



COMPANY UPDATE / ESTIMATE CHANGE

Key Metrics

LEG - NYSE - as of	9/13/17	\$45.63
Price Target		\$66.00
52-Week Range	\$43.17 -	\$54.97
Shares Outstanding (mm)		132.3
Market Cap. (\$mm)		\$6,036.2
1-Mo. Average Daily Volume		963,125
Institutional Ownership		71.9%
Debt/Total Capital	Q2'17	42.9%
ROE--unadjusted	TTM	31.9%
Book Value / Share	Q2'17	\$8.25
Price / Book Value		5.5x
Dividend & Yield	\$ 1.44	3.2%
Adj EBITDA Margin	TTM	14.9%

EPS FY 12/31

	Prior 2016A	Current 2017E	Prior 2018E	Current 2018E
1Q	\$0.63	--	\$0.62	A --
2Q	*\$0.66	--	\$0.64	A --
3Q	\$0.67	\$0.70	\$0.64	--
4Q	*\$0.53	\$0.65	\$0.59	--
Year	\$2.49	\$2.61	\$2.49	\$2.84
P/E	19.5x	18.3x		16.2x

*adjusted for special items

Revenue (\$mm)

	Prior 2016A	Current 2017E	Prior 2018E	Current 2018E
1Q	\$938	--	\$976	A --
2Q	\$959	--	\$989	A --
3Q	\$949	\$1,025	\$1,013	--
4Q	\$904	\$985	\$986	--
Year	\$3,750	\$3,960	\$3,948	\$4,173

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'.

Leggett & Platt Inc.

LEG – NYSE – Long-term Buy – 2

Revising Estimates on Lowered Guidance; Reiterating Long-term Buy.

- LEG recently lowered 2017 adjusted EPS guidance to a range of \$2.40 to \$2.50, a cut of \$0.15 to both the top and bottom ends of the range. Full year sales guidance was unchanged and reiterated to be \$3.9B-\$4.0B.
- GAAP EPS are expected to be ~\$0.04/share higher due to a Q3 gain on sale. On 8/4, LEG divested Masterack, its remaining Commercial Vehicles Products business.
- Aside from updating investors on the noted sale transaction (which was expected), management cited three items contributing to the guidance adjustment: renewed steel inflation, higher LIFO expense, and demand softness in furniture/bedding markets.
- Our revenue target for the year slides just below the midpoint of guidance, but expense adjustments are more impactful to our financial model at this time. Our gross margin expectations for Q3/Q4 of this year slide to 22.9%/23.0%, -70bps and -50bps, respectively.
- After noting positive trends in July, we are a bit surprised to see LEG single out softness in Residential/Furniture; however, we do find some solace in the unchanged sales guidance for the full year.
- Primarily in deference to guidance, our 2017/2018/2019 EPS estimates move to \$2.49/\$2.81/\$3.16, which reflect changes of -\$0.12/-0.03/-0.02. Although 2017 is now positioned to fall short of initial expectations, we are not particularly compelled to significantly revise our out-year targets.
- Tactically, we believe the back-to-back late-July/early-September guidance cuts could mark a trough in sentiment for the stock, and offer a good entry point.
- We are reiterating our LTB rating and 2-3 year \$66 price target. With our 2018 and 2019 outlook more/less intact, so remains our view toward value and valuation. At our target, LEG would trade ~7% above recent average P/E and EV/EBITDA multiples (TTM) of 20.1x and 12.0x, respectively. We view this as reasonable and attainable based on competitive positioning and our outlook for positive mix shift to the Specialized Products segment.

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

ADDITIONAL DISCUSSION—FINAL THOUGHTS

Although we are frustrated by what is shaping up to be a disappointing 2017, and (with the benefit of hindsight) our too-early upgrade of shares back in July, we are as bullish on LEG shares at this point as we have been over the past several years. LEG sits well below all-time highs, and some near-term uncertainty has presented what we view as a good tactical entry point and compelling long-term risk/reward. We also note that Leggett's dividend yield of ~3.2% is competitive both within Industrials and across sectors.

SUITABILITY

We assign LEG a suitability rating of '2.' A complete description of our suitability scale is on page 6. 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 cyclicality 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 well 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. LEG cites consumer sentiment as an indicator for projected future performance; we believe management has little ability to compel consumption.

LEG generates ~35% of its revenues internationally, and maintains facilities abroad. The company is therefore subject to economies, trade policies, and currencies in countries that can be more volatile than the US. 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. Should LEG be unable to sufficiently source raw inputs, we believe volumes would suffer.

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.

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	Q2'17	Q3'17E	Q4'17E	FY'17E	FY'18E	FY'19E
Sales (net)	3,782.3	3,917.2	938.4	958.9	948.9	903.7	3,749.9	960.3	989.3	1,012.8	985.5	3,947.9	4,163.1	4,370.6
COGS	2,991.9	2,994.0	704.8	724.9	721.5	699.5	2,850.7	734.3	759.2	780.8	758.9	3,033.2	3,176.4	3,326.1
Gross Profit	790.4	923.2	233.6	234.0	227.4	204.2	899.2	226.0	230.1	231.9	226.7	914.7	986.8	1,044.6
%	20.9%	23.6%	24.9%	24.4%	24.0%	22.6%	24.0%	23.5%	23.3%	22.9%	23.0%	23.2%	23.7%	23.9%
Selling, G & A Expense	449.6	416.9	105.1	99.7	93.9	98.1	416.9	106.4	105.0	98.6	103.0	413.0	423.3	436.0
%	11.9%	10.6%	11.2%	10.4%	9.9%	10.9%	11.1%	11.1%	10.6%	9.7%	10.5%	10.5%	10.2%	10.0%
Amortization of Intangibles	19.7	20.8	5.1	4.8	5.2	4.8	19.9	5.1	4.7	5.1	4.8	19.7	19.7	19.7
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	0.0
Operating Inc.	321.1	481.4	123.4	129.5	128.3	101.3	462.4	114.5	120.4	128.2	118.9	482.0	543.8	588.9
%	8.5%	12.3%	13.2%	13.5%	13.5%	11.2%	12.3%	11.9%	12.2%	12.7%	12.1%	12.2%	13.1%	13.5%
Interest Inc. (Exp.)	(36.0)	(36.7)	(8.4)	(9.3)	(9.0)	(8.2)	(34.9)	(8.6)	(8.9)	(8.8)	(8.8)	(35.1)	(35.3)	(35.6)
Other Inc. (Exp.)	10.4	5.1	3.7	17.0	1.9	16.9	39.5	1.4	1.9	1.9	1.9	7.1	8.0	8.0
Pre Tax Inc.	295.5	449.8	118.7	137.2	121.2	110.0	467.0	107.3	113.4	121.4	111.9	454.0	516.4	561.3
Income Tax Expense	70.3	121.8	27.7	37.7	27.6	27.0	120.0	21.2	25.8	32.8	30.2	110.0	136.8	148.7
%	23.8%	27.1%	23.3%	27.5%	22.8%	24.5%	25.7%	19.8%	22.8%	27.0%	27.0%	24.2%	26.5%	26.5%
Net Income--Cont'd Ops	225.2	328.0	91.0	99.5	93.6	83.0	347.0	86.1	87.6	88.6	81.7	344.0	379.6	412.5
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)	(2.8)	(5.6)	(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	87.6	87.2	80.3	341.2	374.0	406.9
%	5.9%	8.3%	9.5%	10.5%	9.9%	9.2%	9.2%	9.0%	8.9%	8.6%	8.1%	8.6%	9.0%	9.3%
Shares Out.	143.2	142.9	141.2	140.1	139.4	139.2	140.0	138.1	137.4	136.9	136.3	137.2	133.1	128.7
Dilluted EPS (cont'd ops)	\$1.55	\$2.27	\$0.63	\$0.72	\$0.67	\$0.60	\$2.62	\$0.62	\$0.64	\$0.64	\$0.59	\$2.49	\$2.81	\$3.16
Adjusted EPS (cont'd ops)	\$1.78	\$2.34		\$0.66		\$0.53	\$2.49					\$2.49	\$2.81	\$3.16
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%	3.2%	6.7%	9.1%	5.3%	5.5%	5.0%
Op. Inc.	26.6%	49.9%	11.2%	8.9%	-7.7%	-10.0%	-3.9%	-7.2%	-7.0%	-0.1%	17.3%	4.2%	12.8%	8.3%
Adjusted EPS: Cont'd Ops	15.9%	31.6%	26.1%	23.6%	0.3%	-17.5%	6.3%	-1.5%	-3.4%	-5.0%	12.1%	-0.1%	12.9%	12.6%
Adjusted EBITDA--approx	-2.2%	25.0%	4.8%	5.4%	-6.0%	-16.8%	-3.5%	-4.5%	-1.9%	1.0%	15.2%	1.9%	11.2%	8.3%
Working Cap.	-15.1%	17.7%	4.8%	0.3%	7.7%	-5.6%	-5.6%	3.8%	16.7%	10.4%	35.9%	35.9%	6.6%	7.1%
Inventory	4.7%	4.8%	3.1%	2.5%	2.8%	3.0%	3.0%	6.5%	10.8%	6.7%	9.1%	9.1%	4.7%	5.1%
			*Rsd FY guide by \$0.10 on both ends	** Adj out \$0.05 gain-on-sale, -\$0.02 gwill chg *Rsd FY guide by \$0.05 on low-end	**Rsd FY guide low/high end by \$0.10/\$0.02	** Adj out \$0.07 gain-on-sale			*FY EPS guide -\$0.10 on top-end; cut FY rev guide by \$0.05B on top end	*Sept 6: FY EPS guide -\$0.15 to both end *Exp +\$0.04/sh from CVP sale			*EPS guide for \$2.40-\$2.50; Rev \$3.90B-\$4.00B	

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	Q1'17	Q2'17	Q3'17E	Q4'17E	FY'17E	FY'18E	FY'19E
Net Inc.	222.0	323.9	89.4	100.9	93.5	82.9	346.6	86.1	87.6	87.2	80.3	341.2	374.0	406.9
D&A	117.9	113.2	28.3	28.9	29.2	29.0	115.4	30.3	31.9	30.8	31.3	124.3	130.1	141.0
(Increase) Decrease in Wrkg. Cap	54.6	(54.2)	(55.0)	15.3	(10.2)	70.1	20.2	(91.0)	(35.8)	14.2	(9.5)	(122.1)	(30.5)	(35.1)
Operating C.F.	394.5	382.9	62.7	145.1	112.5	182.0	482.2	25.4	83.7	132.2	102.1	343.4	473.6	512.9
Cap Ex	(94.1)	(103.2)	(27.7)	(30.2)	(25.2)	(40.9)	(124.0)	(34.3)	(44.8)	(40.0)	(35.0)	(154.1)	(160.0)	(170.0)
Dividends	(167.5)	(171.6)	(43.5)	(43.0)	(45.5)	(45.4)	(177.4)	(45.4)	(45.0)	(49.3)	(49.1)	(192.0)	(197.0)	(190.4)
Free C.F.	132.9	108.1	(8.5)	71.9	41.8	95.7	180.8	(54.3)	(6.1)	42.9	18.0	(2.7)	116.6	152.5
Free C.F./Share	\$ 0.93	\$ 0.76	\$ (0.06)	\$ 0.51	\$ 0.30	\$ 0.69	\$ 1.29	\$ (0.39)	\$ (0.04)	\$ 0.31	\$ 0.13	\$ (0.02)	\$ 0.88	\$ 1.18
Acquisition Costs	(70.4)	(11.1)	(16.4)	(0.5)	(11.1)	(1.5)	(29.5)	(37.9)	(0.9)	-	-	(38.8)	(50.0)	(50.0)
Divestiture Gains	76.5	51.4	2.3	51.7	0.2	31.9	86.1	1.3	0.3	-	-	1.6	-	-
LTD Issue (Repaid)														
CP/Revolver Issue (Repaid)		201.3	81.4	8.8	11.2	(89.9)	11.5	159.1	61.6	1.0	(1.0)	220.7	32.0	32.0
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)	(4.9)	(0.8)	-	-	(5.7)	-	-
Stock Issued	21.8	8.3	1.2	1.5	1.3	0.9	4.9	1.3	0.6	-	-	1.9	-	-
Stock (Repurchased)	(149.7)	(191.5)	(106.6)	(56.9)	(17.9)	(16.6)	(198.0)	(104.2)	(11.0)	(25.0)	(25.0)	(165.2)	(190.0)	(205.0)
Net C.F.	122.3	(38.1)	(47.2)	75.5	22.5	20.1	50.8	(39.6)	43.7	18.9	(8.0)	11.8	(91.4)	(70.5)
EBITDA	\$ 439.0	\$ 594.6	\$ 151.7	\$ 158.4	\$ 157.5	\$ 130.3	\$ 577.8	\$ 144.8	\$ 152.3	\$ 159.0	\$ 150.1	\$ 606.3	\$ 673.9	\$ 729.9
Adjusted EBITDA--approx	\$ 493.0	\$ 616.2	\$ 151.7	\$ 155.2	\$ 157.5	\$ 130.3	\$ 594.7	\$ 144.8	\$ 152.3	\$ 159.0	\$ 150.1	\$ 606.3	\$ 673.9	\$ 729.9
TTM Adj EBITDA Margin	13.0%	15.7%	16.0%	16.4%	16.4%	15.9%	15.9%	15.6%	15.4%	15.2%	15.4%	15.4%	16.2%	16.7%
Balance Sheet Analysis	FY'14	FY'15	Q1'16	Q2'16	Q3'16	Q4'16	FY'16	Q1'17	Q2'17	Q3'17E	Q4'17E	FY'17E	FY'18E	FY'19E
Cash	332.8	253.2	250.2	284.8	317.3	281.9	281.9	268.6	335.1	354.0	346.1	346.1	254.7	184.2
A/R	523.3	520.2	531.3	534.7	543.8	486.6	486.6	555.4	577.7	546.9	532.2	532.2	557.3	585.6
Inventory	481.4	504.6	522.1	523.4	518.6	519.6	519.6	556.2	580.0	553.5	566.6	566.6	593.4	623.5
Other Current Assets	91.8	33.2	38.3	37.2	33.6	36.8	36.8	32.9	47.4	34.3	37.5	37.5	38.3	39.1
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	1,540.2	1,488.7	1,482.4	1,482.4	1,443.7	1,432.3
Net PP&E	548.8	540.8	554.7	553.1	554.1	565.5	565.5	588.8	616.2	625.4	629.1	629.1	684.0	737.9
Goodwill / Intangibles	1,034.1	998.4	997.3	975.3	978.2	956.0	956.0	987.3	816.3	836.3	853.8	853.8	933.8	1,018.8
Other LT Assets	128.4	117.2	130.5	123.3	124.7	137.7	137.7	130.3	308.8	315.0	321.3	321.3	347.8	376.4
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	3,281.5	3,265.4	3,286.6	3,286.6	3,409.2	3,565.5
Current LTD	201.7	3.4	3.5	3.6	1.0	3.6	3.6	3.1	3.4	2.3	2.3	2.3	2.3	2.3
A/P	369.8	307.2	332.1	339.8	334.9	351.1	351.1	387.8	388.3	324.1	315.4	315.4	330.3	347.0
Other CL	420.7	390.6	344.4	355.6	351.0	351.9	351.9	325.7	350.0	358.0	358.9	358.9	366.1	373.4
Total Current Liabilities	992.2	701.2	680.0	699.0	686.9	706.6	706.6	716.6	741.7	684.4	676.6	676.6	698.7	722.8
Long Term Debt	766.7	945.4	1,032.0	1,044.3	1,055.4	956.2	956.2	1,119.9	1,183.5	1,186.4	1,185.4	1,185.4	1,238.0	1,270.0
Other LT Liabilities	226.8	223.3	221.2	222.9	224.4	227.3	227.3	191.8	222.7	228.9	231.8	231.8	236.5	241.2
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	1,133.6	1,165.7	1,192.8	1,192.8	1,236.0	1,331.5
Book Value	\$ 8.07	\$ 7.74	\$ 7.73	\$ 7.61	\$ 7.92	\$ 7.86	\$ 7.86	\$ 7.90	\$ 8.25	\$ 8.52	\$ 8.75	\$ 8.75	\$ 9.35	\$ 10.43
Current Ratio	1.4	1.9	2.0x	2.0x	2.1x	1.9x	1.9	2.0x	2.1x	2.2x	2.2x	2.2x	2.1x	2.0x
Net LT Debt / Total Cap	35.5%	38.8%	41.8%	41.7%	40.1%	38.3%	38.3%	43.9%	42.9%	41.7%	41.4%	41.4%	44.4%	45.0%
TTM ROE	18.4%	29.0%	30.9%	33.5%	33.4%	33.6%	33.6%	33.4%	31.9%	30.8%	30.1%	30.1%	31.3%	32.1%

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.

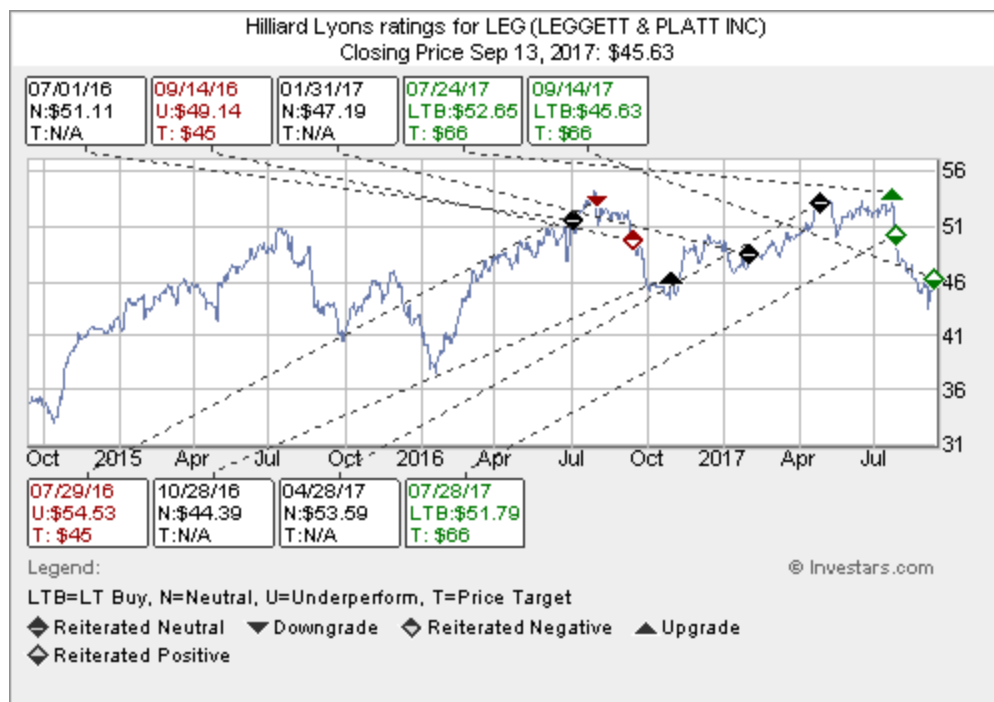
Suitability Ratings

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



Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	40	32%	10%	90%
Hold/Neutral	77	62%	8%	92%
Sell	8	6%	0%	100%

As of 6 September 2017

Other Disclosures

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