

# Second Quarter Summary Financial Information

July 26, 2018



*Leggett & Platt®*

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# Overview

- ❑ Sales were up 11%, to \$1,102 million
  - Organic sales grew 10% and acquisitions added 3%; divestitures reduced sales by 2%.
  - Volume added 6%
- ❑ EPS from continuing ops of \$.63, down \$.01 vs. \$.64 in Q2-17
- ❑ EBIT of \$121 million, down \$1 million vs. Q2-17
- ❑ EBIT margin of 11.0%, down 140 bps vs. 12.4% in Q2-17
- ❑ Reduced 2018 sales and EPS guidance
  - Sales of \$4.25 - \$4.35 billion; 8-10% increase vs. 2017
  - Continuing Ops EPS range of \$2.55 - \$2.70

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## Q2 2018 Financial Highlights

<b>\$'s in millions (except EPS)</b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>Change</u></b>
Sales	\$1,102	\$989	11%
EBIT	121	122	(1%)
EBIT margin	11.0%	12.4%	(140bps)
EPS (cont. ops)	.63	.64	(2%)
Cash from Operations	\$81	\$98	(18%)
EBITDA	155	154	1%

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# Q2 2018 Sales & EBIT Bridge

<b>Sales:</b>	<b><u>mln \$'s</u></b>	<b><u>% change</u></b>
2 <sup>nd</sup> Qtr 2017	\$989	
Divestitures	<u>(13)</u>	(2%)
Adjusted Q2-17 sales	976	
Approx volume growth	57	6%
Approx raw material-related pricing and currency impact	<u>41</u>	<u>4%</u>
Organic sales	98	10%
Acquisitions	<u>28</u>	<u>3%</u>
2 <sup>nd</sup> Qtr 2018	\$1,102	11%
<b>EBIT:</b>		<b><u>margin</u></b>
2 <sup>nd</sup> Qtr 2017	\$122	12.4%
Other: volume growth more than offset by higher steel costs (including LIFO expense)	<u>(1)</u>	
2 <sup>nd</sup> Qtr 2018	\$121	11.0%

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# Q2 2018 Non-Operating & Taxes

<b><u>\$'s in millions</u></b>	<b><u>Q2-18</u></b>	<b><u>Q2-17</u></b>	<b><u>Change</u></b>
EBIT	\$121	\$122	(1%)
Net interest	14	9	
Pre-tax earnings	108	113	(5%)
Income taxes	22	26	
<i>Tax rate</i>	<i>21%</i>	<i>23%</i>	
Earnings from cont. ops	85	88	(3%)
Earnings from discontinued ops	-	-	
Net earnings	85	88	(3%)
Non-controlling interests	-	-	
Net earnings attributable to L&P	85	88	(3%)
EPS	.63	.64	(2%)

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# Adjusted Working Capital

	<b>6/30</b>	<b>3/31</b>	<b>6/30</b>
<b>\$'s in millions</b>	<b><u>2018</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash & equivalents	\$446	\$495	\$335
Accounts receivable, net	650	658	578
Inventories, net	634	611	580
Other current assets	<u>57</u>	<u>51</u>	<u>47</u>
Total current assets	<u>1,787</u>	<u>1,814</u>	<u>1,540</u>
Current debt maturities	(154)	(154)	(3)
Accounts payable	(455)	(433)	(388)
Accrued and other current liabilities	<u>(333)</u>	<u>(391)</u>	<u>(350)</u>
Total current liabilities	<u>(941)</u>	<u>(978)</u>	<u>(742)</u>
Working capital	846	836	798
% of annualized sales <sup>1</sup>	19.2%	20.3%	20.1%
W/C, excluding cash & current debt	553	495	466
% of annualized sales <sup>1</sup>	12.5%	12.0%	11.8%

<sup>1</sup> Annualized sales: 2Q18: \$1,102x4=\$4,408; 1Q18: \$1,029x4=\$4,116; 2Q17: \$989x4=\$3,956

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# Debt & Equity

	<b>6/30</b>	<b>3/31</b>	<b>6/30</b>
<b>\$'s in millions</b>	<b><u>2018</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Long-term debt	\$1,298	\$1,239	\$1,184
Current maturities	154	154	3
Less: cash	<u>(446)</u>	<u>(495)</u>	<u>(335)</u>
Net debt	1,005	898	852
Long-term debt	1,298	1,239	1,184
Other long-term liabilities	280	279	222
Shareholders' equity	<u>1,129</u>	<u>1,196</u>	<u>1,134</u>
Total capital	2,707	2,714	2,540
Current maturities	154	154	3
Less: cash	<u>(446)</u>	<u>(495)</u>	<u>(335)</u>
Net capital	2,415	2,374	2,208
Long-term debt to total capital	47.9%	45.6%	46.6%
<i>Net debt to net capital</i>	<i>41.6%</i>	<i>37.8%</i>	<i>38.6%</i>
Shares outstanding (end of period)	130.1m	131.2m	132.3m

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# Cash Flow

\$'s in millions	2 <sup>nd</sup> Qtr		YTD	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Net earnings	\$85	\$88	\$163	\$174
D&A	34	32	67	62
Impairment, write-offs & other	3	2	5	5
Other non-cash	15	7	23	25
Changes in working capital:				
Accounts receivable	(47)	(13)	(86)	(72)
Inventory	(32)	(22)	(53)	(52)
Other current assets	(12)	(12)	(12)	(7)
Accounts payable	32	(4)	24	24
Other current liabilities	<u>3</u>	<u>20</u>	<u>(6)</u>	<u>(3)</u>
Cash from operations	81	98	125	156
Capital expenditures	41	45	81	79
Acquisitions	4	1	90	39
Dividends	47	45	95	90
Share repurchases (issuances), net	52	10	107	113
Proceeds from asset sales	-	1	2	2
Additions (repayments) of debt, net	46	61	190	215

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## YTD 2018 Financial Summary

\$'s in millions (except EPS)	<u>2018</u>	<u>2017</u>	<u>Change</u>
Sales	\$2,131	\$1,950	9%
EBIT	228	238	(4%)
EBIT margin	10.7%	12.2%	(150bps)
EPS (cont. ops)	1.20	1.26	(5%)
Cash from Operations	\$125	\$156	(20%)
EBITDA	296	300	(2%)

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# YTD 2018 Sales & EBIT Bridge

Sales:	<u>mln \$'s</u>	<u>% change</u>
YTD 2017	\$1,950	
Divestitures	<u>(22)</u>	(1%)
Adjusted 2017 sales	1,928	
Approx volume growth	63	3%
Approx raw material-related pricing and currency impact	<u>89</u>	<u>5%</u>
Organic sales	152	8%
Acquisitions	<u>51</u>	<u>2%</u>
YTD 2018	\$2,131	9%
EBIT:		<u>margin</u>
YTD 2017	\$238	12.2%
Other: volume growth more than offset by higher steel costs (including LIFO expense)	<u>(10)</u>	
YTD 2018	\$228	10.7%

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# YTD 2018 Non-Operating & Taxes

<u>\$'s in millions</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>
EBIT	\$228	\$238	(4%)
Net interest	26	18	
Pre-tax earnings	203	221	(8%)
Income taxes	40	47	
<i>Tax rate</i>	<i>20%</i>	<i>21%</i>	
Earnings from cont. ops	163	174	(6%)
Earnings from discontinued ops	-	-	
Net earnings	163	174	(6%)
Non-controlling interests	-	-	
Net earnings attributable to L&P	163	174	(6%)
EPS	1.20	1.26	(5%)

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# 2018 Guidance

- ❑ Sales guidance lowered to \$4.25 - \$4.35 billion (versus prior range of \$4.3 - \$4.4 billion); 8-10% growth versus 2017
  - Decrease due to demand softening in Home Furniture and Fashion Bed and lower than previously expected sales in Adjustable Bed
  - Assumes mid-single-digit volume growth; commodity inflation and currency should also add to sales growth
  - Acquisition, net of divestitures, expected to add 2% to sales
- ❑ EPS reduced to \$2.55-\$2.70, versus prior range of \$2.60-\$2.80
  - Reduced mid-point by \$0.07 to \$2.63 due to:
    - Lower sales expectations
    - Continued impact of steel cost inflation in Home Furniture
    - Startup costs from significant new programs in Bedding and Adjustable Bed
- ❑ Implied EBIT margin of 11.3% to 11.8%
- ❑ Operating cash is expected to approximate \$425 million
- ❑ Cap-ex of ~\$185 million
- ❑ Full year tax rate of ~21%, versus prior assumption of ~22%
  - 1Q = 18%; 2Q = 21%; 3-4Q = ~22%
- ❑ Diluted shares of ~136 million

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# Segments

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## Q2 2018 Segment Summary

	<b>Q2-18 Organic <u>Sales Growth</u> <sup>1</sup></b>	<b>Q2-18 EBIT <u>Margin</u></b>	<b><u>Δ vs Q2-17</u></b>
Residential Products	7%	9.0%	-320bps
Industrial Products	23%	7.9%	+280bps
Furniture Products	9%	5.5%	-200bps
Specialized Products	11%	18.8%	+40bps
Total Consolidated	10%	11.0%	-140bps

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



# Residential Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
2 <sup>nd</sup> Qtr 2017	\$412	
Acquisitions	5	1%
Organic sales <sup>1</sup>	<u>26</u>	<u>7%</u>
2 <sup>nd</sup> Qtr 2018	\$443	8%

<sup>1</sup> Volume (4%) and raw material-related price increases and currency benefit (3%).

EBIT:		<u>margin</u>
2 <sup>nd</sup> Qtr 2017	\$50	12.2%
Other: benefit from sales growth more than offset by higher steel costs	<u>(10)</u>	
2 <sup>nd</sup> Qtr 2018	\$40	9.0%

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## Residential – Key Points

- ❑ Q2 organic sales were up 7%:
  - Volume increased 4% from growth in Bedding and Geo Components
  - Raw material-related price inflation and currency increased sales 3%
- ❑ Organic sales trends excluding inflation and currency:
  - U.S. Spring component \$'s were up 7%
    - Total innerspring units increased 2%
    - Boxspring units decreased 22%
    - Comfort Core innerspring units increased 25%
      - Growth from both content gains and market share gains with traditional and direct-to-consumer customers
  - International Spring \$'s up 5%
- ❑ Q2 EBIT and EBIT margin decreased, with the benefit of sales growth more than offset by the pricing lag related to higher steel costs (including LIFO expense).

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# Industrial Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
2 <sup>nd</sup> Qtr 2017	\$139	
Organic sales <sup>1</sup>	<u>32</u>	<u>23%</u>
2 <sup>nd</sup> Qtr 2018	\$171	23%

<sup>1</sup> Steel related price increases (16%) and higher volume (7%).

EBIT:		<u>margin</u>
2 <sup>nd</sup> Qtr 2017	\$7	5.1%
Other: improved metal margins at our steel rod mill partially offset by higher LIFO expense	<u>6</u>	
2 <sup>nd</sup> Qtr 2018	\$13	7.9%

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## Industrial – Key Points

- ❑ Q2 organic sales were up 23% from steel related price increases (16%) and volume growth (7%).
- ❑ Q2 EBIT and EBIT margin increased, with improved metal margins at our steel rod mill partially offset by higher LIFO expense.

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# Furniture Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
2 <sup>nd</sup> Qtr 2017	\$272	
Organic sales <sup>1</sup>	<u>23</u>	<u>9%</u>
2 <sup>nd</sup> Qtr 2018	\$295	9%

<sup>1</sup> Volume (6%) and currency benefit and raw material-related price increases (3%).

EBIT:		<u>margin</u>
2 <sup>nd</sup> Qtr 2017	\$20	7.5%
Other: benefit from sales growth more than offset by steel cost increases	<u>(4)</u>	
2 <sup>nd</sup> Qtr 2018	\$16	5.5%

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## Furniture – Key Points

- ❑ Q2 organic sales were up 9%
  - Volume increased 6% from growth in Adjustable Bed and Work Furniture partially offset by declines in Home Furniture and Fashion Bed.
  - Currency benefit and raw material-related price inflation increased sales 3%
- ❑ Organic sales trends excluding inflation and currency:
  - Adjustable Bed sales increased 48%
  - Work Furniture sales were up 7%
  - Home Furniture sales decreased 8%
  - Fashion Bed sales declined 7%
- ❑ Q2 EBIT and EBIT margin decreased, with the benefit from sales growth in Adjustable Bed and Work Furniture more than offset by steel cost increases (including LIFO expense).

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# Specialized Products

Total Sales:	<u>mln \$'s</u>	<u>% change</u>
2 <sup>nd</sup> Qtr 2017	\$240	
Divestitures	<u>(13)</u>	(5%)
Adjusted Q2-17 sales	227	
Acquisitions	23	9%
Organic sales <sup>1</sup>	<u>26</u>	<u>11%</u>
2 <sup>nd</sup> Qtr 2018	\$276	15%

<sup>1</sup> Higher volume (6%) and currency benefit (5%).

EBIT:		<u>margin</u>
2 <sup>nd</sup> Qtr 2017	\$44	18.4%
Other: primarily higher volume	<u>8</u>	
2 <sup>nd</sup> Qtr 2018	\$52	18.8%

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## Specialized – Key Points

- ❑ Q2 organic sales grew 11%, from volume growth in Automotive and Aerospace and currency benefit.
- ❑ Organic sales trends excluding currency:
  - Automotive sales increased 11%
  - Aerospace sales were up 5%
- ❑ PHC acquisition added 9% to sales growth partially offset by last year's CVP divestiture (5%).
- ❑ Q2 EBIT and EBIT margin increased, primarily from higher volume.

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