



Leggett & Platt Acquisition Criteria

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About Leggett & Platt

Leggett & Platt (www.leggett.com) is a diversified manufacturer (and member of the S&P 500) that conceives, designs and produces a broad variety of engineered components and products that can be found in most homes, offices, and automobiles, and in many other settings. While Leggett & Platt may not be a household name, chances are you sleep on a bed made with our components, relax in a recliner that contains a Leggett motion mechanism or drive a car with our lumbar system in the seat back. In short, Leggett & Platt products are all around you, making the products you use every day more comfortable, durable and life-enhancing.

With 2017 sales of nearly \$4.0 billion, Leggett & Platt serves a broad suite of customers that comprise a "Who's Who" of U.S. manufacturers. Leggett & Platt is a 135-year-old company comprised of 14 business units, 22,000 employee-partners, and 120 manufacturing locations located in 18 countries. Leggett & Platt is the leading U.S. manufacturer of the following: a) bedding components; b) automotive seat support and lumbar systems; c) components for home furniture and work furniture; d) flooring underlayment; e) adjustable beds; f) high-carbon drawn steel wire; and g) bedding industry machinery.

Customers value our integrity, product innovation, financial strength and outstanding service and support. Our primary raw material is steel. Main operations include metal stamping, forming, machining, coating, welding, wire drawing, and assembly.

Type of Business

We seek to acquire manufacturers of high value-added engineered components, primarily focusing on OEM or business-to-business applications. Products need to have defensible differentiation either through product design, intellectual property or manufacturing processes. We prefer companies that are market leaders in their respective markets or product areas. We also prefer companies with longer product life cycles with low or moderate market and revenue volatility. The addressable market served should be at least \$1 billion.

Management

Leggett & Platt seeks businesses that have strong management teams in place. Our operating philosophy is to let management operate the business as if they owned it. We will assist them by leveraging the strengths of the Leggett & Platt organization (distribution, global sourcing, human resources, etc.). We employ long-term financial incentives designed to encourage the continued growth and profitability of the business. The fit of the top executives with our operating philosophy and culture is one of the key factors in our acquisition decision making.

General Investment Criteria

We expect that any business we own will have after-tax historical returns on capital in excess of 10%. Acquisition candidates should generate margins that at least approximate Leggett & Platt's company averages. Acquisitions should be accretive to cash earnings from the outset, and be accretive to GAAP EPS within one year after acquisition.

"Stand-Alone" businesses should have revenue in excess of \$50 million, grow at a rate greater than U.S. GDP over time, and have the opportunity to generate significant revenue growth through organic expansion or subsequent add-on acquisitions. Stand-Alone businesses should either fit within one of our four segments (Residential Products, Industrial Products, Furniture Products and Specialized Products), or be focused growth platforms to leverage Leggett & Platt's styles of competition whereby we could become a market leader. Stand-Alone businesses should have little potential to do harm to our existing customer relationships.

"Add-On" businesses or product lines generally have revenue of \$15 million or greater and have a strong strategic fit with an existing Leggett & Platt operating company. Add-on acquisitions are highly dependent upon the synergy opportunities and the ability for Leggett & Platt to add value to the acquisition. Management continuity for add-on acquisitions depends upon the extent to which the acquisition will be integrated with L&P. We will consider operational turnarounds in add-on acquisitions.

Leggett & Platt is a global company that considers international companies for acquisition. We are typically cash buyers through control investments. We occasionally utilize joint venture structures, primarily in foreign countries.

Segment Investment Criteria

Residential Products Segment - The Residential Products Segment is comprised of three business groups – the Bedding Group, the Fabric and Flooring Products Group and the Machinery Group.

Leggett & Platt's Bedding Group is the leading independent manufacturer of innersprings (both pocketed and open coil) and box spring components in North America, Europe, Asia and Latin America. The Group seeks to acquire companies that provide innovative component solutions for sleep products on a global basis. In addition, the Bedding Group will consider opportunities for value-added products and services related to the global mattress and sleep surfaces markets.

The Fabric and Flooring Products Group is comprised of three operating groups – Fabric Converting (Hanes Industries), Geo Components (Hanes Geo Components) and the Flooring Products Group. Hanes Industries is the leading distributor of non-decorative durable textiles to many North American markets. These markets include bedding, furniture, drapery linings, automotive, filtration, packaging and building products. Desirable acquisition candidates distribute component textiles, composites and value added products to the referenced markets in the U.S. and Canada.

Hanes Geo Components is a leading distributor of Geosynthetic and Erosion Control products supplied to the civil construction market. Key products supplied to this market are Geotextile Fabrics, Geo-Grids, Erosion Control Blankets and Silt Fence. Desirable candidates will have a strong product distribution overlap with existing market segments serviced by Hanes Geo Components within the U.S. and Canadian markets.

The Leggett & Platt Flooring Products Group manufactures products for residential and commercial flooring underlayment applications. The Group seeks to acquire companies that focus on high-end quality products for the flooring industry. Acquisition candidates should possess innovative finished product designs or cost saving processes for the manufacturing of underlay products for any type of flooring.

The Machinery Group is the world's leading provider of machinery and systems to the bedding industry. The Group seeks to acquire companies with technical expertise in the manufacture or servicing of automated wire forming, sewing, gluing and lamination machinery. Of particular interest are companies possessing proprietary products and processes as well as companies that participate in new product lines or markets.

Industrial Products Segment – The Industrial Products Segment is one of the largest wire producers and processors in the U.S. The Segment seeks to acquire businesses that consume the Segment's primary raw materials - steel rod and steel wire.

Furniture Products Segment – The Furniture Products Segment is comprised of three business groups – Work Furniture, Home Furniture and Consumer Products.

The Work Furniture Group is the leading producer of engineered components for work furniture, offering design and development services and worldwide distribution. The Work Furniture Group is also a global producer of select lines of private label finished furniture. The Group is interested in acquisitions of companies serving the work furniture market in seating components, composites (including structural foam) and finished goods. The Group will also consider seating companies in other markets such as healthcare and transportation.

The Home Furniture Group is the world's leading provider of component products used in the construction of motion and stationary upholstered furniture. Products include recliner and sofa sleeper mechanisms, wire products, fabric webbing and many accessory components. The Group is interested in expanding its portfolio of innovative and critical component products used in the construction of home furniture. Opportunities will be considered in all geographies.

The Consumer Products Group is a leading designer and manufacturer of adjustable bed bases. The Group would consider acquisitions of companies that design, manufacture, and assemble adjustable bed bases and related components, including for products sold in markets outside the United States. The Group also designs, markets, and manufactures or distributes metal and upholstered beds, bed frames, pillows and mattress protectors through the retail, hospitality and eCommerce channels.

Specialized Products Segment – The Specialized Products Segment is comprised of three business groups – Automotive, Aerospace Products and Hydraulic Cylinders.

The Leggett & Platt Automotive Group manufactures and sells automotive seating suspension and lumbar systems, cables, motors and actuators worldwide, leveraging its engineering competency and global footprint. The Automotive Group is interested in acquiring companies that are technically advantaged in the Group's current product segments or in other related product segments. Technical advantages may relate to performance (comfort, speed, noise, etc.) or reduction in size, weight or cost. The Group is open to relevant early-stage technologies. The Automotive Group avoids most metal stamping, wire forming and similar commodity businesses.

The Aerospace Products Group is a leading global provider of titanium, nickel and stainless steel tubing, formed tube and tube assemblies primarily used in fluid conveyance systems. The Group seeks to acquire manufacturers that perform tube bending and forming, tube welding and fabrication, sheet metal fabrication, precision machining and complex assembly. This would include products such as bellows, flexible joints, couplings and seals.

The Hydraulic Cylinders Group is a leading global manufacturer of engineered hydraulic cylinders and components, primarily for OEM customers in the materials handling market. The Group seeks to acquire hydraulic cylinder manufacturers in adjacent markets and new geographies, in particular Eastern Europe and China.

Acquisition Process

Leggett & Platt has a seasoned in-house acquisition team, having completed over 100 acquisitions. We can attend management presentations and meetings on short notice and we can quickly generate Expressions of Interest, or Letters of Intent, if required. The typical acquisition takes 60-90 days from the signing of a Letter of Intent to closing, but we can close more quickly if necessary. Leggett & Platt pays customary buy-side and finder fees.

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