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Whirlpool Corp. (WHR)

Q3 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Scott Cartwright

Head-Investor Relations, Whirlpool Corp.

Good morning, and welcome to Whirlpool Corporation's Third Quarter 2024 Earnings Call. Today's call is being recorded. Joining me today are Marc Bitzer, our Chairman and Chief executive officer; and Jim Peters, our Chief Financial and Administrative Officer. Our remarks today track with a presentation available on the Investors section of our website at whirlpoolcorp.com.

Before we begin, I want to remind you that as we conduct this call, we will be making forward-looking statements to assist you in better understanding Whirlpool Corporation's future expectations. Our actual results could differ materially from these statements due to many factors discussed in our latest 10-K, 10-Q and other periodic reports.

We also want to remind you that today's presentation includes the non-GAAP measures outlined in further detail at the beginning of our earnings presentation. We believe these measures are important indicators of our operations as they exclude items that may not be indicative of our results from ongoing business operations. We also think the adjusted measures will provide you with a better baseline for analyzing trends in our ongoing business operations. Listeners are directed to the supplemental information package posted on the Investor Relations section of our website for the reconciliation of non-GAAP items to the most directly comparable GAAP measures.

At this time, all participants are in listen only mode. Following our prepared remarks, the call will be open for analyst questions. As a reminder, we ask that participants ask no more than two questions.

With that, I'll turn the call over to Marc.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

Thanks, Scott, and good morning, everyone. In the third quarter, we again delivered global sequential EBIT margin expansion, largely in line with our expectations. I'm pleased with our team's execution of our operational priorities, delivering 50 basis points of sequential global margin expansion. Our North American business even achieved 100 basis points of sequential margin expansion, led by our previously announced pricing actions.

Before I expand further into the results, I want to acknowledge what has been and will, at least in the near term, remain a challenging macro environment in the US. Consumer confidence remains low and is impacted by the uncertainty ahead of the upcoming elections. Despite the recent interest rate cut by the Fed, the US housing market is still constrained by elevated mortgage rates.

As a result of this environment, demand in the US has shifted significantly toward lower margin replacement driven purchases, and the higher margin discretionary demand continues to be weak due to historically low existing home sales. Although the timing of the US housing recovery is still uncertain, we are confident that the industry will have a multiyear recovery with the underlying housing fundamentals remaining strong.

We're well positioned to benefit from this eventual housing rebound. While we await an anticipated multiyear US housing recovery, we are focused on executing our operational priorities. We delivered ongoing EPS of \$3.43, supported by our pricing actions, cost takeout and a more favorable adjusted effective tax rate. Our strong working capital management improved inventory, generating approximately \$130 million of cash within the third quarter. We expect to deliver approximately \$500 million free cash flow in 2024.

As a reminder, year-to-date free cash flow was negatively impacted by non-recurring cash outflows associated with the Europe transaction of \$250 million to \$300 million. These cash outflows were one time in nature and will no longer impact our results in 2025, structurally strengthening our free cash flow delivery going forward.

Our capital allocation priorities are unchanged and our free cash flow delivery enables us to further reduce our debt levels and continue to return cash to shareholders. We paid dividends of \$1.75 per share in the third quarter and declared \$1.75 per share in the fourth quarter, returning approximately \$400 million to shareholders this year.

Turning to slide 6, I will review the third quarter ongoing EBIT margin drivers. Sequentially, price/mix delivered 75 basis points margin expansion, driven by the pricing actions in North America. Year-over-year, price/mix still impact margin unfavorably by 125 basis points. We saw the balance of sales shift out of cooking and dish, which tend to be our strongest MDA margin categories, into replacement focused laundry and refrigeration categories. The heavy replacement market in the US unfavorably impacted product mix in the third quarter.

Our cost take-out actions delivered 25 basis points of sequential margin expansion and 50 basis points year over year. This was led by our fully implemented organization simplification, while raw materials, as expected, were essentially unchanged. Currency negatively impacted margins sequentially and year-over-year as the Brazilian real and Mexican peso experienced some weakening relative to US dollar.

The European transaction impacted the third quarter negatively by 25 basis points due to the equity and affiliates impact from Beko Europe B.V. This negative impact was driven by the weak macro environment in Europe and the integration-related efforts. Ultimately, we're pleased to have delivered 50 basis points sequential margin expansion.

And now, we'll turn it over to Jim to review our segment results and full year guidance.

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

Thanks, Marc. Good morning, everyone. Turning to slide 7, I'll review third quarter results for our MDA North America business. Net sales were down 4% year-over-year, driven by unfavorable price/mix, as a result of the strong replacement environment and weak discretionary demand. We are seeing further deterioration in the underlying discretionary demand than what we experienced in the first half of 2024; however, price/mix improved significantly compared to last quarter due to our pricing actions.

We delivered margin improvement with our pricing actions and our cost take-out program, which is expected to deliver approximately \$300 million globally for the full year. Our actions delivered 100 basis points of sequential EBIT margin expansion. Overall, the segment delivered 7.3% EBIT margin for the quarter, and we are very pleased with the margin expansion of approximately 170 basis points delivered since the first quarter. We continue to focus on margin expansion as we head into the fourth quarter and expect cost take-out opportunities to support further margin progress.

Turning to slide 8, I'm excited to take a moment to showcase a few of our new product launches. Product innovation is critical to enable our future growth and margin expansion expectations. In MDA North America, we had two notable product launches in our laundry category. Our newest Whirlpool brand laundry pair fights common causes of front-load odor with the FreshFlow Vent System. The innovative new FreshFlow Vent System is the first fan-powered system designed to help keep your clothes and washer fresh.

With the successful launch of Maytag Pet Pro top-load laundry in 2023, we've brought the winning and innovative Pet Pro Filter to the front-load. The Pet Pro option utilizes the Pet Pro Filter lifting and removing pet hair from clothes for a clean you can see. Recently, KitchenAid launched the brand's first four-door refrigerator. The KitchenAid refrigerator has a modern aesthetic with sections to keep fresh and frozen ingredients organized and easy to locate. The four-door design, combined with the storage flexibility, lets consumers customize the refrigerator to their needs.

These innovative new products demonstrate our commitment to being the best kitchen and laundry company, improving life at home for our consumers, strengthening our leading position in North America. As we look forward to 2025, we have an even stronger lineup of new product introductions that we expect will positively impact price/mix and share.

Turning to slide 9, I'll review the very strong results for our MDA Latin America business. This segment continued to demonstrate strong net sales growth of 9% year-over-year, excluding currency, driven by industry in both Brazil and Mexico. We delivered a solid EBIT margin of 6.9% in the quarter with 110 basis points of sequential margin expansion from improved price/mix. We expect sustained solid EBIT margins for the full year as we focus on continued growth and price/mix improvement.

Turning to slide 10, I'll review the results of our MDA Asia business. We saw another quarter of double-digit net sales growth of 10% year-over-year excluding currency. Sequentially, sales contracted due to the seasonal

decline as we exited the summer period. Our continued share gains delivered volume growth and we're pleased with the progress made in the segment. We delivered 2.9% EBIT margin from improved price/mix and fixed cost leverage.

Turning to slide 11, I'll review the results for our SDA Global business. Net sales decreased 3% year-over-year, impacted by industry declines in the US, strength in our direct-to-consumer business and new product launches were more than offset by a softer industry with weak consumer sentiment. We delivered EBIT margin of 14.2% with the quarter impacted by continued marketing investments in our new products.

Our SDA business is well positioned for the holiday season and we expect sustained strong EBIT margins. Despite industry softness seen year-to-date, we are confident in delivering the guided net sales growth of approximately 7.5%, supported by our new product pipeline.

Turning to slide 12, I'm pleased to review our exciting new lineup of KitchenAid small appliances. Our iconic KitchenAid Stand Mixer launched the unique evergreen design, which has been a hit with enthusiasts everywhere. We launched new additions to the KitchenAid Go Cordless System. A removable and interchangeable battery powers all KitchenAid Go appliances, providing you with the power you need for every creation, no cord needed.

The new top-down chopper, citrus juicer, and hand blender with accessories unlock even more possibilities, both inside and out of the kitchen. These new product launches will continue to fuel our growth expectations.

On slide 13, let me review our reaffirmed full year guidance. Our net sales guidance of approximately \$16.9 billion, alongside approximately 6% full year ongoing EBIT margins, are unchanged. Additionally, we are reaffirming our ongoing earnings per share of approximately \$12 and free cash flow guidance of approximately \$500 million.

Our guidance includes updated expectations for our adjusted effective tax rate. We now expect an adjusted effective full year tax rate of approximately negative 18% to 22%. We have further refined the estimated benefits of our tax planning strategies since closing the Europe transaction. With the unique tax impacts of the significant legal entity restructuring we were able to execute with the European transaction behind us, we expect our adjusted effective tax rate to be approximately 20% to 25% starting in 2025; however, our cash tax rate will be significantly lower. We are confident that we have the right actions in place and are reaffirming our full year guidance.

Turning to slide 14, let me recap our commitments to our capital allocation priorities. We've completed actions to strengthen our balance sheet in 2024. In the first quarter, we completed the sale of 24% of Whirlpool of India's outstanding shares, while retaining a majority interest. Additionally, the planned divestiture of our Brastemp brand water filtration business in Brazil closed on July 1. Combined, these two actions generated more than \$500 million of cash.

Coupled with our beginning cash on hand of \$1.6 billion and free cash flow generation of approximately \$500 million, we are well-positioned to continue our debt reduction initiatives and pay dividends of approximately \$400 million in 2024. With the \$500 million of term loan repayment in April, we have made significant debt reduction progress since the acquisition of InSinkErator, with approximately \$1 billion debt paid down.

Inclusive of the term loan, we have a total of \$1.8 billion of current maturities in 2025 with a weighted average interest rate of approximately 6%. We expect to pay down a portion of our current maturities and refinance a

portion at a lower interest rate in 2025. As we look ahead, we have ample space in our flexible debt ladder to optimize our refinancing plans. We are fully on track to deliver our 2024 capital allocation priorities and position Whirlpool well to strengthen our balance sheet.

Now, I will turn the call over to Marc.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

Thanks, Jim. And turning to slide 15, let me review what you heard today. We had a solid quarter and are reiterating our full year guidance. We're pleased to have delivered sequential margin expansion globally and, most importantly, in North America. We feel good about our pricing actions and cost plans, both of which are on track. While we continue to navigate a challenging macro environment, we see the housing market clearly positioned for an eventual rebound.

The US housing market is structurally undersupplied by 3 million to 4 million units. High interest rates are causing low turnover with existing home sales at multi-decade lows. Home equity values are near all-time highs, meaning homeowners should have confidence in investing in their homes as rates become more favorable. With lower interest rates, this pressure will ease.

Our strong position with 8 of the top-10 US homebuilders and an exciting new lineup of products positions us well to benefit from housing recovery and improving discretionary demand. Our teams are executing well and we're confident in our strategy, which enables us to capitalize on the US housing market recovery that we expect will drive significant benefits for our MDA North America business.

In the meantime, we're focused on what is within our control. We have demonstrated the ability to take out costs with \$500 million of fixed costs removed from our operating structure since 2019, and remain on track with our expectation for approximately \$300 million cost take-out this year. We continue to see significant opportunities to optimize costs across our products through input costs, design, manufacturing and supply chain.

Overall, we have a right strategy and operational priorities to navigate the challenging environment in our North America business. SDA and the international businesses have a long runway for growth and continue to be very important to our overall portfolio. We are focused on reducing our debt levels while returning cash to shareholders. We're confident in our strategy and the steps we're taking both for short and long term to deliver value for shareholders.

And that concludes our formal remarks. And we will now open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [audio gap] (00:16:07-00:16:13) period. [Operator Instructions] Your first question comes from the line of David MacGregor from Longbow Research. Your line is open.

David S. MacGregor

Analyst, Longbow Research LLC

Q

Yes, good morning, everyone. Thanks for taking my question.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Morning, David.

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

Morning, David.

David S. MacGregor

Analyst, Longbow Research LLC

Q

Hi. I guess, first question is just on the consolidated EBIT margin progression, excuse me. You had put a chart in your deck last quarter indicating that your 6% ongoing EBIT margin goal for the year included a 6.3% performance in 3Q. Your actual turned out to be [ph] about (00:16:52) 5.8% with a 50 basis point variance representing approximately about \$20 million, if my math is correct. So, is that \$20 million from the equity method investment loss, offsetting what would have otherwise been a non-target quarter?

But I think more importantly, you've left the full year guide at 6%. So if my math is correct, it implies an 8% fourth quarter margin performance and an exit run rate that would exceed your previous guidance of 8%. So, is this a correct takeaway? And if so, what would be driving the better-than-expected fourth quarter margins?

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

Yeah, David, and this is Jim, and I'll kind of start, and then Marc can chime in here. I would say you're correct on your first assumption, is that, yeah, the difference in Q3 is almost purely what we saw from the results with our 25% stake in EMEA. Now, as you look towards the full year and Q4, to begin with, as we've said, is it's going to be approximately 6% or around 6%. But as we go into the fourth quarter, what we do expect is we do expect to continue to: one, see margin expansion, as we've talked about within North America, especially due to the pricing; but two, a lot of our cost actions that we have driven, we also expect those to continue to accelerate; and then three, we don't expect to have the same level of impact, a much less level of impact from the EMEA stake that we have. So, those are the big drivers as we look from Q3 to Q4.

I think the other thing you've got to remember as a company, in Q3, we took out – we talked about we reduced our inventory levels down significantly. And so as we go into Q4, we'll have a much more normalized production environment, which also helps us from a cost perspective and gives us better cost absorption leverage within the quarter.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

David, it's Marc, maybe just adding to Jim's point. First of all, in the Europe one, and just zooming out a little bit, obviously, we all know Europe was a very significant transaction of the year and impact our full year numbers in many different ways. As we indicated also all along, it's a negative from a cash flow. We carry about the \$250 million negative from cash flow with us. It hurts us right now a little bit on this EBIT line, which I want to emphasize is non-cash relevant, because it's just equity affiliates. It's a positive from a tax rate.

So, there's a lot of moving parts out of the Europe one that will be in 2025 all normalized, but this year's numbers are impacted in many different ways. And I would say, in particular, the European losses were associated with the integration efforts, not entirely surprising. Again, they're not cash relevant.

The important thing is if you take all the noise around the margin, I think it all comes down to the underlying NAR – North America margin progression. And just to – and you all know it, but it's just in Q1 we had 5.6% margin in North America, in Q2 6.3%, now in Q3 7.3%, and in Q4, as you heard before, we're guiding 8% to 9%. That is, by any definition, a very impressive margin progression.

We all know it's not the destination. There's no debate about this one. But given what is still a very challenging environment, particularly the US, I think that is just evidence that our actions which we put in place really have a traction.

David S. MacGregor

Analyst, Longbow Research LLC

Q

Thanks for that. I guess just as a follow-up, I wanted to ask about the SDA segment, and third quarter sales were down 3%, but margins were down about 400 basis points. You noted the need to support the new product launches with marketing investments, so that makes sense. I guess, does this imply a stronger fourth quarter seasonal pattern for this business? And just given the amount of support that you're spending now in 3Q, and I guess given that might be driven by new products, should we expect a stronger-than-normal incremental margin in that segment in 4Q?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yeah, David, it's – overall, I would say, we're exactly on track towards our full year guidance on KitchenAid SDA. As you know, we guided slightly north of 7% revenue growth and around 15% or 15%-plus margin, and right now we feel very good about that number for full year. It is just – and you know it very well, it's – the seasonality in the small domestic appliances is heavily, heavily skewed towards September, October, November, particularly October, November. So, one or two days of shipping to a trade partner in the quarter makes a massive difference, plus/minus. But you take the two quarters [ph] combined them entire (00:21:26) year, we feel very good about where we are.

And yes, you're correct, we significantly increased our marketing investments to support the new product launches and we see a very good response, both consumers and trade, with flooring and star ratings. So, we feel very good about Q4. I wouldn't expect a hugely disproportionate lift. It will be – Q4 will be in line with our full year guidance.

Operator: Our next question comes from a line of Susan Maklari from Goldman Sachs. Your line is open.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Thank you. Good morning, everyone.

Q

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

Good morning.

A

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

Morning, Susan.

A

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

My first question is just digging a bit deeper into the North American MDA margin. Can you talk a bit more about that price/mix dynamic that you saw? You mentioned coming out of the second quarter, you were seeing that 1 to 2 points of pricing given the program that you launched earlier this year. Are you on track with that? And then, how should we think about it relative to the mix component in there and other factors to that margin as well?

Q

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

Yeah, Susan, in general terms, the picture is very similar to what we indicated the last earnings call. We have two drivers in the price/mix in North America which work in the opposite direction. The positive is the changes which we had on our promotional pricing. That lift which we indicated is fully in place and we see that fully in our numbers, that's a positive. On the negative side, you still have continued mix weakness that is largely coming from a very – I mean against historic comparison, a very high share of replacement demand, in particular on more of a margin weaker product categories and also SKUs. So, we have a negative mix. The totality of that is a positive sequential pricing. But right now, we – again, that's what we saw in Q3, that's what we saw in Q2, and I would expect a similar picture in Q4 also.

A

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Okay, that's helpful. And then, you mentioned in your commentary that you did see that discretionary demand slow further in the quarter relative to what you'd seen in the first half. Can you just talk a bit more about that? What do you think is driving that, the health of the consumer and any of the broader factors that are maybe going on in the US that are coming through?

Q

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

Yeah. Susan, again, it's Marc. Again, this is particularly related to North America. I would say, the health of a consumer, the sentiment of a consumer across the world actually is in pretty good shape. It's North America and US in particular. And obviously, that's a combination, but general housing market, I mean, as [ph] evidenced (00:24:03) yesterday with existing home sales, is still in a very soft spot. And that, we all know, is ultimately driven by mortgage rates.

A

So that's one part. But then the pre-election consumer sentiment is just not good. And that is not [ph] entirely a (00:24:19) surprise. We've seen a similar pattern in the last election and election before. I mean, that's just – is a – anybody living in the US, you're exposed to negative news every day and negative messages every day, and that does not lift consumer sentiment.

Now, the good news is, or hopefully the good news is, in prior elections, we saw pretty quick recovery of consumer sentiment once the elections were over, irrespective of outcome. But it was – so that kind of – consumer sentiment being low, we've seen that in September, we've seen that in October and probably until the elections [ph] are over that's (00:24:54) what we're going to continue to see.

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

Susan, I'd just add to what Marc said is that we still believe strongly in the long-term housing demand dynamics for the US. And again, as we pointed out that a lot of this is, right now, as Marc pointed out, I mean, existing home sales again yesterday came in on a multi-decade type of low. So, we are in a trough right now, but if you really look at this on a much longer-term spectrum, housing is still undersupplied. We do believe the dynamics of the market, especially as interest rates begin to come down, will become much more positive, but it's not going to be an overnight process.

Operator: Your next question comes from the line of Mike Dahl from RBC Capital Markets. Your line is open.

Mike Dahl

Analyst, RBC Capital Markets LLC

Q

Hi. Thanks for taking my question. I just wanted to – I guess, Marc, you're saying [ph] down in (00:25:50) North America, 8% to 9%. Either Jim or Marc, I think what we're kind of missing in the bridge is you clearly have a tax benefit for the full year that's contributing to EPS, but you're holding your EPS guide, you're holding your EBIT guide, but you're improving your tax rate. So, is there just – is it kind of rounding in some of the EBIT numbers, or can you just help us bridge to help us make that math fit a little bit better?

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

Yeah, Mike, this is Jim, and I would say, yes, to a certain extent, kind of like in the first question I answered earlier, some of it is a bit of rounding, because we've said we expect the EBIT margin to be approximately 6%. As we talked about, we did have an unexpected impact within the quarter due to our EMEA stake. So, that wasn't really in what we originally thought of. And that's a non-cash item and we do expect that to improve over time.

I think if you look at North America and you look at what we expect to drive significant – continued improvement in the fourth quarter here, as I talked about earlier, is one, we continue to expect costs to be a positive. We'll have the continued benefits of pricing. We expect costs to continue to be a positive there. But also I talked about the inventory reduction that we did, and we will get benefit from just the cost absorption and leverage that we get from running our production at more normalized levels or closer to where demand is.

So, those are – I think you are correct in saying that some of it is rounding and some of it is what we didn't expect from EMEA, but also we do expect certain things to improve the North America margins in Q4.

Mike Dahl

Analyst, RBC Capital Markets LLC

Q

Okay, got it. And then, Jim, can I shift to a balance sheet question? I think if we look at the cash balance last quarter, of the \$1.2 billion roughly in cash, I think the disclosure in the Q was that about \$750 million of that was a combination of your stake in Whirlpool India and then what's being held in Brazil, which you may or may not have free access to on an ongoing basis. Can you give us an update on, of the \$1.1 billion on 3Q cash, how much is actually in the US and how should we be thinking about the non-US cash and your ability to access that or repatriate that in a tax-efficient way?

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

Yeah. And to your point, when you look at where our cash is at the end of Q3 versus Q2, it's relatively similar, because most of the time, whatever cash we have in the US, we do use to bring down our commercial paper borrowings, which is on our line – our notes payable line. So, we're at very similar levels of cash in terms of geographic locations. Our ability to access the cash around the world is driven by a lot of different things, legal entity structures and other stuff. On a longer-term basis, we are able to access a lot of this cash through various things as we can repatriate earnings or do other things with it. But in certain parts of the world, such as India and places like that, where we have a more significant minority ownership, a lot of that cash does stay there.

Now, on the other hand, you have to look at what we're doing with some of that cash that's in places like India. We've talked about we've continued to invest and take a larger stake in Elica India. We continue to invest more in that business. So, we're putting that cash to work in places like that to grow those business and continue to invest there, because as I said, it is a little bit more difficult to repatriate, but it's also a part of the world where we really do want to grow. So, there's no significant difference from where we were at the end of the last quarter.

Now, as we look at Q4, a big portion of that cash we generate in Q4 will be within the US and is generated both by our KitchenAid business, which has a very strong fourth quarter, as well as by our US North America majors business that also tends to generate significant cash within the fourth quarter.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Michael, it's Marc. Just maybe adding to Jim's point. Of course, then by definition, also the cash balance follows our cash flow in the quarter. So, the Q4 cash balance, of course, by definition, will look very different than Q3, driven by what Jim was just saying. It's just [ph] about (00:30:16) how our working capital flows throughout business in particular North America. Basically, you produce the inventory, which is kind of absorbing cash, and then you start selling and you collect the receivables, which typically turns in the Q4. [ph] That's every year we're saying (00:30:30), but then particularly with our SDA business, but also seasonality of North America business, that cash cycle particularly impacts North America and, therefore, also cash balance in the US.

Operator: Your next question comes from a line of Laura Champine from Loop Capital. Your line is open.

Laura Allyson Champine

Analyst, Loop Capital Markets LLC

Q

Thanks for taking my question today. It's on top line for small appliances. I think you guys call out that it's an industry problem that led to the decline on a year-on-year basis. Can you confirm that you held market share and give us a little more color on what's going on with the industry that would cause that to weaken in a quarter?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Laura, it's Marc. I mean, very similar to what I said before, our full year guidance on KitchenAid is more domestic. We feel very comfortable with that revenue guide of north of 7%. So, I wouldn't read too much in Q3 because there's so much about the sell-in shipments in terms of what happens in the last one or two weeks of September versus first one or two weeks of October. We invested a lot in the new products and the new products are really finding good traction with exceptional strong consumer ratings. So as Jim pointed out, it's the fully automatic, semi-automatic, espresso maker, it's this Evergreen Stand Mixer. If you haven't seen it, look it up. The rice and grain cooker servers are really a whole set of new products that we feel very, very good about. And that's why we have no concerns about the fundamental revenue growth. So, don't read too much into the Q3 ins and outs.

Laura Allyson Champine

Analyst, Loop Capital Markets LLC

Q

Understood. On the North American majors side, why not lower the bar for revenues there for this year, just given you just called out some of the macro numbers are making new, rather historic lows on existing home, et cetera?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yes. So, Laura, again, for North America, we're particularly focused on the margin expansion. That's a theme which we had for the entire year. And frankly, we basically – in that environment, we don't want to lose market share and we basically want to keep a stable top line. So yes, there's of course some ins and outs on the Q4 revenue line, driven by what we said earlier about the consumer strength and the consumer discretionary demand in Q4. But right now, primary focus on getting the margin expansion to a healthy level, which I think we're on track.

And right now, in particular, on the market share and then subsequently the revenue side, in particular the last couple of months, we feel better and better. So, as we all know, after our pricing promotional changes in April, we lost a little bit of share, probably less than we expected initially, and ever since we've been recovering. So, I would say our revenue in Q4 and what we saw in Q3 is pretty much in line where we expect market to be.

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

And Laura, as we said, within Q4 here in the US with the election cycle going on, we do just expect an unusual pattern of demand that will be a little bit slower and then should pick up significantly, like we've seen historically. So, again, that's why it makes this an unusual Q4. But to Marc's point, in aggregate across the whole quarter, we do expect it to be relatively in line with what our previous expectations have been.

Operator: Your next question comes from the line of Rafe Jadrosich from Bank of America. Your line is open.

Rafe Jadrosich

Analyst, BofA Securities, Inc.

Q

Hi, good morning. Thanks for taking my question.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Good morning.

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

Good morning.

Rafe Jadrosich

Analyst, BofA Securities, Inc.

Q

First, so steel prices have come down quite a bit here. Can you just remind us of the potential tailwind that you would see? How you lock in and when? And then how much of that could potentially be competed away?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

So, let me zoom out a little bit more on the broader raw materials side. As you know, kind of the different raw materials have different opportunities to lock in, quote-unquote, certain prices. By long shot, biggest material item is steel, where we tend to have annual, or in some cases even longer contracts, in particular in North America; in South America and Asia, they're a little bit shorter term. But that's by long shot, and as you probably know from the past, typically around Q3, Q4 is when we try to lock in these longer term contracts.

Oil is particularly, of course, impacting plastic, which is our number one supply. Typically, we're a quarter out. So, the ability to hedge longer is just very limited. So, we're typically a quarter out. And right now, I would say, in a full year base, as we indicated, and right now in the short term, it's probably moving sideways, i.e. not usually up or down. Fuel is a much smaller piece in our overall cost equation, and we hedge it out a little bit longer. So that's, yes, coming down a little bit [ph] and the spot (00:35:37) helps a little bit, but again, we're kind of hedged on the fuel to some extent.

So, put it all together, because there's a lot of moving parts, also in zinc and copper, et cetera, for the full year, raw materials are exactly where we had in mind, i.e. basically largely neutral. And that's the trend which we also see right now in Q4.

Rafe Jadrosich

Analyst, BofA Securities, Inc.

Q

Got it. And there's no – I mean, anything on 2025 where you – just where steel prices are now, or is it too early?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Well, Rafe, I'm first of all surprised, it took us [ph] almost (00:36:09) half an hour to get into a question of 2025. But first of all, you know, we give the guidance in January 2025 and then we give you all the details. But on a full year base 2024, we did not expect major moves in raw material. Is there some small favorability on some raw materials which we're trying to lock in? Yes, but I wouldn't overstate it at this point. But let's put it this way, there's positive elements which we're trying to capture in our contracts, but they're not yet of a massive magnitude.

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

I think the other thing, and as Marc called out, the reason we really do wait until January is to kind of give a more comprehensive picture. And to start piecemealing some of the factors really doesn't give that comprehensive picture, because there are a lot of moving parts. And as Marc highlighted, some of the materials, as we get closer

to the year and even within the year, there's still a degree of variability to them. And that's why we really wait until January to give you that more holistic picture.

Operator: Our next question comes from the line of Sam Darkatsh from Raymond James. Your line is open.

Joshua Wilson

Analyst, Raymond James & Associates, Inc.

Q

Good morning. This is Josh filling in for Sam. Thanks for taking the question.

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

Morning, Josh.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Morning, Josh.

Joshua Wilson

Analyst, Raymond James & Associates, Inc.

Q

First, I'd like to make sure we're understanding the 4Q guidance correctly for like-for-like sales. It looks like it's about up 6%. Fairly meaningful inflection. Is that entirely volume driven, or is there a mix or other components in that plus 6%?

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

I think the biggest part of it, if you think about, one, on a global basis, you do have strong industry demand outside the US, and we talked about that. Two, as you look at – we talked a little bit about the small domestic appliance business before, and that in aggregate, we expect the back half of the year to be in line, while Q3 was a little bit less, so it means Q4 will be a little bit stronger. So, you've got a mix, and then you've got some just natural seasonality in there. But I'd say those are probably the big components that drive what we expect the improvement in revenue to be in Q4.

Joshua Wilson

Analyst, Raymond James & Associates, Inc.

Q

And then in terms of the productivity and cost savings ramping higher in 4Q, can you just provide more detail on exactly why that's improving so much sequentially, especially maybe if you're working down inventory and selling off higher cost units?

James W. Peters

Executive Vice President & Chief Financial and Administrative Officer, Whirlpool Corp.

A

Well, I'd say when you look at it on a sequential basis, the biggest drivers that we see in cost, and I'll kind of go back to, is our organizational simplification efforts that we've rolled out. Again, we started in Q2, we continue to execute that in Q3, and you have a full benefit now coming in Q4. So, that's one of the biggest pieces that you have, is a lot of the actions we've taken this year get to a point of where we're getting the full benefit within our fourth quarter.

I'd say the other thing when I talked about, again, the inventory reduction, and you're looking at this sequentially, we just will have higher production levels, which allows us to get better leverage within our factories, means we'll absorb more cost in Q4, because now that we've got our inventory levels to the right point for year-end, we can bring our production levels back to normal. So, those are the two big sequential drivers from a cost perspective.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Josh, maybe just adding to Jim's point about the inventory, what is this year different in Q3 than compared to other years? Again, in most simplistic terms, as you know, production, or if you produce, it drives productivity. So depending on when you reduce or increase inventory has a pretty big impact on the measured productivity. In usual normal years, we typically take the inventory start, reducing production in Q4. This year, because of the all the uncertainty, we took down the inventory and the production a little bit earlier in the year. As a result, our September inventory levels are more in line with what we typically would get in October or kind of mid-November.

And what it all translates into that our Q4 production levels actually will be reasonably healthy. So, that has an impact on the cost productivity. So, that is – this year change a little bit, just because we've been a little bit more cautious on the inventory.

Operator: Our next question comes from the line of Michael Rehaut from JPMorgan. Michael, your line is open.

Q

Sorry, [ph] Mike wasn't able (00:40:38) to call in today. Thank you.

Operator: Your next question comes from the line of Eric Bosshard from Cleveland Research. Your line is open.

Eric Bosshard

Analyst, Cleveland Research Co. LLC

Q

Thanks. Just wondering if you can help connect the dots a little bit better. I understand the benefits of higher production levels in 4Q. I guess what I'm trying to get a better sense of is, from a market share perspective and then from promotions, Marc, I think you were pretty clear of prioritizing margin, but also feel good about market share. As you're running the business in 4Q, is there a different mindset? Or – I'm just trying to figure out how you think about those three things together?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yeah, Eric, so first of all, again, all parts of our global world are a little bit different. So, our market share is very strong in Latin America. India is very strong, we picked up, and we feel very good about market share in particular premium small domestic appliance. In the US, as I mentioned before, after we did the pricing promotion changes in April, May, we took a little bit of dip in market share and have been recovering ever since, and we feel good about the trend where we are.

In terms of, particularly as we think about Q4, it comes back to everything that we said before, is – this Q4 is a little bit unusual because in the US it is an election year. So, it's comparable to previous election years, but it's not the same as in 2023 and 2022. As such, we are – kind of a lift which you might get out of promotion in the current period are just less than usual because the consumer sentiment is just not there. And therefore, we can continue

what we said in Q2 and Q3. We participate in promotion where we think we create value, i.e. when we get the lift. In the current environment, that is just very limited. Our focus is on margin expansion.

Eric Bosshard

Analyst, Cleveland Research Co. LLC



Thank you.

Operator: And there are no further questions. I will now turn it back over to our CEO for closing remarks.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

All right. Thank you, first of all, for joining us today. I mean, you heard us talking today before quite a bit. We feel good about the margin expansion, which we had sequentially, both on a global and North America level, particularly in North America, which is, given the challenging environment, particularly North America, is not an easy one, not a given one, but I feel very good about how our organization executed the actions which were put in place, and I think they give us good momentum into Q4 and next year. And we all know that is an environment where housing recovery will come. We all wish it'd come sooner than later, but it will come. And we're very, very well set up for housing recovery. And I would repeat what I said before, there's no company like Whirlpool which benefits more from housing recovery in the US.

So, with that in mind, appreciate you all joining and talk to you sometime soon.

Operator: Ladies and gentlemen, that concludes today's conference call. You may now disconnect.

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