



Leggett & Platt Acquisition Criteria November 2017

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 2016 sales of \$3.75 billion, Leggett & Platt serves a broad suite of customers that comprise a "Who's Who" of U.S. manufacturers. Leggett & Platt is a 134-year-old company comprised of 15 business units, 22,000 employee-partners, and 120 manufacturing locations located in 19 countries. Leggett & Platt is the leading U.S. manufacturer of the following: a) components for residential furniture and bedding; b) work furniture and components; c) high-carbon drawn steel wire; d) automotive seat support and lumbar systems; e) carpet cushion; f) adjustable bed bases; 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 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 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 is comprised of three business groups – the Bedding Group, the Fabric and Carpet Cushion 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-add products and services related to the global mattress and sleep surfaces markets.

The Fabric and Carpet Cushion Group is comprised of three operating divisions – Fabric Converting (Hanes Industries), Geo Components (Hanes Geo Components) and the Carpet Cushion Division. 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 Carpet Cushion Division manufactures products for residential and commercial flooring underlayment applications. The Division 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 Division 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 and finished goods, with an emphasis on manufacturing facilities located in low cost countries and regions. 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 comprised of two operating divisions - Adjustable Bed and Fashion Bed. The Adjustable Bed Division is a leading designer and manufacturer of adjustable bed bases. The Group is seeking 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 Fashion Bed Division designs, markets, and manufactures or distributes metal and upholstered beds, bed frames, pillows and mattress protectors, among other items through the retail, hospitality and eCommerce channels. The Division is seeking acquisitions that would allow it to offer additional bedding related products (excluding mattresses), particularly those that would fit into its Sleep Shop, Furniture store, Hospitality and E-Commerce distribution channels. Companies with innovative products that are currently serving a niche channel that are not nationally distributed would be considered as potential acquisition candidates.

Specialized Products Segment – The Specialized Products Segment is comprised of two primary business groups – Automotive and Aerospace Products.

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 comfort-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 manufacturer of welded and seamless tubing used in the aerospace industry. The Division seeks to acquire businesses that manufacture precision machined components as well as tube bending and fabrication.

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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