

First Quarter Summary Financial Information

April 26, 2018



Leggett & Platt®

Forward-Looking Statements

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Overview

- ❑ Sales were up 7%, to \$1,029 million
 - Organic sales grew 6% and acquisitions added 2%; growth partially offset by divestitures (1%).
- ❑ EPS from continuing ops of \$.57, down vs. \$.62 in Q1-17
- ❑ EBIT of \$107 million, down 7% vs. Q1-17
- ❑ EBIT margin of 10.4%, down 170 bps vs. 12.1% in Q1-17
- ❑ PHC acquisition in Q1 adds ~\$85 million in annual revenue.
- ❑ 2018 sales guidance raised and EPS guidance lowered
 - Sales of \$4.3 - \$4.4 billion; 9-12% increase vs. 2017
 - Continuing Ops EPS lowered \$.05 to \$2.60 - \$2.80

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Q1 2018 Financial Highlights

| \$'s in millions (except EPS) | <u>Q1-18</u> | <u>Q1-17</u> | <u>Change</u> |
|--------------------------------------|---------------------|---------------------|----------------------|
| Sales | \$1,029 | \$960 | 7% |
| EBIT | 107 | 116 | (7%) |
| EBIT margin | 10.4% | 12.1% | (170bps) |
| EPS cont. ops | .57 | .62 | (8%) |
| Cash from Operations | \$44 | \$58 | (24%) |
| EBITDA | 141 | 146 | (4%) |

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Q1 2018 Sales & EBIT Bridge

| Sales: | <u>mln \$'s</u> | <u>% change</u> |
|--|-----------------|-----------------|
| 1 st Qtr 2017 | \$960 | |
| Divestitures | <u>(9)</u> | (1%) |
| Adjusted Q1-17 sales | 951 | |
| Approx volume growth | 7 | 1% |
| Approx raw material-related pricing and currency impact | <u>48</u> | <u>5%</u> |
| Organic sales | 55 | 6% |
| Acquisitions | <u>23</u> | <u>2%</u> |
| 1 st Qtr 2018 | \$1,029 | 7% |
| | | |
| EBIT: | | <u>margin</u> |
| 1 st Qtr 2017 | \$116 | 12.1% |
| Other: primarily higher steel costs partially offset by volume growth | <u>(9)</u> | |
| 1 st Qtr 2018 | \$107 | 10.4% |

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Q1 2018 Non-Operating & Taxes

| \$'s in millions | <u>Q1-18</u> | <u>Q1-17</u> | <u>Change</u> |
|----------------------------------|--------------|--------------|---------------|
| EBIT | \$107 | \$116 | (7%) |
| Net interest | 12 | 9 | |
| Pre-tax earnings | 95 | 107 | (11%) |
| Income taxes | 17 | 21 | |
| <i>Tax rate</i> | <i>18%</i> | <i>20%</i> | |
| | | | |
| Earnings from cont. ops | 78 | 86 | (10%) |
| Earnings from discontinued ops | - | - | |
| | | | |
| Net earnings | 78 | 86 | (10%) |
| Non-controlling interests | - | - | |
| | | | |
| Net earnings attributable to L&P | 78 | 86 | (10%) |
| EPS | .57 | .62 | (8%) |

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Adjusted Working Capital

| | 3/31 | 12/31 | 3/31 |
|---------------------------------------|--------------------|--------------------|--------------------|
| \$'s in millions | <u>2018</u> | <u>2017</u> | <u>2017</u> |
| Cash & equivalents | \$495 | \$526 | \$269 |
| Accounts receivable, net | 658 | 595 | 555 |
| Inventories, net | 611 | 571 | 556 |
| Other current assets | <u>51</u> | <u>74</u> | <u>33</u> |
| Total current assets | <u>1,814</u> | <u>1,766</u> | <u>1,413</u> |
| Current debt maturities | (154) | (154) | (3) |
| Accounts payable | (433) | (430) | (388) |
| Accrued and other current liabilities | <u>(391)</u> | <u>(392)</u> | <u>(326)</u> |
| Total current liabilities | <u>(978)</u> | <u>(976)</u> | <u>(717)</u> |
| Working capital | 836 | 790 | 696 |
| % of annualized sales ¹ | 20.3% | 20.1% | 18.1% |
| W/C, excluding cash & current debt | 495 | 418 | 430 |
| % of annualized sales ¹ | 12.0% | 10.6% | 11.2% |

¹ Annualized sales: 1Q18: \$1,029x4=\$4,116; 4Q17: \$984x4=\$3,936; 1Q17: \$960x4=\$3,840

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Debt & Equity

| | 3/31 | 12/31 | 3/31 |
|------------------------------------|--------------------|--------------------|--------------------|
| \$'s in millions | <u>2018</u> | <u>2017</u> | <u>2017</u> |
| Long-term debt | \$1,239 | \$1,098 | \$1,120 |
| Current maturities | 154 | 154 | 3 |
| Less: cash | <u>(495)</u> | <u>(526)</u> | <u>(269)</u> |
| Net debt | 898 | 726 | 854 |
| Long-term debt | 1,239 | 1,098 | 1,120 |
| Other long-term liabilities | 279 | 286 | 218 |
| Shareholders' equity | <u>1,196</u> | <u>1,191</u> | <u>1,065</u> |
| Total capital | 2,714 | 2,575 | 2,403 |
| Current maturities | 154 | 154 | 3 |
| Less: cash | <u>(495)</u> | <u>(526)</u> | <u>(269)</u> |
| Net capital | 2,374 | 2,203 | 2,137 |
| Long-term debt to total capital | 45.6% | 42.6% | 46.6% |
| <i>Net debt to net capital</i> | <i>37.8%</i> | <i>33.0%</i> | <i>40.0%</i> |
| Shares outstanding (end of period) | 131.2m | 131.9m | 132.3m |

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Cash Flow

| \$'s in millions | 1 st Qtr | | YTD | |
|-------------------------------------|---------------------|-------------|-------------|-------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Net earnings | \$78 | \$86 | \$78 | \$86 |
| D&A | 33 | 30 | 33 | 30 |
| Impairment, write-offs & other | 2 | 3 | 2 | 3 |
| Other non-cash | 9 | 18 | 9 | 18 |
| Changes in working capital: | | | | |
| Accounts receivable | (39) | (60) | (39) | (60) |
| Inventory | (21) | (30) | (21) | (30) |
| Other current assets | (1) | 5 | (1) | 5 |
| Accounts payable | (8) | 29 | (8) | 29 |
| Other current liabilities | <u>(9)</u> | <u>(23)</u> | <u>(9)</u> | <u>(23)</u> |
| Cash from operations | 44 | 58 | 44 | 58 |
| Capital expenditures | 40 | 34 | 40 | 34 |
| Acquisitions | 86 | 38 | 86 | 38 |
| Dividends | 48 | 45 | 48 | 45 |
| Share repurchases (issuances), net | 55 | 103 | 55 | 103 |
| Proceeds from asset sales | 2 | 1 | 2 | 1 |
| Additions (repayments) of debt, net | 144 | 154 | 144 | 154 |

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YTD 2018 Financial Summary

| \$'s in millions (except EPS) | <u>2018</u> | <u>2017</u> | <u>Change</u> |
|-------------------------------|-------------|-------------|---------------|
| Sales | \$1,029 | \$960 | 7% |
| EBIT | 107 | 116 | (7%) |
| EBIT margin | 10.4% | 12.1% | (170bps) |
| EPS (cont. ops) | .57 | .62 | (8%) |
| Cash from Operations | \$44 | \$58 | (24%) |
| EBITDA | 141 | 146 | (4%) |

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YTD 2018 Sales & EBIT Bridge

| Sales: | <u>mln \$'s</u> | <u>% change</u> |
|--|-----------------|-----------------|
| YTD 2017 | \$960 | |
| Divestitures | <u>(9)</u> | (1%) |
| Adjusted 2017 sales | 951 | |
| Approx volume growth | 7 | 1% |
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| Organic sales | 55 | 6% |
| Acquisitions | <u>23</u> | <u>2%</u> |
| YTD 2018 | \$1,029 | 7% |
| | | |
| EBIT: | | <u>margin</u> |
| YTD 2017 | \$116 | 12.1% |
| Other: primarily higher steel costs partially offset by volume growth | <u>(9)</u> | |
| YTD 2018 | \$107 | 10.4% |

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YTD 2018 Non-Operating & Taxes

| <u>\$'s in millions</u> | <u>2018</u> | <u>2017</u> | <u>Change</u> |
|----------------------------------|-------------|-------------|---------------|
| EBIT | \$107 | \$116 | (7%) |
| Net interest | 12 | 9 | |
| Pre-tax earnings | 95 | 107 | (11%) |
| Income taxes | 17 | 21 | |
| <i>Tax rate</i> | <i>18%</i> | <i>20%</i> | |
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| Earnings from cont. ops | 78 | 86 | (10%) |
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| | | | |
| Net earnings | 78 | 86 | (10%) |
| Non-controlling interests | - | - | |
| | | | |
| Net earnings attributable to L&P | 78 | 86 | (10%) |
| EPS | .57 | .62 | (8%) |

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2018 Guidance

- ❑ Continuing Ops EPS lowered \$.05 to \$2.60-\$2.80
- ❑ Sales guidance raised to \$4.3 - \$4.4 billion
 - 9-12% growth versus 2017
 - Assumes mid-single-digit volume growth; commodity inflation and currency should also add to sales growth
 - PHC acquisition expected to add 2% to sales
- ❑ Implied EBIT margin of 11.5% to 12.0%
- ❑ Operating cash is expected to approximate \$450 million
- ❑ Dividends should require ~\$195 million
- ❑ Cap-ex of ~\$160 million
- ❑ Full year tax rate of ~22%
 - 1Q = 18%; 2Q-4Q = ~23%
- ❑ Diluted shares of ~136 million

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Segments

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Q1 2018 Segment Summary

| | Q1-18 Organic <u>Sales Growth</u> ¹ | Q1-18 EBIT <u>Margin</u> | <u>Δ vs Q1-17</u> |
|----------------------|---|---|------------------------------|
| Residential Products | 1% | 8.7% | -200bps |
| Industrial Products | 13% | 5.9% | -60bps |
| Furniture Products | 3% | 6.3% | -120bps |
| Specialized Products | 11% | 17.2% | -100bps |
| Total Consolidated | 6% | 10.4% | -170bps |

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

Residential Products

| Total Sales: | <u>mln \$'s</u> | <u>% change</u> |
|----------------------------|-----------------|-----------------|
| 1 st Qtr 2017 | \$396 | |
| Acquisitions | 4 | 1% |
| Organic sales ¹ | <u>3</u> | <u>1%</u> |
| 1 st Qtr 2018 | \$403 | 2% |

¹ Raw material-related price increases and currency benefit (4%) offset by lower volume (3%).

| EBIT: | | <u>margin</u> |
|---|------------|---------------|
| 1 st Qtr 2017 | \$43 | 10.7% |
| Other: primarily higher raw material costs and lower volume | <u>(8)</u> | |
| 1 st Qtr 2018 | \$35 | 8.7% |

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Residential – Key Points

- ▣ Q1 organic sales were up 1%:
 - Volume decreased 3% from soft demand in Geo Components and Flooring Products (formerly Carpet Cushion) along with fewer pass-thru sales of adjustable beds
 - Raw material-related price inflation and currency increased sales 4%
- ▣ Organic sales trends excluding inflation and currency:
 - U.S. Spring component \$'s were down 1%
 - Total innerspring units declined 3%
 - Boxspring units decreased 12%
 - Comfort Core innerspring units increased 8%
 - Dollars outpaced units as content gains continued
 - International Spring \$'s up 4%
- ▣ Q1 EBIT and EBIT margin decreased, primarily from higher raw material costs (including LIFO expense) and lower volume.

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Industrial Products

| Total Sales: | <u>mln \$'s</u> | <u>% change</u> |
|----------------------------|-----------------|-----------------|
| 1 st Qtr 2017 | \$135 | |
| Organic sales ¹ | <u>17</u> | <u>13%</u> |
| 1 st Qtr 2018 | \$152 | 13% |

¹ Steel related price increases (12%) and higher volume (1%).

| EBIT: | | <u>margin</u> |
|---|----------|---------------|
| 1 st Qtr 2017 | \$9 | 6.5% |
| Other: improved metal margins at our steel rod mill offset by higher LIFO expense | <u>-</u> | |
| 1 st Qtr 2018 | \$9 | 5.9% |

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Industrial – Key Points

- ❑ Q1 organic sales were up 13%, primarily from steel related price increases.
- ❑ Q1 EBIT was essentially flat, with improved metal margins at our steel rod mill offset by higher LIFO expense and other costs.

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Furniture Products

| Total Sales: | <u>mln \$'s</u> | <u>% change</u> |
|----------------------------|-----------------|-----------------|
| 1 st Qtr 2017 | \$271 | |
| Acquisitions | 4 | 2% |
| Organic sales ¹ | <u>9</u> | <u>3%</u> |
| 1 st Qtr 2018 | \$284 | 5% |

¹ Primarily raw material-related price increases and currency benefit.

| EBIT: | | <u>margin</u> |
|---------------------------------------|------------|---------------|
| 1 st Qtr 2017 | \$20 | 7.5% |
| Other: primarily steel cost increases | <u>(2)</u> | |
| 1 st Qtr 2018 | \$18 | 6.3% |

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Furniture – Key Points

- ❑ Q1 organic sales were up 3% from raw material-related price increases and currency benefit. Volume was essentially flat with strong growth in Adjustable Bed offset by declines in Home Furniture and Fashion Bed.
- ❑ Organic sales trends excluding inflation and currency:
 - Adjustable Bed sales increased 22%
 - Work Furniture sales were up 1%
 - Home Furniture sales decreased 8%
 - Fashion Bed sales declined 9%
- ❑ A small Work Furniture acquisition completed in Q1 2017 added 2% to sales growth.
- ❑ Q1 EBIT and EBIT margins decreased, primarily from steel cost increases in Home Furniture.

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Specialized Products

| Total Sales: | <u>mln \$'s</u> | <u>% change</u> |
|----------------------------|-----------------|-----------------|
| 1 st Qtr 2017 | \$236 | |
| Divestitures | <u>(9)</u> | (4%) |
| Adjusted Q1-17 sales | 227 | |
| Acquisitions | 15 | 6% |
| Organic sales ¹ | <u>26</u> | <u>11%</u> |
| 1 st Qtr 2018 | \$268 | 13% |

¹ Currency benefit (8%) and higher volume (3%).

| EBIT: | | <u>margin</u> |
|---|----------|---------------|
| 1 st Qtr 2017 | \$43 | 18.2% |
| Other: primarily higher volume partially offset by growth-related costs | <u>3</u> | |
| 1 st Qtr 2018 | \$46 | 17.2% |

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Specialized – Key Points

- ❑ Q1 organic sales grew 11%, primarily from currency benefits and volume growth in Automotive.
- ❑ Organic sales trends excluding currency:
 - Automotive sales increased 7%
 - Aerospace sales were up 1%
- ❑ PHC acquisition completed on January 31 added 6% to sales growth.
- ❑ Q1 EBIT increased, primarily from higher volume partially offset by growth-related costs in Automotive.

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FOR ADDITIONAL INFORMATION

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