us. However, we remain concerned that wide-ranging tariffs will drive inflation, hurt consumer confidence and pressure consumer demand.

Across our businesses, our teams are engaging with our customers and suppliers as well as taking action to mitigate tariff impact by sourcing in less impacted geographies and shifting production where we have a global footprint and passing on price increases when necessary. We are also actively pursuing opportunities to capture demand where interest for domestically produced products has increased.

Although such opportunities may be limited as low-cost foreign competitors implement measures to minimize market share loss. Global reciprocal tariffs could benefit U.S. mattress production, these tariffs are another avenue to help level the playing field versus low-priced import mattresses that have flooded the market for years amid difficult enforcement of antidumping measures. Additionally, steel tariffs have the potential to benefit domestic innerspring producers. Within our Bedding segment, steel tariffs are currently leading to expanded metal margins and higher demand for our steel rod and rod and wire operations. As a leading U.S. innerspring manufacturer, we are well positioned to quickly support customers looking to shift from imported to domestic product. In some cases, this may also present an opportunity for us to provide a semi-finished product which improves manufacturing efficiencies and total product costs for our OEM partners.

The most significant tariff exposure in Bedding is within our Adjustable Bed business where we produce adjustable bases, both domestically and in Mexico. In Mexico, the steel content of our bases is currently subject to a 25% tariff. In the U.S., global reciprocal tariffs impact all imported components with electronics from China representing our largest exposure.

In contrast, most of our competitors are importers who manufacture bases primarily in Southeast Asia. These importers are currently only subject to a 25% tariff on the steel content of their adjustable bases. As a result, our domestic production is now significantly disadvantaged in comparison to import competitors. To offset this disadvantage, we are heavily leaning into our Mexican operations which still provides our customers with the advantages of a North American footprint.

Within specialized products, our automotive business will likely have the largest indirect tariff exposure. The North American auto industry is highly integrated across borders and implementation of tariffs on auto components on May 3 is expected to be very disruptive throughout the supply chain.

The majority of our North American production is in Canada and Mexico, but our products are USMCA compliant and, therefore, currently exempt from tariffs on these countries. Implementation of global auto parts tariffs will have very little direct impact on us but will likely cause Tier 1s and OEMs to shift production and sourcing. Trigger pricing negotiations in the supply chain and disrupt demand. In furniture, flooring and textiles products, tariffs impact our businesses to varying degrees.

In Home Furniture, our Chinese operations primarily sell components to Asian customers who export finished furniture to the U.S. Our Chinese customers have slowed production significantly and are ramping up Southeast Asian factories. Additionally, we sell components to U.S. customers and have some intercompany supply from our Chinese operation. We are moving some sourcing of our commodity products to other countries and taking advantage of our U.S. operations where we can. We are also in the early stages of setting up production in another low-cost country and will be on par in the second half of the year with our competitors who have low-cost facilities. Finally, our textiles business would have faced the largest direct tariff exposure in the segment. We have proactively been sourcing outside of China. We are well positioned to serve customers that may face supply disruption from their existing vendors.

Our other businesses, including Aerospace, have minimal impact from the various tariffs in effect today. Now more than ever, we are committed to our strategic priorities of strengthening our balance sheet, improving profitability and operational efficiency and positioning the company for long-term growth. Our sharp focus in these key areas has enabled us to perform well in challenged end markets and gives us confidence in our ability to weather current macro uncertainties and dynamic trade policies. I will now turn the call over to Ben.

Benjamin M. Burns
Executive VP & CFO

Thank you, Karl, and good morning, everyone. First quarter sales were $1 billion, down 7% versus the first quarter of 2024 resulting from continued weak demand in residential end markets, soft demand in Automotive and Hydraulic Cylinders, the expected exit of a Specialty Foam customer and restructuring-related sales attrition. These declines were partially offset by strength in trade rod and wire sales, Geo Components and Aerospace, along with modest volume improvement and fabric converting.

Compared to first quarter 2024, sales in our Bedding Products segment decreased 13%. Sales in specialized products declined 5%, and sales in Furniture, Flooring and Textile Products were down 1%. In Bedding Products, strong trade rod sales and steady trade wire sales are partially offsetting continued demand softness in mattresses and adjustable bases. U.S. mattress production was down low double digits in the first quarter, while total mattress consumption was down high single to low double digits as imports gained share versus a year ago. We now expect the market to be down mid-single digits in 2025 with domestic production down mid- to high single digits. As anticipated, automotive sales were down versus first quarter 2024. However, sales in the quarter were above our expectations as our team continues to execute against a challenging industry backdrop.

Our Geo Components business had better-than-expected growth in the civil construction sector even with some unfavorable weather disruption early in the first quarter. We expect demand strength in civil construction as we move into the normal seasonal selling periods. First quarter EBIT was $63 million and adjusted EBIT was $67 million, up $3 million versus first quarter 2024 adjusted EBIT, primarily due to restructuring benefit, operational efficiency improvements and disciplined cost management, partially offset by lower volume and metal margin compression. First quarter earnings per share was $0.22. On an adjusted basis, first quarter EPS was $0.24, a 4% increase from first quarter 2024 adjusted EPS of $0.23. Restructuring planning costs during the quarter were $6 million, comprised of $5 million in cash costs and $1 million in noncash costs. We realized $14 million in incremental EBIT benefit and had $14 million in sales attrition related to the restructuring plan in the first quarter.

The plan continues to make solid progress and our previously shared estimates for 2025 and full implementation, restructuring plan, EBIT benefit, cost, sales attrition and real estate sales remain the same. First quarter operating cash flow was $7 million, an increase of $13 million versus first quarter 2024. This increase was primarily driven by a smaller use of working capital. We ended the quarter with adjusted working capital as a percentage of annualized sales of 15%, a decrease of 30 basis points versus first quarter 2024. We ended first quarter with total debt of $1.9 billion, including $440 million of commercial paper outstanding. As of March 31, total liquidity was $817 million comprised of $413 million of cash on hand and $404 million in capacity remaining under our revolving credit facility.

Net debt to trailing 12-month adjusted EBITDA increased slightly to 3.77x at quarter end. This uptick was anticipated due to normal seasonality of working capital investments. We expect to reduce leverage later this year and are still targeting a long-term leverage ratio of 2x. As a reminder, this will be our first full year at a lower quarterly dividend, cash previously allocated for the dividend along with proceeds from real estate sales and divestitures will primarily be used in our deleveraging efforts as we prioritize debt reduction and funding organic growth in the near term. Following the anticipated divestiture of our Aerospace business and deleveraging later this year, we may adjust our near-term capital allocation priorities, including share repurchases, particularly if our share price remains depressed. However, our long-term priorities for use of cash remain consistent: funding organic growth, funding strategic acquisitions and returning cash to shareholders through dividends and share repurchases. Moving on to guidance.

Our February guidance contemplated a more conservative demand outlook across our businesses than industry forecasts projected at that time. Consequently, we are maintaining our sales and adjusted earnings guidance, but have modified our underlying assumptions. We now expect lower volume in our domestic bedding business due to softer U.S. mattress production, offset primarily by increased U.S. rod and wire pricing due to steel-related tariff benefits. 2025 sales are still expected to be $4.0 billion to $4.3 billion or down 2% to 9% versus 2024. Volume is now expected to be down low to high single digits versus prior guidance of down low to mid-single digits with volume at the midpoint. In Bedding Products down low double digits versus prior guidance of down mid-single digits.

Specialized products down mid-single digits and furniture, flooring and textile products down low single digits. Inflation, net of currency impact is expected to be flat to a low single-digit increase to sales versus prior guidance of a low single-digit reduction in sales. 2025 earnings per share are expected to be $0.85 to $1.26 and including approximately $0.16 to $0.22 per share of negative impact from restructuring costs and $0.07 to $0.22 per share gain from sales of real estate.

Full year adjusted earnings per share are expected to be $1 to $1.20. The midpoint reflects increased restructuring benefit, operational efficiency improvements and metal margin expansion partially offset by lower volume. Based upon this guidance framework, our 2025 full year adjusted EBIT margin range is expected to be 6.4% to 6.8%. Cash from operations is expected to be $275 million to $325 million in 2025. While we do not anticipate a benefit from working capital this year, we will continue to have a sharp focus on cash flow generation. With that, I'll turn the call back over to Karl for final remarks.

Karl G. Glassman
President, CEO & Chairman
Thank you, Ben. Even in a dynamic environment, we continue to make solid progress on our key initiatives. As always, I am immensely proud of the work our employees are doing and I'm confident in our ability to navigate macroeconomic uncertainties and demand volatility. We remain committed to delivering long-term shareholder value. Operator, we're now ready to begin Q&A.

Question and Answer

Operator

[Operator Instructions]

Our first questions come from the line of Susan Maklari with Goldman Sachs.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

I want to start with the restructuring, Karl. It's good to hear and to see how all those benefits are coming through to the business despite the operating environment that you're facing today. As you look out, can you talk a bit about how we should think about those benefits that you currently expect for this year to actually roll through to the business?

And is there the potential for some upside over time as you think about where volumes may come and some of these other dynamics that are starting to come through that could perhaps have implications for production and demand across the businesses.

Karl G. Glassman
President, CEO & Chairman

Susan, thank you for the compliment. Our teams have done a terrific job on restructuring. And as I said in the past, it was a heavy lift never more important than the headwinds that the industry faces today. So when we look back at the first quarter, it's really a test of diligence, hard work and forecasting of the need to do the restructuring plan. So the restructuring benefits will continue to roll through the year.

The upside is -- my goodness at some point, there is going to meet demand recovery in the markets that we serve. Every one of the markets, especially the residential facing markets, furniture and bedding, I should say, home furniture and bedding have been under pressure now. Probably this is our third year of depression. At some point, there is going to be volume recovery and the drop-down benefit of that as a result of the restructuring is going to be significant. The teams will be rewarded. The shareholders will be rewarded. We can see that. First quarter was proof of that capability. But Cassie, in terms of the timing of the roll through -- how would you quantify it? I mean we.

Cassie J. Branscum
Vice President of Investor Relations

Yes. So for the first quarter, we had about $14 million of EBIT benefit. So if you annualize that put it on a run rate, we're close to the annualize $55 million to $60 million that we stated for 2025. And then as we move through the year, kind of towards the end of the year, will we start layering on a bit more that then we'll fully realize into 2026.

Benjamin M. Burns
Executive VP & CFO

Yes. Susan, this is Ben, too. I would just add on, we're continuing to make good progress on our real estate sales as well. We didn't have any in the first quarter that were related to restructuring, but we did have another property outside of that, that we closed, but we have already closed one related to restructuring in Q2 and have 2 more under contract to close here in the second quarter. So really good progress there.

And I would say our costs are staying in line as we move through this process. And then the other thing I would say is the benefits that we have articulated are things that are within our control, those are cost-outs and to Karl's point, when volumes do improve, I think there is some upside there as we think about incremental margins on that volume that we know will come at some point. So like Karl said, the teams are doing a great job and continuing to execute really, really well.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Yes. Okay. And then maybe following up, one of the questions that we've been getting around the tariffs and the trade situation is the potential that there's been some pull forward. I guess, can you talk a bit about just the state of the consumer? Did you see any pull forward in there? And how are you thinking about channel inventories, especially as it does relate to the bedding business?

Karl G. Glassman
President, CEO & Chairman

Susan, great question. Intuitively, I expected that we were seeing some pull forward. And when we look back and tried to quantify it, we can't identify it. So I think our customers may have sold some product out of inventory in anticipation of tariffs. But from a channel refill, we didn't see any significant pull forward at all.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Okay. That's good to hear.

J. Tyson Hagale
Executive VP & President of Bedding Products

I'll add on to that just really quickly. After the election, we did see business ramp up, but that was after some really slow periods. But I think the other thing that we have to keep in our mind, especially for our business, is imported components and finished mattresses that have also come in, in the fourth quarter and the first quarter likely some of those ahead of the tariffs. And so that's another factor that we have to consider just with market estimates for consumption and how those inventories that are kind of now on hand in the U.S. will flow through for the rest of the year.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Yes. Okay. And then maybe shifting to Aerospace and the specialized segment. Can you give us any ideas or any kind of guide on how we should think about what that segment could look like post that divestiture should it go through as expected? Just any idea on the profile of what that will look like.

Benjamin M. Burns
Executive VP & CFO

Susan, yes, thanks for the question. This is Ben. I've said -- I think we've said this before, but we're not going to give specific guidance on the segment itself until after the sale closes. However, during the first quarter, our Aerospace business did meet the held-for-sale criteria from an accounting perspective. So you'll see in our upcoming 10-Q some additional disclosures around that, that probably will help you with that question a little bit.

So you'll see that first quarter '25 sales were $53 million and EBIT was $7 million. Now that $7 million does not include corporate overhead charges. -- based on the accounting disclosure rules. And that compares to sales of $46 million in the first quarter of '24 and EBIT of $3 million again in the first quarter of '24, which also excludes the corporate overhead charges. So that information will be out there, but I will note that the most recent quarterly results may not be indicative of an annualized forecast for Aerospace. But generally speaking, there's not a lot of seasonality in that business. So that should give you a little bit of a ballpark there.

Karl G. Glassman
President, CEO & Chairman

Yes. Susan, we've said that we expect the transaction to close by year-end. When we probability adjust that, I think it's going to be some time by the end of the third quarter, but we'll see. It's dependent on the U.K. and the French authorities, giving the approval of both have a defense industry element to it. So everything is in good shape. We're just waiting on external factors. So -- and as Ben said, we'll update guidance based on that forecast at the appropriate time.

Susan Marie Maklari
Goldman Sachs Group, Inc., Research Division

Yes. Okay. That's great. And then I'm going to sneak one last question in, which is for Ben. Ben, can you walk us through how you're thinking about the margins for each of the segments this year? It's helpful the color that you gave on the volumes and how you're thinking about that. But just any updated thoughts on how -- what we should expect for the margins?

Benjamin M. Burns
Executive VP & CFO

Sure. You bet, Susan. So from a bedding perspective, we think up around 150 basis points for specialized, we think up about 50 basis points versus flat what we thought before. And then from an FF&T perspective, down about 50 basis points.

Operator

Our next questions come from the line of Bobby Griffin with Raymond James.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Karl and Ben, just to start, I want to maybe go back to the capital allocation comment. If you take Aerospace add on maybe a little of the real estate that you're targeting this year and then cash flow that at the midpoint of guide, back out the dividend, you get pretty close to probably what you have outstanding in commercial paper. So is it reasonable to think you could be out of commercial paper sometime in the next year.

And if that's the case, what is the kind of leverage profile you would like to see in the business before you go back and maybe do some more, call it, shareholder-friendly capital allocation on dividends or repurchases?

Benjamin M. Burns
Executive VP & CFO

Yes, Bobby, this is Ben. Thanks for the question. And you're right. If you put all of those things together from our guidance, you would see somewhere between $400 million and $450 million of cash available to reduce debt, which would be our plan. And so at the end of the first quarter, we had about $440 million outstanding of commercial paper. So there is a scenario where we would be out of commercial paper, and we would look at the leverage metric at that time.

As a reminder, our long-term target is 2x debt-to-EBITDA. But if we're somewhere under 2.5x, and we're in a position where we have delevered quite a bit. And we'll likely take a look at our capital allocation priorities and see if it's a good value to invest in share repurchases. But that would only be after the meaningful deleveraging that we talked about.

Karl G. Glassman
President, CEO & Chairman

To put some more math to it. We make -- we talk about our covenant calculation from an IR perspective. But just from a transparency, I want you to know that our current covenant is 4x. It steps down to 3.5x at the end of the third quarter. Our current leverage on a covenant calculation is 3.17x. So we're in a pretty comfortable position, but to your good point, we're confident that we're going to be able to step down and be out of commercial paper by the end of the year.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Very good. That's good news. And then maybe, Ben, just another way to ask the Aerospace question is do you feel like the EBITDA, like the interest reduction offsets the EBITDA loss on an EPS basis is it accretive that way? You can maybe help us frame that up because you're going to take the cash, pay down commercial paper, and then we don't exactly know what the aerospace EBITDA is, but just maybe back into it that way.

Benjamin M. Burns
Executive VP & CFO

Yes, Bobby, I don't think it would be a complete offset, but it would -- the interest reduction would help a little bit, but I don't think it would get you all the way there.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

Okay. Very good. That's helpful. And then maybe switching gears just on the bedding side of things. Can we talk a little bit about your kind of volume side -- your kind of volume performance in the first quarter on innersprings versus kind of what you called out for the domestic market as well as consumption and some of the moving parts there and the differences of kind of what you guys saw versus what you think the market did?

J. Tyson Hagale
Executive VP & President of Bedding Products

Sure, Bobby. This is Tyson. And I'll take that one. I'll start by saying, despite all of our touch points with the market, it is really difficult right now to work through what's happening. Like I mentioned on Susan's question even just with the consumption of imported components or finished mattresses, it's -- it's giving us a pretty cloudy picture at the moment. That said, we did have some underperformance versus what we call that as the U.S. consumption in the first quarter.

But I should start with sales attrition really related to our restructuring and most of that being with our Mexican spring operation that we exited last year. That alone has about a 3% impact to the volume. So that's the biggest callout that we would have in the discrepancy. Second to that, we do think finished imports did gain some share at the expense of some of our customers, which obviously flows back to us as well. The other part of this -- the remainder of the difference is mostly volatility within our contract and noncontract customer base. And it is a little different explanation between the two. We do have a little bit of a range with our contractual customers. It's just normal within the requirements of our agreements.

So year-over-year, we did have some shifts there, but nothing that's out of the ordinary just with market demand. What's different about our noncontract customers and just going through and looking at the detail there. We're just at such a low demand environment. We really just have lumpy activity with our customers. We're certain periods, they're taking more product and then it drops off pretty significantly. So it is impacting our results kind of quarter-to-quarter just seeing how those accounts are placing their orders.

I think the only other thing I would point out probably just some timing differences between our business and how we would think about mattress consumption. We started the year with January. It was very, very soft. It was a significant drop off from December kind of post-election bump. Things did improve through the quarter, but still even with the improvement, it wasn't enough to offset what we saw in January. So I think timing also played a part in that as well.

Robert Kenneth Griffin
Raymond James & Associates, Inc., Research Division

That's helpful. And then, Karl, maybe just one last clarification. On the expanded metal margin, that was a comment about what you're seeing in April since the tariffs started to take place? Or is that an expectation going forward? Just trying to get a sense of if you're already seeing that in, call it, the first 30 days here of 2Q.

Karl G. Glassman
President, CEO & Chairman

Yes. The way to think about them, Bobby, is that year-on-year metal margins declined sequentially, including in hand in April, they've improved. So year-on-year, actually, metal margins are stronger in April. Obviously, sequentially, they improved. And we have that expectation through the full year that we've said that tariffs -- you know tariffs are a challenge. But on average, there's puts and takes. But when you aggregate all of Leggett tariffs are probably a net positive because of the nature of the 232 steel and aluminum tariffs. It's most acute at the rod and wire level.

We believe those tariffs, if any of the tariffs are sustainable for the term of the current administration, it's the steel tariffs. So we feel pretty good about our metal margins going forward. We also feel really good about the demand there. And while Tyson made reference to the soft conditions in residential, the steel mill is sold out right now as is the wire mill, the wire mills, I should say. And the excess is going to commercial construction, which is very -- continues to be strong in the country. So we see that -- I'm going a little further. We -- just tie this all together, we see that in our Geo Components business as well. So that's really where we're seeing the net positives.

Operator

Our next questions come from the line of Keith Hughes with Truist Securities.

Keith Brian Hughes
Truist Securities, Inc., Research Division

I just wanted to go back to the automotive tariffs. So I think I don't quite understand what you were saying, you're shipping your components to, I guess, your shipping them to Mexico and they're coming back in the United States. Can you just explain it one more time? I think I have it confused.

Karl G. Glassman
President, CEO & Chairman

Sam, do you want to clear up auto tariffs?

R. Sam Smith
Executive VP & President of Specialized Products & Furniture, Flooring & Textiles Products

Sure, Karl. And thanks for the question, Keith. So I'll just kind of go back to what Karl walked through a little bit earlier. Our automotive business is really a region-for-region business. So to say that differently, almost everything that we make in Asia goes into cars that are made in Asia. And the same's true with what we make in Europe and in what we make here in North America, it just stays inside the region. Now what we make in our Canadian and Mexican branches are USMCA compliant.

And as long as USMCA remains intact, everything we study tells us that we're good because our products, HTS codes are outside the scope of the auto tariffs that were announced for early May. If that changes from a USMCA standpoint, then my statement would change a bit, too. So from a direct standpoint, I don't think the impacts are big at all. The biggest impact we could face is indirect. If tariffs drive price inflation, then we could see fewer cars being made and sold in North America and the IHS market forecast in April actually showed that, that would happen. But quite honestly, outside of a couple of factories being idled in April, and that was really from an inventory standpoint, talking about OEM factories. Our EDI signals from the OEMs and the Tier 1s remained largely intact for the next several months. So we're not really feeling anything or seeing anything at this point, Keith. Is that helpful?

Keith Brian Hughes
Truist Securities, Inc., Research Division

Yes, that helps. Lets shift over to mattress industry real quick for Karl. With the tariffs we have in place today, and I know some of these are going to change. What do you think is going to happen to the kind of sub-$500 mattress market? Is that even a doable price point? Or is that just going to rise at a higher floor in the industry?

Karl G. Glassman
President, CEO & Chairman

Yes. Keith, it's hard to forecast when you add in what happens with reciprocal tariffs at some point, too. But Tyson, how would you...

J. Tyson Hagale
Executive VP & President of Bedding Products

Yes. And it's difficult also, Keith, because we've got the impact of what's been happening with the online mattress and where consumers are buying those. But just in the short term, we have seen -- despite the rest of the market struggles, the lowest end still being supported by online marketplaces and the imported finished mattresses. But it is really difficult to estimate what's going to happen.

We just don't have much visibility of what the reciprocal tariffs might be. That as Karl had his opening comments, that's probably the biggest factor in leveling the playing field for the imported finished mattresses that are really taking most -- a lot of the share in that sub-$500 category.

Karl G. Glassman
President, CEO & Chairman

Keith, I'll add. We are happy that the administration put in the de minimis tariffs on imports as well because there were a significant number of mattresses coming into the country that were not tariffable under the $800 threshold. So that is very helpful to the industry.

Keith Brian Hughes
Truist Securities, Inc., Research Division

And it doesn't look like the industry, the importers have pre-shipped a lot of units coming in ahead of tariffs. Is that correct? At least that's what the government numbers?

J. Tyson Hagale
Executive VP & President of Bedding Products

Sorry, Keith, I have a little bit of a hard time hearing you. It sounded like you said that quite a bit of finished mattresses were shipped in ahead of tariffs. Is that correct?

Keith Brian Hughes
Truist Securities, Inc., Research Division

No, it doesn't look like much was shipped in ahead of the tariffs based on the import numbers that are coming in at the ground to see something different.

J. Tyson Hagale

Executive VP & President of Bedding Products

Yes. Well, from looking at late last year, we did see quite a bit of a ramp-up that was greater than what we thought the consumption would be. So even leading into the end of 2024, we felt like some of that built up. And it did drop off in the first quarter, we're kind of looking at some longer time periods.

Operator

[Operator Instructions] Our next questions come from the line of Peter Keith with Piper Sandler.

Peter Jacob Keith
Piper Sandler & Co., Research Division

I did want to keep focus a bit on Bedding just with that volume guidance reduction. So if I understand correctly, it sounds like January started slow, it didn't get any better -- what are you seeing now from an end market demand in recent months? I think a lot of people are curious if anything changed post Liberation Day in April. Has it gotten worse? Or are you just taking the trend from the last couple of months and kind of carrying it forward for the rest of the year to make your forecast?

J. Tyson Hagale
Executive VP & President of Bedding Products

Peter, I'll jump in on that one. For us, and like I said, it may be a little different with our timing than what you may hear from others. But January was a very, very soft month, and it did improve through the quarter, but really more to the levels that we've kind of seen more on average through the fourth quarter. April kind of post Liberation Day, it's been more of the same. It did not for us drop off back to another level. It's just kind of been a continuation of what we saw in February and March. So we'll see.

I think we've seen some of our customers, like I mentioned, that are hesitant to make big inventory bets, and they just want to see what comes to the tariffs and the consumer activity. But for us, it's been relatively stable over the last couple of months.

Peter Jacob Keith
Piper Sandler & Co., Research Division

And then I guess what was interesting to me was the drop in Bedding volume and that's factoring our forecasting and then no change in the FF&T outlook? And specifically, with home furniture, it seems to be kind of holding steady. Any thought as to why mattress volumes have weakened versus the furniture, which seems to be holding steady with the original view?

Karl G. Glassman
President, CEO & Chairman

No. I'd say home furniture and flooring, our view has backed off because of the tariff impact, but that's being offset by some continued growth in textiles, both on the Geo Component side. And then on the fabric converting side, more from a die and finish perspective than a residential impact. So our call on the residential industries because of the challenges that the consumer has, it's a little bit of a forecast of demand destruction is out there. It would affect Bedding Furniture, Home Furniture and Flooring.

The other side I should call is Work Furniture actually is performing pretty well. We're gaining some share. We feel good about that business. So I would put Work Furniture and textiles in the plus category recently and home furniture and flooring in the negative category.

Peter Jacob Keith
Piper Sandler & Co., Research Division

That's helpful context. And then lastly for me, just thinking about tariffs and the commodity dynamic. So steel prices up, so your rod and wire prices will be up, will that flow through to price increases for spring? So should we see some sales benefit from spring from prices. And then separately, it does seem like with lower oil prices that chemical costs are coming down a lot. I'm curious how that might impact the margins in specialty foam. Do you -- are you contract pricing on foam -- or do you -- will you hold price in foam even as input costs from chemicals come down?

J. Tyson Hagale
Executive VP & President of Bedding Products

I'll jump back in on that one, Peter. So I would separate the steel comment into the trade rod and wire, the spring and what we've talked about what Ben shared with the guidance, the increased demand for trade rod and wire in the metal margin expansion, and is helping offset the weakness we're seeing in our residential markets. And that's really what we're already seeing just even at the end of the first quarter. And that's separate from what flows through to our U.S. Spring business.

We do have, as part of our guidance increases some in the second quarter and some through the back half of the year. But through our contractual business, those are based off of different drivers and different timing, and then for noncontract business, it's based off of actually when the price increases hit and market activity. So we do have some flowing through to the back half of the year. But as it relates to guidance, that offset is largely coming from trade rod and wire.

And then on a question around chemicals. We have seen some ups and downs from the chemical suppliers. Some related to what you called out, but also just some of the normal industry shutdowns and other cost increases that they've experienced that with a soft demand environment, some of those have not stepped. So at this point, our assumption around chemical cost is relatively flat to last year.

Peter Jacob Keith
Piper Sandler & Co., Research Division

And then I guess maybe -- maybe one last question. Congrats on divesting the Aerospace business. As it relates to the business review of your other segments and business lines. Is there a business review that's still ongoing? Or do you feel like that review has largely been completed at this point?

Karl G. Glassman
President, CEO & Chairman

Peter, it's ongoing. It will continue to look at every business to see if we're the rightful owner and what's our position in the market, our market knowledge and our effectiveness from product development and pricing. So it will continue. It is continuing.

Operator

There are no further questions at this time. I would now like to turn the floor back over to Cassie Branscum for closing comments.

Cassie J. Branscum
Vice President of Investor Relations

Thank you for joining us and your interest in Leggett & Platt, and have a great day.

Operator
Thank you. This does conclude today's teleconference. We appreciate your participation. You may disconnect your lines at this time. Enjoy the rest of your day.