Second-Quarter 2019 Earnings Review

Tuesday, July 23, 2019

Whirlpool CORPORATION



GLOBAL OVERVIEW



Marc Bitzer

Chairman and
Chief Executive Officer



2019 SECOND-QUARTER HIGHLIGHTS

- Raising full-year ongoing EPS guidance significantly to $14.75 to $15.50 (versus prior $14.00 to $15.00)
- Record second-quarter ongoing EPS[(1)] of $4.01, ~25% increase versus the prior-year period
- Ongoing EBIT margin expansion to 7.0% (up ~30 bps), driven by strong price/mix
- North America delivered solid revenue growth and margin expansion to 12.4%
- Completed sale of Embraco; expect to repay $1 billion term loan in August

PROGRESS TOWARD LONG-TERM GOALS

	Profitable Growth		Margin Expansion		Cash Conversion	
Long-Term Goals	**~3%** Annual Organic Net Sales Growth Excluding Currency		**~10%** Ongoing Earnings Before Interest and Tax, % of Net Sales		**6%+** Free Cash Flow as % of Net Sales	
	Net Sales	**YoY Change**	**Ongoing EBIT Margin(1)**	**YoY Change**	**Free Cash Flow(2)**	**FCF as % of Net Sales**
Q2 2019	**$5.2B**	**+1%** *(+3.5% ex currency)*	**7.0%**	**~0.3pts**	**$(997)M**	**nm**
FY 2019 (Forecast)	**~$20.6B**	**~3%***	**~6.8%**	**~0.5pts**	**~$800M****	**~4%**
Change (vs Prior Forecast)	*+$0.3B*	-	*+15 bps*	-	*$(50)M*	-

*YoY change adjusted for divestitures and currency; see revenue reconciliation in the appendix

nm = not meaningful
**Excludes net proceeds from the sale of Embraco of ~$1 billion

Q2 2019 ONGOING EBIT MARGIN(1) DRIVERS

(Approximate impact)	Q2
2018 Ongoing EBIT Margin	**6.7%**
Price / Mix	2.50
Net Cost (excluding Raw Material/Tariff Inflation)*	-0.50
Raw Material/Tariff Inflation	-0.75
Marketing & Technology Investments	-0.75
Currency	-0.25
2019 Ongoing EBIT Margin	**7.0%**

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

REGIONAL OVERVIEW

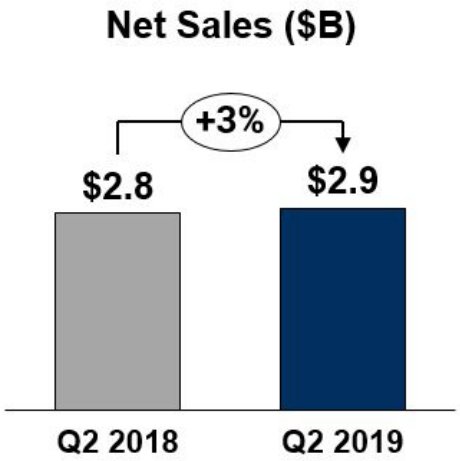


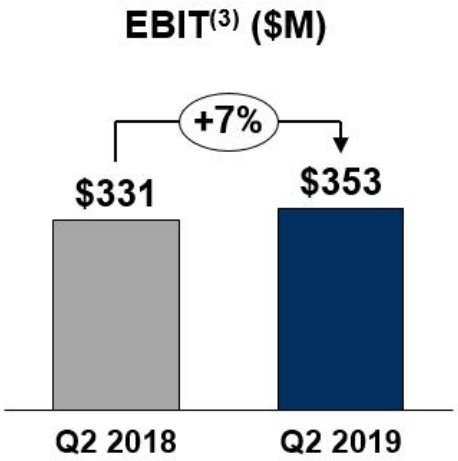
Jim Peters

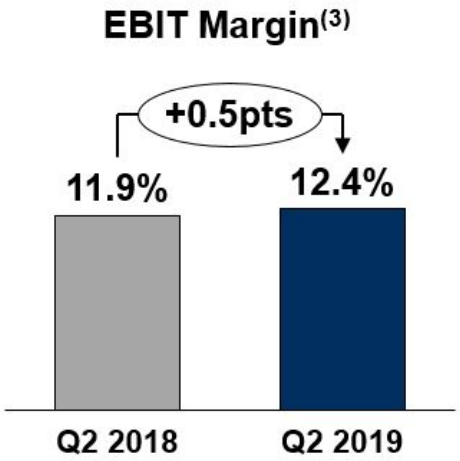
Executive Vice President
and Chief Financial Officer



NORTH AMERICA SECOND-QUARTER RESULTS

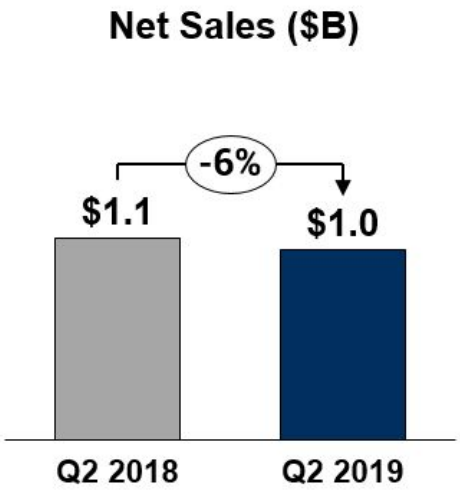


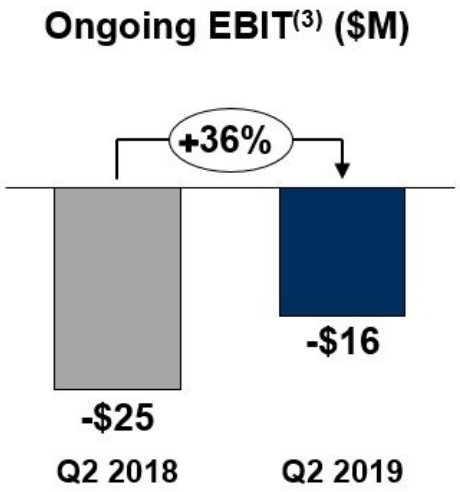


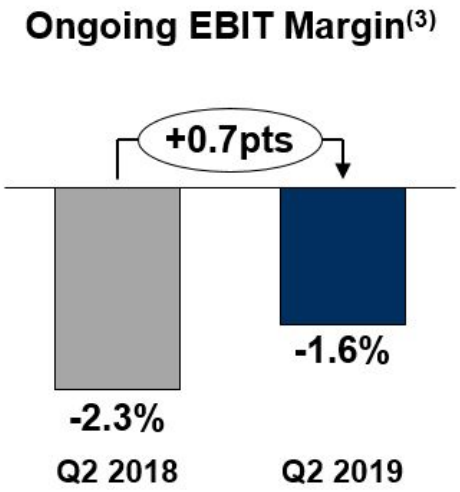


- Solid revenue growth from share gains (T-6) with stable U.S. industry demand in the second quarter
- Strong price/mix and focused cost discipline driving EBIT margin expansion
- Margin continues to be negatively impacted by cost inflation during the quarter

EMEA SECOND-QUARTER RESULTS



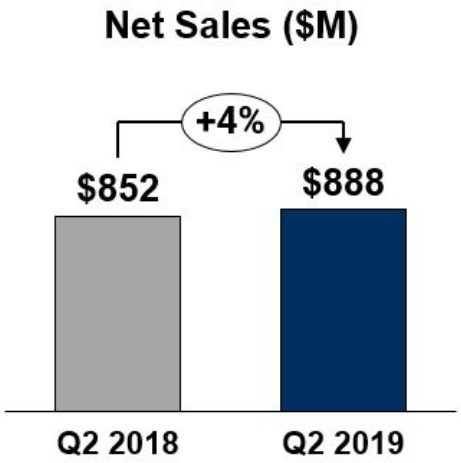


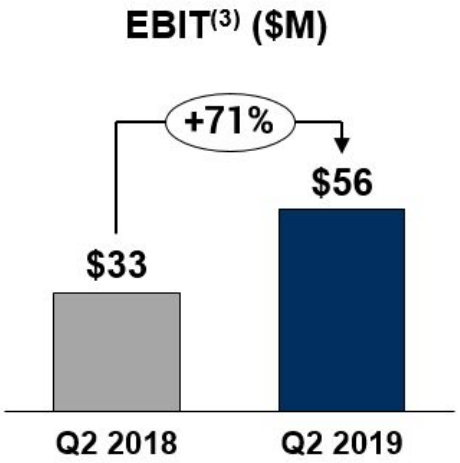


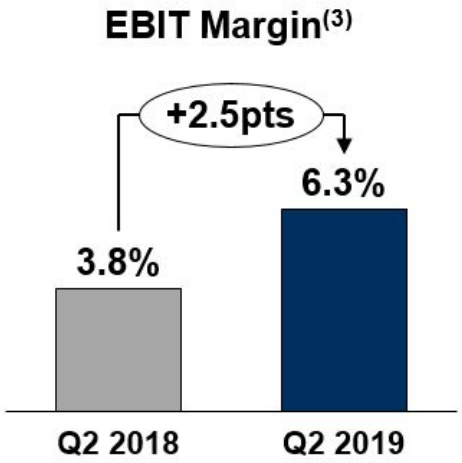
- Exited Turkey sales operations/Hotpoint small appliances; announced sale of South Africa operations*
- Unit volume growth in remaining business of ~3%, with share gains in most countries
- Excluding currency, total region net sales were approximately flat
- Fixed-cost reduction actions remain on track

*Loss on disposal of businesses of ~$80M removed from ongoing results

LATIN AMERICA SECOND-QUARTER RESULTS

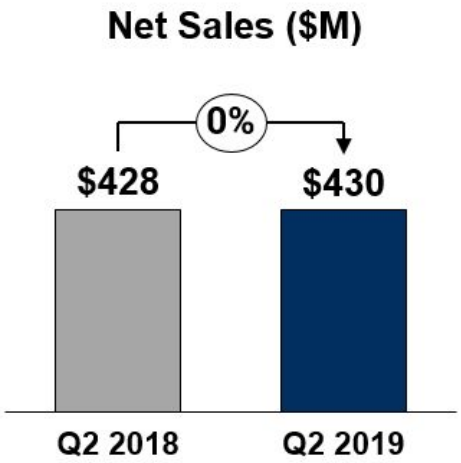


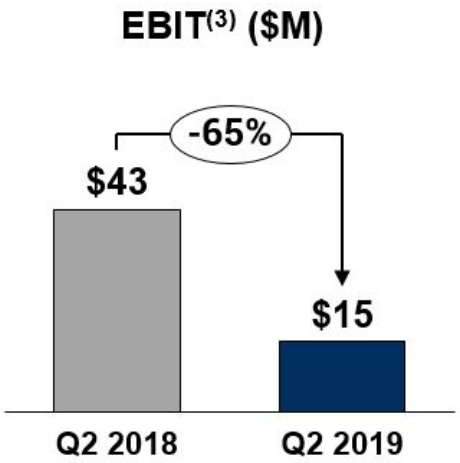


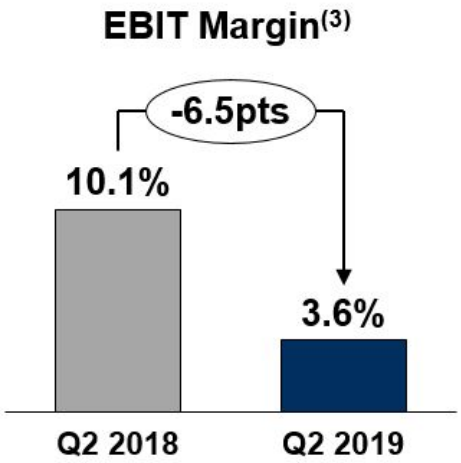


- Excluding currency, net sales increased ~10% driven by both industry growth and share gains in Brazil
- Positive price/mix more than offset currency and cost inflation
- Prior-year EBIT negatively impacted by Brazil trucker strike (-$20M), partially offset by tax credits (+$8M)

ASIA SECOND-QUARTER RESULTS







- Sales excluding currency ~5%; strong India results driven by double-digit revenue and EBIT growth
- China performance impacted by continued industry weakness and increased brand investments
- Discrete items positively impacted prior-year EBIT by ~$15M

2019 OUTLOOK



Marc Bitzer

Chairman and
Chief Executive Officer



Jim Peters

Executive Vice President
and Chief Financial Officer



2019 GUIDANCE REVISED UPWARD

	Profitable Growth	Margin Expansion	Cash Conversion
Long-Term Goals	**~3%** Annual Organic Net Sales Growth Excluding Currency	**~10%** Ongoing Earnings Before Interest and Tax, % of Net Sales	**6%+** Free Cash Flow as % of Net Sales
2019 Guidance	Net Sales: **~$20.6B**; YoY Change: **~3%***	Ongoing EBIT Margin(1): **~6.8%**; YoY Change: **~0.5pts**	Free Cash Flow(2): **~$800M**; FCF as % of Net Sales: **~4%**
Change (vs Prior)	*+$0.3B*; -	*+15 bps*; -	*$(50)M*; -

*YoY change adjusted for divestitures and currency; see revenue reconciliation in the appendix

**Excludes net proceeds from the sale of Embraco of ~$1 billion

Ongoing EPS Guidance Increased to $14.75 - $15.50

2019 ONGOING EBIT MARGIN(1) GUIDANCE PROGRESSION

(Approximate impact)	Previous	Current	Comments
2018 Ongoing EBIT Margin	**6.3%**	**6.3%**	
Price / Mix	+1.50	+1.75	• Carryover effect of 2018 price/mix actions • Previously announced U.S. kitchen and Brazil pricing effective Q1 2019
Net Cost (excluding Raw Material/Tariff Inflation)*	+0.50	+0.25	• Fixed and ongoing cost reduction actions on track
Raw Material/Tariff Inflation	-1.25	-0.75	• Revised expectations: ~$150M cost inflation • Includes all currently announced tariffs
Marketing & Technology Investments	-0.25	-0.50	• Increased brand and product investments
Currency	-0.25	-0.25	• Current rates compared to 2018 (primarily ARS and GBP)
2019 Ongoing EBIT Margin	**6.5-6.8%**	**~6.8%**	

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

Expect to Deliver Margin Expansion Through Price/Mix and Cost Takeout

2019 REGIONAL GUIDANCE

	Industry		EBIT %	
	Previous	Current	Previous	Current
 North America	(2) – 0%	(2) – 0%	~12%+	~12%+
 Europe, Middle East & Africa	(1) – 1%	(1) – 1%	0 – 1%	~0%
 Latin America	~5%	~5%	6%+	6%+
 Asia	1 – 2%	1 – 2%	5 – 6%	~3%
Whirlpool **Total**	~Flat*	~Flat*	6.5 – 6.8%	~6.8%

*Weighted average

2019 FREE CASH FLOW(2)

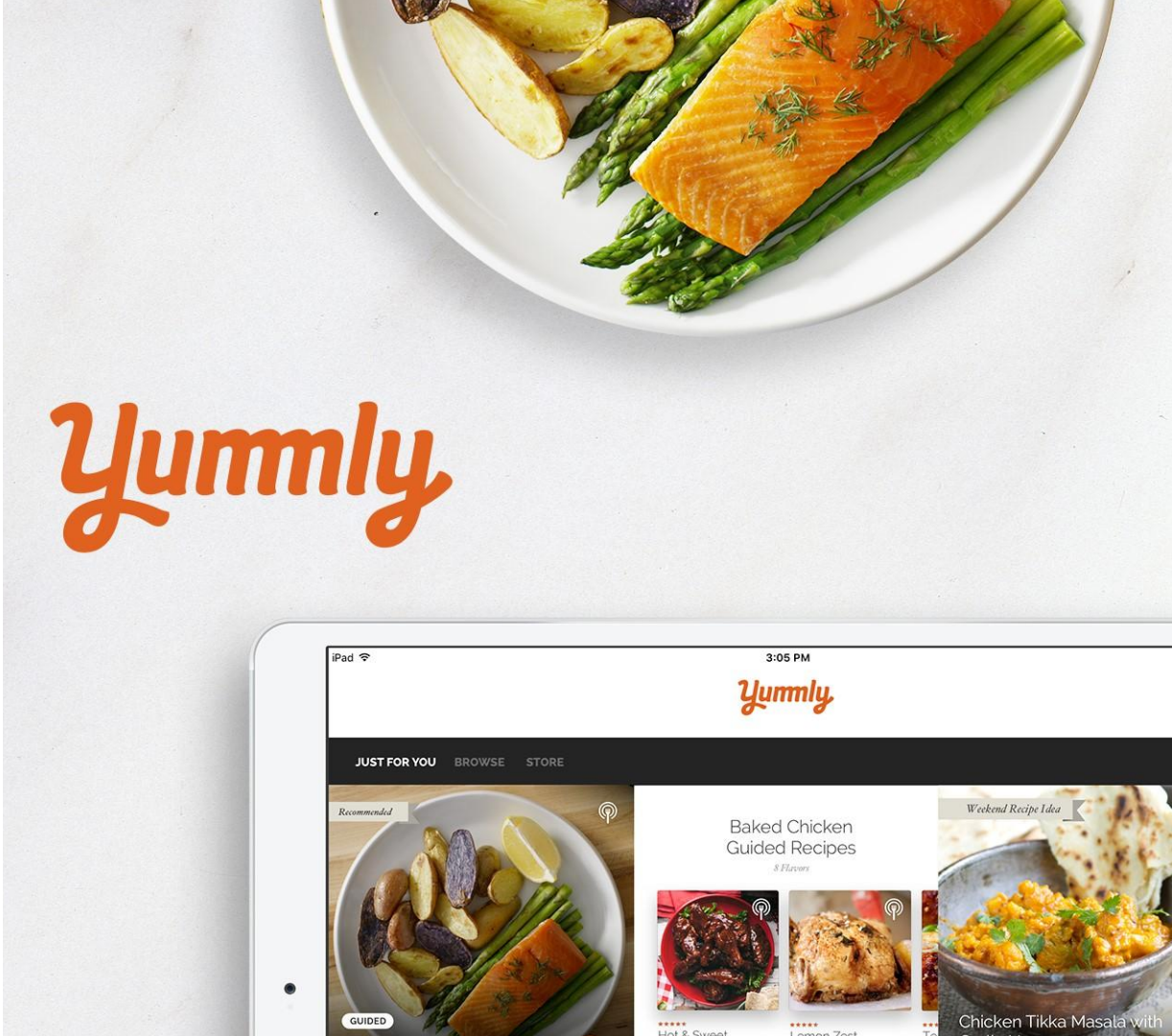
(Approximate impact in millions)	2018	2019F	Comments
Cash Earnings / Other Operating	$1,450	$1,500	• Margin expansion partially offset by sale of Embraco • Increased $25M from first-quarter estimates
Capital Expenditures	$(590)	$(625)	• Continued innovation funding
Working Capital Improvement	$355	$200	• Sustained improvement (primarily inventory)
Restructuring Cash Outlays	$(260)	$(200)	• Increased $100M from first-quarter estimates driven by additional restructuring initiatives in EMEA
One-Time Items	$(100)	$(100)	• Detail provided in the appendix
Proceeds from Sale of Embraco	$0	$1,000	• Completed sale of Embraco business
Free Cash Flow (Incl. Embraco)	**$853M**	**~$1,800M**	
Term Loan Repayment	$0	$(1,000)	• Embraco proceeds will be used to pay down term loan in Q3
Free Cash Flow	**$853M**	**~$800M**	

DISCIPLINED CAPITAL ALLOCATION STRATEGY

Fund the Business	Target	Status/Expectations
Capex/R&D	Capex: ~3% of net sales R&D: ~3% of net sales	• On-track • On-track
Mergers & Acquisitions	Opportunistic M&A with high ROIC threshold	• Closed on Embraco sale in July 2019 • Continue to be opportunistic

Return to Shareholders	Target	Status/Expectations
Dividends	~30% of trailing 12-month ongoing net earnings	• Increased quarterly dividend to $1.20 per share
Share Repurchase	Continue repurchasing	• ~$750M authorization remaining
Targeted Capital Structure	Maintain strong investment grade rating; Gross Debt/EBITDA of ~2.0	• Significant progress towards 2.0 with $1B term loan repayment in August

Q&A AND CLOSING REMARKS



SUMMARY OF KEY MESSAGES

- Raising full-year ongoing EPS guidance significantly to $14.75 to $15.50 (versus prior $14.00 to $15.00)
- North America continues to deliver solid revenue growth and EBIT margin expansion
- Continue to execute strong actions in EMEA to restore profitability
- Completed sale of Embraco; expect to repay $1 billion term loan in August
- Significant progress towards long-term Gross Debt/EBITDA target of 2.0 by year-end



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APPENDIX



2019 GUIDANCE COMPONENTS (APPROXIMATE IMPACT)

Income Statement	FY2018A	FY2019E
Raw Material/Tariff Inflation	$(300)M	$(150)M
Restructuring Costs	$247M	$200M
Interest Expense	$192M	$200M
Adjusted Tax Rate	6.6%	15-20%
Weighted-Average Diluted Shares Outstanding	67.2M	64.4M*

Cash Flow Statement	FY2018A	FY2019E
Capital Expenditures	$590M	$625M
U.S. Pension Contributions	$380M	-
Dividends Paid	$306M	$149M**
Amount of Stock Repurchased	$1,153M	$50M**
Restructuring Cash Outlays	$261M	$200M
Ongoing Cash Tax Rate	18%	Low 20's

*Estimated full-year weighted-average diluted shares outstanding inclusive of actual share repurchases as of 6/30/2019
**YTD as of 6/30/2019

REVENUE RECONCILIATION

(Approximate impact in billions)	2018	2019F	Change	Comments
Net Sales	**$21.0B**	**$20.6B**	**~(3)%**	
Less: Embraco Net Sales	$(1.2)	$(0.6)		• 2019 guidance includes 6 months of net sales (Jan-June)
Less: EMEA Business Exits	$(0.2)	$(0.1)		• Exit of Turkish domestic sales operations, Hotpoint branded small appliances and sale of South Africa operations
Add-Back: Currency	$0.2	$0.4		• BRL, ARS and EUR
Pro-Forma Net Sales	**$19.8B**	**$20.3B**	**~3%**	

2019 ONGOING EPS DRIVERS WITH Q2 UPDATES



Current	**2019**	**15 – 20%**	**Two Quarters**	**~6.8%**	**~$200M**	**Does not include future repurchases**
Previous	2019	15 – 20%	One Quarter	6.5 – 6.8%	~$210M	Does not include future repurchases
Prior Year	2018	6.6%	Full-Year	6.3%	$192M	$1.2B

FREE CASH FLOW(2) ONE-TIME ITEMS

(Approximate impact in millions)	2018	2019	Impact	Comments
FCA Payment	$0	$(100)	$(100)	• French Competition Authority (FCA) settlement • Final payment made in Q2 2019
U.S. Pension Pre-Funding	$(350)	$0	$350	• Opportunistic pension pre-funding in Q3 2018
Payment Timing	$100	$0	$(100)	• Primarily effective credit management
Sale-Leaseback	$150	$0	$(150)	• Real estate portfolio transaction executed in Q4 2018
One-Time Items	**$(100)M**	**$(100)M**	**$ -**	

CAUTIONARY STATEMENT

This presentation contains forward-looking statements about Whirlpool Corporation and its consolidated subsidiaries ("Whirlpool") that speak only as of this date. Whirlpool disclaims any obligation to update these statements. Forward-looking statements in this presentation may include, but are not limited to, statements regarding expected earnings per share, cash flow, productivity and raw material prices. Many risks, contingencies and uncertainties could cause actual results to differ materially from Whirlpool's forward-looking statements. Among these factors are: (1) intense competition in the home appliance industry reflecting the impact of both new and established global competitors, including Asian and European manufacturers, and the impact of the changing retail environment; (2) Whirlpool's ability to maintain or increase sales to significant trade customers and the ability of these trade customers to maintain or increase market share; (3) Whirlpool's ability to maintain its reputation and brand image; (4) the ability of Whirlpool to achieve its business plans, productivity improvements, and cost control objectives, and to leverage its global operating platform, and accelerate the rate of innovation; (5) Whirlpool's ability to obtain and protect intellectual property rights; (6) acquisition and investment-related risks, including risks associated with our past acquisitions, and risks associated with our increased presence in emerging markets; (7) risks related to our international operations, including changes in foreign regulations, regulatory compliance and disruptions arising from political, legal and economic instability; (8) information technology system failures, data security breaches, network disruptions, and cybersecurity attacks; (9) product liability and product recall costs; (10) the ability of suppliers of critical parts, components and manufacturing equipment to deliver sufficient quantities to Whirlpool in a timely and cost-effective manner; (11) our ability to attract, develop and retain executives and other qualified employees; (12) the impact of labor relations; (13) fluctuations in the cost of key materials (including steel, resins, copper and aluminum) and components and the ability of Whirlpool to offset cost increases; (14) Whirlpool's ability to manage foreign currency fluctuations; (15) impacts from goodwill impairment and related charges; (16) triggering events or circumstances impacting the carrying value of our long-lived assets; (17) inventory and other asset risk; (18) the uncertain global economy and changes in economic conditions which affect demand for our products; (19) health care cost trends, regulatory changes and variations between results and estimates that could increase future funding obligations for pension and postretirement benefit plans; (20) litigation, tax, and legal compliance risk and costs, especially if materially different from the amount we expect to incur or have accrued for, and any disruptions caused by the same; (21) the effects and costs of governmental investigations or related actions by third parties; and (22) changes in the legal and regulatory environment including environmental, health and safety regulations, and taxes and tariffs.

Additional information concerning these and other factors can be found in Whirlpool's filings with the Securities and Exchange Commission, including the most recent annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K.

USE OF NON-GAAP FINANCIAL MEASURES

This presentation includes certain non-GAAP financial measures, which we refer to as "ongoing"[(1)] measures:

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

Other non-GAAP financial measures included in this presentation are free cash flow[(2)], free cash flow as percentage of sales, net sales (excluding currency) and net sales (excluding divestitures and currency), both of 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 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 (including ongoing segment EBIT) represents our consolidated EBIT broken down by the Company's reportable segments. Consolidated EBIT also includes corporate "Other/Eliminations".