

Operations due diligence case study

Leggett & Platt expands its bedding components business with facilities acquisition

About Leggett & Platt Inc.

Serving a broad suite of customers that comprise a “who’s who” of U.S. companies, Leggett & Platt, founded in 1883, is composed of 15 business units, 22,000 employee-partners, and 120 facilities in 19 countries.

Leggett & Platt’s diverse manufacturing capabilities are divided into four product segments: (i) residential products – Leggett & Platt is a leading supplier of a wide range of components used in finished bedding and residential settings; (ii) furniture products – the company creates products and components for the home and office; (iii) industrial products – Leggett & Platt’s steel rod mill produces the steel used in a myriad of its wire products; and (iv) specialized products – which features products in a diverse array of specialty applications, from vehicle seat support to aerospace products.

Advancing a relationship with a key customer

Leggett & Platt Inc., which pioneered sleep technology when it introduced its bedspring more than 125 years ago, conceives, designs, and produces a diverse array of products that are found in most homes, offices, and vehicles.

Tempur Sealy International Inc., the world’s largest bedding provider, had made a strategic decision to exit production of innerspring and encased coil components in the U.S. and approached Leggett & Platt about acquiring the operations, which included three facilities supported by Tempur Sealy.

Crowe helped Leggett & Platt analyze this opportunity by providing an operational overhead evaluation of the three facilities and the support provided to these facilities by Tempur Sealy’s corporate shared services operations, which would no longer support the innerspring and encased coil operations. The purpose of the evaluation was to assist Leggett & Platt in developing its post-acquisition manufacturing footprint and corporate support for the combined operations.

“The M&A professionals at Crowe were instrumental in helping us pursue this strategic opportunity. In addition to providing us timely and high-quality due diligence services, they helped us plan for the integration of the former Tempur Sealy operations.”

– Russell Iorio, Senior Vice President – Corporate Development, Leggett & Platt Inc.

Operations due diligence on a “carve-out”

Our operational overhead evaluation engagement for Leggett & Platt analyzed the three Tempur Sealy facilities’ existing overhead structure. We analyzed what support/overhead functions were required to support the carve-out of the Tempur Sealy facilities after acquisition by Leggett & Platt.

Specifically, Crowe evaluated each of the indirect functional areas in the facilities from sales through shipping. Crowe identified and isolated what functions were conducted in whole or in part at the respective facility level versus which functions were conducted at the centralized, shared services, or otherwise at the “corporate level”

of Tempur Sealy. Crowe completed an inventory and gap analysis of each of the indirect functions and provided recommendations on what additional support was required post-acquisition. The gap analysis was created through interviews of Tempur Sealy personnel, observations, and data analysis.

The functional overhead evaluation deliverables provided by Crowe included:

- A gap analysis inventory of each overhead function by facility
- A written summary of our findings and recommendations
- Operational improvement opportunities that were identified during the course of our analysis

Functional areas analyzed included:

- Sales and customer service
- Demand planning
- Purchasing
- Receiving and logistics
- Engineering and maintenance
- Operations management
- Materials management and inventory control
- Information technology
- Human resources
- Finance and accounting
- Quality
- Shipping

During our operational overhead analysis, we noted improvement opportunities in:

- Raw materials
- Finished goods turnover
- Scrap reporting and evaluation
- Production and plant consolidation

“The deep expertise and extended capacity of the Crowe advisory services group, coupled with their global reach and international capabilities, have been essential contributors to our successful acquisitions.”

– Russell Iorio, Senior Vice President – Corporate Development, Leggett & Platt Inc.



Due diligence on a global scale

In addition to operational due diligence services, Crowe also provided financial due diligence to help Leggett & Platt ascertain the historical profitability of the Tempur Sealy facilities. This analysis included determining Tempur Sealy's costs to produce the bedding components, which Leggett & Platt needed in order to evaluate the supply agreement that it was signing simultaneously with the asset purchase agreement for the innerspring and encased coil assets.

Crowe has further supported Leggett & Platt over the past several years by providing financial and tax due diligence on the following acquisitions:

- Western Pneumatic Tube Co. – United States – aerospace welded tubing and specialty formed products
- Folding Guard – United States – loss prevention, storage, security, and safety products
- David Hart Aerospace Pipes – United Kingdom – aerospace duct assemblies
- Specitubes – France – aerospace seamless and welded tubes and sleeves
- Remex – Switzerland – upholstery and mattress wire processing machines
- Kintec-Solution – Germany – modular structured motion mechanisms for upholstered furniture
- Trio Line Polska – Poland – upholstered furniture
- Pegasus Manufacturing – United States – aerospace specialty metalwork
- Moiron – United States – furniture, seating, and exercise equipment steel tubing

Learn more

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