Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

HIGHLIGHTS

(Dollar amounts in millions, except for per share data)	2021	2020	2019
Net trade sales	**$ 5,073**	$ 4,280	$ 4,753
Earnings before interest and taxes (EBIT)	**596**	408	487
Cash from operations	**271**	603	668
Adjusted working capital [1]	**713**	397	492
Total debt	**2,090**	1,900	2,118
Dividends per share	**$ 1.66**	$ 1.60	$ 1.58

[1] For non-GAAP reconciliation see page 44.

Trade sales increased 19% in 2021. Organic sales increased 18%, primarily from raw material-related selling price increases of 13%, volume recovery from pandemic-related sales declines in 2020 of 4%, and currency benefit of 1%. Acquisitions, net of divestitures, added 1% to sales growth. Trade sales grew 7% compared to pre-pandemic 2019 levels.

Earnings in 2021 increased primarily from higher trade sales volume, metal margin expansion in our Steel Rod business, pricing discipline, a gain on the sale of real estate associated with our exited Fashion Bed business, and the non-recurrence of a goodwill impairment charge. Fixed cost reductions of approximately $90 million taken in 2020 partially offset some of the earnings decline from lower volume in that year. We maintained approximately $80 million of those fixed cost reductions in 2021, adding costs only to support higher volumes and future growth opportunities.

In 2021, we generated $271 million in cash from operations compared to $603 million in 2020. This large decrease was primarily driven by inflationary impacts and planned working capital investments to rebuild inventory levels in our Rod, Wire, and U.S. Spring businesses following severe depletion in 2020. Total capital expenditures in 2021 were $107 million, reflecting a balance of investing for the future while controlling our spending. Cash from operations and adjusted working capital in 2020 benefited from a sharp focus on working capital management.

We amended our revolving credit agreement in September 2021 to change our financial covenant to a 3.5x net debt to trailing 12-month EBITDA metric (from what would have been 3.25x net debt at year end). This change created more financial flexibility under our revolving credit facility, which serves as back-up for our commercial paper program. We ended 2021 with full availability under the $1.2 billion credit facility. In November, we issued $500 million of 30-year, 3.5% notes. The net proceeds of these notes were used to repay commercial paper and may be used to repay a portion of the $300 million notes due August 2022. Our financial base remains strong.

We increased the annual dividend in 2021 to $1.66 per share from $1.60 per share in 2020 and extended our record of consecutive annual increases to 50 years. Consistent with our deleveraging plan, share repurchases were limited in 2021. For the full year, we repurchased approximately .25 million shares of our stock, primarily surrendered for employee benefit plans.

Portfolio management remains a strategic priority. Over the past several years, we have enhanced our business portfolio and improved margins by growing our stronger businesses and exiting or restructuring businesses that consistently struggled to deliver acceptable returns. In 2021, we acquired three businesses: a United Kingdom manufacturer specializing in metallic ducting systems, flexible joints, and components for space, military, and commercial applications; a Polish manufacturer of bent metal tubing for furniture used in office, residential, and other settings; and a specialty foam and finished mattress manufacturer serving the United Kingdom and Irish market. We also divested a small specialty wire operation in our Drawn Wire business.

These topics are discussed in more detail in the sections that follow.

INTRODUCTION

Total Shareholder Return

Total Shareholder Return (TSR) is the primary financial measure that we use to assess long-term performance. TSR = (Change in Stock Price + Dividends) ÷ Beginning Stock Price. We target average annual TSR of 11-14% through an approach that employs four TSR sources: revenue growth, margin expansion, dividends, and share repurchases.

We monitor our TSR performance on a rolling three-year basis. We believe our disciplined growth strategy, portfolio management, and prudent use of capital will support achievement of our target over time.

The table below shows the components of our TSR targets.

	Current Targets
Revenue Growth	6-9%
Margin Increase	1%
Dividend Yield	3%
Stock Buyback	1%
Total Shareholder Return	**11-14%**

Senior executives participate in an incentive program with a three-year performance period based on two equal measures: (i) our TSR performance compared to the performance of a group of approximately 300 peers; and (ii) the Company or segment Earnings Before Interest and Taxes (EBIT) Compound Annual Growth Rate (CAGR).

Customers

We serve a broad suite of customers, with our largest customer representing approximately 6% of our sales in 2021. Many are companies whose names are widely recognized. They include bedding brands and manufacturers; residential and office furniture producers; automotive OEM and Tier 1 manufacturers; and a variety of other companies.

Organic Sales

We calculate organic sales as trade sales excluding sales attributable to acquisitions and divestitures consummated within the last twelve months. Management uses the metric, and it is useful to investors, as supplemental information to analyze our underlying sales performance from period to period in our legacy businesses.

Major Factors That Impact Our Business

Many factors impact our business, but those that generally have the greatest impact are market demand, raw material cost trends, and competition. However, in 2020 COVID-19 had the largest impact on our business.

COVID-19 Impacts on our Business

The impact of the COVID-19 pandemic began in January 2020, directly affecting our operations in China, as well as the global supply chain. The crisis accelerated, impacting virtually all geographies by mid-March of 2020. We quickly took action to align our variable cost structure to demand levels, significantly reduce fixed costs, and cut capital expenditures, prioritize accounts receivable and inventory management, and amend the financial covenant in our revolving credit facility to provide additional liquidity. These efforts helped to strengthen cash flow and protect our balance sheet.

In mid-second quarter 2020, consumers quickly moved from travel and entertainment spending to purchasing home-related products and autos. This benefited our Bedding, Home Furniture, Flooring & Textile, and Automotive businesses. In 2021, most of our businesses recovered from the pandemic-related impacts of 2020. Trade sales in 2021 were up 19% versus 2020, primarily from raw material-related price increases and volume growth from recovery in most of our businesses.

The pandemic had, and could further have, an adverse impact, in varying degrees, to among other things (i) the demand for our products and our customers' products, growth rates in the industries in which we participate, and opportunities in those industries; (ii) our manufacturing operations' ability to remain fully operational, obtain necessary raw materials and parts, maintain appropriate labor levels, and ship finished products to customers from supply chain disruptions or otherwise; (iii) the collection of trade and other notes receivables in accordance with their terms due to customer bankruptcy, financial difficulties, or insolvency; (iv) impairment of goodwill and long-lived assets; and (v) our ability to borrow under our credit facility in compliance with restrictive covenants; all of which, in the aggregate, had, and could further have, a negative impact on our trade sales, earnings, cash flow, and financial condition.

Below is a more in-depth discussion of the various impacts of COVID-19 on our business.

Demand for our Products. Various governments in North America, Europe, Asia, and elsewhere instituted, and some have reinstituted, quarantines, shelter-in-place or stay-at-home orders, or restrictions on public gatherings as well as limitations on social interactions, which have had, and could further have, an adverse effect on the demand for our products.

Impact on our Manufacturing Operations. As of December 31, 2021, we had manufacturing facilities in the United States and 17 other countries. All of these countries have been affected by the COVID-19 pandemic. Our facilities are open, but we have, from time to time, some capacity restrictions on our plants due to governmental orders in various parts of the world. We have been and could be further negatively affected by governmental action in any one or more of the countries in which we operate by the imposition, or re-imposition, of restrictive social measures, mandatory closures of retail establishments that sell our products or our customers' products, travel restrictions, and restrictions on the import or export of products.

Depending on the length and severity of the COVID-19 pandemic, the percentage of the population vaccinated, and the effectiveness of the vaccines against new variants, our ability to keep our manufacturing operations fully operational, build and maintain appropriate labor levels, obtain necessary raw materials and parts, and ship finished products to customers may be partially or completely disrupted, either on a temporary or prolonged basis. The continued realization of these risks to our manufacturing operations, labor force, and supply chain could also increase labor, commodity, and transportation costs.

When our employees have tested positive for COVID-19 or may have come in contact with someone who tested positive for COVID-19, we follow adopted protocols which include enhanced disinfecting in targeted areas, contact tracing, and mandating certain quarantine and self-isolation periods. A significant increase in COVID-19 cases among our employees may disrupt our ability to maintain necessary labor levels and produce and deliver products to our customers if we are unable to shift production to other manufacturing facilities.

Certain governmental authorities, including state or foreign jurisdictions, may adopt laws mandating COVID-19 vaccination or periodic testing with masking requirements for unvaccinated employees. Because some of our employees may be hesitant to take a vaccine or be tested, the requirements, if adopted, may cause some employees to terminate employment with us which may challenge our ability to maintain appropriate labor levels in our facilities and keep our manufacturing locations fully operational. If these requirements are adopted, they may also create disruptions to our suppliers and customers.

Collection of Trade and Notes Receivables. Some of our customers have been adversely affected by the COVID-19 pandemic. If these parties suffer financial difficulty, they may be unable to pay their debts to us, they may reject their contractual obligations to us under bankruptcy laws or otherwise, or we may have to negotiate significant discounts and/or extend financing terms to these parties. If we are unable to collect receivables on a timely basis, larger provisions for bad debt may be required. We are closely monitoring accounts receivable and collections. Although we experienced increased bad debt expense in the first quarter of 2020, we have had favorable customer payment trends and applied a lower qualitative risk for improved macroeconomic conditions which have allowed us to reduce our bad debt reserves in the last half of 2020 through 2021.

Impairment of Goodwill and Long-Lived Assets. A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. At December 31, 2021, goodwill and other intangible assets represented $2.2 billion, or 41% of our total assets. In addition, net property, plant and equipment, operating lease right-of-use assets, and sundry assets totaled $1.1 billion, or 20% of total assets.

Our annual goodwill impairment testing performed in the second quarter of 2021 indicated no goodwill impairments. However, fair value exceeded carrying value by less than 100% for two reporting units as summarized in the table below:

	Fair value in excess of carrying value		Goodwill
	Goodwill impairment testing as performed in the second quarter 2021	Goodwill impairment testing as performed in the second quarter 2020	As of December 31, 2021
Aerospace	28 %	51 %	$68 million
Work Furniture	85 %	25 %	$101 million

The decrease in fair value for Aerospace, as compared to 2020, is reflective of industry trends. Demand for fabricated duct assemblies in 2021 was near 2019 levels, but demand for welded and seamless tube products is still well below pre-pandemic levels. With the lingering impact from pandemic-related disruption in air travel and resulting buildup of aircraft and supply chain inventories, the industry is not anticipated to return to 2019 demand levels until 2024. While there is also a lag in recovery in the Work Furniture reporting unit, we continue to see steady demand for products sold for residential use, and the contract market continues to gradually improve as employees return to the office. We are continuing to monitor all factors impacting these industries. If the adverse economic impact from the COVID-19 pandemic is longer than expected, we may not be able to achieve projected performance levels. If actual results of any of our reporting units materially differ from the assumptions and estimates used in the goodwill and long-lived asset valuation calculations, we could incur future impairment charges. These non-cash charges could have a material negative impact on our earnings.

The annual goodwill impairment testing performed in the second quarter of 2020 resulted in a $25 million non-cash goodwill impairment charge with respect to our Hydraulic Cylinders reporting unit (which is a part of the Specialized Products segment) and reflected the complete write-off of the goodwill associated with this reporting unit.

Our Ability to Borrow under our Credit Facility. In response to the COVID-19 pandemic, in May 2020, we amended our five-year multi-currency $1.2 billion credit facility to change, among other things, the restrictive financial covenants. Prior to the pandemic, the leverage ratio of debt to trailing 12-month EBITDA was 4.25 to 1.00 with a single step-down to 3.50 to 1.00 on March 31, 2020. The ratio was changed in two ways: (i) the calculation of debt was changed to net debt (debt minus unrestricted cash); and (ii) the ratio was increased to 4.75 to 1.00 through March 31, 2021, with a 50 basis point step down each quarter until the ratio reached 3.25 to 1.00 at year end 2021. The credit facility, including the leverage ratio, was amended again in September 2021. For details on the current terms of the credit facility, please see Credit Facility on page 50.

Relief under the CARES Act and Foreign Governmental Subsidies. We deferred $19 million of our 2020 payment of employer's Social Security match as provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Approximately half was paid in January 2022 in accordance with the holiday schedule for the December 31, 2021 deferral date. The remaining deferral is anticipated to be paid in January 2023. We also received $4 million and $21 million in 2021 and 2020, respectively, of government subsidies in our international locations. These deferrals and subsidies are not expected to have a material impact on our short- or long-term financial condition, results of operations, liquidity, or capital resources and do not contain material restrictions on our operations, sources of funding, or otherwise. In addition, in 2021 we received $5 million of insurance proceeds from a business interruption claim due to COVID-19 pandemic disruptions.

Market Demand

Market demand (including product mix) is impacted by several economic factors, with consumer confidence being the most significant. Other important factors include disposable income levels, employment levels, housing turnover, and interest rates. All of these factors influence consumer spending on durable goods, and therefore affect demand for our products and components. Some of these factors also influence business spending on facilities and equipment, which impacts approximately 20% of our sales.

Raw Material and Labor Costs

Our costs can vary significantly as market prices for raw materials (many of which are commodities) fluctuate. We typically have short-term commitments from our suppliers; accordingly, our raw material costs generally move with the market. Our ability to recover higher costs (through selling price increases) is crucial. When we experience significant increases in raw material costs, we typically implement price increases to recover the higher costs. Conversely, when costs decrease significantly, we generally pass those lower costs through to our customers. The timing of our price increases or decreases is important; we typically experience a lag in recovering higher costs, and we also realize a lag as costs decline.

Steel is our principal raw material. At various times in past years, we have experienced significant cost fluctuations in this commodity. In most cases, the major changes (both increases and decreases) were passed through to customers with selling price adjustments. Over the past few years, we have seen varying degrees of inflation and deflation in U.S. steel pricing. In 2020, steel costs deflated modestly through the majority of the year followed by significant inflation late in the year. Steel costs inflated even further throughout 2021.

As a producer of steel rod, we are also impacted by changes in metal margins (the difference in the cost of steel scrap and the market price for steel rod). Throughout 2021, steel rod price increases outpaced steel scrap price increases resulting in significantly expanded metal margins within the steel industry. If these expanded metal margins are sustained, our steel rod mill should continue to experience enhanced profitability.

We have exposure to the cost of chemicals, including TDI, MDI, and polyol. The cost of these chemicals has fluctuated at times, but we have generally passed the changes through to our customers. Chemical prices deflated in the first half of 2020. Inflation began in the second half of the year and continued throughout 2021 as a result of several factors, including robust demand, shortages from severe weather, supplier production disruptions, port delays, and logistics challenges. The supply shortages resulted in significant restrictions by producers, however, supply availability improved in late fourth quarter 2021.

Currently there is a shortage of semiconductors in the automotive industry. Automotive OEMs and other suppliers have not been able to secure an adequate supply of semiconductors, and as a result have reduced or completely shut down their production of some automobiles or parts, which in turn has reduced our sale of products. Consumer demand remains strong, but the semiconductor shortage has pushed vehicle inventory to very low levels. Our Automotive Group uses the semiconductors in seat comfort products, and to a lesser extent in motors and actuators. Although our Automotive Group has been able to obtain an adequate supply of semiconductors, we are dependent on our suppliers to deliver these semiconductors in accordance with our production schedule. A shortage of the semiconductors, either to us, the automotive OEMs or our suppliers, can disrupt our operations and our ability to deliver products to our customers.

Shortages in the labor markets in several industries in which we operate have created challenges in hiring and maintaining adequate workforce levels. Because of these shortages, we have experienced increased labor costs.

Some facilities have experienced disruptions in logistics necessary to import, export, or transfer raw materials or finished goods, which has generally resulted in increased transportation costs that are typically passed through to our customers. Our supply chains have also been hampered by congested ports and trucking constraints.

Our other raw materials include woven and nonwoven fabrics and foam scrap. We have experienced changes in the cost of these materials and generally have been able to pass them through to our customers.

When we raise our prices to recover higher raw material costs, this sometimes causes customers to modify their product designs and replace higher cost components with lower cost components. We must continue providing product options to our customers that enable them to improve the functionality of their products and manage their costs, while providing higher profits for our operations.

Competition

Many of our markets are highly competitive, with the number of competitors varying by product line. In general, our competitors tend to be smaller, private companies. Many of our competitors, both domestic and foreign, compete primarily on the basis of price. Our success has stemmed from the ability to remain price competitive, while delivering innovation, better product quality, and customer service.

We continue to face pressure from foreign competitors, as some of our customers source a portion of their components and finished products offshore. In addition to lower labor rates, foreign competitors benefit (at times) from lower raw material costs. They may also benefit from currency factors and more lenient regulatory climates. We typically compete in market segments that value product differentiation. However, when we do compete on cost, we typically remain price competitive in most of our business units, even versus many foreign manufacturers, as a result of our highly efficient operations, automation, vertical integration in steel rod and wire, logistics and distribution efficiencies, and large-scale purchasing of raw materials and commodities. We have also reacted to foreign competition in certain cases by selectively adjusting prices, developing new proprietary products that help our customers reduce total costs, and shifting production offshore to take advantage of lower input costs.

Since 2009, there have been antidumping duty orders on innerspring imports from China, South Africa, and Vietnam, ranging from 116% to 234%. In September 2019, the Department of Commerce (DOC) and the International Trade Commission (ITC) concluded a second sunset review extending the orders for an additional five years, through October 2024, at which time the DOC and ITC will conduct a third sunset review to determine whether to extend the orders for an additional five years.

Antidumping and countervailing duty cases filed by major U.S. steel wire rod producers have resulted in the imposition of antidumping duties on imports of steel wire rod from Brazil, China, Belarus, Indonesia, Italy, Korea, Mexico, Moldova, Russia, South Africa, Spain, Trinidad & Tobago, Turkey, Ukraine, United Arab Emirates, and the United Kingdom, ranging from 1% to 757%, and countervailing duties on imports of steel wire rod from Brazil, China, Italy, and Turkey, ranging from 3% to 193%. In June 2020, the ITC and DOC concluded a first sunset review, extending the orders on China through June 2025, and in July 2020, the ITC and DOC concluded a third sunset review, determining to extend the orders on Brazil, Indonesia, Mexico, Moldova, and Trinidad & Tobago through August 2025. Duties will continue through December 2022 for Belarus, Italy, Korea, Russia, South Africa, Spain, Turkey, Ukraine, United Arab Emirates, and the United Kingdom. At those times, the DOC and the ITC will conduct sunset reviews to determine whether to extend those orders for an additional five years.

In September 2018, the Company, along with other domestic mattress producers, filed petitions with the DOC and the ITC alleging that manufacturers of mattresses in China were unfairly selling their products in the United States at less than fair value (dumping) and seeking the imposition of duties on mattresses imported from China. In October 2019, the DOC made a final determination assigning duty rates from 57% to 1,732%. In November 2019, the ITC made a unanimous final determination that domestic mattress producers were materially injured by reason of the unfairly priced imported mattresses. An antidumping order on imports of Chinese mattresses will remain in effect through December 2024, at which time the DOC and ITC will conduct a sunset review to determine whether to extend the order for an additional five years.

In March 2020, the Company, along with other domestic mattress producers and two labor unions representing workers at other mattress producers, filed antidumping petitions with the DOC and the ITC alleging that manufacturers of mattresses in Cambodia, Indonesia, Malaysia, Serbia, Thailand, Turkey, and Vietnam were unfairly selling their products in the United States at less than fair value (dumping) and a countervailing duty petition alleging manufacturers of mattresses in China were benefiting from subsidies. In March 2021, the DOC made final determinations, assigning China a countervailing duty rate of 97.78% and antidumping duty rates on the other seven countries from 2.22% – 763.28%. In April 2021, the ITC made a unanimous affirmative final determination that domestic mattress producers were materially injured by reason of the unfairly priced or subsidized imported mattresses. Accordingly, the agencies instructed that final antidumping and countervailing duty orders will remain in effect for five years, through May 2026, at which time the DOC and ITC will conduct a sunset review to determine whether to extend the order for an additional five years. Appeals have been filed with the U.S. Court of International Trade as to the DOC's final determinations of margins for Cambodia, Indonesia, Thailand, and Vietnam and the ITC's final determination of injury. See Item 3 Legal Proceedings on page 27 for more information.

Sale of Real Estate

In the second quarter 2021, we sold certain real estate associated with our exited Fashion Bed business in the Bedding Products segment and recognized a gain of approximately $28 million on the transaction.

Change in Method for Valuing Inventories from Last-In, First-Out (LIFO) Cost Method

As of January 1, 2021, we changed our method for valuing certain inventories (primarily domestic steel-related inventories) to the First-in, First-out (FIFO) cost method from the LIFO cost method. The effects of this change have been retrospectively applied to all periods presented. With the change from LIFO to FIFO, we expect to make tax payments of $21 million, in the aggregate, during the years 2021-2023 based on current tax rates. The cash outlay in 2021 was approximately $11 million. See Note A to the Consolidated Financial Statements beginning on page 75 for additional information.

RESULTS OF OPERATIONS—2021 vs. 2020

Consolidated Results

The following table shows the changes in sales and earnings during 2021, and identifies the major factors contributing to the changes from prior year.

(Dollar amounts in millions, except per share data)	Amount	%[1]
Net trade sales:		
Year ended December 31, 2020	$ 4,280	
Divestitures	(32)	(1) %
2020 sales excluding divestitures	4,248	
Approximate volume gains	172	4
Approximate raw material-related inflation and currency impact	597	14
Organic sales	769	18
Acquisition sales growth	56	2
Year ended December 31, 2021	$ 5,073	19 %
Earnings:		
(Dollar amounts, net of tax)		
Year ended December 31, 2020	$ 253	
Gain on sale of real estate	21	
2020 goodwill impairment	25	
2020 restructuring-related charges	6	
2020 note impairment	6	
2020 stock write-off from a prior year divestiture	3	
Other items, primarily including higher volume, metal margin expansion in our Steel Rod business, and pricing discipline	88	
Year ended December 31, 2021	$ 402	
2020 Earnings Per Diluted Share	$ 1.86	
2021 Earnings Per Diluted Share	$ 2.94	

[1] Calculations impacted by rounding

Full-year trade sales increased 19%, to $5,073 million. Organic sales increased 18%, primarily from raw material-related selling price increases of 13%, volume recovery from pandemic-related sales declines in the first half of 2020 of 4%, and currency benefit of 1%. Acquisitions, net of divestitures, contributed 1% to sales growth.

Earnings increased primarily from the impact of higher sales volume, metal margin expansion in our Steel Rod business, and pricing discipline. As indicated in the table above, earnings also increased from a gain on the sale of real estate and the non-recurrence of the goodwill impairment charge, restructuring-related charges, the impairment charge related to a note receivable, and the stock write-off associated with a prior year divestiture that filed bankruptcy in 2020.

Interest and Income Taxes

Net interest expense in 2021 was lower by $6 million compared to the twelve months ended December 31, 2020 primarily due to lower interest rates.

Our worldwide effective income tax rate was 23% in both 2021 and 2020. The following table reflects how our effective income tax rate differs from the statutory federal income tax rate. See Note N on page 109 of the Notes to Consolidated Financial Statements for additional details.

	Year Ended December 31	
	2021	**2020**
Statutory federal income tax rate	**21.0 %**	21.0 %
Increases (decreases) in rate resulting from:		
State taxes, net of federal benefit	**1.5**	.8
Tax effect of foreign operations	**(.9)**	(2.2)
Global intangible low-taxed income	**.5**	(.3)
Current and deferred foreign withholding taxes	**2.3**	2.7
Stock-based compensation	**(.5)**	(.6)
Change in valuation allowance	**—**	.8
Change in uncertain tax positions, net	**—**	.6
Goodwill impairment	**—**	1.6
Other permanent differences, net	**(.8)**	(1.3)
Other, net	**(.2)**	(.3)
Effective tax rate	**22.9 %**	22.8 %

Segment Results

In the following section we discuss 2021 sales and EBIT (earnings before interest and taxes) for each of our segments. We provide additional detail about segment results and a reconciliation of segment EBIT to consolidated EBIT in Note F on page 87 of the Notes to Consolidated Financial Statements.

(Dollar amounts in millions)	2021	2020	Change in Sales $	Change in Sales %	% Change Organic Sales [1]
Trade sales					
Bedding Products	$ 2,455.9	$ 2,039.3	$ 416.6	20.4 %	20.3 %
Specialized Products	998.9	891.2	107.7	12.1	10.7
Furniture, Flooring & Textile Products	1,617.8	1,349.7	268.1	19.9	19.7
Total trade sales	$ 5,072.6	$ 4,280.2	$ 792.4	18.5 %	18.1 %

	2021	2020	Change in EBIT $	Change in EBIT %	EBIT Margins 2021	EBIT Margins 2020
EBIT						
Bedding Products	$ 321.3	$ 192.4	$ 128.9	67.0 %	13.1 %	9.4 %
Specialized Products	115.9	92.0	23.9	26.0	11.6	10.3
Furniture, Flooring & Textile Products	159.5	126.5	33.0	26.1	9.9	9.4
Intersegment eliminations & other	(.7)	(3.4)	2.7			
Total EBIT	$ 596.0	$ 407.5	$ 188.5	46.3 %	11.7 %	9.5 %

	2021	2020
Depreciation and amortization		
Bedding Products	$ 106.8	$ 106.7
Specialized Products	44.8	44.3
Furniture, Flooring & Textile Products	24.0	25.5
Unallocated [2]	11.7	12.9
Total depreciation and amortization	$ 187.3	$ 189.4

[1] This is the change in sales not attributable to acquisitions or divestitures in the last 12 months. Refer to the Bedding Products, Specialized Products, and Furniture, Flooring & Textile Products discussions below for a reconciliation of the change in total segment sales to organic sales.

[2] Unallocated consists primarily of depreciation and amortization on non-operating assets.

Bedding Products

Trade sales increased 20%. Organic sales were up 20%, entirely from raw material-related selling price increases. Volume was flat. Acquisitions and divestitures offset.

EBIT increased $129 million, primarily from higher metal margin in our Steel Rod business, pricing discipline, the $28 million gain from sale of real estate associated with our exited Fashion Bed business, and the non-recurrence of the prior year $8 million impairment related to a note receivable and $3 million restructuring-related charges, partially offset by production inefficiencies driven by supply chain constraints and higher transportation costs.

Specialized Products

Trade sales increased 12%. Organic sales were up 11%, from a 7% increase in volume and currency benefit of 4%. Acquisitions contributed 1% to sale growth.

EBIT increased $24 million, primarily from higher volume and the non-recurrence of prior year $25 million goodwill impairment charge in Hydraulic Cylinders and $4 million restructuring-related charges, partially offset by higher raw material and transportation costs.

Furniture, Flooring & Textile Products

Trade sales increased 20%. Organic sales were up 20%, from raw material-related selling price increases of 10%, increased volume of 9%, and currency benefit of 1%.

EBIT increased $33 million, primarily from higher volume, pricing discipline, and non-recurrence of prior year $1 million restructuring-related charges.

RESULTS OF OPERATIONS—2020 vs. 2019

As of January 1, 2021, we changed our method for valuing certain inventories (primarily domestic steel-related inventories) to the FIFO cost method from the LIFO cost method. The effects of this change have been retrospectively applied to all periods presented. See INVENTORIES under Note A beginning on page 75 of the Notes to Consolidated Financial Statements for additional information.

Consolidated Results

The following table shows the changes in sales and earnings during 2020, and identifies the major factors contributing to the changes from prior year.

(Dollar amounts in millions, except per share data)	**Amount**	**%** [1]
Net trade sales:		
Year ended December 31, 2019	$ 4,753	
Divestitures	(14)	— %
2019 sales excluding divestitures	4,739	
Approximate volume losses	(483)	(10)
Approximate raw material-related inflation and currency impact	(32)	(1)
Organic sales	(515)	(11)
Acquisition sales growth	56	1
Year ended December 31, 2020	$ 4,280	(10) %
Earnings:		
(Dollar amounts, net of tax)		
Year ended December 31, 2019	$ 314	
Lower restructuring-related charges ($9 in 2019; $6 in 2020)	3	
Goodwill impairment	(25)	
Note impairment	(6)	
Stock write-off from a prior year divestiture	(3)	
Other items, including COVID-related economic declines, partially offset by fixed cost reductions, lower interest expense, and lower taxes	(30)	
Year ended December 31, 2020	$ 253	
2019 Earnings Per Diluted Share	$ 2.32	
2020 Earnings Per Diluted Share	$ 1.86	

[1] Calculations impacted by rounding

Full-year trade sales decreased 10%, to $4,280 million, and organic sales decreased 11%. Volume declined 10%, primarily due to pandemic-related economic declines and the planned exit of business in Fashion Bed and Drawn Wire which reduced sales 2%. Raw material-related selling price deflation early in the year reduced sales by 1%. Acquisitions, net of divestitures, contributed 1% to sales growth.

As indicated in the table above, earnings decreased from the goodwill impairment charge, the impairment charge related to a note receivable, and the stock write-off associated with a prior year divestiture that filed bankruptcy in 2020, partially offset by lower restructuring-related charges. Operationally, earnings decreased primarily from the impact of lower sales, partially offset by fixed cost reductions.

Interest and Income Taxes

Net interest expense in 2020 was lower by $4 million compared to the twelve months ended December 31, 2019 primarily due to lower debt levels and interest rates.

Our worldwide effective income tax rate was 23% in 2020, compared to 22% in 2019. The following table reflects how our effective income tax rate differs from the statutory federal income tax rate. See Note N on page 109 of the Notes to Consolidated Financial Statements for additional details.

	Year Ended December 31	
	2020	2019
Statutory federal income tax rate	21.0 %	21.0 %
Increases (decreases) in rate resulting from:		
State taxes, net of federal benefit	.8	1.3
Tax effect of foreign operations	(2.2)	(1.7)
Global intangible low-taxed income	(.3)	2.3
Current and deferred foreign withholding taxes	2.7	1.3
Stock-based compensation	(.6)	(1.1)
Change in valuation allowance	.8	.4
Change in uncertain tax positions, net	.6	(.3)
Goodwill impairment	1.6	—
Other permanent differences, net	(1.3)	(.3)
Other, net	(.3)	(.7)
Effective tax rate	22.8 %	22.2 %

Segment Results

In the following section we discuss 2020 sales and EBIT for each of our segments. We provide additional detail about segment results and a reconciliation of segment EBIT to consolidated EBIT in Note F on page 87 of the Notes to Consolidated Financial Statements.

(Dollar amounts in millions)	2020	2019	Change in Sales $	Change in Sales %	% Change Organic Sales [1]
Trade sales					
Bedding Products	$ 2,039.3	$ 2,254.3	$ (215.0)	(9.5) %	(10.0) %
Specialized Products	891.2	1,066.8	(175.6)	(16.5)	(16.5)
Furniture, Flooring & Textile Products	1,349.7	1,431.4	(81.7)	(5.7)	(8.1)
Total trade sales	$ 4,280.2	$ 4,752.5	$ (472.3)	(9.9) %	(10.9) %

	2020	2019	Change in EBIT $	Change in EBIT %	EBIT Margins 2020	EBIT Margins 2019
EBIT						
Bedding Products	$ 192.4	$ 214.9	$ (22.5)	(10.5) %	9.4 %	9.5 %
Specialized Products	92.0	169.9	(77.9)	(45.9)	10.3	15.9
Furniture, Flooring & Textile Products	126.5	102.3	24.2	23.7	9.4	7.1
Intersegment eliminations & other	(3.4)	(.3)	(3.1)			
Total EBIT	$ 407.5	$ 486.8	$ (79.3)	(16.3) %	9.5 %	10.2 %

	2020	2019
Depreciation and amortization		
Bedding Products	$ 106.7	$ 107.3
Specialized Products	44.3	41.8
Furniture, Flooring & Textile Products	25.5	25.7
Unallocated [2]	12.9	17.1
Total depreciation and amortization	$ 189.4	$ 191.9

[1] This is the change in sales not attributable to acquisitions or divestitures in the last 12 months. Refer to the Bedding Products and Furniture, Flooring & Textile Products discussions below for a reconciliation of the change in total segment sales to organic sales.

[2] Unallocated consists primarily of depreciation and amortization on non-operating assets.

Bedding Products

Trade sales decreased 9.5%. Acquisitions, net of divestitures, increased sales .5%. Organic sales were down 10%. Volume decreased 9%, with raw material-related selling price decreases and negative currency impact reducing sales 1%.

EBIT decreased $23 million, primarily from pandemic-related economic declines, lower metal margin in our rod mill, and the $8 million impairment related to a note receivable, partially offset by fixed cost reductions.

Specialized Products

Trade sales were down 16%. Organic sales were down 16%, with volume down 17%. Currency benefit increased sales 1%.

EBIT decreased $78 million, primarily from pandemic-related economic declines and a $25 million goodwill impairment charge in Hydraulic Cylinders, partially offset by fixed cost reductions.

Furniture, Flooring & Textile Products

Trade sales decreased 6%. Organic sales were down 8% and volume decreased 8%, with raw material-related selling price decreases offset by a currency benefit. A small Geo Components acquisition completed in December 2019 added 2% to trade sales.

EBIT increased $24 million, primarily from fixed cost reductions, improved pricing, and lower restructuring-related charges, partially offset by lower volume.

LIQUIDITY AND CAPITALIZATION

Liquidity

With cash on hand, operating cash flow, our commercial paper program and/or our credit facility, and our ability to obtain debt financing, we believe we have sufficient funds available to repay maturing debt, as well as support our ongoing operations, both on a short-term and long-term basis.

Sources of Cash

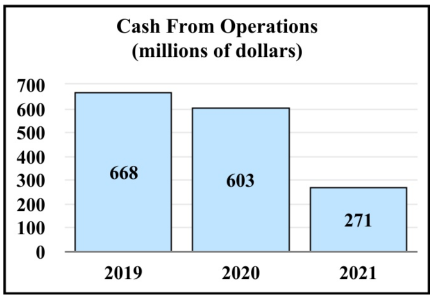
Cash on Hand

At December 31, 2021, we had cash and cash equivalents of $362 million primarily invested in interest-bearing bank accounts and in bank time deposits with original maturities of three months or less. Substantially all of these funds are held in the international accounts of our foreign operations. During 2021, 2020, and 2019 we brought back $247 million, $188 million, and $279 million of foreign cash, respectively.

If we were to immediately bring back all our foreign cash to the U.S. in the form of dividends, we would pay foreign withholding taxes of approximately $19 million. Due to capital requirements in various jurisdictions, approximately $39 million of this cash was inaccessible for repatriation at year end.

Cash from Operations

The primary source of funds for our short-term cash requirements is our cash generated from operating activities. Earnings and changes in working capital levels are the two factors that generally have the greatest impact on our cash from operations.



Cash from operations decreased approximately $331 million in 2021, primarily driven by inflationary impacts and planned working capital investments to rebuild inventory levels in our Rod, Wire, and U.S. Spring businesses following severe depletion in 2020.

As of January 1, 2021, we changed our method for valuing certain inventories (primarily domestic steel-related inventories) to the FIFO cost method from the LIFO cost method. The effects of this change have been retrospectively applied to all periods presented. See INVENTORIES under Note A beginning on page 75 of the Notes to Consolidated Financial Statements for additional information.

We closely monitor our working capital levels and we ended 2021 with working capital at 13.7% and adjusted working capital at 13.4% of annualized sales.[1] The table below explains this non-GAAP calculation. We eliminate cash and current debt maturities from working capital to monitor our operating efficiency and performance related to trade receivables, inventories, and accounts payable. We believe this provides a more useful measurement to investors since cash and current maturities can fluctuate significantly from period to period.

(Dollar amounts in millions)	2021	2020
Current assets	$ 2,065.3	$ 1,658.1
Current liabilities	1,335.7	1,006.0
Working capital	729.6	652.1
Cash and cash equivalents	361.7	348.9
Current debt maturities and current portion of operating lease liabilities	345.1	93.3
Adjusted working capital	$ 713.0	$ 396.5
Annualized sales [1]	$ 5,331.6	$ 4,728.0
Working capital as a percent of annualized sales	13.7 %	13.8 %
Adjusted working capital as a percent of annualized sales	13.4 %	8.4 %

[1] Annualized sales equal fourth quarter sales ($1,332.9 million in 2021 and $1,182.0 million in 2020) multiplied by 4. We believe measuring our working capital against this sales metric is more useful, since efficient management of working capital includes adjusting those net asset levels to reflect current business volume.

Three Primary Components of our Working Capital

	Amount (in millions)				Days		
	2021	2020	2019		2021	2020	2019
Trade Receivables	$ 620	$ 535	$ 564	**DSO [1]**	42	47	43
Inventories	993	692	676	**DIO [2]**	76	74	67
Accounts Payable	614	552	463	**DPO [3]**	53	55	45

[1] Days sales outstanding: ((beginning of year trade receivables + end of year trade receivables) ÷ 2) ÷ (net trade sales ÷ number of days in the period)
[2] Days inventory on hand: ((beginning of year inventory + end of year inventory) ÷ 2) ÷ (cost of goods sold ÷ number of days in the period)
[3] Days payables outstanding: ((beginning of year accounts payable + end of year accounts payable) ÷ 2) ÷ (cost of goods sold ÷ number of days in the period)

Trade Receivables - Our trade receivables increased $85 million at December 31, 2021 compared to the prior year and our DSO decreased during 2021. The increase in accounts receivable was primarily due to raw material-related selling price increases, and acquisitions represented $18 million of the increase. The DSO in 2020 was higher than both 2021 and 2019 as COVID-19 notably increased DSO in the first half of 2020, but strong credit discipline drove steady DSO improvement in the latter half of the year to a more normal level. We reduced our allowance for doubtful accounts by $3 million during 2021, reflecting lower qualitative risk compared to 2020 due to improved macroeconomic conditions and continued strong customer payment trends. We recognized $17 million of bad debt expense in 2020; approximately half was associated with elevated pandemic-related risk across the entire portfolio, and the remaining expense was related to one Bedding Products segment customer (fully reserving the balances for this customer, primarily a note receivable). We closely monitor accounts receivable and collections, including accounts for possible loss. We also monitor general macroeconomic conditions and other items that could impact the expected collectability of all customers, or pools of customers with similar risk. We obtain credit applications, credit reports, bank and trade references, and periodic financial statements from our customers to establish credit limits and terms as appropriate. In cases where a customer’s payment performance or financial condition begins to deteriorate or in the event of a customer bankruptcy, we tighten our credit limits and terms and make appropriate reserves based upon the facts and circumstances for each individual customer, as well as pools of similar customers.

Inventories - Our inventories and DIO have both increased notably in the last two years. Increased inventories were primarily driven by inflationary impacts (including higher freight costs), stock build to ensure consistent supply to our customers, and planned investments to rebuild inventory levels in our Rod, Wire, and U.S. Spring businesses. Softening demand in the bedding market in the fourth quarter, along with our decision to postpone the reheat furnace replacement at our steel rod mill until late first quarter of 2022, also contributed to higher year-end inventories. Acquisitions also added a small amount of inventory. This resulted in higher levels of inventory at year end and affected our normal seasonal cash flow cycle. DIO in 2020 increased primarily as a result of lower cost of goods sold due to lower volumes associated with pandemic-related economic declines in the first half of the year. Our recent increased inventory levels are not indicative of slow-moving or potential inventory obsolescence. We continuously monitor our slower-moving and potentially obsolete inventory through reports on inventory quantities compared to usage within the previous 12 months. We also utilize cycle counting programs and complete physical counts of our inventory. When potential inventory obsolescence is indicated by these controls, we will take charges for write-downs to maintain an adequate level of reserves.

Accounts Payable - Our accounts payable increased $62 million at December 31, 2021 compared to the prior year and our DPO decreased during 2021. The increase in accounts payable was primarily related to raw material cost inflation. Our payment terms did not change meaningfully since last year, and we have continued to focus on optimizing payment terms with our vendors. We continue to look for ways to establish and maintain favorable payment terms through our significant purchasing power and also utilize third-party services that offer flexibility to our vendors, which in turn helps us manage our DPO as discussed below.

Accounts Receivable and Accounts Payable Programs - We participate in trade receivables sales programs in combination with third-party banking institutions and certain customers. Under each of these programs, we sell our entire interest in the trade receivable for 100% of face value, less a discount. Because control of the sold receivable is transferred to the buyer at the time of sale, accounts receivable balances sold are removed from the Consolidated Balance Sheets, and the related proceeds are reported as cash provided by operating activities in the Consolidated Statements of Cash Flows. We had approximately $35 million and $45 million of trade receivables that were sold and removed from our Consolidated Balance Sheets at December 31, 2021 and 2020, respectively. These sales reduced our quarterly DSO by roughly three days, and the impact to operating cash flow was approximately ($10) million and $5 million at December 31, 2021 and 2020, respectively.

For accounts payable, we have historically looked for ways to optimize payment terms through utilizing third-party programs that allow our suppliers to be paid earlier at a discount. While these programs assist us in negotiating payment terms with our suppliers, we continue to make payments based on our customary terms. A vendor can elect to take payment from a third party earlier with a discount, and in that case, we pay the third party on the original due date of the invoice. Contracts with our suppliers are negotiated independently of supplier participation in the programs, and we cannot increase payment terms pursuant to the programs. As such, there is no direct impact on our DPO, accounts payable, operating cash flows or liquidity. The accounts payable settled through the third-party programs, which remain on our Consolidated Balance Sheets, were approximately $130 million and $105 million at December 31, 2021 and 2020, respectively.

While we utilize the above items as tools in our cash flow management, and offer them as options to facilitate customer and vendor operating cycles, if there were to be a cessation of these programs, we do not expect it would materially impact our operating cash flows or liquidity.

Commercial Paper Program

Another source of funds for our short-term cash requirements is our $1.2 billion commercial paper program. As of December 31, 2021, we had $1.2 billion available under the program. For more information on our commercial paper program, see Commercial Paper Program on page 49.

Credit Facility

Our credit facility is a five-year multi-currency facility providing us the ability, from time to time, to borrow, repay and re-borrow up to $1.2 billion until the maturity date, at which time our ability to borrow under the facility will terminate. The credit facility matures in September 2026. Currently, there are no borrowings under the credit facility. For more information on our credit facility, see Credit Facility on page 50, and Note J on page 94 of the Notes to Consolidated Financial Statements.

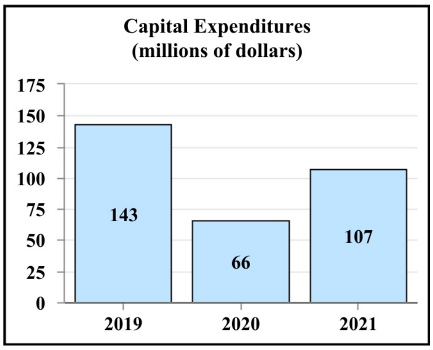
Capital Markets

We also believe that we have the ability to raise debt in the capital markets which acts as a source of funding of long-term cash requirements. Currently, we have $2.1 billion of total debt outstanding with maturity dates ranging from 2022 to 2051. For more information, please see Long-Term Debt on page 50, and Note J on page 94 of the Notes to Consolidated Financial Statements.

Uses of Cash

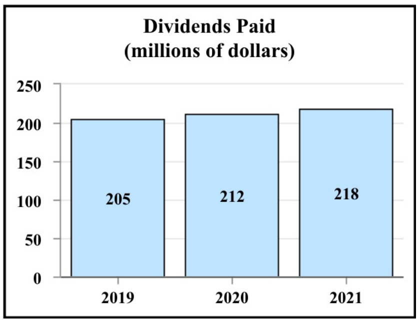
Our long-term priorities for use of cash are: fund organic growth including capital expenditures, pay dividends, fund strategic acquisitions, and repurchase stock with available cash.

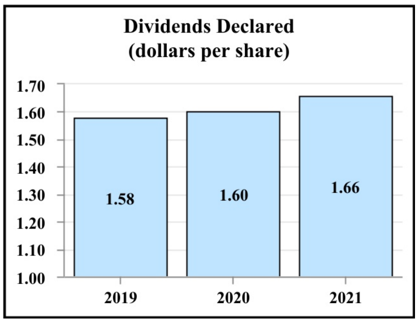
Capital Expenditures



Total capital expenditures in 2021 were $107 million, reflecting a balance of investing for the future while controlling our spending. We intend to make investments to support expansion in businesses and product lines where sales are profitably growing, for efficiency improvement and maintenance, and for system enhancements. We expect capital expenditures to approximate $150 million in 2022. Our employee incentive plans emphasize returns on capital, which include net fixed assets and working capital. This emphasis focuses our management on asset utilization and helps ensure that we are investing additional capital dollars where attractive return potential exists.

Dividends





Dividends are the primary means by which we return cash to shareholders. The cash usage for dividends in 2022 should approximate $230 million.

Our long-term targeted dividend payout ratio is approximately 50% of adjusted EPS (which excludes special items such as significant tax law impacts, impairment charges, restructuring-related charges, divestiture gains, and litigation accruals/settlements). Continuing our long track record of increasing the dividend remains a high priority. In 2021, we increased the annual dividend by $.06 from $1.60 to $1.66 per share. 2021 marked our 50th consecutive annual dividend increase. We are proud of our dividend record and plan to extend it.

Acquisitions

Our long-term, 6-9% annual revenue growth objective envisions periodic acquisitions. We are seeking strategic acquisitions that complement our current products and capabilities.

In 2019, we acquired two businesses for total consideration of $1.27 billion. In January 2019, we acquired ECS, a leader in the production of proprietary specialized foam used primarily for the bedding and furniture industries, for total consideration of approximately $1.25 billion. In December 2019, we acquired a small manufacturer and distributor of geosynthetic fabrics, grids and erosion control products in our Geo Components business unit.

In 2020, we acquired no businesses.

In 2021, we acquired three businesses for total consideration of $153 million. In January 2021, we acquired a United Kingdom (UK) manufacturer specializing in metallic ducting systems, flexible joints, and components for the space, military, and commercial applications for a cash purchase price of $28 million. In May 2021, we acquired a Polish manufacturer of bent metal tubing for furniture used in office, residential, and other settings for a cash purchase price of $5 million. In June 2021, we acquired a specialty foam and finished mattress manufacturer serving the UK and Irish markets, for a cash purchase price of $120 million.

Additional details about acquisitions can be found in Note R on page 116 of the Notes to Consolidated Financial Statements.

Stock Repurchases

Stock repurchases are the other means by which we return cash to shareholders. During the last three years, we repurchased a total of 1 million shares of our stock and issued 4 million shares (through employee benefit plans and stock option exercises). Our net stock repurchases were $7 million, $9 million, and $6 million in 2019, 2020, and 2021, respectively. In 2021, we repurchased .25 million shares (at an average price of $46.59) and issued 1 million shares.

We have been authorized by the Board to repurchase up to 10 million shares each year, but we have established no specific repurchase commitment or timetable.

Short-Term and Long-Term Cash Requirements

In addition to the expected uses of cash discussed above, we have various material short-term (12 months or less) and long-term (more than 12 months) cash requirements as listed below.

Cash Requirements	Short-Term	Long-Term
(Dollar amounts in millions)		
Current and long-term debt, excluding finance leases [1]	$ 300	$ 1,786
Operating and finance leases [2]	51	174
Purchase obligations [3]	581	3
Interest payments [4]	76	754
Deemed repatriation tax payable [5]	—	28
Liability for pension benefits [6]	3	42

1 The long-term debt presented above could be accelerated if we were not able to make the principal and interest payments when due. See Note J on page 94 in the Notes to Consolidated Financial Statements for more information regarding scheduled maturities of our long-term debt.

2 See Note K on page 96 in the Notes to Consolidated Financial Statements for additional information on leases.

3 Purchase obligations primarily include open short-term (30-120 days) purchase orders that arise in the normal course of operating our facilities.

4 Interest payments assume debt outstanding remains constant with amounts at December 31, 2021 and at rates in effect at the end of the year.

5 In addition to the deemed repatriation tax payable we also have deferred income taxes and other reserves for tax contingencies included in our Consolidated Balance Sheets. The resolution or settlement of these tax positions with the taxing authorities is subject to significant uncertainty. We are therefore unable to make a reliable estimate of the amount or timing of cash that may be required to settle these matters, or whether the matters will require cash to settle or resolve.

6 See Note M on page 106 in the Notes to Consolidated Financial Statements for additional information on pension benefit plans.

See Note I on page 93 of the Notes to Consolidated Financial Statements for details regarding the accrued expenses and other liabilities reflected on our Consolidated Balance Sheets.

Capitalization

Capitalization Table

This table presents key debt and capitalization statistics at the end of the three most recent years.

(Dollar amounts in millions)	2021		2020		2019	
Total debt excluding credit facility/commercial paper	$ 2,090.3		$ 1,900.2		$ 2,056.1	
Less: Current maturities of long-term debt	300.6		50.9		51.1	
Scheduled maturities of long-term debt	1,789.7		1,849.3		2,005.0	
Average interest rates [1]	*3.7*	%	*3.7*	%	*3.6*	%
Average maturities in years [1]	*10.8*		*5.3*		*6.0*	
Credit facility/commercial paper [2]	—		—		61.5	
Weighted average interest rate on year-end balance	—	%	—	%	*2.0*	%
Average interest rate during the year	*.2*	%	*2.0*	%	*2.6*	%
Total long-term debt	1,789.7		1,849.3		2,066.5	
Deferred income taxes and other liabilities	533.3		519.6		518.9	
Equity	1,648.6		1,425.1		1,341.9	
Total capitalization	$ 3,971.6		$ 3,794.0		$ 3,927.3	
Unused committed credit: [2]						
Long-term	$ 1,200.0		$ 1,200.0		$ 1,138.5	
Short-term	—		—		—	
Total unused committed credit	$ 1,200.0		$ 1,200.0		$ 1,138.5	
Cash and cash equivalents	$ 361.7		$ 348.9		$ 247.6	

[1] These rates include current maturities, but exclude commercial paper to reflect the averages of outstanding debt with scheduled maturities.

[2] The unused committed credit amount is based on our revolving credit facility and commercial paper program which, during all periods presented, had a total authorized program amount of $1.2 billion. However, our borrowing capacity may be limited by covenants in our credit facility.

Commercial Paper Program

Amounts outstanding related to our commercial paper program were:

(Dollar amounts in millions)	2021	2020	2019
Total program authorized	$ 1,200.0	$ 1,200.0	$ 1,200.0
Commercial paper outstanding (classified as long-term debt)	$ —	$ —	$ 61.5
Letters of credit issued under the credit facility	—	—	—
Total program usage	$ —	$ —	$ 61.5

The average and maximum amounts of commercial paper outstanding during 2021 were $218 million and $545 million, respectively. During the fourth quarter, the average and maximum amounts outstanding were $268 million and $545 million, respectively. At quarter end, we had no letters of credit outstanding under the credit facility, but we had issued $48 million of stand-by letters of credit under other bank agreements to take advantage of better pricing. Over the long-term, and subject to our capital needs, market conditions, and alternative capital market opportunities, we expect to maintain the indebtedness under the commercial paper program by continuously repaying and reissuing the commercial paper notes. We view the notes as a source of long-term funds and have classified the borrowings under the commercial paper program as long-term borrowings on our balance sheet. We have the intent to roll over such obligations on a long-term basis and have the ability to refinance these borrowings on a long-term basis as evidenced by our $1.2 billion revolving credit facility maturing in 2026 discussed below.

Credit Facility

Our multi-currency credit facility was amended September 30, 2021 to create more financial flexibility and matures in September 2026. It provides us the ability, from time to time subject to certain restrictive covenants and customary conditions, to borrow, repay, and re-borrow up to $1.2 billion.

Our credit facility contains restrictive covenants which (a) require us to maintain as of the last day of each fiscal quarter (i) Consolidated Funded Indebtedness minus the lesser of: (A) Unrestricted Cash, or (B) $750 million to (ii) Consolidated EBITDA for the four consecutive trailing quarters, such ratio not being greater than 3.50 to 1.00, provided, however, subject to certain limitations, if we have made a material acquisition in any fiscal quarter, at our election, the maximum leverage ratio shall be 4.00 to 1.00 for the fiscal quarter during which such material acquisition is consummated and the next three consecutive fiscal quarters; (b) limit the amount of total secured debt to 15% of our total consolidated assets, and (c) limit our ability to sell, lease, transfer, or dispose of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole (other than accounts receivable sold in a permitted securitization transaction, products sold in the ordinary course of business and our ability to sell, lease, transfer, or dispose of any of our assets or the assets of one of our subsidiaries to us or one of our subsidiaries, as applicable) at any given point in time; each (a), (b), and (c) above as determined by the terms of our credit agreement, filed with the SEC on October 1, 2021 as Exhibit 10.1 to our Current Report on Form 8-K. We were in compliance with all of our debt covenants at the end of 2021, and expect to maintain compliance with the debt covenant requirements. For more information about long-term debt, please see Note J on page 94 of the Notes to Consolidated Financial Statements.

Our credit facility serves as back-up for our commercial paper program. At December 31, 2021, we had no commercial paper outstanding and had no borrowing under the credit facility. As our trailing 12-month consolidated EBITDA, unrestricted cash, and debt levels change, our borrowing capacity increases or decreases. Based on our trailing 12-month consolidated EBITDA, unrestricted cash, and debt levels at December 31, 2021, our borrowing capacity under the credit facility was $1.2 billion. However, this may not be indicative of the actual borrowing capacity moving forward, which may be materially different depending on our consolidated EBITDA, unrestricted cash, debt levels, and leverage ratio requirements at that time.

Prior to the September 2021 amendment, we had additional borrowing capacity under the credit facility in the form of a five-year term loan facility in the amount of $500 million, which matured in January 2024. We fully borrowed under the Term Loan A in January 2019 to finance, in part, the acquisition of ECS. We paid quarterly principal installments of $12.5 million under the Term Loan A. Additional principal payments, including a complete early payoff, were allowed without penalty. On August 31, 2021, we pre-paid the remaining $280 million outstanding principal under the Term Loan A utilizing borrowings under our commercial paper program.

Long-Term Debt

We have total debt of $2,090 million of which $300 million is due August 2022. The maturities of the long-term debt range from 2024 through 2051. For more details on long-term debt see Note J on page 94 of the Notes to Consolidated Financial Statements.

In March 2019, we issued $500 million aggregate principal amount of notes that mature in 2029. The notes bear interest at a rate of 4.4% per year, with interest payable semi-annually in March and September each year. The net proceeds of these notes were used to repay a portion of the commercial paper indebtedness incurred to finance the ECS acquisition.

In November 2021, we issued $500 million aggregate principal amount of notes that mature in 2051. The notes bear interest at a rate of 3.5% per year, with interest payable semi-annually beginning May 15, 2022. As part of this issuance, we also unwound $300 million of treasury lock agreements we had entered into during 2021 at a gain of approximately $10 million, which will be amortized over the life of the notes. The net proceeds of these notes were used to repay commercial paper and may be used to repay a portion of the 3.4% Senior Notes due August 2022.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. To do so, we must make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosures. If we used different estimates or judgments our financial statements would change, and some of those changes could be significant. Our estimates are frequently based upon historical experience and are considered by management, at the time they are made, to be reasonable and appropriate. Estimates are adjusted for actual events, as they occur.

"Critical accounting estimates" are those that are: (a) subject to uncertainty and change and (b) of material impact to our financial statements. Listed below are the estimates and judgments which we believe could have the most significant effect on our financial statements.

We provide additional details regarding our significant accounting policies in Note A on page 75 of the Notes to Consolidated Financial Statements.

Description	Judgments and Uncertainty	Changes in Estimate and Effect if Actual Results Differ from Assumptions
Goodwill		
Goodwill is assessed for impairment annually as of June 30 and as triggering events occur.	Goodwill is evaluated annually for impairment as of June 30 using a quantitative analysis at the reporting unit level, which is one level below our operating segments. Judgment is required in the quantitative analysis. We estimate fair value using a combination of: (a) A discounted cash flow model that contains uncertainties related to the forecast of future results, as many outside economic and competitive factors can influence future performance. Revenue growth, cost of sales, and appropriate discount rates are the most critical estimates in determining enterprise values using the cash flow model. (b) The market approach, using price to earnings ratios for comparable publicly traded companies that operate in the same or similar industry and with characteristics similar to the reporting unit. Judgment is required to determine the appropriate price to earnings ratio.	We had no goodwill impairments in 2021 or 2019. The June 2020 review resulted in a non-cash goodwill impairment charge of $25 million with respect to our Hydraulic Cylinders reporting unit, which is part of the Specialized Products segment. This impairment charge reflects the complete write-off of the goodwill associated with the Hydraulic Cylinders reporting unit. Two reporting units had fair values in excess of carrying value of less than 100% in 2021 as discussed in Note C on page 83 of the Notes to Consolidated Financial Statements. At December 31, 2021, we had $1.4 billion of goodwill. Information regarding material assumptions used to determine if a goodwill impairment exists can be found in Note A on page 75 and Note C on page 83 of the Notes to Consolidated Financial Statements. Our assumptions are based on our current business strategy in light of present industry and economic conditions, as well as future expectations. If we are not able to achieve projected performance levels, future impairments could be possible.

Description	Judgments and Uncertainty	Changes in Estimate and Effect if Actual Results Differ from Assumptions
Other Long-Lived Assets		
Other long-lived assets are tested for recoverability at year end and whenever events or circumstances indicate the carrying value may not be recoverable. For other long-lived assets we estimate fair value at the lowest level where cash flows can be measured (usually at a branch level).	Impairments of other long-lived assets usually occur when major restructuring activities take place, or we decide to discontinue selected products. Our impairment assessments have uncertainties because they require estimates of future cash flows to determine if undiscounted cash flows are sufficient to recover carrying values of these assets. For assets where future cash flows are not expected to recover carrying value, fair value is estimated which requires an estimate of market value based upon asset appraisals for like assets.	These impairments are unpredictable. Impairments did not exceed $8 million per year in any of the last three years. At December 31, 2021, net property, plant and equipment was $782 million, net intangible assets (other than goodwill) was $708 million, and operating right-of-use assets was $193 million.
Inventory Reserves		
We reduce the carrying value of inventories to reflect an estimate of net realizable value for slow-moving (i.e., not selling very quickly) and obsolete inventory. Generally, a reserve is required when we have more than a 12-month supply of the product. The calculation also uses an estimate of the ultimate recoverability of items identified as slow-moving, based upon historical experience. If we have had no sales of a given product for 12 months, those items are generally deemed to be obsolete with no value and are written down completely.	Our inventory reserve contains uncertainties because the calculation requires management to make assumptions about the value of products that are obsolete or slow-moving. Changes in customer behavior and requirements can cause inventory to become obsolete or slow-moving. Restructuring activity and decisions to narrow product offerings also impact the estimated net realizable value of inventories.	At December 31, 2021, the reserve for obsolete and slow-moving inventory was $44 million (approximately 4% of inventories). This is slightly lower than the reserves at December 31, 2020 and 2019, representing approximately 6% of inventories. There has been no change to our policies for establishing reserves, and we do not expect significant changes to our historical obsolescence levels. 2021 inventories increased due to inflation in steel-related raw material prices, higher freight costs, and stock build to ensure consistent supply to our customers. Our recent increased inventory levels are not indicative of slow-moving or potential inventory obsolescence. Additions to inventory reserves in 2021 were $14 million, which is equal to our $14 million three-year average.

Description	Judgments and Uncertainty	Changes in Estimate and Effect if Actual Results Differ from Assumptions
Credit Losses		
For accounts and notes receivable, we estimate a bad debt reserve for the amount that will ultimately be uncollectible. When we become aware of a specific customer's potential inability to pay, we record a bad debt reserve for the amount we believe may not be collectible. We also monitor general macroeconomic conditions and other items that could impact the expected collectibility of all customers or pools of customers with similar risk.	Our bad debt reserve contains uncertainties because it requires management to estimate the amount uncollectible based upon an evaluation of several factors such as the length of time that receivables are past due, the financial health of the customer, industry and macroeconomic considerations, and historical loss experience. Our customers are diverse and many are small-to-medium sized companies, with some being highly leveraged. Bankruptcy can occur with some of these customers relatively quickly and with little warning. In cases where a customer's payment performance or financial condition begins to deteriorate, we tighten our credit limits and terms and make appropriate reserves when deemed necessary. Certain of our customers have from time to time experienced bankruptcy, insolvency, and/or an inability to pay their debts to us as they come due. If our customers suffer significant financial difficulty, they may be unable to pay their debts to us timely or at all, they may reject their contractual obligations to us under bankruptcy laws or otherwise, or we may have to negotiate significant discounts and/or extend financing terms with these customers.	A significant change in the financial status of a large customer could impact our estimates. However, we believe we have established adequate reserves on our customer accounts. Our bad debt expense has fluctuated over the last three years: ($3) million in 2021, $17 million in 2020, and $3 million in 2019. The 2021 expense decrease reflects lower qualitative risk compared to 2020 due to improved macroeconomic conditions and continued strong customer payment trends. The expense for 2020 was impacted by one account that is now fully reserved at $23 million, including $22 million of a note receivable and $1 million for a trade account receivable ($9 million in 2020), as discussed in Note H on page 92 of the Notes to Consolidated Financial Statements. 2020's expense was also impacted by pandemic-related economic declines. Although we have not experienced significant issues with customer payment performance during this time, the effects of the pandemic have adversely impacted the operations of many of our customers, which have and could further impact their ability to pay their debts to us. As a result, we increased the reserves on trade accounts receivable in 2020 to reflect this increased risk but decreased this reserve in 2021 as conditions improved. Excluding the note receivable discussed above, the average annual amount of bad debt expense associated with trade accounts receivable was less than $4 million (significantly less than 1% of annual net trade sales) over the last three years. At December 31, 2021, our allowances for doubtful trade accounts receivable were $15 million (less than 3% of our trade receivables of $635 million).

Description	Judgments and Uncertainty	Changes in Estimate and Effect if Actual Results Differ from Assumptions
Pension Accounting For our pension plans, we must estimate the cost of benefits to be provided (well into the future) and the current value of those benefit obligations.	The pension liability calculation contains uncertainties because it requires management's judgment. Assumptions used to measure our pension liabilities and pension expense annually include: - the discount rate used to calculate the present value of future benefits - an estimate of expected return on pension assets based upon the mix of investments held (bonds and equities) - certain employee-related factors, such as turnover, retirement age, and mortality. Mortality assumptions represent our best estimate of the duration of future benefit payments at the measurement date. These estimates are based on each plan's demographics and other relevant facts and circumstances - the rate of salary increases where benefits are based on earnings.	Our US plans represent approximately 84% of our pension benefit obligations. Each 25 basis point decrease in the discount rate for our U.S. plans increases pension expense by $.6 million and increases the plans' benefit obligations by $8.6 million. Each 25 basis point reduction in the expected return on assets for our U.S. plans would increase pension expense by $.4 million, but have no effect on the plans' funded status.
Contingencies We evaluate various legal, environmental, and other potential claims against us to determine if an accrual or disclosure of the contingency is appropriate. If it is probable that an ultimate loss will be incurred and reasonably estimable, we accrue a liability for the estimate of the loss.	Our disclosure and accrual of loss contingencies (i.e., losses that may or may not occur) contain uncertainties because they are based on our assessment of the probability that the expenses will actually occur and our reasonable estimate of the likely cost. Our estimates and judgments are subjective and can involve matters in litigation, the results of which are generally unpredictable.	We have recorded a litigation contingency accrual of $1 million or less at the end of each year for the last three years. There were no material adjustments to the accrual, including cash payments and expense, for each of the years ended December 31, 2021, 2020, and 2019, respectively. See Note T on page 119 of the Notes to Consolidated Financial Statements for additional information.

Description	Judgments and Uncertainty	Changes in Estimate and Effect if Actual Results Differ from Assumptions
Income Taxes		
In the ordinary course of business, we must make estimates of the tax treatment of many transactions, even though the ultimate tax outcome may remain uncertain for some time. These estimates become part of the annual income tax expense reported in our financial statements. Subsequent to year end, we finalize our tax analysis and file income tax returns. Tax authorities periodically audit these income tax returns and examine our tax filing positions, including (among other things) the timing and amounts of deductions, and the allocation of income among tax jurisdictions. If necessary, we adjust income tax expense in our financial statements in the periods in which the actual outcome becomes more certain.	Our tax liability for unrecognized tax benefits contains uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures related to our various filing positions. Our effective tax rate is also impacted by changes in tax laws, the current mix of earnings by taxing jurisdiction, and the results of current tax audits and assessments. At December 31, 2021 and 2020, we had $13 million and $14 million, respectively, of net deferred tax assets on our balance sheet, primarily related to net operating losses and other tax carryforwards. The ultimate realization of these deferred tax assets is dependent upon the amount, source, and timing of future taxable income. In cases where we believe it is more likely than not that we may not realize the future potential tax benefits, we establish a valuation allowance against them.	Changes in U.S. and foreign tax laws could impact assumptions related to the taxation and repatriation of certain foreign earnings. Audits by various taxing authorities continue as governments look for ways to raise additional revenue. Based upon past audit experience, we do not expect any material changes to our tax liability as a result of this audit activity; however, we could incur additional tax expense if we have audit adjustments higher than recent historical experience. The likelihood of recovery of net operating losses and other tax carryforwards has been closely evaluated and is based upon such factors as the time remaining before expiration, viable tax planning strategies, and future taxable earnings expectations. We believe that appropriate valuation allowances have been recorded as necessary. However, if earnings expectations or other assumptions change such that additional valuation allowances are required, we could incur additional tax expense. Likewise, if fewer valuation allowances are needed, we could incur reduced tax expense.

CONTINGENCIES

For contingencies related to the impact of the COVID-19 pandemic on our business, please see “COVID-19 Impacts on our Business” on page 33.

Litigation

Accruals for Probable Losses

We are exposed to litigation contingencies that, if realized, could have a material negative impact on our financial condition, results of operations, and cash flows. Although we deny liability in all currently threatened or pending litigation proceedings in which we are or may be a party, and believe we have valid bases to contest all claims made against us, we have recorded a litigation contingency accrual for our reasonable estimate of probable loss for pending and threatened litigation proceedings, in aggregate, of $1.0 million, $.5 million, and $.7 million at December 31, 2021, 2020, and 2019, respectively. There were no material adjustments to the accrual, including cash payments and expense, for each of the years ended December 31, 2021, 2020, and 2019, respectively. The accruals do not include accrued expenses related to workers' compensation, vehicle-related personal injury, product and general liability claims, taxation issues, and environmental matters, some of which may contain a portion of litigation expense. However, any litigation expense associated with these categories is not anticipated to have a material effect on our financial condition, results of operations, or cash flows. For more information regarding accrued expenses, see Note I under "Accrued expenses" on page 93 of the Notes to Consolidated Financial Statements.

Reasonably Possible Losses in Excess of Accruals

Although there are a number of uncertainties and potential outcomes associated with all of our pending or threatened litigation proceedings, we believe, based on current known facts, that additional losses, if any, are not expected to materially affect our consolidated financial position, results of operations, or cash flows. However, based upon current known facts, as of December 31, 2021, aggregate reasonably possible (but not probable, and therefore not accrued) losses in excess of the accruals noted above are estimated to be $10 million. If our assumptions or analyses regarding these contingencies are incorrect, or if facts change, we could realize losses in excess of the recorded accruals (and in excess of the $10 million referenced above), which could have a material negative impact on our financial condition, results of operations, and cash flows.

For more information regarding litigation contingencies, please refer to Note T on page 119 of the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

Climate Change

Change in Laws, Policies, and Regulations

Many scientists, legislators, and others attribute global warming to increased levels of greenhouse gas emissions, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit such emissions. At December 31, 2021, we had 131 production facilities worldwide. Some of our facilities are engaged in manufacturing processes that produce greenhouse gas emissions, including carbon dioxide. We also maintain a fleet of over-the-road tractor trailers that emit greenhouse gases. Our manufacturing facilities are primarily located in North America, Europe, and Asia. There continues to be a lack of consistent climate legislation in the jurisdictions in which we operate, which creates economic and regulatory uncertainty. To the extent our customers are subject to any of these or other similar proposed or newly enacted laws and regulations, additional costs by customers to comply with such laws and regulations could impact their ability to operate at similar levels in certain jurisdictions, which could adversely impact their demand for our products and services. Also, if these laws or regulations impose significant operational restrictions and compliance requirements on us, they could increase costs associated with our operations, including costs for raw materials and transportation. Non-compliance with climate change legislative and regulatory requirements could also negatively impact our reputation. To date, however, we have not experienced a material impact from climate change legislative and regulatory efforts.

Indirect Consequences of Climate-Related Business Trends

We have experienced (due to severe weather impacts) supply shortages in chemicals which have restricted foam supply. The restriction of foam supply has constrained overall mattress production in the bedding industry and has reduced our production levels. The cost of chemicals and foam has also increased due to the shortages. Also, severe weather impacts could have a negative effect on our customers' payments which could result in increased bad debt expense.

Physical Effects of Climate Change

We have experienced increased property insurance premiums, in part, due to enhanced weather-related risks, but this increase in premiums has not had a material impact on our results of operations or financial condition.

Compliance Costs Related to Climate Change

To date, we have not experienced a material increase in climate-related compliance costs. However, evaluating opportunities to reduce our carbon footprint, setting goals for carbon reduction, and measuring performance in achieving those goals will be part of our environmental, sustainability, and governance strategy moving forward. We are currently working on completing our first greenhouse gas emissions inventory. Once complete, this baseline measurement will inform a long-term greenhouse gas (GHG) reduction strategy, including setting reduction targets and other key areas of performance. This inventory, with a base year of 2019, will cover three years of data and include Scope 1 and Scope 2 carbon dioxide equivalent emissions. The inventory will be prepared consistent with the GHG Protocol Corporate Accounting and Reporting Standard. We currently do not have an estimate of the capital expenditures or operating costs that may be required to implement our GHG reduction strategies.

Cybersecurity Risks

We rely on information systems to obtain, process, analyze, and manage data, as well as to facilitate the manufacture and distribution of inventory to and from our facilities. We receive, process, and ship orders, manage the billing of and collections from our customers, and manage the accounting for and payment to our vendors. We have a formal process in place for both incident response and cybersecurity continuous improvement that includes a cross-functional Cybersecurity Oversight Committee. Members of the Cybersecurity Oversight Committee update the Board quarterly on cyber activity, with procedures in place for interim reporting if necessary.

Although we have not experienced any material cybersecurity incidents, we have enhanced our cybersecurity protection efforts over the last few years. We use a third party to periodically benchmark our information security program against the National Institute of Standards and Technology's Cybersecurity Framework. We provide quarterly cybersecurity training for employees with access to our email and data systems, and we have purchased broad form cyber insurance coverage. However, because of risk due to the COVID-19 pandemic regarding increased remote access, remote work conditions, and associated strain on employees, technology failures or cybersecurity breaches could still create system disruptions or unauthorized disclosure of confidential information. We cannot be certain that the attacker's capabilities will not compromise our technology protecting information systems. If these systems are interrupted or damaged by any incident or fail for any extended period of time, then our results of operations could be adversely affected. We may incur remediation costs, increased cybersecurity protection costs, lost revenues resulting from unauthorized use of proprietary information, litigation and legal costs, reputational damage, damage to our competitiveness, and negative impact on stock price and long-term shareholder value.

NEW ACCOUNTING STANDARDS

The FASB has issued accounting guidance effective for current and future periods. See Note A on page 75 of the Notes to Consolidated Financial Statements for a more complete discussion.