

# Third-Quarter 2020 Earnings Review

Thursday, October 22, 2020



**Whirlpool**  
CORPORATION

# CAUTIONARY STATEMENT

We supplement the reporting of our financial information determined under U.S. generally accepted accounting principles (GAAP) with certain non-GAAP financial measures, some of which we refer to as "ongoing" measures, including earnings before interest and taxes (EBIT), EBIT margin, ongoing EBIT, ongoing EBIT margin, ongoing earnings per diluted share, organic net sales, adjusted effective tax rate, sales excluding currency and free cash flow. Ongoing measures exclude items that may not be indicative of, or are unrelated to, results from our ongoing operations and provide a better baseline for analyzing trends in our underlying businesses. Sales excluding foreign currency is calculated by translating the current period net sales, in functional currency, to U.S. dollars using the prior-year period's exchange rate compared to the prior-year period net sales. Management believes that sales excluding foreign currency provides stockholders with a clearer basis to assess our results over time, excluding the impact of exchange rate fluctuations. Management believes that organic net sales provides stockholders with a clearer basis to assess our results over time, excluding the impact of exchange rate fluctuations and the Embraco divestiture. Management believes that adjusted tax rate provides investors with a meaningful, consistent comparison of the Company's effective tax rate, excluding the pre-tax income and tax effect of certain unique items. Management believes that free cash flow provides investors and stockholders with a relevant measure of liquidity and a useful basis for assessing the company's ability to fund its activities and obligations. The Company provides free cash flow related metrics, such as free cash flow as a percentage of net sales, as long-term management goals, not an element of its annual financial guidance, and as such does not provide a reconciliation of free cash flow to cash provided by (used in) operating activities, the most directly comparable GAAP measure, for these long-term goal metrics. Whirlpool does not provide a Non-GAAP reconciliation for its other forward-looking long-term value creation and other goals, such as organic net sales, EBIT, and gross debt/EBITDA, as such reconciliation would rely on market factors and certain other conditions and assumptions that are outside of the company's control. We believe that these non-GAAP measures provide meaningful information to assist investors and stockholders in understanding our financial results and assessing our prospects for future performance, and reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP financial measures, provide a more complete understanding of our business. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These ongoing financial measures should not be considered in isolation or as a substitute for reported net earnings available to Whirlpool per diluted share, net earnings, net earnings available to Whirlpool, net earnings margin, net sales, effective tax rate and cash provided by (used in) operating activities, the most directly comparable GAAP financial measures. We also disclose segment EBIT and ongoing segment EBIT as important financial metrics used by the Company's Chief Operating Decision Maker to evaluate performance and allocate resources in accordance with ASC 280 - Segment Reporting. GAAP net earnings available to Whirlpool per diluted share and ongoing earnings per diluted share are presented net of tax, while individual adjustments in each reconciliation are presented on a pre-tax basis; the income tax impact line item aggregates the tax impact for these adjustments. The tax impact of individual line item adjustments may not foot precisely to the aggregate income tax impact amount, as each line item adjustment may include non-taxable components. Historical quarterly earnings per share amounts are presented based on a normalized tax rate adjustment to reconcile quarterly tax rates to full-year tax rate expectations. We strongly encourage investors and stockholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.



# GLOBAL OVERVIEW



Marc Bitzer

Chairman and  
Chief Executive Officer



# THIRD-QUARTER RESULTS HIGHLIGHTS

## Profitable Growth

Net Sales	YoY Change
\$5.3B	3.9%
	7.0% organic <sup>(4)</sup>

## Margin Expansion

Ongoing EBIT Margin <sup>(1)</sup>	YoY Change
12.0%	4.8pts

## Cash Conversion

Free Cash Flow <sup>(2)</sup>	YoY Change
\$170M	\$975M

- Organic net sales growth of 7% driven by solid global industry demand
- Exceptional execution of early, decisive actions resulted in:
  - ✓ Ongoing EPS<sup>(1)</sup> of \$6.91
  - ✓ Ongoing EBIT<sup>(1)</sup> margin expansion of 480 bps to 12.0%
  - ✓ Significant year-over-year margin expansion in North America, Latin America, and EMEA
  - ✓ Positive YTD free cash flow<sup>(2)</sup> of \$170M
- Reinstating guidance for full-year 2020 of \$17.50 - \$18.00 in ongoing EPS<sup>(1)</sup> and ~\$900M in free cash flow<sup>(2)</sup>
- Announced dividend increase to \$1.25; plans in place to repay all COVID-related short-term borrowing by year-end

(4) Organic net sales reflects YoY change in net sales adjusted for currency and the Embraco divestiture. See Organic Net Sales reconciliation in the appendix.

# Q3 2020 ONGOING EBIT MARGIN<sup>(1)</sup> DRIVERS

<i>(Approximate impact)</i>		Q3
<b>2019 Ongoing EBIT Margin</b>		<b>7.2%</b>
Price / Mix		+2.75
Net Cost (excluding Raw Material/Tariff Inflation)*		+2.00
Raw Material/Tariff Inflation		+1.50
Marketing & Technology Investments		-0.50
Currency		-1.00
<b>2020 Ongoing EBIT Margin</b>		<b>12.0%</b>

\*Inclusive of Fixed Cost Takeout, Ongoing Cost Productivity (including conversion and freight & warehousing), Volume Deleveraging and Restructuring Benefits.

# REGIONAL OVERVIEW



Jim Peters

Executive Vice President  
and Chief Financial Officer

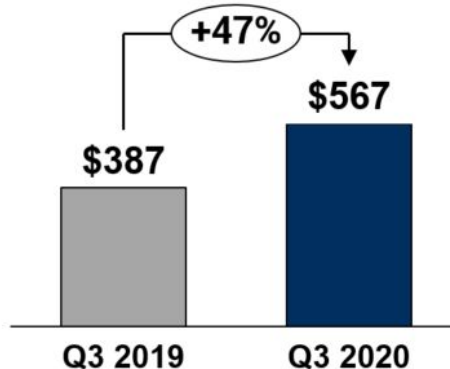


# NORTH AMERICA THIRD-QUARTER RESULTS

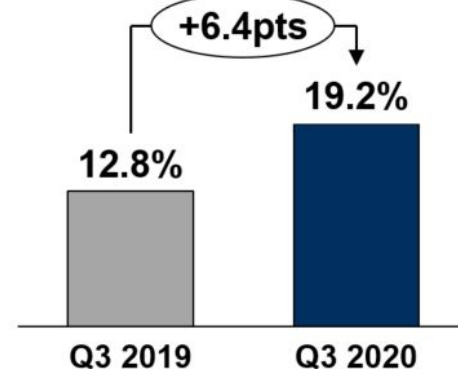
Net Sales (\$B)



EBIT<sup>(3)</sup> (\$M)



EBIT Margin<sup>(3)</sup>



- Revenue softness due to COVID-related supply constraints, while order backlog remains elevated
- Record EBIT performance driven by flawless execution of go-to-market and cost takeout initiatives
- Gradual supply chain improvements on-track

# EMEA THIRD-QUARTER RESULTS

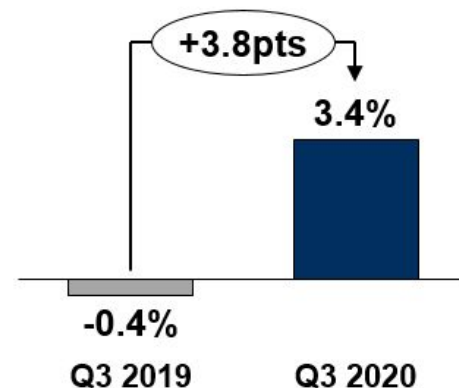
Net Sales (\$B)



EBIT<sup>(3)</sup> (\$M)



EBIT Margin<sup>(3)</sup>



- Year-over-year volume growth of 6.5% with double-digit growth in key countries
- Significant EBIT improvement (+\$47M) as increased demand and cost actions offset currency headwinds
- Strategic actions continue to drive progress towards long-term goals

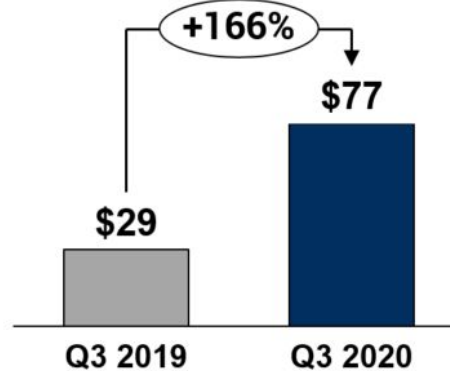


# LATIN AMERICA THIRD-QUARTER RESULTS

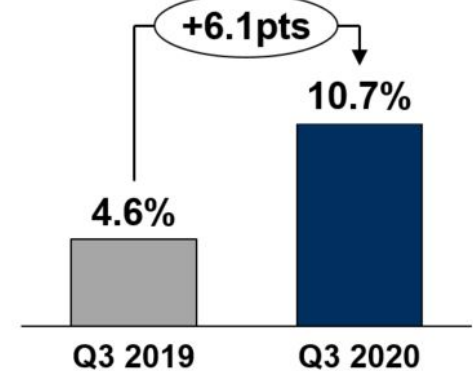
Net Sales (\$M)



EBIT<sup>(3)</sup> (\$M)



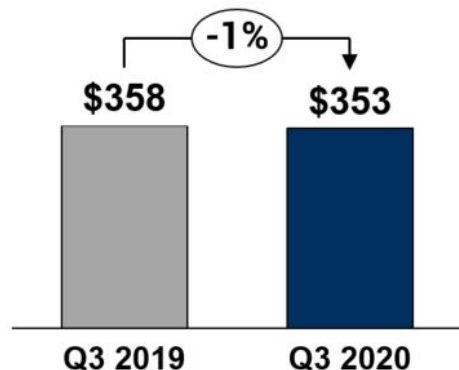
EBIT Margin<sup>(3)</sup>



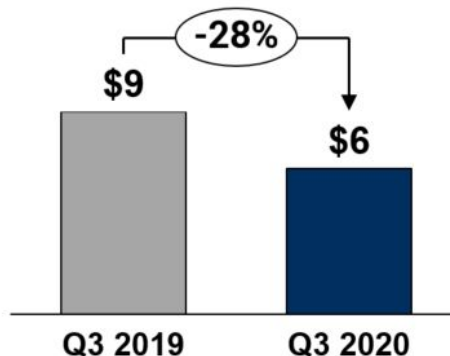
- Revenue increase due to industry growth and share gains in Brazil and Mexico
- EBIT growth driven by increased demand and disciplined go-to-market actions
- Significant EBIT margin despite currency headwinds in Brazil and Mexico

# ASIA THIRD-QUARTER RESULTS

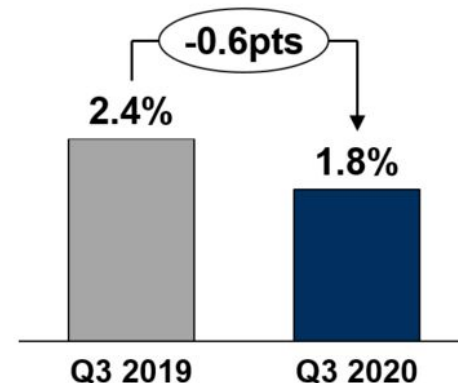
Net Sales (\$M)



EBIT<sup>(3)</sup> (\$M)



EBIT Margin<sup>(3)</sup>



- Strong India performance with share gains, despite significant COVID-related disruptions
- Demand softness drove negative EBIT in China
- Whirlpool branded share growth in China on-track

# 2020 GUIDANCE



Marc Bitzer

Chairman and  
Chief Executive Officer



Jim Peters

Executive Vice President  
and Chief Financial Officer



# 2020 GUIDANCE OVERVIEW

## Long-Term Goals

### Profitable Growth

**~3%**

Annual Organic Net Sales Growth

### Margin Expansion

**~10%**

Ongoing Earnings Before Interest and Tax, % of Net Sales

### Cash Conversion

**6%+**

Free Cash Flow as % of Net Sales

## 2020 Guidance

Net Sales  
YoY Change

**(7%)-(5%)**  
(-1% to 0% organic<sup>(4)</sup>)

Ongoing  
EBIT Margin<sup>(1)</sup>

**~8.5%**

YoY  
Change

**~1.6pts**

Free  
Cash Flow<sup>(2)</sup>

**~\$900M**

FCF as %  
of Net Sales

**~4.7%**

(4) Organic net sales reflects YoY change in net sales adjusted for currency and the Embraco divestiture. See Organic Net Sales reconciliation in the appendix

**Full-Year Ongoing EPS range of \$17.50 - \$18.00**

# 2020 ONGOING EBIT MARGIN<sup>(1)</sup> GUIDANCE PROGRESSION

<i>(Approximate impact)</i>	Current	Comments
<b>2019 Ongoing EBIT Margin</b>	<b>6.9%</b>	
Price / Mix	+0.75	• Go-to-market actions mitigating the negative mix impact from COVID-19
Net Cost (excluding Raw Material/Tariff Inflation)*	+0.75	• Structural and discretionary cost takeout mitigating the COVID-related production Impact
Raw Material/Tariff Inflation	+1.00	• Favorable RMI trends, primarily steel and resin
Marketing & Technology Investments	-0.25	• Increased brand and product investments
Currency	-0.75	• Primarily BRL and ARS
<b>2020 Ongoing EBIT Margin</b>	<b>~8.5%</b>	

\*Inclusive of Fixed Cost Takeout, Ongoing Cost Productivity (including conversion and freight & warehousing), Volume Deleveraging and Restructuring Benefits

**Expect to Deliver Margin Expansion Through Cost Actions and Price/Mix**



# 2020 FREE CASH FLOW<sup>(2)</sup>

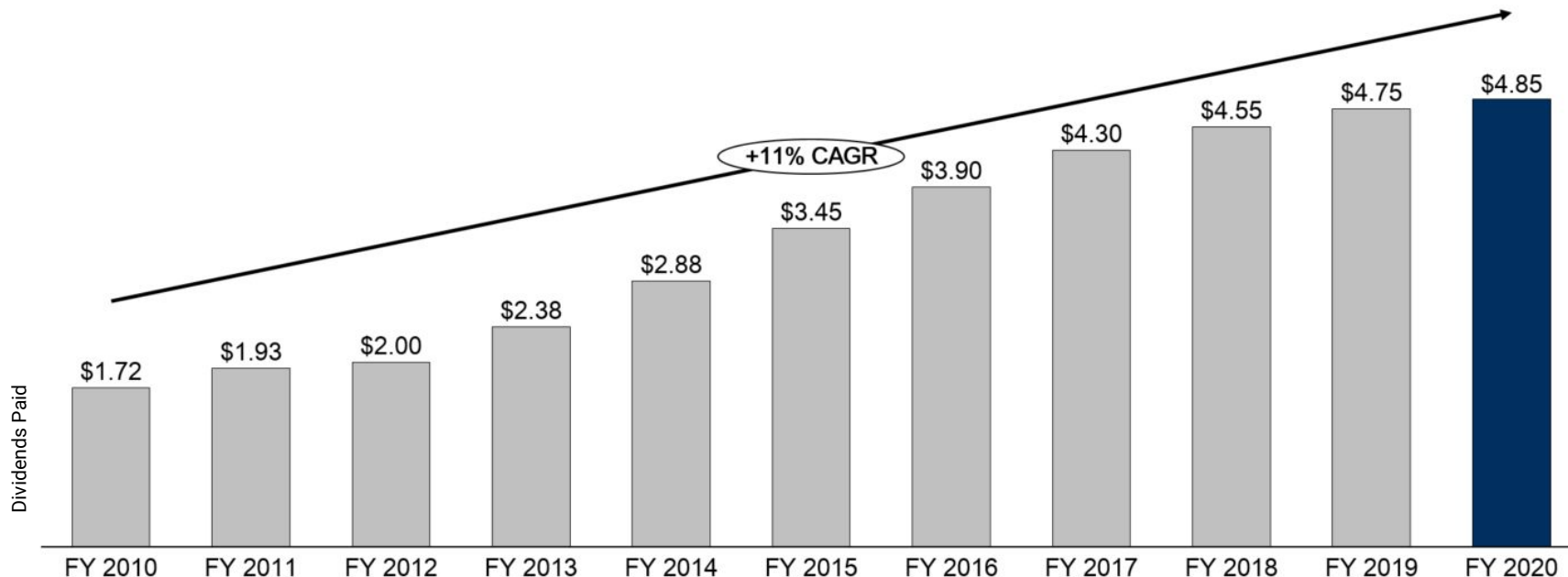
<i>(Approximate impact in millions)</i>	2019	2020F	Comments
Cash Earnings / Other Operating	\$1,540	\$1,650	• Driven by margin expansion
Capital Expenditures	\$(532)	\$(475)	• Investments in innovation and digital transformation
Working Capital	\$14	\$(40)	• Sustained, low working capital levels
Restructuring Cash Outlays	\$(150)	\$(260)	• COVID-19 related restructuring initiatives across the globe and 2019 carryover projects
Sale of Assets/Business	\$140	\$135	• Continuation of real estate optimization strategy
Other One-Time Items	\$(100)	\$(110)	• Detail provided in the appendix
<b>Free Cash Flow</b>	<b>\$912M</b>	<b>~\$900M</b>	

# DISCIPLINED CAPITAL ALLOCATION STRATEGY

Fund the Business	Target	Status/Expectations
Capex/R&D	Capex: ~3% of net sales R&D: ~3% of net sales	<ul style="list-style-type: none"><li>• On-track</li><li>• On-track</li></ul>
Mergers & Acquisitions	Opportunistic M&A with high ROIC threshold	<ul style="list-style-type: none"><li>• Continue to be opportunistic</li></ul>

Return to Shareholders	Target	Status/Expectations
Dividends	~30% of trailing 12-month ongoing net earnings	<ul style="list-style-type: none"><li>• Increased annual dividend to \$4.85 per share</li></ul>
Share Repurchase	Continue repurchasing	<ul style="list-style-type: none"><li>• Temporarily suspended</li></ul>
Targeted Capital Structure	Maintain strong investment grade rating; Gross Debt/EBITDA of ~2.0	<ul style="list-style-type: none"><li>• Expect year-end Gross Debt/EBITDA of ~2.4</li></ul>

# EIGHT CONSECUTIVE YEARS OF DIVIDEND INCREASES



**Dividend Target is ~30% of Trailing 12-month Ongoing Net Earnings**

- Early, decisive actions coupled with exceptional execution led to record Q3 results
- Cost takeout program fully on-track
- Well-positioned to capture structural growth related to positive housing and consumer 'nesting' trends
- Reinstated very strong guidance for full-year 2020
- Q3 results are proof points of our long-term value creation strategy

# Q&A AND CLOSING REMARKS





A large, stylized version of the Whirlpool logo. The word "Whirlpool" is in a bold, dark grey, sans-serif font. A thick yellow swoosh curves around the "p". Below "Whirlpool" is the word "CORPORATION" in a bold, dark grey, all-caps, sans-serif font.

# APPENDIX



# KEY ASSUMPTIONS - GUIDANCE

Income Statement	FY2019A	FY2020E
Raw Material/Tariff Inflation	\$(125)M	~\$150M+
Restructuring Costs	\$188M	~\$300M
Interest Expense	\$187M	~\$195M
Adjusted Tax Rate	15.3%	23-25%
Weighted-Average Diluted Shares Outstanding	64.2M	63.3M*
Cash Flow Statement	FY2019A	FY2020E
Capital Expenditures	\$532M	~\$475M
Dividends Paid	\$305M	**
Amount of Stock Repurchased	\$148M	**
Restructuring Cash Outlays	\$150M	~\$260M
Ongoing Cash Tax Rate	20%	14-16%

Note: 2020 tax rate guidance reflects GAAP and adjusted effective tax rate

\*Reflects share count as of 9/30/2020 (does not reflect potential 2020 share repurchases or share dilution)

\*\*Not included in Company's guidance

# INTEREST AND SUNDRY (INCOME) EXPENSE

(Approximate impact in millions)	Q3		Comments
	2019	2020	
Net Foreign Exchange	\$(12)	\$(7)	• Includes foreign exchange and hedge (gain)/loss
Interest (Income)/Other	\$(17)	\$(15)	• Primarily interest income
<b>Sub-Total</b>	<b>\$(29)</b>	<b>\$(22)</b>	
One-Time Items:	\$ -	\$ -	
Divestiture related transition costs*	\$3	\$ -	
<b>Interest and Sundry (Income) Expense</b>	<b>\$(26)</b>	<b>\$(22)</b>	

\*Item is excluded from ongoing results

# FREE CASH FLOW(2) ONE-TIME ITEMS

<i>(Approximate impact in millions)</i>	2019	2020	Impact	Comments
FCA Payment	\$(100)	-	\$100	<ul style="list-style-type: none"><li>French Competition Authority (FCA) settlement</li><li>Final payment made in Q2 2019</li></ul>
Claim Settlement	-	\$(60)	\$(60)	<ul style="list-style-type: none"><li>Cash payment related to settlement of trade customer insolvency claim in EMEA</li></ul>
Washer Recall	-	\$(50)	\$(50)	<ul style="list-style-type: none"><li>Cash payment related to previously disclosed EMEA-produced product warranty recall expense</li></ul>
<b>One-Time Items</b>	<b>\$(100)</b>	<b>\$(110)</b>	<b>\$(10)</b>	



# Q3 ORGANIC NET SALES<sup>(4)</sup> RECONCILIATION

<i>(Approximate impact in millions)</i>	Q3 2019	Q3 2020	Change	Comments
<b>Net Sales</b>	<b>\$5,091</b>	<b>\$5,291</b>	<b>3.9%</b>	
Less: Embraco Net Sales	n/a	n/a		• Embraco sale completed July 1, 2019
Add-Back: Currency	n/a	\$157		• Primarily BRL and ARS
<b>Organic Net Sales</b>	<b>\$5,091</b>	<b>\$5,448</b>	<b>7.0%</b>	

# FY ORGANIC NET SALES<sup>(4)</sup> RECONCILIATION

	2019	Comments
<b>GAAP Net Sales (% decline)</b>	<b>5% - 7%</b>	
Less: Embraco Net Sales	~(3)%	• 2019 results include 6 months of net sales (Jan-June)
Add-Back: Currency	~(3)%	• Primarily BRL and ARS
<b>Organic Net Sales (% decline)</b>	<b>0% - 1%</b>	

# USE OF NON-GAAP FINANCIAL MEASURES

This presentation includes certain non-GAAP financial measures, which we refer to as “ongoing”<sup>(1)</sup> measures:

Ongoing earnings per diluted share, earnings before interest and taxes (EBIT), EBIT margin, ongoing EBIT, and ongoing EBIT margin

Other non-GAAP financial measures included in this presentation are free cash flow<sup>(2)</sup>, free cash flow as percentage of sales, net sales (excluding currency), adjusted effective tax rate and net sales (excluding divestitures and currency), which we refer to as organic net sales.

Please refer to the **supplemental information pack** located in the events section of our Investor Relations website at [investors.whirlpoolcorp.com](http://investors.whirlpoolcorp.com) for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures.

(1) Ongoing measures are non-GAAP measures. See our website for reconciliation information.

(2) Free cash flow is a non-GAAP measure. See our website for reconciliation information.

(3) Segment EBIT and Ongoing Segment EBIT represents our consolidated EBIT broken down by the Company's reportable segments and are metrics used by the chief operating decision maker in accordance with ASC 280. Consolidated EBIT also includes corporate "Other/Eliminations" of \$(102) million and \$301 million for the third quarters of 2020 and 2019, respectively. Ongoing segment EBIT includes certain adjustments to segment EBIT, and a reconciliation and other important information, appears in the supplemental information pack located in the events section of our Investor Relations website. EMEA Q3 2019 EBIT and EBIT margin reflects ongoing results, which excludes \$14 million in legacy product warranty expense.

(4) Organic net sales is a non-GAAP measure. See our website for reconciliation information.