S&P Global
Market Intelligence

Leggett & Platt, Incorporated NYSE:LEG
FQ1 2024 Earnings Call Transcripts

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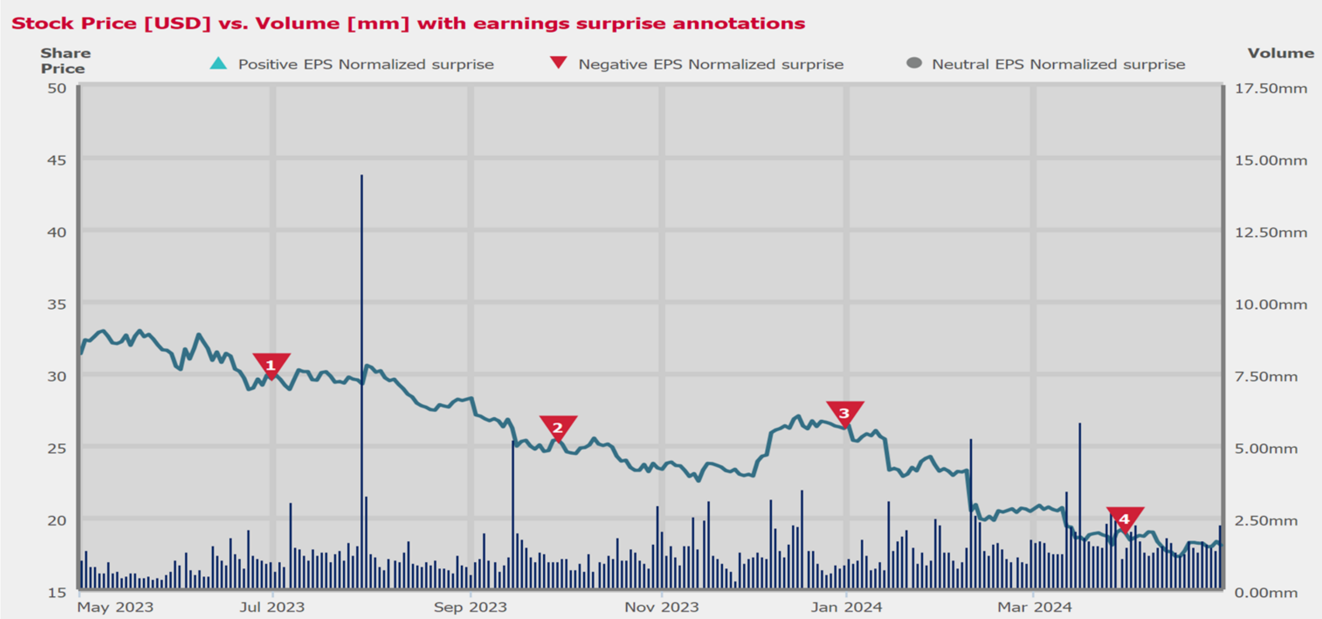
S&P Global Market Intelligence Estimates

	-FQ1 2024-			-FQ2 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.24	0.23	(4.17 %)	0.31	1.16	NA
Revenue (mm)	1119.57	1096.90	(2.02 %)	1141.52	4493.76	NA

Currency: USD
Consensus as of May-01-2024 2:25 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2023	0.39	0.38	1 (2.56 %)
FQ3 2023	0.40	0.36	2 (10.00 %)
FQ4 2023	0.27	0.26	3 (3.70 %)
FQ1 2024	0.24	0.23	4 (4.17 %)

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Call Participants

EXECUTIVES

Benjamin M. Burns
Executive VP & CFO

Cassie J. Branscum
Vice President of Investor Relations

J. Mitchell Dolloff
CEO, President & Director

J. Tyson Hagale
Executive VP & President of Bedding Products

ANALYSTS

Keith Brian Hughes
Truist Securities, Inc., Research Division

Peter Jacob Keith
Piper Sandler & Co., Research Division

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 2024 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, Vice President, Investor Relations. Thank you, Cassie. You may begin.

Cassie J. Branscum
Vice President of Investor Relations

Good morning, and welcome to Leggett & Platt's First Quarter 2024 Earnings Call. With me on the call today are Mitch Dolloff, President and CEO; Ben Burns, Executive Vice President and CFO; Tyson Hagale, Executive Vice President and President of the Bedding Products segment; Ryan Kleiboeker, Executive Vice President and Chief Strategic Planning Officer; and Kolina Talbert, Manager of Investor Relations.

The agenda for our call this morning is as follows: Mitch will discuss our near- to mid-term strategy and operating results, including a summary of the main points we made in yesterday's press release. Ben will cover capital allocation, additional financial details and address our outlook for 2024, 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. Those documents supplement the information we discuss on this call, including our 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 entitled Risk Factors and Forward-Looking Statements.

I'll now turn the call over to Mitch.

J. Mitchell Dolloff
CEO, President & Director

Good morning, and thank you for joining our call today. First, I want to share that this will be Cassie's last earnings call with us as she will be leaving the company for an exciting new opportunity later this month. Cassie has been an instrumental part of our IR team since 2018 and has been an incredible asset to the company throughout her various positions over the last 19 years. We wish her the best in her new role and will sincerely miss her.

Before reviewing first quarter results, I'd like to spend a few minutes discussing who we are, where we stand today and where we are going in the future. Across most of our businesses, we are positioned as a leading provider of differentiated engineered products with opportunities to increase content over time while collaborating with our customers to provide solutions. Our core businesses have strong market positions in industries with large and attractive addressable markets.

In Bedding products, our 2019 acquisition of ECS meaningfully increased our addressable Bedding market, allowing us to expand into specialty foam and compressed mattresses, trends which have significantly changed the domestic bedding landscape in the last 10 years. Although the Bedding market has been challenged recently, the strategic rationale for that acquisition remains intact and should enable us to drive long-term growth and product innovation.

In specialized products, all 3 of our businesses supply technical critical components that are developed with a deep customer relationship and collaborative design. For example, our Automotive business is aligned with trends of increasing comfort and convenience features. Our ability to partner directly with OEMs to solve specific problems means we compete on differentiation rather than just price.

In Furniture, Flooring & Textile products, most of our businesses are mature and stable with steady margins and solid cash generation. These businesses tend to compete based on high levels of customer service or product differentiation and include our home furniture, work furniture and flooring operations.

Within textiles, our Geo Components business leverages sourcing synergies from our fabric converting operations to supply fabrics for applications such as erosion control and landscaping. Geo Components competes in a fragmented industry with sizable opportunities for growth.

With that context in mind, I'll now address our near- to mid-term strategic priorities, which are a blueprint for ensuring the sustainable long-term success of our business. Our priorities are: one, strengthening our balance sheet and liquidity; two, improving margins by optimizing operations and our general and administrative cost structure; and three, positioning the company for profitable growth opportunities. We're committed to maintaining our long-held financial strength and have recently taken action to support this objective.

In March, we proactively amended the agreement for our existing revolving credit facility to provide us with additional liquidity and flexibility. The leverage ratio has increased from 3.5x to 4x through June 30, 2025, creating a bigger cushion in a time of near-term weak demand in residential end markets.

Yesterday, we announced that the Board of Directors declared a quarterly dividend of $0.05 per share. The decision to reduce the dividend was made following a very thorough evaluation. This action will free up capital to invest in driving improvements in our business and solidify our long-held financial strength. Additionally, we continue to advance our initiatives across our business to drive operational excellence and enhance our efficiency. We expect these initiatives will allow us to drive margin improvement and continue to strengthen our financial foundation in the near- to mid-term.

Divested Bedding manufacturers are facing numerous challenges, including low demand, overcapacity and increased pressure from finished mattress imports resulting in financial stress across the industry. The domestic mattress market has changed dramatically in a relatively short time span.

The landscape has shifted from a largely domestic OEM-produced innerspring mattress market to one where innerspring, foam and hybrid mattresses are sold at a wide range of price points through a variety of channels and produced by a mix of fewer large domestic OEMs, domestic private label producers and import manufacturers. These changes have effectively reduced the size of the domestic innerspring mattress market by 1/3.

While we anticipate that import mattresses will always have a place in the market, any volume reshored to the U.S. as a result of the ongoing anti-dumping case is beneficial for the domestic industry. In such a dynamic environment, we recognize that we must also make changes to profitably compete in the Bedding market today and in the future.

Across our Bedding Products segment, we are executing on the restructuring plan announced in January to optimize our manufacturing and distribution footprint. We are making steady progress and remain on track to achieve our objectives. To date, we have closed 4 smaller U.S. Spring distribution facilities, transitioned manufacturing out of 3 facilities and into our 4 larger remaining spring production facilities and closed a small specialty foam operation.

We still expect the consolidation activities within U.S. Spring to be completed by year-end and are currently downsizing our Chinese innerspring operation. Finally, 2 additional specialty foam facility consolidations are underway and should be complete by year-end. As previously announced, restructuring actions will be complete by the end of 2025. I want to thank our entire team for their dedication and hard work during this time of transition.

Our rod, wire and spring business continues to have healthy margins as a result of our refocused strategy targeting higher value content combined with disciplined cost management from our operations team. However, volume recovery, restructuring activities and other operational initiatives will drive meaningful improvement.

Specialty Foam is a significant drag in our company profits, but we continue to drive operational improvements and margin recovery through our 4-wall manufacturing improvement plan. Efforts to diversify our customer base have seen initial success, but we have more work to do in the current low demand environment where many market participants are increasingly financially constrained.

In Adjustable Bed, low demand and a market shift towards lower value products have been a meaningful drag on profit. We are working hard to reduce costs and simplify the supply chain to drive profit and cash flow improvements.

Our European bedding business faces market conditions that are very similar to our domestic challenges. The team continues to drive profitability in innersprings, but has opportunities to improve our Kayfoam business where the customer base has changed meaningfully since acquisition. We remain confident that our unique positioning in the bedding industry enables us to drive value for our branded customers, and we are addressing our cost structure to do so as competitively as possible.

In Specialized Products, operational improvement activities are ongoing within each business.

In Automotive, the team continues to make good progress improving profitability. We continue to evaluate efficiency enhancement opportunities and options to leverage automation and vertical integration.

In both Aerospace and Hydraulic Cylinders, efforts to improve production efficiencies are underway. In Hydraulic Cylinders, we are shifting some production to our operations in India to reduce cost and improve profitability. Restructuring initiatives in the Furniture, Flooring & Textile Products segment are also on track. We have closed a foreign products production line and redeployed the manufacturing equipment to one of our other production facilities.

In Home Furniture, we closed 1 plant and have transferred that production to other remaining facilities. We expect to market that real estate by midsummer.

In Work Furniture, we continue to explore opportunities to reduce cost and improve profitability.

Beyond our manufacturing operations, we are evaluating our general and administrative cost structure to drive further improvements in profitability.

Shifting our focus to the future. In the long-term, we plan to invest in key focus areas, including Bedding, Automotive and Geo Components. The changes underway now in our Bedding business support our future ability to drive product synergies across Specialty Foam and innersprings and capture greater product content through semifinished and private label finished goods. We are committed to leveraging our capabilities in springs and foam to expand our hybrid mattress programs and drive value for our customers through product development activities.

Additionally, we expect that future growth in adjustable beds will stem from higher attachment rates and innovative product designs tailored to meet consumer needs.

In Automotive, we see growth potential in our convenience product offerings such as motors and actuators, particularly as vehicle technology and electrification increases.

Our Geo Components business has grown via greenfields and small bolt-on acquisitions over time, and we anticipate further growth as we continue to expand our product lines and geographic footprint. We are confident that the actions we are taking in the near- to mid-term will better position us for the future and enhance shareholder value. Our current profitability does not meet our expectations, but we are taking the necessary steps to improve our performance.

Moving on to first quarter 2024. Results were in line with our expectations at the beginning of the year. First quarter sales were $1.1 billion, down 10% versus the first quarter of 2023 from volume declines, primarily in residential end markets and raw material-related selling price decreases. First quarter EBIT was $63 million, down $26 million versus the first quarter of 2023.

Adjusted EBIT was $64 million, down $25 million versus first quarter 2023. EBIT and adjusted EBIT decreased primarily from lower volume, increased bad debt reserve, less benefit from a reduction to a contingent purchase price liability associated with the prior year acquisition and the nonrecurrence of pandemic-related cost reimbursements. These decreases were partially offset by lower current year amortization expense.

Restructuring costs during the quarter were $11 million, comprised of $6 million in cash costs and $5 million in noncash costs. The restructuring charges were mostly offset by gains from idle real estate sales and insurance proceeds of $8 million and $2 million, respectively. First quarter earnings per share and adjusted earnings per share were $0.23, a 41% decrease from first quarter 2023 EPS of $0.39.

Moving on to segment results. Sales in our Bedding Products segment decreased 15% versus first quarter 2023. Ongoing weakness in domestic and international Bedding markets negatively impact volume this quarter as demand continues to bounce along the bottom. U.S. spring volume was down 15% versus first quarter 2023, driven by declines in open coil and wire grids, partially offset by growth in higher-value semifinished products such as combination pocket and eco based.

Domestic mattress market production was likely down high single digits, and we saw similar trends in comfort core demand. For the full year, we expect U.S. mattress consumption to be slightly down versus 2023.

Sales in our Specialized Products segment decreased 1% compared to first quarter 2023.

In Automotive, our volumes were in line with the market in the first quarter. We still expect our Automotive business will outperform Global Automotive production in 2024, primarily due to new programs initiating production throughout the year.

We continue to experience strong demand and benefit from lengthy industry backlogs in our Aerospace business. First quarter volume was up 13% as industry production continues to recover from pandemic impacts.

In Hydraulic Cylinders, first quarter sales were negatively impacted by softer demand in heavy construction markets and the lag timing of index-based price changes.

For the full year, we anticipate flat demand with weakness in European heavy construction markets, offset by material handling backlogs in the U.S. Sales in our Furniture, Flooring & Textile Products segment were down 9% versus first quarter 2023. Demand in Home Furniture continues to be soft. We have recently seen stronger performance in Asia than in the U.S. and believe this is related to consumer trade down.

Work Furniture demand also remains low. Pockets of improvements in contract markets are offset by softness in residential markets. We expect 2024 demand to be in line with 2023.

In Flooring products, we anticipate another year of lower residential demand driven by lower levels of residential construction and remodeling activity. Hospitality demand has recovered slower than expected and remains well below pre-pandemic levels.

Within textiles, first quarter sales were negatively impacted by weak bedding and furniture demand within our Fabric Converting business, partially offset by growth in U.S. civil construction demand within our Geo Components business. We expect infrastructure funding will be a tailwind later this year and anticipate full year demand in Geo Components will be modestly higher year-over-year.

Despite an uncertain macroeconomic environment and challenging demand in residential end markets, our full year sales and earnings guidance has not changed. Our ongoing initiatives, including our restructuring plan remain on track, and the management team is executing against our near- to mid-term strategic priorities outlined earlier.

I'll now turn the call over to Ben to review our updated capital allocation priorities, additional first quarter financial details and our outlook for the year.

Benjamin M. Burns
Executive VP & CFO

Thank you, Mitch, and good morning, everyone. As Mitch discussed in his remarks, our management team and Board of Directors have made the decision to reduce the quarterly dividend to $0.05 per share. We carefully evaluated our capital allocation priorities and determine that reallocating a large portion of cash spent on dividends to deleverage our balance sheet while continuing to invest in our business will enhance our financial position in the near term as weak demand in our residential end markets continues to pressure earnings.

Additionally, cash generated from real estate sales will be used for debt reduction. We are targeting a long-term leverage ratio of 2x net debt to adjusted EBITDA, which we expect will allow us to maintain a solid investment-grade credit rating. In the long term, we expect to grow our business both organically and through strategic acquisitions, while also returning cash to shareholders via a combination of dividends and share buybacks.

In the first quarter, operating cash flow was negative $6 million, a decrease of $103 million versus the first quarter 2023, primarily driven by lower accounts payable due to timing of purchases, reduced purchasing volumes and deflation as well as lower earnings. We ended the quarter with adjusted working capital as a percentage of annualized sales of 15.3%, an improvement of 50 basis points versus first quarter 2023.

Cash from operations is now expected to be $300 million to $350 million in 2024 versus our prior guidance of $325 million to $375 million as we expect less benefit from working capital than previously anticipated.

We ended the first quarter with total debt of $2.1 billion, including $279 million of commercial paper outstanding. Net debt to trailing 12-month adjusted EBITDA was 3.61x at quarter end. We expect our leverage ratio to modestly increase in the second quarter before improving as we progress toward our long-term target of 2x.

We still expect to predominantly use our commercial paper program to repay $300 million of 3.8% 10-year notes maturing in November. Our amended credit agreement provides us with ample liquidity while we execute our current operating initiatives and navigate weak residential end market demand. The leverage ratio increased from 3.5x to 4.0x through June 30, 2025, and will revert to 3.5x as of September 30, 2025, remaining at that level until maturity on September 30, 2026. No other material changes were made to the credit agreement.

Total liquidity was $806 million at March 31, comprised of $361 million cash on hand and $445 million in capacity remaining under our revolving credit facility. As Mitch stated earlier, our 2024 sales and EPS guidance range remains unchanged. 2024 sales are expected to be $4.35 billion to $4.65 billion were down 2% to 8% versus 2023, reflecting continued weak demand in our residential end markets, partially offset by growth in Automotive and our industrial end markets.

Volume is expected to be down low- to mid-single digits with volume at the midpoint, down high single digits in Bedding Products, up low single digits in Specialized Products and down low single digits in Furniture, Flooring & Textile products. Deflation and currency combined are expected to reduce sales in low single digits.

2024 earnings per share are expected to be in the range of $0.95 to $1.25, including approximately $0.20 to $0.25 per share of negative impact from restructuring costs and $0.10 to $0.15 per share gain from the sale of real estate.

Full year adjusted earnings per share are expected to be $1.05 to $1.35 primarily reflecting lower volume, pricing responses related to global steel cost differentials, modest metal margin compression and several expense items that were abnormally low in 2023 and are expected to normalize in 2024, including bad debt expense, a reduction to a contingent purchase price liability associated with the prior year acquisition and incentive compensation.

These decreases are partially offset by lower amortization from the 2023 intangible asset impairment. Based upon this guidance framework, our 2024 full year adjusted EBIT margin range is expected to be 6.4% to 7.2%. EPS guidance assumes a full year effective tax rate of 25%, depreciation and amortization of approximately $135 million, net interest expense of approximately $85 million and fully diluted shares of $138 million.

For the full year 2024, we assumed capital expenditures of $100 million to $120 million, dividends of approximately $135 million, reflecting 2 quarters of cash payments at $0.46 per share and 2 quarters at $0.05 per share and minimal spending for acquisitions and share repurchases.

Lastly, I want to reiterate that we are proactively making changes where needed to strengthen our business and better position us to capture long-term opportunities. This discipline, combined with the dedication and hard work of our employees will pave the way for future success.

With those comments, I'll turn the call back over to Cassie.

Cassie J. Branscum
Vice President of Investor Relations
Thank you, Ben. Operator, we're ready to begin Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question is from Susan Maklari with Goldman Sachs.

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

My first question is I want to start on the dividend. I guess, Mitch, can you just give us a bit more perspective on how the board arrived at that $0.05? And maybe even some color on what it implies for the future earnings of Leggett? How do you think about what the business can generate once you get past the restructuring and all the changes that you're implementing? Just any color there on how we should be thinking about those 2 pieces.

J. Mitchell Dolloff
CEO, President & Director

Sure, Susan. Making a change to the dividend was, of course, a decision that we took very seriously. And it was important for us to consider a variety of options in making that change as well as near and long-term impacts to our business.

So the downturn in our residential end market demand has continued to pressure earnings for longer than we originally anticipated. And as we went through this process, we shifted from considering it to be a question of how can we fund the dividend at the current level to whether we should fund the dividend at the current level. As it became harder to balance our lower earnings, the increasing leverage and the elevated dividend payout ratio.

So we've landed at the $0.20 because reducing to that level allows us to deleverage our balance sheet in a reasonable time frame, continue to invest in our business, which we've mentioned before, we hadn't been compromising CapEx or things like that. But as this drug on and the payout ratio continued to be really high, it was putting us in a spot to maybe have to make some changes. And it also gives us the flexibility to refine our portfolio in the future if we think that's appropriate.

So we remain committed to returning capital to shareholders, and we're not walking away from that priority, but we'll balance that with retaining the flexibility to invest in future growth. And we'll also think about that, the shareholder returns, both through dividends and share repurchases over time.

To your question about the future earnings, we still feel really good about the restructuring activity that's underway and some of the additional actions that we talked about in our reporting of operational improvements and looking at our G&A cost structure, things like that. So we feel like we still see that improvement in our earnings even in this near-term low demand environment.

We continue to see improvement in growth in Specialized Products earnings and demand will start to come back at some point, but it's hard to estimate when that is, probably depends on interest rates and inflation and some things like that. So we're really focused on dealing with the situation that we have on our hands today and driving improvement in our earnings in the near term, the midterm and then returning to longer-term growth when things normalize a bit.

So we're confident in the situation we're in and the opportunities that we have, but we felt like this was an appropriate action to give us the flexibility that we need to run our business for the long term.

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

Okay. That's helpful color. And then just maybe digging a little deeper into one of the points that you made there, which is just a commitment to shareholder returns. I guess is the plan to continue to raise the dividend from here? Or should we expect that we're just going to stay at the $0.20 for a while and then sort of take things from there?

J. Mitchell Dolloff
CEO, President & Director

Well, I think Susan, as we move closer to our leverage target, and that does -- the long-term target that's been mentioned of 2x is long term. It doesn't mean that we won't do anything until we get there. But I think we'll continue to evaluate the situation. We definitely want to continue to give ourselves the flexibility and probably will have not as much of a only dividend focus as we've had over the last 5-plus years.

So we'll take advantage of flexibility between share repurchases and the dividend. But we'll continue to evaluate that as we make progress in our earnings and our deleveraging.

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

Okay. All right. I just want to get one more in, which is that it does sound like the restructuring is on track, and that's progressing. Just anything, I guess, that has surprised you or that has been different as you've actually started to get a bit deeper into that process? And perhaps anything that could be changed or adjusted given that?

J. Mitchell Dolloff
CEO, President & Director

You're right. It is going very well and things remain on track. But Tyson, do you want to comment because bedding is the biggest part of that?

J. Tyson Hagale
Executive VP & President of Bedding Products

Sure thing. Yes, it is on track. We're doing well with the plan. I'd say we're on track from both the timing and financial estimates that we've made as part of the plan. I think maybe what's been surprising is it's a heavy lift. There's a lot of activity across the segment and all of it has been well planned out and it's being executed really well.

But in terms of maybe some things that are being a surprise, we decided we needed to move aggressively. We're adjusting to a fast-changing market and wanted to do this in an appropriate way. But I think we continue to find along the way, other opportunities that we can continue to drive cost improvement as part of the plan. And I think that really gives us a lot of confidence back to what Mitch said about improving the longer-term margin profile is that we continue to find other opportunities to add to the restructuring plan and help us continue to drive efficiency by -- but while still supporting our customers and not jeopardizing that.

Operator

Our next question is from Bobby Griffin with Raymond James.

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

I guess first, Mitch, I wanted to talk a little bit about the Bedding segment itself and the performance during the quarter. When you look at kind of the delta between what you guys estimate the consumption was in the industry, I believe you mentioned down high single digits and then the innerspring foam volume down 15%. What is that -- what is driving that gap still?

I know we've talked a little bit about market share losses. But is there also -- is that also from some of the restructuring initiatives where you've had to walk away from some business temporarily or anything? Any additional color there?

J. Mitchell Dolloff
CEO, President & Director

Tyson, I'll turn it over to you.

J. Tyson Hagale
Executive VP & President of Bedding Products

I'll take that one, Bobby. No, we're not walking away from anything in the first quarter. That's not been a drag. If anything, I know we put out the sales attrition estimates early in the first quarter as part of the restructuring announcement. And to date, I think we've found that so far, it's been less than what we originally put out, we were conservative in that estimate.

The big drag and we've talked about this before, but we've really had struggles around volume in both open coil & grids, and it's a combination of product and consumer preference moving away from some of those product categories and also extreme price competition on some of those -- especially on open coil and even on lower-end commodity pockets. That just don't make sense for us, but those continue to be a longer-term drag on the overall volume, but we do feel like our Comfort Core, especially on some of the newer products are more in line with the domestic market.

Robert Kenneth Griffin

Executive VP & President of Bedding Products

Yes, I'll take that one again, Bobby. Yes, it is a drag. It is a high fixed cost operation, and it is something that running at below capacity is definitely impactful to our margins. But we do see that just over time, as products have changed, grids, as an example, that's been historically a big use of rod tons and we see a pretty permanent shift in the attachment rate for that long term. So it does require us to go out and diversify in some of the markets we can serve. And we are actively doing that.

We have seen even over the last year where some of the industrial markets were stronger, that there's been some more weakness there. So that's still a challenge in the near term. But we are actively looking at other end markets, more in industrial markets that help us offset some of that. We're not just solely relying on the recovery of the innerspring market.

Operator

Our next question is from Peter Keith with Piper Sandler.

Peter Jacob Keith
Piper Sandler & Co., Research Division

I actually want to ask a few follow-ups. So to Susan's question on capital allocation, you've mentioned maybe not a focus on dividends like you have been in the last 5 years, I guess it applies maybe thinking about share repurchases. The question is, are you thinking about getting to 2x net leverage as that target before you contemplate acquisitions or share repurchases?

Or are you going to be opportunistic? I guess just trying to understand the timing of when some of the cash return to shareholders could pick up?

J. Mitchell Dolloff
CEO, President & Director

Yes. Thanks for asking that question. And we've tried to comment on that, but I'm glad to clarify. The 2x leverage target is a long-term target and we will try and be opportunistic along the way. It's a priority. We want to make sure we're maintaining our investment-grade credit ratings and access to commercial paper. But that doesn't mean that we won't pass up opportunities, for example, small bolt-on acquisitions or things like that. Nothing is on the list right now, but we do plan to maintain some flexibility. But Ben, anything you would add there?

Benjamin M. Burns
Executive VP & CFO

Yes. No, I think that's right. And as we make progress on that deleveraging, I think, like Mitch said, that gives us the flexibility to start to look at some of those other opportunities to drive growth. And so again, if we redirected all free -- available free cash flow to debt reduction, it would probably take us a couple of years.

But again, as we make progress, we'll have the ability to be a little bit more flexible and look at those other opportunities. So I think flexibility is the word, right, Mitch? For sure, but we'll definitely be opportunistic in those other opportunities.

Peter Jacob Keith
Piper Sandler & Co., Research Division

Okay. Very good. And then to follow up on Bobby's question regarding spring competition. I think you had referenced there's some larger international players that are competitive. What about the domestic market? It does seem like there's more spring factories popping up in the U.S.? Has the level of U.S. domestic competition also intensified in recent years?

J. Tyson Hagale
Executive VP & President of Bedding Products

Peter. Yes, we have seen some of that. Bobby asked a question about equipment that is something, especially during the pandemic that we saw horizons with some of the capacity adds. Some of that has also come from a result of the antidumping cases where we've seen some reshoring mattress production in the U.S. And so some of it that wasn't part of our addressable market to begin with, it's being imported, and now we're competing with them domestically.

So we have seen that as part of the market, and that's part of what we're talking about with the changing domestic market and why we're making adjustments from our business as well.

Peter Jacob Keith
Piper Sandler & Co., Research Division

Okay. Very good. And then last one for me is that the last quarter, you had referenced that some customers looking to improve their financial position and that could negatively impact your sales. You took the impairment charge on the Specialty foam business. The heart of the question is, some of those lost sales, I guess, customers might be going elsewhere or shutting down. Did that show up fully in Q1? Or is there more impact to come as we think about Q2 and going forward from these customer changes?

J. Tyson Hagale
Executive VP & President of Bedding Products

I'll take that one as well, Peter. We didn't see -- we saw some just general slowdown for some of those accounts, but more that would track the market in the first quarter. But most of the impacts that we've talked about previously and we're taking the impairment charge, we'll start to really see in the back half of the year, and that's part of our guidance.

Peter Jacob Keith
Piper Sandler & Co., Research Division

Okay. So I'll just follow up on that. So I understand the guidance, no one has a perfect crystal ball. But certainly, like if we look at Bedding, you have units down high single. I guess that from where you're trending first half of the year, it does imply some healthy improvement in the back half. Is this a function of compares? It does seem like you've got the customer headwind coming. What gives the confidence in that general improvement as we look to the back half of the year?

J. Mitchell Dolloff
CEO, President & Director

Ben, I'll let you take that one. But I mean there's some seasonality too, particularly in like Automotive and things like that.

Benjamin M. Burns
Executive VP & CFO

Yes. And then I'd say on the Bedding side, it's really the comparisons get a bit easier in the back half of the year.

J. Tyson Hagale
Executive VP & President of Bedding Products

Yes. We really, from a demand standpoint, plan for it to be more of the same. I mean, really what we saw late last year. We haven't forecasted any optimistic recovery or anything like that in demand, and we have baked in the customer attrition that we talked about.

Operator

[Operator Instructions] Our next question is from Keith Hughes with Truist Securities.

Keith Brian Hughes
Truist Securities, Inc., Research Division

A couple of questions. First, on the dividend. I understand why you're cutting the dividend. I'm a little confused on why that dividend in February was paid at the old rate. I mean the landscape looks very similar to what you thought in the last earnings release, probably what you were forecasting in January. Can you go through the thought process of the Board of the path that we got to where we are right now?

J. Mitchell Dolloff
CEO, President & Director

Yes. And I tried to comment on this area, Keith, but I mean it really goes back to how seriously we took that decision, and we wanted to do the work that we needed to explore the various options that were in front of us and what the impacts were for us, both in the near and the long term.

And so it was a long and vigorous and thorough discussion and investigation of different opportunities. And so while we wanted to make sure we were making the right choice and also signaling that it was a discussion that we were having. And so just that's how the timing worked out.

Keith Brian Hughes
Truist Securities, Inc., Research Division

Okay. So you brought up the long-term ramifications of this. So you've got a big restructuring plan, you're working on that, you highlighted at the beginning of the year. That's a lot of cost takeout and things like that. But without a big dividend, it kind of changes how the stock is going to trade. I guess my question is, will there be a real look inside this portfolio to say what businesses are really growth engines moving forward in which may be ones you don't need to be in, in the future?

J. Mitchell Dolloff
CEO, President & Director

Yes, great question, Keith. I mean, portfolio management is always something that's on our radar. We think about and have conversations about the complexity of our business and what we do to maybe simplify that, and it means not only our portfolio, but even within some of our BUs, there's a lot of complicated elements to it. So it's something that is definitely always on our radar and that we'll continue to dig into.

Keith Brian Hughes
Truist Securities, Inc., Research Division

And is there an ongoing review? Is there a kind of day we might see a result of that? Or is this more -- there's just traditional revisit every 6 months, 12 months, whenever you do it?

J. Mitchell Dolloff
CEO, President & Director

I think it's a little bit of both. I mean we have a lot of activities that's underway right now. So we want to make sure that we're advancing on the restructuring that we're taking these other operational efficiency improvement activities that we're looking at our G&A costs and all those things as well, and also digging into the portfolio.

So -- and it's something that's definitely an ongoing priority for us. So I don't want to sound like that it's not something that's on our radar, but I think we have work to do to determine where we go.

Operator

Our next question, Susan Maklari with Goldman Sachs.

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

Okay. Sorry about that. I was on mute. I just wanted to follow up on a couple of points. One is you mentioned in your remarks a focus on administrative costs in addition to the operational side of the business. And the SG&A was higher in dollars and as a percent of the revenues year-over-year in the first quarter, is there anything specific there that you're looking to? Or anything that you could kind of highlight in terms of the SG&A and the opportunity there?

J. Mitchell Dolloff
CEO, President & Director

Sure. I'll let -- Ben, I'll let you take that one.

Benjamin M. Burns
Executive VP & CFO

Yes. Thanks for the question, Susan. I'd say at this point, we're just in the very early stages of this evaluation, and we really don't have an estimate on the impact at this point. But what we're doing is investigating opportunities such as streamlining our processes, eliminating duplicate activities between our shared services and our business units and then taking a look at some of the elements of our IT systems to see what opportunities we might have to prune out some costs there. So just like I said, early innings of that, but that's really what that entails.

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

Okay. All right. And then I also just want to touch a bit on the cost structure. I know that you mentioned that you still expect deflation this year. But can you just talk about how costs are moving more recently? It does seem like some of these commodities have kind of come up off the bottom. Just any thoughts on how that's trending and where things are going?

J. Mitchell Dolloff
CEO, President & Director

Yes. I think that things have been -- maybe we've seen modest deflation, but some ups and downs on different things, maybe chemicals and things like that. But relatively stable. But Tyson, anything you would add?

J. Tyson Hagale
Executive VP & President of Bedding Products

No, it is relatively stable at this point. I mean supply is back in a good place. And I think overall where demand has been that. We've seen some bumps up and down relatively minor and overall, but still a pretty stable place.

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

Okay. All right. And then I just have one last one, which is that it seems like, especially as we've gone through earnings, there's been some sort of mixed maybe commentary and color on the state of the consumer. When you step back and you sort of look at your business and the overall trends that you are seeing broadly, I guess, how would you characterize the overall state of the consumer? And where you think they are today? And has anything changed there?

J. Mitchell Dolloff
CEO, President & Director

That's a great question. I think there are mixed views. I don't feel like a lot has changed since we last talked about this. But I think it depends on where their focus is, right? I think on the consumer durable products, there's still not a focus there, and I think it's impacted by higher interest rates and inflation and just the need of people to dedicate their income to their -- to food and resources and things like that and more -- still a little bit of a focus on services. But I don't know, Tyson, anything you see differently?

J. Tyson Hagale
Executive VP & President of Bedding Products

No, I think that's the core issue in the short run. I think you still -- you see where the inflation is definitely having a major impact on basic staples and that takes the focus away for the longer-term durables and they can push some of those products off.

I think the other thing that we're watching really closely is just housing affordability. It goes back to both availability and mortgage rates. And that tends to be a big driver for a lot of our products. and we're in a pretty rough spot for that right now as well. So I think those things go hand in hand, but that's definitely a big macro trend that we're watching.

J. Mitchell Dolloff
CEO, President & Director

Yes. And I think with what we've seen in the recent inflation and the Fed's position, I think there's less optimism that those rates are going to come down in the near term. So that's why we're preparing to deal with this current environment as long as we need to.

Operator

Thank you. There are no further questions at this time. I would 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. Have a good day.

Operator
This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.