



Leggett & Platt (LEG)

Updated February 19th, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$20	5 Year CAGR Estimate:	8.9%	Market Cap:	\$2.7B
Fair Value Price:	\$17	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	03/14/23 ¹
% Fair Value:	119%	5 Year Valuation Multiple Estimate:	-3.4%	Dividend Payment Date:	04/12/24 ²
Dividend Yield:	9.2%	5 Year Price Target	\$21	Years Of Dividend Growth:	52
Dividend Risk Score:	D	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Leggett & Platt is an engineered products manufacturer. The company's products include furniture, bedding components, store fixtures, die castings, and industrial products. Leggett & Platt has 14 business units and more than 20,000 employees. The company qualifies for the Dividend Kings list as it has 52 years of consecutive dividend increases. Leggett & Platt was founded in 1883 and is headquartered in Carthage, MO.

Leggett & Platt reported its fourth quarter earnings results on February 8. The company reported revenues of \$1.12 billion for the quarter, which represents a 7% decline compared to the prior year's quarter. Revenues were slightly higher than the consensus estimate. The company's revenue performance was slightly better than the one recorded during the previous quarter, when Leggett & Platt had recorded a slightly larger revenue decline.

Leggett & Platt generated earnings-per-share of \$0.26 during the fourth quarter, which was weaker than the company's earnings-per-share during the previous quarter, when Leggett & Platt had earned \$0.36 per share. A pullback in profits was expected, however, and is in line with the recent trend. Management has announced its revenue guidance for the current fiscal year. The company is forecasting revenues of \$4.35 billion to \$4.65 billion, implying a revenue decline for the current year. The earnings-per-share guidance range has been set at \$1.05 to \$1.35 for 2024. This represents a decline of close to 15% compared to the earnings-per-share that Leggett & Platt generated during the previous year, using the midpoint of the current guidance range of \$1.20.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.78	\$2.34	\$2.62	\$2.46	\$2.48	\$2.57	\$2.13	\$2.94	\$2.27	\$1.39	\$1.20	\$1.53
DPS	\$1.22	\$1.26	\$1.34	\$1.42	\$1.50	\$1.58	\$1.60	\$1.68	\$1.76	\$1.82	\$1.84	\$1.93
Shares³	138	136	134	132	131	135	136	136	133	133	133	132

Leggett & Platt grew its earnings-per-share by 14% annually between 2009 and 2019, which is a highly compelling growth rate. This included easy comparables following the last financial crisis, however. More recently, Leggett & Platt's earnings-per-share performance was substantially weaker. While the company had strong profits in 2021, earnings-per-share declined substantially in both 2022 and 2023. Leggett & Platt's profitability is vulnerable during recessions. Between 2008 and 2009, Leggett & Platt's earnings-per-share declined by more than 50% before the company's profits recovered to a new record level eventually.

In the long run, Leggett & Platt could deliver earnings-per-share growth through a combination of organic sales increases, acquisitions, and ongoing share repurchases, which have lowered the company's share count slightly over the last couple of years, backing out the impact of some share issuances during the Elite Comfort Solutions acquisition. Since profits contracted substantially in the recent past, we do believe that record profits won't be reached for some time, despite us expecting some earnings-per-share growth in the coming years.

¹ Estimated date

² Estimated date

³ In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	19.4	19.5	18.3	20.0	14.5	19.8	20.7	13.9	14.1	18.7	16.7	14.0
Avg. Yld.	3.5%	2.8%	2.8%	2.9%	4.1%	3.1%	3.6%	4.1%	5.5%	7.0%	9.2%	8.6%

Leggett & Platt traded at a relatively high valuation throughout much of the last decade, with shares being valued at a high-teens to low-20s earnings multiple during most of these years. Based on management's guidance figures, shares are trading for close to 17 times this year's earnings right now. We do not believe that the 18-20 times earnings ratios from the past will remain in place forever, as growth slowed down even before the pandemic, which is why a mid-teens earnings multiple seems more appropriate. Shares trade above our fair value estimate today.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	68.5%	53.8%	51.1%	57.7%	60.5%	61.5%	75.1%	57.1%	77.5%	131%	153%	120%

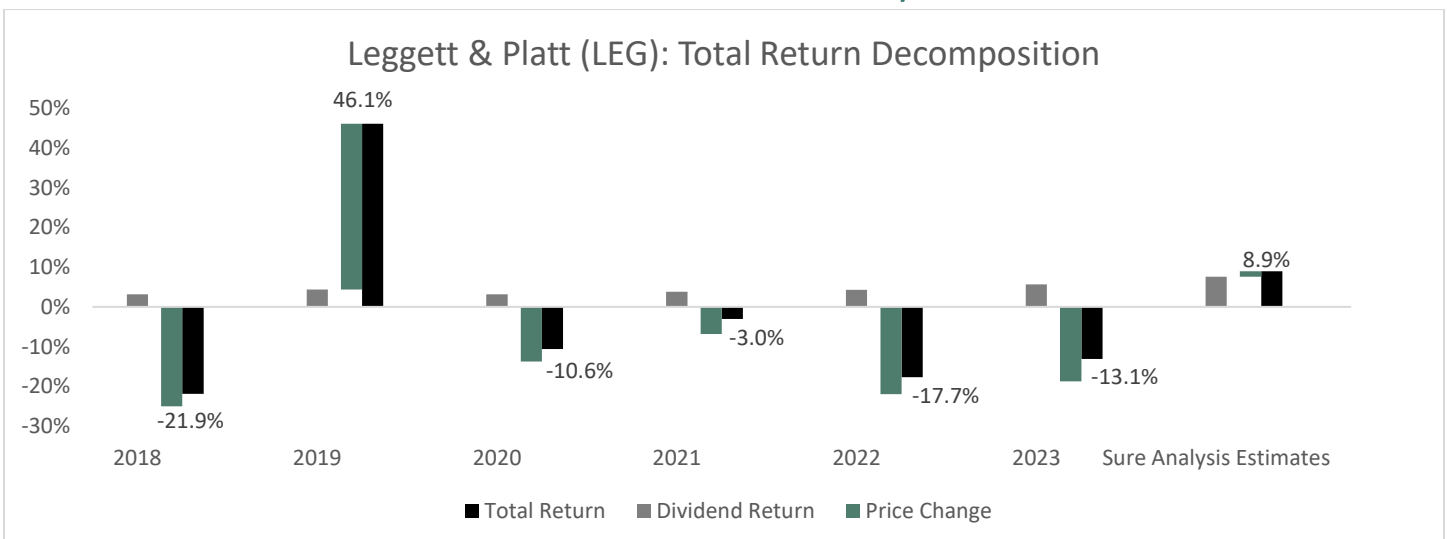
Leggett & Platt's dividend payout ratio was very high - well above 100% - during the last financial crisis. The company nevertheless did not cut its dividend during those troubled times. Due to profit declines in 2022, 2023, and 2024, according to current forecasts, the payout ratio is very high. So far, Leggett & Platt has not cut the dividend, but there is a risk that they might do that in the future, even though the company has kept the dividend in place for decades.

Leggett & Platt has a long and successful history, but during the last financial crisis its earnings were decimated. It is likely that another deep recession will also hurt Leggett & Platt, although this will likely be temporary again. Leggett & Platt could continue to make acquisitions in order to grow its size and scale, which serve as advantages versus peers.

Final Thoughts & Recommendation

Leggett & Platt is a company that has performed well in the past, both in terms of generating earnings growth as well as when it comes to its decades-long dividend growth track record. Going forward, we believe Leggett & Platt's earnings-per-share growth rate will be lower, but the company's earnings-per-share should still grow in the long run, relative to the current level. Leggett & Platt offers a quite high dividend yield today, but shares trade above our fair value estimate. Overall, while the total return outlook is very solid, we rate Leggett & Platt a hold today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3,782	3,917	3,750	3,944	4,270	4,753	4,280	5,073	5,147	4,725
Gross Profit	790	923	902	882	889	1,024	904	1,038	977	854
Gross Margin	20.9%	23.6%	24.0%	22.4%	20.8%	21.5%	21.1%	20.5%	19.0%	18.1%
SG&A Exp.	450	417	396	401	425	470	424	422	427	465
D&A Exp.	118	113	115	126	136	192	189	187	180	180
Operating Profit	322	485	486	461	443	491	415	549	483	319
Operating Margin	8.5%	12.4%	13.0%	11.7%	10.4%	10.3%	9.7%	10.8%	9.4%	6.8%
Net Profit	98	325	386	293	306	314	253	402	310	(137)
Net Margin	2.6%	8.3%	10.3%	7.4%	7.2%	6.6%	5.9%	7.9%	6.0%	-2.9%
Free Cash Flow	288	256	429	284	281	525	536	165	341	383
Income Tax	70	122	120	138	78	89	75	120	94	(37)

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	3,141	2,964	2,984	3,551	3,382	4,816	4,800	5,307	5,186	4,635
Cash & Equivalents	333	253	282	526	268	248	349	362	317	366
Accounts Receivable	469	448	449	521	544	563	534	620	609	637
Inventories	481	505	520	571	634	637	692	993	908	820
Goodwill & Int. Ass.	1,034	995	956	991	1,013	2,170	2,090	2,157	2,150	1,779
Total Liabilities	1,986	1,866	1,890	2,360	2,224	3,504	3,375	3,659	3,545	3,301
Accounts Payable	370	307	351	430	465	463	552	614	518	536
Long-Term Debt	968	945	960	1,252	1,169	2,118	1,900	2,090	2,084	1,988
Shareholder's Equity	1,147	1,086	1,092	1,190	1,157	1,312	1,425	1,648	1,641	1,334
LTD/E Ratio	0.84	0.87	0.88	1.05	1.01	1.61	1.33	1.27	1.27	1.49

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.1%	10.7%	13.0%	9.0%	8.8%	7.7%	5.3%	8.0%	5.9%	-2.8%
Return on Equity	7.7%	28.9%	35.2%	25.6%	26.1%	25.4%	18.5%	26.2%	18.8%	-9.2%
ROIC	4.5%	15.6%	18.8%	13.0%	12.8%	10.9%	7.5%	11.4%	8.3%	-3.9%
Shares Out.	138	136	134	132	131	135	136	136	133	133
Revenue/Share	26.41	27.41	26.79	28.72	31.58	35.10	31.50	37.11	37.70	34.67
FCF/Share	2.01	1.79	3.06	2.07	2.08	3.88	3.95	1.20	2.50	2.81

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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