



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

LEG - NYSE - as of	4/27/17	\$53.59
Price Target		--
52-Week Range	\$44.02 -	\$54.63
Shares Outstanding (mm)		133.7
Market Cap. (\$mm)		\$7,167.3
1-Mo. Average Daily Volume		991,396
Institutional Ownership		74%
Debt/Total Capital	Q1'17	43.9%
ROE--unadjusted	TTM	33.4%
Book Value / Share	Q1'17	\$7.90
Price / Book Value		6.8x
Dividend & Yield	\$ 1.36	2.5%
Adj EBITDA Margin	TTM	15.6%

EPS FY 12/31

	Prior 2016A	Current 2017E	Prior 2018E	Current 2018E
1Q	\$0.63	--	\$0.62	A --
2Q	*\$0.66	\$0.65	\$0.63	--
3Q	\$0.67	\$0.71	\$0.71	--
4Q	*\$0.53	\$0.62	\$0.61	--
Year	\$2.49	\$2.61	\$2.58	\$2.78
P/E	22.9x	20.8x		19.4x

*adjusted for special items

Revenue (\$mm)

	Prior 2016A	Current 2017E	Prior 2018E	Current 2018E
1Q	\$938	--	\$976	A --
2Q	\$959	\$1,000	\$990	--
3Q	\$949	\$1,011	\$1,005	--
4Q	\$904	\$974	\$968	--
Year	\$3,750	\$3,960	\$3,924	\$4,148

Company Description: Carthage, MO-based Leggett & Platt, founded in 1883, is a leading producer of components for the Consumer Durables sector. LEG products are sold into various end-markets, including: bedding, residential and commercial furniture, flooring, automotive and aerospace. Leggett employs ~21,000 people, and trades on the NYSE under ticker 'LEG'.

Industrials

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Leggett & Platt Inc.

LEG – NYSE – Neutral – 2

Q1'17 Results from LEG; Reiterating Neutral Rating.

- LEG reported Q1'17 EPS of \$0.62, down a penny from the year-ago period; results met our estimate, exceeding consensus for \$0.59. Gross margin compression more than offset revenue growth; a lower effective tax rate provided a ~\$0.02 tailwind to the quarter.
- Revenue rose 2.3% in Q1, the first positive comp since Q3'15. LEG same-store-sales were higher by 4%, due to increased volumes. External sales of \$960MM were \$1MM ahead of consensus, but fell short of our target.
- Specialized volumes were +11% yr/yr, with sales growth muted by a mix of pricing, FX and divestitures. Management singled out strength in Auto, which is a theme we expect to persist over the next several years.
- Residential volumes advanced for the first time since Q1'16, although pricing and FX weighed on organic sales, which have been negative since Q2'15. All in, we expect the segment to strengthen across 2017, but model only modest acceleration in volumes from Q1's 2% clip.
- Consolidated EBIT margin slumped 140bps to 12.1% in the first quarter, although directionally this was expected on lag in passing along higher steel costs. Our gross margin expectation for 24.3% proved too aggressive, but we expect easier comps in 2H'17.
- Segment realignment: Home Furniture group moved from Residential segment to the re-named Furniture segment (formerly Commercial); Machinery group has moved from Specialized segment to Residential. There was no change to Industrial Products, and all of our comments reflect changes versus re-aligned results.
- Management reiterated FY 2017 EPS guidance in the range of \$2.55-\$2.75, on sales of \$3.95B-\$4.05B. LEG assumes mid-single digit volume growth, which to us seems a tad optimistic. Our 2017E EPS slides \$0.03 lower, and our 2018E EPS slips \$0.02 to \$2.76.
- We are reiterating our Neutral rating. With some visibility toward a stronger second half, we should have been more aggressive in re-entering positions earlier this year, but at this point, view shares as fairly valued.

**Note Important Disclosures on Pages 5-6.
Note Analyst Certification on Page 5.**

SUITABILITY

We assign LEG a suitability rating of '2.' A complete description of our suitability scale is on page 5. We view Leggett & Platt as a top-tier vertically integrated industrial manufacturer; LEG's end markets are discretionary and tied to consumer sentiment and spending. Moderate size and scope, along with an element of cyclical tied to end markets and commodity prices, push the well-entrenched firm just below our '1' suitability rating. A strong competitive position across mostly-mature product categories, a demonstrated ability to consistently return capital to shareholders and a conservative financial profile keep LEG's suitability rating above '3.'

CONSIDERATIONS AND RISKS

Most of Leggett & Platt's products are ultimately sold into consumer end markets (i.e. bedding, automotive, furniture). Shifts in consumer confidence, trends in real wages/unemployment, and secular shifts in preferences could have a material impact on the company. The company specifically cites consumer sentiment as an indicator for projected future performance; we believe management has little ability to compel consumption.

LEG generates approximately 25% of its revenues internationally, and maintains ~50 facilities abroad. The company is therefore subject to economies, trade policies, and currencies in countries that can be more volatile than the United States. We believe the company is most sensitive to international regions of: Canada, China and Europe.

Raw commodities, particularly steel, are important components in LEG products. Should the company be unable to pass the burden of price fluctuations on to customers, we expect financial performance would suffer. Relatedly, should Leggett & Platt be unable to sufficiently source raw inputs, we believe volumes would suffer and results would likely fall short of expectations.

LEG's largest customer represents ~8% of revenues and the ten largest customers represent ~30% of revenues. A deterioration of a relationship with any of its largest customers could have a material adverse impact on the company.

Further consolidation in the bedding industry could lead to a client base with greater negotiating leverage.

The rise of specialty bedding categories could permanently displace demand for mattresses and/or box springs carrying LEG components.

LEG recently transitioned long-time executive Karl G Glassman into the role of President and Chief Executive Officer. We see low residual transition risk.

The company has been an active acquirer at points throughout its history, and could do deals in the future. Failure to effectively integrate potential purchases and/or overpayment for assets could result in asset impairments and a reduced capital position. Expected cost synergies and the ability to execute on the organic strategy for acquired assets may not materialize.

Our Suitability rating is 2 on a 1-to-4 scale (1 = most conservative, 4 = most aggressive)

Additional information is available upon request.

Leggett & Platt, Inc. (LEG)

(\$'s in MM's) FYE Dec.

Income Statement Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Sales (net)	3,782.3	3,917.2	938.4	958.9	948.9	903.7	3,749.9	960.3	990.2	1,005.4	968.0	3,923.8	4,111.2
COGS	2,991.9	2,994.0	704.8	724.9	721.5	699.5	2,850.7	734.3	753.5	764.1	740.5	2,992.4	3,128.6
Gross Profit	790.4	923.2	233.6	234.0	227.4	204.2	899.2	226.0	236.6	241.3	227.5	931.4	982.6
%	20.9%	23.6%	24.9%	24.4%	24.0%	22.6%	24.0%	23.5%	23.9%	24.0%	23.5%	23.7%	23.9%
Selling, G & A Expense	449.6	416.9	105.1	99.7	93.9	98.1	416.9	106.4	105.4	96.2	100.6	408.6	422.0
%	11.9%	10.6%	11.2%	10.4%	9.9%	10.9%	11.1%	11.1%	10.6%	9.6%	10.4%	10.4%	10.3%
Amortization of Intangibles	19.7	20.8	5.1	4.8	5.2	4.8	19.9	5.1	5.1	5.1	5.1	20.4	20.4
Goodwill Impairment	0.0	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Inc.	321.1	481.4	123.4	129.5	128.3	101.3	462.4	114.5	126.2	139.9	121.8	502.4	540.2
%	8.5%	12.3%	13.2%	13.5%	13.5%	11.2%	12.3%	11.9%	12.7%	13.9%	12.6%	12.8%	13.1%
Interest Inc. (Exp.)	(36.0)	(36.7)	(8.4)	(9.3)	(9.0)	(8.2)	(34.9)	(8.6)	(8.4)	(8.5)	(8.4)	(33.9)	(33.9)
Other Inc. (Exp.)	10.4	5.1	3.7	17.0	1.9	16.9	39.5	1.4	2.0	2.0	2.0	7.4	8.0
Pre Tax Inc.	295.5	449.8	118.7	137.2	121.2	110.0	467.0	107.3	119.8	133.4	115.4	475.9	514.3
Income Tax Expense	70.3	121.8	27.7	37.7	27.6	27.0	120.0	21.2	31.1	34.7	30.0	117.0	136.3
%	23.8%	27.1%	23.3%	27.5%	22.8%	24.5%	25.7%	19.8%	26.0%	26.0%	26.0%	24.6%	26.5%
Net Income--Cont'd Ops	225.2	328.0	91.0	99.5	93.6	83.0	347.0	86.1	88.6	98.7	85.4	358.9	378.0
Less: (NI) / Loss Attrib to non-CI	(3.2)	(4.1)	(1.6)	1.4	(0.1)	(0.1)	(0.4)	-	(1.4)	(1.4)	(1.4)	(4.2)	(5.6)
Net Income att to LEG (ctd ops)	222.0	323.9	89.4	100.9	93.5	82.9	346.6	86.1	87.2	97.3	84.0	354.7	372.4
%	5.9%	8.3%	9.5%	10.5%	9.9%	9.2%	9.2%	9.0%	8.8%	9.7%	8.7%	9.0%	9.1%
Shares Out.	143.2	142.9	141.2	140.1	139.4	139.2	140.0	138.1	137.6	137.2	136.7	137.4	135.1
Dilluted EPS (cont'd ops)	\$1.55	\$2.27	\$0.63	\$0.72	\$0.67	\$0.60	\$2.62	\$0.62	\$0.63	\$0.71	\$0.61	\$2.58	\$2.76
Adjusted EPS (cont'd ops)	\$1.78	\$2.34		\$0.66		\$0.53	\$2.49					\$2.58	\$2.76
EPS from disc ops	-\$0.87	\$0.01	\$0.00	\$0.00	\$0.00	-\$0.01		-					
Rate of Change Analysis													
Sales	8.8%	3.6%	-2.9%	-3.9%	-6.0%	-4.3%	-4.3%	2.3%	3.3%	6.0%	7.1%	4.6%	4.8%
Op. Inc.	26.6%	49.9%	11.2%	8.9%	-7.7%	-10.0%	-3.9%	-7.2%	-2.6%	9.1%	20.3%	8.7%	7.5%
Adjusted EPS: Cont'd Ops	15.9%	31.6%	26.1%	23.6%	0.3%	-17.5%	6.3%	-1.5%	-4.0%	5.8%	16.9%	3.7%	6.8%
Adjusted EBITDA--approx	-2.2%	25.0%	4.8%	5.4%	-6.0%	-16.8%	-3.5%	-4.5%	0.3%	7.9%	17.4%	4.8%	7.1%
Working Cap.	-15.1%	17.7%	4.8%	0.3%	7.7%	-5.6%	-5.6%	3.8%	10.2%	10.0%	33.1%	33.1%	6.8%
Inventory	4.7%	4.8%	3.1%	2.5%	2.8%	3.0%	3.0%	6.5%	3.3%	6.0%	7.1%	7.1%	4.8%
			*Rsd FY guide by \$0.10 on both ends	** Adj out \$.05 gain-on- sale, \$.03 litig gain, -\$0.02 gwill chg *Rsd FY guide by \$0.05 on low- end	**Rsd FY guide low/high end by \$0.10/\$0.02 on low-end	** Adj out \$.07 gain-on- sale						*EPS guide for \$2.55- \$2.75; Rev \$3.95B- \$4.05B	

Source: Company reports and Hilliard Lyons estimates

Leggett & Platt, Inc. (LEG)

Cash Flow Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17p	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Net Inc.	222.0	323.9	89.4	100.9	93.5	82.9	346.6	86.1	87.2	97.3	84.0	354.7	372.4
D&A	117.9	113.2	28.3	28.9	29.2	29.0	115.4	30.3	29.4	30.0	31.1	120.8	127.6
(Increase) Decrease in Wrkg. Cap	54.6	(54.2)	(55.0)	15.3	(10.2)	70.1	20.2	(91.0)	(9.8)	(10.3)	(1.6)	(112.7)	(30.8)
Operating C.F.	394.5	382.9	62.7	145.1	112.5	182.0	482.2	25.4	106.9	117.0	113.5	362.8	469.2
Cap Ex	(94.1)	(103.2)	(27.7)	(30.2)	(25.2)	(40.9)	(124.0)	(34.3)	(40.0)	(40.0)	(35.0)	(149.3)	(150.0)
Dividends	(167.5)	(171.6)	(43.5)	(43.0)	(45.5)	(45.4)	(177.4)	(45.4)	(46.8)	(49.4)	(49.2)	(192.4)	(199.9)
Free C.F.	132.9	108.1	(8.5)	71.9	41.8	95.7	180.8	(54.3)	20.1	27.6	29.3	21.1	119.3
Free C.F. /Share	\$ 0.93	\$ 0.76	\$ (0.06)	\$ 0.51	\$ 0.30	\$ 0.69	\$ 1.29	\$ (0.39)	\$ 0.15	\$ 0.20	\$ 0.21	\$ 0.15	\$ 0.88
Acquisition Costs	(70.4)	(11.1)	(16.4)	(0.5)	(11.1)	(1.5)	(29.5)	(37.9)	-	(25.0)	-	(62.9)	(25.0)
Divestiture Gains	76.5	51.4	2.3	51.7	0.2	31.9	86.1	1.3	-	-	-	1.3	-
LTD Issue (Repaid)								-	-	-	-	-	-
CP/Revolver Issue (Repaid)		201.3	81.4	8.8	11.2	(89.9)	11.5	1.0	(1.0)	1.0	(1.0)	-	-
LT Debt Drawn	299.3	0.4	-	-	0.2	0.2	0.4	-	-	-	-	-	-
LT Debt (Repaid)	(188.1)	(205.0)	(0.6)	(1.0)	(3.2)	(0.6)	(5.4)	154.2	-	-	-	154.2	-
Stock Issued	21.8	8.3	1.2	1.5	1.3	0.9	4.9	-	-	-	-	-	-
Stock (Repurchased)	(149.7)	(191.5)	(106.6)	(56.9)	(17.9)	(16.6)	(198.0)	(102.9)	(25.0)	(25.0)	(25.0)	(177.9)	(140.0)
Net C.F.	122.3	(38.1)	(47.2)	75.5	22.5	20.1	50.8	(38.6)	(5.9)	(21.4)	3.3	(64.2)	(45.7)
EBITDA	\$ 439.0	\$ 594.6	\$ 151.7	\$ 158.4	\$ 157.5	\$ 130.3	\$ 577.8	\$ 144.8	\$ 155.6	\$ 169.9	\$ 152.9	\$ 623.2	\$ 667.8
Adjusted EBITDA--approx	\$ 493.0	\$ 616.2	\$ 151.7	\$ 155.2	\$ 157.5	\$ 130.3	\$ 594.7	\$ 144.8	\$ 155.6	\$ 169.9	\$ 152.9	\$ 623.2	\$ 667.8
TTM Adj EBITDA Margin	13.0%	15.7%	16.0%	16.4%	16.4%	15.9%	15.9%	15.6%	15.5%	15.6%	15.9%	15.9%	16.2%
Balance Sheet Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17E	Q3'17E	Q4'17E	FY'17E	FY'18E
Cash	332.8	253.2	250.2	284.8	317.3	281.9	281.9	268.6	262.7	241.3	244.6	244.6	198.9
A/R	523.3	520.2	531.3	534.7	543.8	486.6	486.6	555.4	534.7	542.9	522.7	522.7	548.0
Inventory	481.4	504.6	522.1	523.4	518.6	519.6	519.6	556.2	540.5	549.5	556.6	556.6	583.5
Other Current Assets	91.8	33.2	38.3	37.2	33.6	36.8	36.8	32.9	37.9	34.3	37.5	37.5	38.3
Current Assets	1,429.3	1,311.2	1,341.9	1,380.1	1,413.3	1,324.9	1,324.9	1,413.1	1,375.8	1,367.9	1,361.4	1,361.4	1,368.7
Net PP&E	548.8	540.8	554.7	553.1	554.1	565.5	565.5	588.8	599.4	621.9	625.8	625.8	660.7
Goodwill / Intangibles	1,034.1	998.4	997.3	975.3	978.2	973.7	973.7	990.0	1,006.0	1,022.0	1,036.0	1,036.0	1,096.0
Other LT Assets	128.4	117.2	130.5	123.3	124.7	120.0	120.0	116.6	118.9	121.3	123.7	123.7	133.9
Total Assets	3,140.6	2,967.6	3,024.4	3,031.8	3,070.3	2,984.1	2,984.1	3,119.5	3,100.0	3,133.1	3,146.9	3,146.9	3,259.3
Current LTD	201.7	3.4	3.5	3.6	1.0	3.6	3.6	3.1	3.1	3.1	3.1	3.1	3.1
A/P	369.8	307.2	332.1	339.8	334.9	351.1	351.1	387.8	316.8	321.7	309.8	309.8	324.7
Other CL	420.7	390.6	344.4	355.6	351.0	351.9	351.9	325.7	362.7	358.0	358.9	358.9	366.1
Total Current Liabilities	992.2	701.2	680.0	699.0	686.9	706.6	706.6	716.6	682.7	682.8	671.8	671.8	694.0
Long Term Debt	766.7	945.4	1,032.0	1,044.3	1,055.4	956.2	956.2	1,119.9	956.7	957.7	956.7	956.7	956.7
Other LT Liabilities	226.8	223.3	221.2	222.9	224.4	227.3	227.3	191.8	227.4	228.9	231.8	231.8	236.5
Shareholders' Equity	1,154.9	1,097.7	1,091.2	1,065.6	1,103.6	1,094.0	1,094.0	1,091.2	1,233.3	1,263.7	1,286.6	1,286.6	1,372.2
Book Value	\$ 8.06	\$ 7.68	\$ 7.73	\$ 7.61	\$ 7.92	\$ 7.86	\$ 7.81	\$ 7.90	\$ 8.96	\$ 9.21	\$ 9.41	\$ 9.36	\$ 10.16
Current Ratio	1.4	1.9	2.0x	2.0x	2.1x	1.9x	1.9	2.0x	2.0x	2.0x	2.0x	2.0	2.0
Net LT Debt / Total Cap	35.5%	38.8%	41.8%	41.7%	40.1%	38.3%	38.3%	43.9%	36.1%	36.3%	35.7%	35.7%	35.7%
TTM ROE	18.4%	29.0%	30.9%	33.5%	33.4%	33.6%	33.6%	33.4%	31.3%	30.6%	29.7%	29.7%	27.7%

Source: Company reports and Hilliard Lyons estimates

Analyst Certification

I, Spencer E Joyce, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.

Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

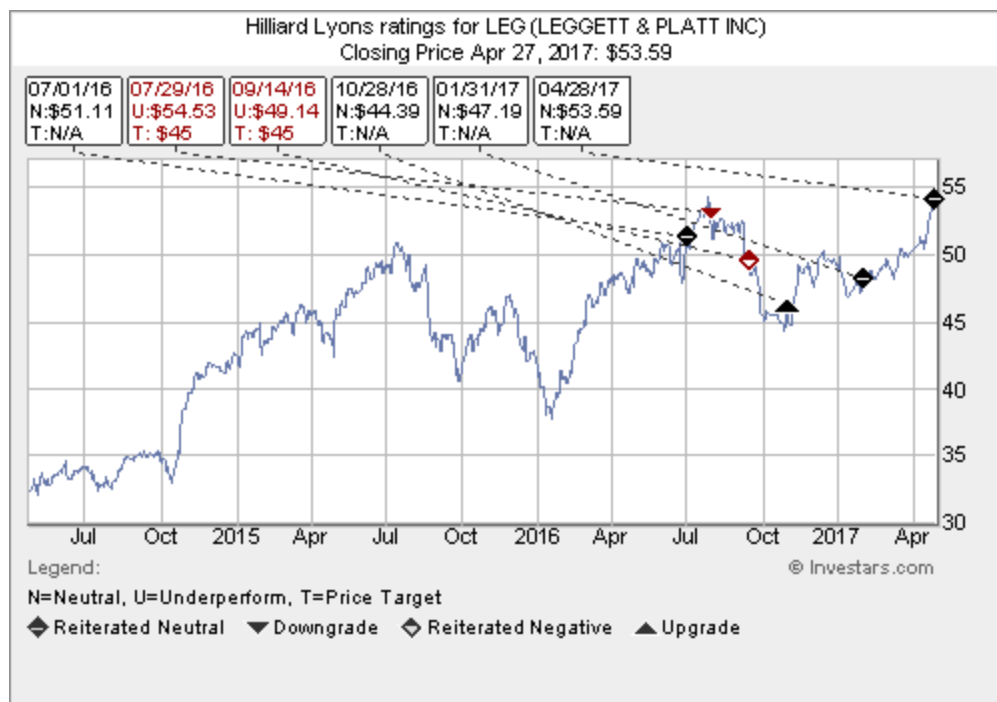
Suitability Ratings

1 - A large cap, core holding with a solid history

2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks

3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage

4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Rating	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

Other Disclosures

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