

Case: Somnigroup and Leggett & Platt - Integrating the Spring

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Topic: Mergers & Acquisitions, Customer Strategy, Operations Strategy

Industry: Home Furnishings

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Company: Somnigroup International Inc. (NYSE: SGI)

Decision date and information cutoff: 2 September 2026, end of day ET

Case scope: Post-acquisition operating design for Leggett & Platt

Case convention: This is an author-created management decision exercise. The integration charter and alternatives are hypothetical; company disclosures and attributed management statements are historical. No private deliberations or scheduled board vote are represented.

The decision

On August 26, Somnigroup International completed its all-stock acquisition of Leggett & Platt, a diversified component manufacturer and long-time Somnigroup supplier. A week later, Somnigroup's chief executive and chief financial officer outlined initial integration priorities during a business-update call: expand sourcing savings, improve manufacturing and logistics, and bring component engineering closer to mattress design and consumer insights. The company raised its annual run-rate synergy target to \$75 million from \$50 million.

Leggett would be a separate reporting segment and was intended to operate as a stand-alone business unit. It also served thousands of other customers. Somnigroup said it would honor Leggett's existing bedding supply agreements. Meanwhile, management described plans to make more than 90% of Somnigroup's U.S. innerspring needs internally beginning in 2027 and to feature Leggett spring branding on selected mattresses.

These moves could improve coordination between components, products and the customer channel. They could also place more of Leggett's capacity and expertise inside a company that competes with some of Leggett's customers. The \$75 million target is a management forecast; the public record provides no initiative-level cost bridge, facility plan, or customer-retention data.

Assignment: For this exercise, assume you advise a hypothetical Somnigroup integration committee on the first-year operating charter for Leggett. Recommend where the combined company should coordinate sourcing, operations and product innovation, where Leggett should retain operating autonomy, and what evidence should govern the next integration steps. State a few measures and guardrails that would cause you to expand, pause or revise the approach. Do not assume management has already selected your recommendation. Use only information available by September 2, 2026.

A new owner and a distinct business

Somnigroup described the deal as a way to deepen vertical integration and add component engineering expertise. The all-stock consideration used an exchange ratio of 0.1455 Somnigroup shares for each Leggett share. Former Leggett shareholders received approximately 9% of the combined company on a fully diluted basis. The August close release valued the combination at about \$2.3 billion using Somnigroup's August 25 share price and including Leggett's existing indebtedness. The April announcement had cited about \$2.5 billion using the April 10 share price. These announced values use different reference dates. [S1-S2]

Before the deal, Somnigroup had acquired Mattress Firm and operated Tempur Sealy and Dreams as separate businesses. In April, it said Leggett would also operate as a separate business unit, keep its Carthage, Missouri offices, and continue honoring existing bedding supply agreements. The August release said Leggett would be a new reporting segment. It also disclosed roughly \$50 million in annualized non-cash purchase-accounting charges affecting cost of goods sold and roughly \$10 million in annualized non-cash expense on Leggett's bonds affecting interest expense. These are accounting estimates, not cash synergies. [S1-S2]

On August 26, Somnigroup announced that Tyson Hagale had become Leggett's president, effective immediately, reporting to Karl Glassman, Leggett's chief executive, and overseeing all of Leggett. Hagale was to be based in Carthage. The official announcement described his 25-year Leggett career and recent leadership of its Bedding Products segment. [S6]

The companies were already linked through supply. Somnigroup's June-quarter filing reports \$294.1 million of Tempur Sealy North America inter-segment sales, including the flow to Mattress Firm; the sales table separately offsets \$297.7 million of all inter-segment sales with equal eliminations. Management's MD&A rounds the Mattress Firm-bound flow to \$294.0 million and says it rose 11.6% year over year. The distinction matters: reported segment net sales summed to consolidated sales, while gross internal flows were eliminated from consolidated revenue. [S3]

Leggett served thousands of customers across bedding, furniture, automotive and other categories. Somnigroup was about 7% of Leggett's 2025 trade sales; its top ten customers accounted for about 31%. Those figures predate the deal and do not tell the committee whether customers will stay. The acquisition announcement promised to honor existing Leggett bedding supply agreements. [S4, S1]

What management said on September 2

The August 26 close announcement had scheduled a September 2 webcast to provide a preliminary update on future plans. In the call's published transcript text, Somnigroup's chief executive said Leggett would remain a stand-alone business unit, while the combined company sought closer coordination among component engineering, mattress design and consumer insight. The call described a plan to put Leggett innerspring branding on selected Stearns & Foster products, initially with a fall collection. [S2, S5]

The chief financial officer said the \$75 million annual run-rate target comprised \$35 million in sourcing, \$30 million in operations and \$10 million in product innovation. Management expected about \$25 million of benefit in calendar 2027 and full realization over three years. Within sourcing, management described opportunities to bring selected components in-house and improve supplier purchasing economics. It said Somnigroup expected to manufacture more than 90% of its total U.S. innerspring needs internally from January 1, 2027, and described approximately \$10 million of incremental savings as included in the target. The transcript also says a long-term Leggett contract had covered 80% of Somnigroup's U.S. springs before the

combination. The underlying contract terms and the bases for the 80% and 90% measures are not disclosed in the sources used here. [S5]

Management grouped plant/network optimization, logistics, chemical storage, warehousing, ocean freight and duplicate public-company costs under operations. It described a \$10 million annual run-rate innovation opportunity, and said no revenue synergies were committed or included in the \$75 million target. Management also said it did not expect customer channel conflict, citing discussions with customers and Leggett's product quality. These statements are forecasts and management's current view, not measured results or independent customer evidence. [S5]

The transcript is a third-party text transcription of the announced company webcast, not an SEC-filed transcript. It was not verified against the audio recording. The official August 26 release confirms the call date and webcast/replay arrangement; detailed call statements below are attributed to management. [S2, S5]

The operating baseline

Somnigroup's June 30 financial statements were filed before the acquisition closed. In the second quarter, Somnigroup reported \$1.824 billion in consolidated net sales and \$201.7 million in operating income. Its reported segment net sales were \$922.2 million for Mattress Firm, \$601.8 million for Tempur Sealy North America and \$299.5 million for Tempur Sealy International; these sum to consolidated net sales. Segment operating income summed to \$252.5 million, then \$50.8 million in corporate expenses reconciled it to consolidated operating income. Leggett is not included in these figures. [S3]

Exhibit 1. Acquisition commitments and costs

Item	Disclosed amount or plan	Status at cutoff
Exchange ratio	0.1455 SGI shares per LEG share	Completed Aug. 26
Former LEG holders' fully diluted ownership	About 9%	Company-reported at close
Annual run-rate synergy target	\$75m, increased from \$50m	Management target; not realized
Leggett leadership	Tyson Hagale as president; Karl Glassman as CEO	Announced at close; Hagale reports to Glassman
Non-cash acquired-business fair-value expense	About \$50m annualized, primarily COGS	GAAP purchase-accounting estimate
Non-cash acquired-bond fair-value expense	About \$10m annualized, interest	GAAP purchase-accounting estimate
Integration structure	New reportable segment; separate business unit planned	Operating intention, not no integration

Source: [S1-S2, S6]. August transaction value of about \$2.3bn includes Leggett debt and uses SGI's August 25 share price; April announcement value of about \$2.5bn uses April 10 price. Do not read the values as directly comparable transaction revaluations.

Exhibit 2. Somnigroup's legacy Q2 2026 operating base

USD millions; pre-Leggett close.

Measure	Mattress Firm	Tempur Sealy North America	Tempur Sealy International	Corporate	Consolidated
Net sales	922.2	601.8	299.5	-	1,823.5
Operating income	59.4	155.9	37.2	(50.8)	201.7
Operating margin	6.4%	25.9%	12.4%	-	11.1%

Source: [S3], 10-Q segment table, printed pp.21 and 29-30. Segment net sales sum to consolidated sales. Separately reported \$297.7m in inter-segment sales is offset by \$(297.7)m of eliminations. Tempur Sealy North America inter-segment sales are \$294.1m in the table; the MD&A rounds the Mattress Firm-bound flow to \$294.0m and reports 11.6% growth. Operating income includes corporate costs as shown. Q2 results predate the Leggett close.

Exhibit 3. Leggett's customers and Somnigroup link

Measure	Disclosed value
Leggett customers served worldwide	Thousands
Somnigroup share of Leggett 2025 trade sales	About 7%
Top ten customers' share of Leggett 2025 trade sales	About 31%
Somnigroup Q2 2026 inter-segment sales to Mattress Firm, MD&A rounded	\$294.0m; +11.6% y/y
Somnigroup Q2 2026 total inter-segment sales	\$297.7m; offset by equal eliminations

Sources: [S3], printed p.21 / lines 928-43 and printed p.29 / lines 1222-23; [S4], printed p.26 (PDF p.40) / lines 1358-60. Leggett customer figures are for 2025 and pre-close. The \$294.1m segment-table figure for Tempur Sealy North America inter-segment sales is not interchangeable with the MD&A's rounded \$294.0m Mattress Firm flow. No post-close customer-retention data are available by the cutoff.

Exhibit 4. Management's initial integration scorecard

Workstream	Amount inside annual target	Management-described initiatives	Timing / status
Sourcing	\$35m	Selected components in-house; supplier purchasing economics; chemicals; spring production	>90% of U.S. spring needs internally from Jan. 1, 2027 is a forecast
Operations	\$30m	Manufacturing and logistics optimization; chemical storage, warehousing, ocean freight, public-company cost duplication	Run-rate target; no plant-by-plant plan disclosed
Product innovation	\$10m	Bring component engineering, mattress design and consumer insight closer; selected spring branding	Initial Stearns & Foster collection planned for fall
Total	\$75m	No committed revenue synergy included	About \$25m in CY2027; full realization over three years

Source: [S5], third-party transcript text, lines 50-62; selected branding details at lines 38-44. All amounts, plans and timing are management statements from text not audio-verified; they are not realized savings. The categories sum to the stated target but are not an audited value bridge.

The first-year charter

Somnigroup's leaders had presented the combination as an opportunity to join component engineering with mattress design and consumer insight. The company also entered the deal with Leggett's thousands of customers, existing supplier contracts, a standalone-unit plan and a sizable non-bedding business. The announced integration categories supplied a starting point, but not a full execution plan.

The committee must decide what to coordinate first and how to recognize when coordination is working. It could set common sourcing authority and production/network planning immediately; use a smaller set of jointly governed pilots while Leggett's managers retain broader operating control; or keep most functions independent while requiring each workstream to demonstrate value before expanding. Each path has implications for savings, service to external customers, product quality, employee engagement and the ability to tell operational gains from market recovery.

Discussion questions

1. Which activities create the strongest case for ownership and integration? Which rely on Leggett's autonomy, capabilities or third-party relationships?
2. How should the company define and measure the \$75 million target so that internal transfers, purchase-accounting charges, market volume and one-time integration costs are not mistaken for synergy realization?

3. What customer, quality, employee and financial guardrails should govern the planned increase in internal spring production?
4. What should Leggett's operating charter preserve, and what decisions should Somnigroup coordinate? Recommend a first-year sequence and specify what evidence would change your approach.

Source notes

- **[S1]** Somnigroup April 13, 2026 acquisition announcement, [official investor-relations release](#). Acquisition terms, stand-alone business-unit intention, Carthage office, leadership transition, existing supply agreements, synergy categories/timing and purchase accounting.
- **[S2]** Somnigroup August 26, 2026 closing Form 8-K and Exhibit 99.1: [8-K](#), [Exhibit 99.1](#). Completion, close-date terms, raised synergy target, segment reporting, non-cash purchase accounting and official notice of September 2 webcast/replay.
- **[S3]** Somnigroup Form 10-Q for quarter ended June 30, 2026, filed August 6: [SEC filing](#). Segment table, inter-segment sales/eliminations, results and financial baseline. All Q2 financial data predate Leggett close.
- **[S4]** Leggett & Platt Form 10-Q for quarter ended June 30, 2026: [SEC filing](#), printed p.26 (PDF p.40), lines 1358-60. Leggett customer concentration before close.
- **[S5]** September 2, 2026 Somnigroup business-update call, as rendered in a [Seeking Alpha transcript](#) and [EarningsAPI transcript mirror](#). Third-party transcription, not SEC-filed and not audio-verified. Call statements are attributed to management, forecasts and plans; official event announcement is [S2].
- **[S6]** Somnigroup announcement of new Leggett & Platt president, Aug. 26, 2026, [SEC Form 8-K Exhibit 99.2](#), accession 0001206264-26-000121, lines 2-8. Tyson Hagale's appointment/effective date, reporting line, responsibility and Carthage base.