LEGGETT & PLATT INC
Form 10-Q
August 04, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
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)

Missouri	44-0324630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
No. 1 Leggett Road Carthage, Missouri	64836
(Address of principal executive offices)	(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 ý 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 ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨
	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
Common stock outstanding as of July 20, 2017: 132,285,492

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
LEGGETT & PLATT, INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited)

(Amounts in millions)	June 30, 2017	December 31, 2016
CURRENT ASSETS		
Cash and cash equivalents	$335.1	$ 281.9
Trade receivables, net	547.1	450.8
Other receivables, net	30.6	35.8
Total receivables, net	577.7	486.6
Inventories		
Finished goods	284.0	255.7
Work in process	50.9	52.6
Raw materials and supplies	281.4	245.1
LIFO reserve	(36.3)	(33.8)
Total inventories, net	580.0	519.6
Prepaid expenses and other current assets	47.4	36.8
Total current assets	1,540.2	1,324.9
PROPERTY, PLANT AND EQUIPMENT—AT COST		
Machinery and equipment	1,180.3	1,133.8
Buildings and other	610.1	559.4
Land	39.1	37.7
Total property, plant and equipment	1,829.5	1,730.9
Less accumulated depreciation	1,213.3	1,165.4
Net property, plant and equipment	616.2	565.5
OTHER ASSETS		
Goodwill	816.3	791.3
Other intangibles, less accumulated amortization of $143.0 and $137.0 as of June 30, 2017 and December 31, 2016, respectively	176.2	164.9
Sundry	132.6	137.5
Total other assets	1,125.1	1,093.7
TOTAL ASSETS	$3,281.5	$ 2,984.1
CURRENT LIABILITIES		
Current maturities of long-term debt	$3.4	$ 3.6
Accounts payable	388.3	351.1
Accrued expenses	263.7	257.7
Other current liabilities	86.3	94.2
Total current liabilities	741.7	706.6
LONG-TERM LIABILITIES		
Long-term debt	1,183.5	956.2
Other long-term liabilities	165.7	173.0
Deferred income taxes	57.0	54.3
Total long-term liabilities	1,406.2	1,183.5
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock	2.0	2.0
Additional contributed capital	504.6	506.2
Retained earnings	2,490.2	2,410.5

Accumulated other comprehensive loss	(63.8)	(113.6)
Treasury stock	(1,799.9)	(1,713.5)
Total Leggett & Platt, Inc. equity	1,133.1	1,091.6
Noncontrolling interest	.5	2.4
Total equity	1,133.6	1,094.0
TOTAL LIABILITIES AND EQUITY	$3,281.5	$ 2,984.1

See accompanying notes to consolidated condensed financial statements.

LEGGETT & PLATT, INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended		Three Months Ended	
	June 30,		June 30,	
(Amounts in millions, except per share data)	2017	2016	2017	2016
Net sales	$1,949.6	$1,897.3	$989.3	$958.9
Cost of goods sold	1,493.5	1,429.7	759.2	724.9
Gross profit	456.1	467.6	230.1	234.0
Selling and administrative expenses	211.4	204.8	105.0	99.7
Amortization of intangibles	9.8	9.9	4.7	4.8
Impairments	.1	3.7	.1	3.7
Gain from sale of assets and businesses	(.6)	(20.7)	(.4)	(18.3)
Other (income) expense, net	(2.8)	(3.7)	(1.6)	(2.4)
Earnings from continuing operations before interest and income taxes	238.2	273.6	122.3	146.5
Interest expense	21.0	19.5	10.4	10.3
Interest income	3.5	1.8	1.5	1.0
Earnings from continuing operations before income taxes	220.7	255.9	113.4	137.2
Income taxes	47.0	65.4	25.8	37.7
Earnings from continuing operations	173.7	190.5	87.6	99.5
Earnings from discontinued operations, net of tax	—	20.4	—	20.3
Net earnings	173.7	210.9	87.6	119.8
Earnings attributable to noncontrolling interest, net of tax	—	(.2)	—	1.4
Net earnings attributable to Leggett & Platt, Inc. common shareholders	$173.7	$210.7	$87.6	$121.2
Earnings per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	$1.27	$1.37	$.64	$.73
Diluted	$1.26	$1.35	$.64	$.72
Earnings per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	$—	$.15	$—	$.15
Diluted	$—	$.15	$—	$.15
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders				
Basic	$1.27	$1.52	$.64	$.88
Diluted	$1.26	$1.50	$.64	$.87
Cash dividends declared per share	$.70	$.66	$.36	$.34
Average shares outstanding				
Basic	136.4	138.4	136.0	137.8
Diluted	137.8	140.6	137.4	140.1

See accompanying notes to consolidated condensed financial statements.

LEGGETT & PLATT, INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
(Amounts in millions)	2017	2016	2017	2016
Net earnings	$173.7	$210.9	$87.6	$119.8
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, including acquisition of non-controlling interest	44.1	5.5	29.8	(16.9)
Cash flow hedges	4.6	6.0	2.1	(.5)
Defined benefit pension plans	1.1	1.6	.5	.9
Other comprehensive income	49.8	13.1	32.4	(16.5)
Comprehensive income	223.5	224.0	120.0	103.3
Less: comprehensive income attributable to noncontrolling interest	—	.8	—	2.4
Comprehensive income attributable to Leggett & Platt, Inc.	$223.5	$224.8	$120.0	$105.7

See accompanying notes to consolidated condensed financial statements.

LEGGETT & PLATT, INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

(Amounts in millions)	Six Months Ended June 30, 2017	2016
OPERATING ACTIVITIES		
Net earnings	$173.7	$210.9
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	47.7	43.0
Amortization of intangibles and debt issuance costs	14.5	14.2
Provision for losses on accounts and notes receivable	.8	1.6
Writedown of inventories	4.0	2.4
Goodwill impairment	—	3.7
Long-lived asset impairments	.1	—
Net gain from sales of assets and businesses	(.5)	(21.3)
Deferred income tax expense	5.1	9.0
Stock-based compensation	20.2	21.8
Other, net	.1	2.3
Increases/decreases in, excluding effects from acquisitions and divestitures:		
Accounts and other receivables	(72.4)	(26.4)
Inventories	(51.8)	(24.3)
Other current assets	(7.2)	(1.7)
Accounts payable	24.2	34.0
Accrued expenses and other current liabilities	(2.4)	(7.1)
NET CASH PROVIDED BY OPERATING ACTIVITIES	156.1	262.1
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(79.1)	(57.9)
Purchases of companies, net of cash acquired	(38.8)	(16.9)
Proceeds from sales of assets and businesses	1.6	54.0
Other, net	(7.8)	(7.4)
NET CASH USED FOR INVESTING ACTIVITIES	(124.1)	(28.2)
FINANCING ACTIVITIES		
Payments on long-term debt	(5.7)	(1.6)
Change in commercial paper and short-term debt	220.7	90.2
Dividends paid	(90.4)	(86.5)
Issuances of common stock	1.9	2.7
Purchases of common stock	(115.2)	(163.5)
Purchase of remaining interest in noncontrolling interest	(2.6)	(35.2)
Other, net	(1.8)	(2.8)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	6.9	(196.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	14.3	(5.6)
INCREASE IN CASH AND CASH EQUIVALENTS	53.2	31.6
CASH AND CASH EQUIVALENTS—January 1,	281.9	253.2
CASH AND CASH EQUIVALENTS—June 30,	$335.1	$284.8

See accompanying notes to consolidated condensed financial statements.

5

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 statement 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 accounting principles generally accepted in the United States of America ("GAAP") 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, 2016 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 GAAP. 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, 2016.

Reclassifications

Certain reclassifications have been made to the prior period's information in the Notes to the Consolidated Condensed Financial Statements to conform to the first quarter 2017 for segment reporting changes in our management structure and all related internal reporting, as well as the presentation of LIFO expense or benefit within the segments to which they relate (See Note 4 - Segment Information). These reclassifications did not impact our consolidated earnings or assets of the company, and all prior periods presented have been restated to conform with these changes.

2. ACCOUNTING STANDARD UPDATES

The Financial Accounting Standards Board (FASB) regularly issues updates to the FASB Accounting Standards Codification that are communicated through issuance of an Accounting Standards Update (ASU). Below is a summary of the ASUs, effective for current or future periods, most relevant to our financial statements. The FASB has issued accounting guidance, in addition to the items discussed below, effective for future periods which we do not believe will have a material impact on our future financial statements.

Adopted in 2017:

- ASU 2016-16 "Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory": Eliminates deferral of the tax effects of all intra-entity asset sales other than inventory, resulting in tax expense being recorded on the sale of the asset in the seller's tax jurisdiction when the sale occurs, even though the pretax effects of the transaction are eliminated in consolidation. Any deferred tax asset arising in the buyer's jurisdiction is also recognized at the time of sale. We adopted this guidance in the first quarter of 2017. The modified retrospective approach was required, and as a result, we recorded a $1.2 increase to beginning retained earnings on January 1, 2017. Adoption of this new guidance did not materially impact our 2017 Consolidated Condensed Statements of Operations.

To be adopted in future years:

- ASU 2014-09 “Revenue from Contracts with Customers” (Topic 606): Supersedes most of the existing authoritative literature for revenue recognition and prescribes a five-step model for recognizing revenue from contracts with customers. In July 2015, the FASB deferred the effective date of this ASU by one year, which results in the new standard being effective January 1, 2018. In addition, the FASB issued several amendments to the standard during 2016. The amended standard permits two transition methods, the full retrospective method or the modified retrospective method. The new standard will also require expanded disclosures pertaining to revenues from contracts with customers in the notes to the financial statements.

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

We expect to adopt the new revenue standard on January 1, 2018. Presented below is the status of the process we have utilized for the adoption of the new standard and the significant implementation matters yet to be addressed:

We established a cross-functional implementation team to assess all potential impacts of this standard.
We determined key factors from the five step process to recognize revenue as prescribed by the new standard that may be applicable to each of our 17 business units that roll up into our four segments.
Significant customers and contracts from each business unit were identified. We have substantially completed the review of these contracts by the filing date of this second quarter 2017 Form 10-Q, and any remaining contracts will be reviewed by the filing date of the third quarter 2017 Form 10-Q.
Evaluation of the provisions of these contracts, and the comparison of historical accounting policies and practices to the requirements of the new standard (including the related qualitative disclosures regarding the potential impact of the effects of the accounting policies we expect to apply and a comparison to our current revenue recognition policies), is in process. We expect to complete this process prior to the filing of, and make disclosures in, the third quarter Form 10-Q.
Implementation of any required changes to our systems and processes, including updating our internal controls, is expected to be completed during the remainder of 2017.
Our work to date indicates that certain contracts with customers in roughly one-quarter of our 17 business units contain provisions that may require a change in the way revenue and related expense are recognized, including possibly recognizing revenue over time. The timing of revenue and expense recognition for an over-time revenue recognition method may differ from our current practice of recognizing revenue and expense when title and risk of loss pass to our customer.
Certain operations in these business units also have tooling arrangements with customers. The terms of these tooling arrangements vary by customer. Consequently, the revenue recognition treatment of these arrangements will be dependent upon the specific terms of these customer contracts. The review of such contracts has been, and is expected to be completed consistent with the timing noted above.
We are currently in the process of determining the expected quantitative impact that the adoption of Topic 606 will have on our financial statements. Once this determination is made, we will update our disclosure.
We concluded that we will transition to the new standard using the modified retrospective method. Under the modified retrospective method, there is a cumulative effect adjustment to equity as of the beginning of the period of the adoption for existing contracts. 2017 and earlier years will be presented under legacy GAAP. 2018 will be presented under the new standard for existing and new contracts. Footnotes will disclose existing and new contracts under both the new standard and legacy GAAP.
In addition, we will elect to apply the following practical expedients:
Significant financing component - We believe that for substantially all of our contracts, the transfer of a promised good to a customer and the customer's payment for that good will be one year or less. Thus, we will not adjust the promised amount of consideration for the effects of a significant financing component.

Sales taxes - We will exclude from its transaction price any amounts collected from customers for all sales (and other similar) taxes. This is consistent with our current practice.

Shipping and handling - We will elect to account for shipping and handling activities that occur after control of the related good transfers as fulfillment activities rather than assessing such activities as performance obligations.

We continue to evaluate the remaining available practical expedients.

- ASU 2016-02 " Leases": Requires that a lessee recognize a right-of-use asset and a lease liability on the balance sheet for most lease arrangements. This ASU will be effective January 1, 2019, and we are assessing all potential impacts of the standard. Currently, we anticipate adopting this standard January 1, 2019. We believe it will increase our assets

7

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

and liabilities for the addition of right-of-use assets and the corresponding lease liabilities on the balance sheet. We are evaluating its impact on our Consolidated Condensed Statements of Operations and Cash Flows.

- ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment": This ASU simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under this ASU, the annual goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value up to the total amount of goodwill for the reporting unit. This ASU will be effective January 1, 2020, with early adoption permitted. We are currently evaluating this guidance, and do not expect it to materially impact our future financial statements.

- ASUs 2016-13 “Financial Instruments - Credit Losses”, 2016-15 “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)”, and 2017-07 "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" are currently being evaluated. However, we do not expect these updates to materially impact our future financial statements.

3. INVENTORIES

Approximately 50% 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.
The following table contains the LIFO expense included in continuing operations for each of the periods presented.

	Six Months Ended June 30,		Three Months Ended June 30,	
	2017	2016	2017	2016
LIFO expense	$2.5	$7.3	$2.1	$7.3

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

4. SEGMENT INFORMATION

Our reportable segments are the same as our operating segments, which also correspond with our management structure. In conjunction with a change in executive officers, our management structure and all related internal reporting changed as of January 1, 2017. As a result, the composition of our four segments also changed to reflect the new structure.

The new structure is largely the same as prior years except the Home Furniture Group moved from Residential Products to Furniture Products (formerly Commercial Products) and the Machinery Group moved from Specialized Products to Residential Products. In addition, the changes in LIFO reserve will now be recognized within the segments to which they relate (primarily Industrial Products). Previously segment EBIT (Earnings Before Interest and Taxes) reflected the FIFO basis of accounting for certain inventories and an adjustment to the LIFO basis for these inventories was made at the consolidated financial statement level. These changes were retrospectively applied to all prior periods presented. The methods and assumptions that we use in estimating our LIFO reserve did not change (See Note 3 - Inventories).

We have four operating segments that supply a wide range of products:

- Residential Products: This segment supplies a variety of components and machinery used by bedding manufacturers in the production and assembly of their finished products. We also produce or distribute carpet cushion, fabric, and geo components.
- Industrial Products: These operations primarily supply steel rod and drawn steel wire to our other operations and to external customers. Our customers use this wire to make bedding, mechanical springs, and many other end products.
- Furniture Products: Operations in this segment supply a wide range of components for residential and work furniture manufacturers, as well as select lines of private-label finished furniture, adjustable bed bases, fashion beds, and bed frames.
- Specialized Products: From this segment we supply mechanical and pneumatic lumbar support systems, seat suspension systems, motors and actuators, and control cables used by automotive manufacturers. We also produce and distribute titanium and nickel tubing and tube assemblies for the aerospace industry.

Each reportable segment has an executive vice president that reports to the chief executive officer, who is the chief operating decision maker (CODM). The operating results and financial information reported through the segment structure are regularly reviewed and used by the CODM to evaluate segment performance, allocate overall resources and determine management incentive compensation.

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. We evaluate performance based on 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 or other appropriate metrics. 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.

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

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

	Trade Sales	Inter-Segment Sales	Total Sales	EBIT
Three Months Ended June 30, 2017				
Residential Products	$407.8	$ 4.2	$412.0	$50.2
Industrial Products	75.9	63.3	139.2	7.1
Furniture Products	267.2	4.4	271.6	20.3
Specialized Products	238.4	1.7	240.1	44.1
Intersegment eliminations and other				.6
	$989.3	$ 73.6	$1,062.9	$122.3
Three Months Ended June 30, 2016				
Residential Products	$408.0	$ 4.2	$412.2	$52.2
Industrial Products	79.9	70.2	150.1	13.0
Furniture Products	235.6	17.3	252.9	24.6
Specialized Products	235.4	1.8	237.2	54.7
Intersegment eliminations and other				2.0
	$958.9	$ 93.5	$1,052.4	$146.5

	Trade Sales	Inter-Segment Sales	Total Sales	EBIT
Six Months Ended June 30, 2017				
Residential Products	$799.1	$ 9.0	$808.1	$92.7
Industrial Products	145.7	128.9	274.6	15.9
Furniture Products	532.0	10.7	542.7	40.6
Specialized Products	472.8	3.6	476.4	87.1
Intersegment eliminations and other				1.9
	$1,949.6	$ 152.2	$2,101.8	$238.2
Six Months Ended June 30, 2016				
Residential Products	$798.2	$ 9.1	$807.3	$85.3
Industrial Products	157.0	150.3	307.3	33.1
Furniture Products	486.9	38.3	525.2	56.1
Specialized Products	455.2	3.5	458.7	98.2
Intersegment eliminations and other				.9
	$1,897.3	$ 201.2	$2,098.5	$273.6

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

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, 2017	December 31, 2016
Residential Products	$542.4	$ 527.2
Industrial Products	144.2	147.4
Furniture Products	234.5	219.4
Specialized Products	269.7	248.7
Other (1)	—	.2
Average current liabilities included in segment numbers above	534.9	495.9
Unallocated assets (2)	1,461.2	1,378.3
Difference between average assets and period-end balance sheet	94.6	(33.0)
Total assets	$3,281.5	$ 2,984.1

(1) Businesses sold or classified as discontinued operations.
(2) Unallocated assets consist primarily of goodwill, other intangibles, cash and deferred tax assets.

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued Operations and Assets Held for Sale

As discussed in Note 15, during the second quarter of 2016 we received proceeds from an antitrust litigation settlement of $31.4 ($19.8 after tax) associated with our former Prime Foam Products unit. This unit was sold in March 2007 and was previously part of the Residential Products Segment. We had no other material discontinued operations or items held for sale at June 30, 2017.

Other Divestitures

The following businesses were divested during the periods presented, but did not meet the discontinued operations criteria.

	Quarter Divested	Six Months Ended June 30, 2017	2016	Three Months Ended June 30, 2017	2016
Trade sales:					
Residential Products:					
Machinery operation	Fourth quarter 2016	$—	$1.8	$—	$1.0
Industrial Products:					
Wire Products operation	Fourth quarter 2016	—	9.0	—	4.4
Wire Products operation	Second quarter 2016	—	19.5	—	8.1
Specialized Products:					
Commercial Vehicle Products (CVP) operation	Second quarter 2016	—	15.3	—	7.8
Total trade sales		$—	$45.6	$—	$21.3
EBIT:					
Residential Products:					
Machinery operation	Fourth quarter 2016	$—	$—	$—	$—
Industrial Products:					
Wire Products operation	Fourth quarter 2016	—	.2	—	—
Wire Products operation	Second quarter 2016	—	1.2	—	.8
Specialized Products:					
CVP operation	Second quarter 2016	—	2.8	—	1.3
Total EBIT		$—	$4.2	$—	$2.1

In 2016 we realized gains of $21.2 related to the sales of the Wire Products operations and $11.2 related to the sale of the CVP operation. No material gains or losses were realized on the sale of other businesses.

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

6. IMPAIRMENT CHARGES

Pre-tax impact of impairment charges is summarized in the following table.

Other long-lived asset impairments are reported in "Other (income) expense, net."

	Six Months Ended June 30,						Three Months Ended June 30,					
	2017			2016			2017			2016		
	Goodwill	Other Long-Lived Assets	Total	Goodwill	Other Long-Lived Assets	Total	Goodwill	Other Long-Lived Assets	Total	Goodwill	Other Long-Lived Assets	Total
Furniture Products	$—	$ .1	$ .1	$—	$ —	$ —	$—	$ .1	$ .1	$—	$ —	$ —
Specialized Products-CVP unit	—	—	—	3.7	—	3.7	—	—	—	3.7	—	3.7
Total impairment charges	$—	$ .1	$ .1	$3.7	$ —	$ 3.7	$—	$ .1	$ .1	$3.7	$ —	$ 3.7

Other Long-Lived Assets

We test other long-lived assets for recoverability at year-end and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Fair value and the resulting impairment charges noted above were based primarily upon offers from potential buyers or third party estimates of fair value less selling costs.

Goodwill Impairment Reviews

We test goodwill for impairment at the reporting unit level (the business groups that are one level below the operating segments) when triggering events occur, or at least annually. We perform our annual goodwill impairment review in the second quarter.

In evaluating goodwill for impairment, we first assess qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after such assessment, with regard to each reporting unit, we conclude that the goodwill of a reporting unit is not impaired, then no further testing is required (commonly referred to as the Step Zero Analysis approach). For those reporting units where potential impairment indicators exist (based on the Step Zero Analysis), recoverability of goodwill is then evaluated using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying value. If the estimated fair value of the reporting unit exceeds its carrying value, no further analysis is needed.

In our Step Zero Analysis, we consider i) the excess in fair value of the reporting unit over its carrying amount from the most recent quantitative analysis, ii) macroeconomic conditions, iii) industry and market trends, and iv) overall financial performance as well as other matters as appropriate.

2017
The 2017 goodwill impairment review indicated no goodwill impairments.

We performed a Step Zero Analysis for our annual goodwill review for each of our reporting units, and concluded that it was more likely than not that the fair value of all reporting units, except for two, exceeded their carrying values. Because sales and profits for two reporting units were less than expected, we performed a quantitative analysis for our Work Furniture and Aerospace reporting units under the two-step model. These reporting units were determined to have a fair value in excess of their carrying amounts of at least 75%.

2016

Because all reporting units had fair values that exceeded carrying value (fair value over carrying value divided by carrying value) by a range of 115% to 600% during the 2015 testing (performed on a quantitative analysis for all reporting units), we performed a Step Zero Analysis. Based on the Step Zero Analysis we concluded that it is more likely than not that the fair value of the reporting units exceeded their carrying amount, except for our CVP reporting unit. With regard to our CVP reporting unit, in the second quarter of 2016 we sold one of our two remaining businesses. Additionally, real estate associated with the

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

remaining CVP business reached held for sale status during the second quarter of 2016. As a result of these two events, the fair value of the CVP reporting unit (consisting of one remaining business) had fallen below its carrying amount, and we fully impaired the remaining $3.7 of goodwill for this reporting unit.

7. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2017	2016	2017	2016
Earnings:				
Earnings from continuing operations	$173.7	$190.5	$87.6	$99.5
Earnings attributable to noncontrolling interest, net of tax	—	(.2)	—	1.4
Net earnings from continuing operations attributable to Leggett & Platt, Inc. common shareholders	173.7	190.3	87.6	100.9
Earnings from discontinued operations, net of tax	—	20.4	—	20.3
Net earnings attributable to Leggett & Platt, Inc. common shareholders	$173.7	$210.7	$87.6	$121.2
Weighted average number of shares (in millions):				
Weighted average number of common shares used in basic EPS	136.4	138.4	136.0	137.8
Dilutive effect of stock-based compensation	1.4	2.2	1.4	2.3
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	137.8	140.6	137.4	140.1
Basic and Diluted EPS:				
Basic EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	$1.27	$1.37	$.64	$.73
Discontinued operations	—	.15	—	.15
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	$1.27	$1.52	$.64	$.88
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	$1.26	$1.35	$.64	$.72
Discontinued operations	—	.15	—	.15
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders	$1.26	$1.50	$.64	$.87
Other information:				
Anti-dilutive shares excluded from diluted EPS computation	—	—	—	—

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

8. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following:

	June 30, 2017		December 31, 2016	
	Current	Long-term	Current	Long-term
Trade accounts receivable	$554.1	$ —	$456.5	$ —
Trade notes receivable	.5	.5	1.5	.7
Total trade receivables	554.6	.5	458.0	.7
Other notes receivable	—	24.6	—	24.6
Income tax receivables	4.6	—	9.1	—
Other receivables	26.0	—	26.7	—
Subtotal other receivables	30.6	24.6	35.8	24.6
Total trade and other receivables	585.2	25.1	493.8	25.3
Allowance for doubtful accounts:				
Trade accounts receivable	(7.3)	—	(7.1)	—
Trade notes receivable	(.2)	(.1)	(.1)	(.2)
Total trade receivables	(7.5)	(.1)	(7.2)	(.2)
Other notes receivable	—	—	—	—