

LEGGETT & PLATT INC  
Form 10-Q  
August 07, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from            to

Commission File Number 001-07845

**LEGGETT & PLATT, INCORPORATED**

(Exact name of registrant as specified in its charter)

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**Missouri**  
(State or other jurisdiction of  
incorporation or organization)

**44-0324630**  
(I.R.S. Employer  
Identification No.)

**No. 1 Leggett Road**

**Carthage, Missouri**  
(Address of principal executive offices)

**64836**  
(Zip Code)

**Registrant's telephone number, including area code (417) 358-8131**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Common stock outstanding as of August 2, 2012: 140,594,658

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## LEGGETT &amp; PLATT, INCORPORATED

## CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Amounts in millions)	June 30, 2012	December 31, 2011
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 254.5	\$ 236.3
Accounts and other receivables, net	557.6	503.6
Inventories		
Finished goods	292.7	261.3
Work in process	55.8	41.5
Raw materials and supplies	252.7	223.9
LIFO reserve	(83.6)	(85.7)
Total inventories, net	517.6	441.0
Other current assets	53.7	43.1
Total current assets	1,383.4	1,224.0
<b>PROPERTY, PLANT AND EQUIPMENT AT COST</b>		
Machinery and equipment	1,130.4	1,120.1
Buildings and other	614.1	608.5
Land	45.9	45.2
Total property, plant and equipment	1,790.4	1,773.8
Less accumulated depreciation	1,209.3	1,193.2
Net property, plant and equipment	581.1	580.6
<b>OTHER ASSETS</b>		
Goodwill	976.6	926.6
Other intangibles, less accumulated amortization of \$118.8 and \$106.2 as of June 30, 2012 and December 31, 2011, respectively	209.1	116.6
Sundry	73.2	67.3
Total other assets	1,258.9	1,110.5
<b>TOTAL ASSETS</b>	<b>\$ 3,223.4</b>	<b>\$ 2,915.1</b>
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 201.9	\$ 2.5
Accounts payable	320.2	256.6
Accrued expenses	223.3	209.6
Other current liabilities	118.7	117.3
Total current liabilities	864.1	586.0
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	821.0	833.3
Other long-term liabilities	130.9	130.3
Deferred income taxes	60.4	57.8

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Total long-term liabilities	1,012.3	1,021.4
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock	2.0	2.0
Additional contributed capital	455.2	456.9
Retained earnings	2,055.6	2,027.4
Accumulated other comprehensive income	55.4	65.2
Treasury stock	(1,232.6)	(1,254.3)
Total Leggett & Platt, Inc. equity	1,335.6	1,297.2
Noncontrolling interest	11.4	10.5
Total equity	1,347.0	1,307.7
TOTAL LIABILITIES AND EQUITY	\$ 3,223.4	\$ 2,915.1

See accompanying notes to consolidated condensed financial statements.

## LEGGETT &amp; PLATT, INCORPORATED

## CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in millions, except per share data)	Six Months Ended June 30,		Three Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 1,885.6	\$ 1,841.0	\$ 938.8	\$ 945.2
Cost of goods sold	1,520.1	1,489.1	751.6	763.3
Gross profit	365.5	351.9	187.2	181.9
Selling and administrative expenses	190.4	193.9	92.5	98.1
Amortization of intangibles	12.6	9.7	6.4	4.9
Other expense (income), net	1.7	(5.0)	2.1	(.2)
Earnings from continuing operations before interest and income taxes	160.8	153.3	86.2	79.1
Interest expense	19.1	18.9	9.6	9.4
Interest income	3.3	3.8	1.6	2.3
Earnings from continuing operations before income taxes	145.0	138.2	78.2	72.0
Income taxes	37.5	36.4	15.2	16.5
Earnings from continuing operations	107.5	101.8	63.0	55.5
Earnings from discontinued operations (net of tax)	2.4		2.4	
Net earnings	109.9	101.8	65.4	55.5
(Earnings) loss attributable to noncontrolling interest, net of tax	(1.0)	(2.1)	(.5)	(.8)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	\$ 108.9	\$ 99.7	\$ 64.9	\$ 54.7
Earnings per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$ .74	\$ .68	\$ .43	\$ .38
Diluted	\$ .73	\$ .67	\$ .43	\$ .37
Earnings per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$ .02	\$ .00	\$ .02	\$ .00
Diluted	\$ .02	\$ .00	\$ .02	\$ .00
Net Earnings per share attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$ .76	\$ .68	\$ .45	\$ .38
Diluted	\$ .75	\$ .67	\$ .45	\$ .37
Cash dividends declared per share	\$ .56	\$ .54	\$ .28	\$ .27
Average shares outstanding				
Basic	143.8	147.4	144.1	145.6
Diluted	145.3	149.1	145.4	147.4

See accompanying notes to consolidated condensed financial statements.

**LEGGETT & PLATT, INCORPORATED****Consolidated Statements of Comprehensive Income****(Unaudited)**

<b>(Amounts in millions)</b>	<b>Six Months Ended</b>		<b>Three Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net earnings	\$ 109.9	\$ 101.8	\$ 65.4	\$ 55.5
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(7.4)	36.8	(23.6)	15.3
Cash flow hedges	(4.3)	(3.7)	(7.2)	(4.5)
Defined benefit pension plans	1.8	.8	1.0	.5
Other comprehensive income (loss)	(9.9)	33.9	(29.8)	11.3
Comprehensive income	100.0	135.7	35.6	66.8
Less: comprehensive (income) loss attributable to noncontrolling interest	(.9)	(2.5)	(.4)	(1.0)
Comprehensive income attributable to Leggett & Platt, Inc.	\$ 99.1	\$ 133.2	\$ 35.2	\$ 65.8

See accompanying notes to consolidated condensed financial statements.

## LEGGETT &amp; PLATT, INCORPORATED

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in millions)	Six Months Ended June 30,	
	2012	2011
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 109.9	\$ 101.8
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	45.1	50.6
Amortization	12.6	9.7
Provision for losses on accounts and notes receivable	3.5	5.4
Writedown of inventory	5.7	5.3
Asset impairment charges	1.0	3.4
Net gain from sales of assets and businesses	(2.6)	(8.8)
Deferred income tax (income) expense	(5.2)	7.4
Stock-based compensation	18.3	21.1
Other	4.7	(2.9)
Other changes, excluding effects from acquisitions and divestitures:		
Increase in accounts and other receivables	(45.1)	(82.4)
Increase in inventories	(66.0)	(71.0)
Increase in other current assets	(3.9)	(1.8)
Increase in accounts payable	65.1	52.0
Increase in accrued expenses and other current liabilities	3.2	11.2
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>146.3</b>	<b>101.0</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(37.3)	(37.8)
Purchases of companies, net of cash acquired	(189.8)	(4.7)
Proceeds from sales of assets and businesses	7.4	18.6
Maturity of short-term investments		22.8
Other	(5.8)	(1.9)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(225.5)</b>	<b>(3.0)</b>
<b>FINANCING ACTIVITIES</b>		
Additions to debt	216.1	98.4
Payments on debt	(36.4)	(14.3)
Dividends paid	(78.2)	(78.8)
Issuances of common stock	4.4	15.7
Purchases of common stock	(7.2)	(172.8)
Excess tax benefits from stock-based compensation	1.3	5.8
<b>NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	<b>100.0</b>	<b>(146.0)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(2.6)</b>	<b>6.8</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18.2</b>	<b>(41.2)</b>
<b>CASH AND CASH EQUIVALENTS January 1,</b>	<b>236.3</b>	<b>244.5</b>
<b>CASH AND CASH EQUIVALENTS June 30,</b>	<b>\$ 254.5</b>	<b>\$ 203.3</b>

See accompanying notes to consolidated condensed financial statements.





**LEGGETT & PLATT, INCORPORATED****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****(Amounts in millions, except per share data)****1. INTERIM PRESENTATION**

The interim financial statements of Leggett & Platt, Incorporated ( we , us or our ) included herein have not been audited by an independent registered public accounting firm. The statements include all adjustments, including normal recurring accruals, which management considers necessary for a fair presentation of our financial position and operating results for the periods presented. We have prepared the statements pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The operating results for interim periods are not necessarily indicative of results to be expected for an entire year.

The December 31, 2011 financial position data included herein was derived from the audited consolidated financial statements included in Form 10-K, but does not include all disclosures required by accounting principles generally accepted in the United States of America. For further information, refer to the financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2011.

**2. NEW ACCOUNTING GUIDANCE**

The Financial Accounting Standards Board (FASB) has issued accounting guidance effective for current and future periods (that we have not yet adopted), but we do not believe any of the new guidance will have a material impact on our current or future financial statements.

**3. INVENTORIES**

About 60% of our inventories are valued using the Last-In, First-Out (LIFO) cost method and the remainder using the First-In, First-Out (FIFO) cost method.

We calculate our LIFO reserve (the excess of FIFO cost over LIFO cost) on an annual basis. During interim periods, we estimate the current year annual change in the LIFO reserve (i.e., the annual LIFO expense or benefit) and allocate that change ratably to the four quarters. Because accurately predicting inventory prices for the year is difficult, the change in the LIFO reserve for the full year could be significantly different from the amount currently estimated. In addition, a variation in expected ending inventory levels could also impact total change in the LIFO reserve for the year. Any change in the annual LIFO estimate will be reflected in the remaining quarters.

The following table contains the LIFO (income) expense included in earnings for each of the periods presented.

	Six Months Ended June 30,		Three Months Ended June 30,	
	2012	2011	2012	2011
LIFO (income) expense	\$ (2.1)	\$ 9.0	\$ (2.6)	\$ 3.5

**4. SEGMENT INFORMATION**

We have four operating segments that are generally focused on broad end-user markets for our diversified products.

Residential Furnishings components for bedding, furniture and other furnishings, as well as related consumer products

Commercial Fixturing & Components retail store fixtures, displays and components for office and institutional furnishings

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**Industrial Materials** drawn steel wire, specialty wire products, titanium and nickel tubing for the aerospace industry and welded steel tubing sold to trade customers as well as other Leggett segments

**Specialized Products** automotive seating components, specialized machinery and equipment, and commercial vehicle interiors

Our reportable segments are the same as our operating segments, which also correspond with our management organizational structure. Each reportable segment has a senior operating vice-president that reports to the chief operating decision maker. The operating results and financial information reported through the segment structure are regularly reviewed and used by the chief operating decision maker to evaluate segment performance, allocate overall resources and determine management incentive compensation.

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 4. SEGMENT INFORMATION (continued)

Separately, we also utilize a role-based approach (Grow, Core, Fix or Divest) as a supplemental management tool to ensure capital (which is a subset of the overall resources referred to above) is efficiently allocated within the reportable segment structure.

The accounting principles used in the preparation of the segment information are the same as those used for the consolidated financial statements, except that the segment assets and income reflect the FIFO basis of accounting for inventory. Certain inventories are accounted for using the LIFO basis in the consolidated financial statements. We evaluate performance based on earnings from operations before interest and income taxes (EBIT). Intersegment sales are made primarily at prices that approximate market-based selling prices. Centrally incurred costs are allocated to the segments based on estimates of services used by the segment. Certain of our general and administrative costs and miscellaneous corporate income and expenses are allocated to the segments based on sales. These allocated corporate costs include depreciation and other costs and income related to assets that are not allocated or otherwise included in the segment assets.

A summary of segment results from continuing operations are shown in the following tables.

	External Sales	Inter- Segment Sales	Total Sales	EBIT
<b>Six Months ended June 30, 2012:</b>				
Residential Furnishings	\$ 963.0	\$ 4.3	\$ 967.3	\$ 80.2
Commercial Fixturing & Components	226.9	2.2	229.1	10.3
Industrial Materials	338.0	135.7	473.7	29.6
Specialized Products	357.7	23.5	381.2	43.8
Intersegment eliminations				(5.2)
Change in LIFO reserve				2.1
	\$ 1,885.6	\$ 165.7	\$ 2,051.3	\$ 160.8
<b>Six Months ended June 30, 2011:</b>				
Residential Furnishings	\$ 922.8	\$ 4.6	\$ 927.4	\$ 83.3
Commercial Fixturing & Components	265.1	2.7	267.8	15.7
Industrial Materials	311.8	127.6	439.4	27.6
Specialized Products	341.3	20.1	361.4	39.5
Intersegment eliminations				(3.8)
Change in LIFO reserve				(9.0)
	\$ 1,841.0	\$ 155.0	\$ 1,996.0	\$ 153.3
<b>Three Months ended June 30, 2012:</b>				
Residential Furnishings	\$ 472.4	\$ 2.3	\$ 474.7	\$ 40.0
Commercial Fixturing & Components	113.7	1.2	114.9	3.1
Industrial Materials	170.5	65.5	236.0	17.8
Specialized Products	182.2	13.7	195.9	25.9
Intersegment eliminations				(3.2)
Change in LIFO reserve				2.6

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\$ 938.8    \$ 82.7    \$ 1,021.5    \$ 86.2

**Three Months ended June 30 , 2011:**

Residential Furnishings	\$ 465.4	\$ 2.3	\$ 467.7	\$ 41.2
Commercial Fixturing & Components	137.3	1.5	138.8	7.5
Industrial Materials	166.3	62.8	229.1	13.6
Specialized Products	176.2	10.3	186.5	21.4
Intersegment eliminations				(1.1)
Change in LIFO reserve				(3.5)

\$ 945.2    \$ 76.9    \$ 1,022.1    \$ 79.1

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 4. SEGMENT INFORMATION (continued)

Average assets for our segments are shown in the table below and reflect the basis for return measures used by management to evaluate segment performance. These segment totals include working capital (all current assets and current liabilities) plus net property, plant and equipment. Segment assets for all years are reflected at their estimated average for the periods presented.

	June 30, 2012	December 31, 2011
Residential Furnishings	\$ 611.6	\$ 624.1
Commercial Fixturing & Components	156.2	176.1
Industrial Materials	236.4	218.1
Specialized Products	227.7	226.6
Average current liabilities included in segment numbers above	445.2	417.7
Assets held for sale	19.5	19.6
Unallocated assets (1)	1,462.5	1,328.3
Difference between average assets and period-end balance sheet	64.3	(95.4)
<b>Total assets</b>	<b>\$ 3,223.4</b>	<b>\$ 2,915.1</b>

(1) Primarily goodwill, other intangibles, cash and notes receivable

## 5. DISCONTINUED OPERATIONS

In March 2007, we sold our Prime Foam Products Unit and reported the business as discontinued operations. This business was previously part of the Residential Furnishings segment and produced foam primarily used for cushioning by upholstered furniture and bedding manufacturers. During the second quarter of 2012, we received a litigation settlement related to this business as follows:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2012	2011	2012	2011
Earnings before interest and income taxes:				
Residential Furnishings	\$ 3.9	\$	\$ 3.9	\$
Prime Foam Products Unit				
Income tax expense	(1.5)		(1.5)	
Earnings from discontinued operations (net of tax)	\$ 2.4	\$	\$ 2.4	\$

## 6. RESTRUCTURING

We have historically implemented various cost reduction initiatives to improve our operating cost structures. These cost initiatives have, among other actions, included workforce reductions and the closure or consolidation of certain operations.

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In December 2011, we adopted the 2011 Restructuring Plan, which included the closure of four underperforming manufacturing facilities. We incurred a \$37 pre-tax (largely non-cash) charge in the 4<sup>th</sup> quarter of 2011 primarily related to this plan, which included \$31 of long-lived asset impairments and \$6 of other restructuring-related costs. Approximately \$1.5 in restructuring costs, and approximately \$1 of long-lived asset impairments during the first six months of 2012 were related to this plan. We expect total 2012 restructuring and impairment costs for this plan to approximate \$3, with plant closures complete by the end of the year.

Our total restructuring-related costs (excluding long-lived asset impairments) for the periods presented were comprised of:

	Six Months Ended		Three Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Charged to other expense (income), net:				
Severance and other restructuring costs	\$ 4.4	\$ 2.2	\$ 2.9	\$