

24-Apr-2025

Whirlpool Corp. (WHR)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to Whirlpool Corporation's First Quarter 2025 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 the 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 that 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 analysts' questions. [Operator Instructions]

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. During the first quarter, we delivered a solid performance and we're pleased with our progress to date. With a 2% organic growth and almost 6% EBIT margins, our business is largely on track despite a macro environment that became more challenging. We are also reiterating our annual guidance and just reconfirmed our dividend in line with past payouts.

The tariffs represent, in the short term, a manageable headwind, largely in the form of higher component costs and the market pre-loading by Asian competitors. Asian appliance producers significantly increased imports into the US ahead of tariffs in the first quarter and fourth quarter, essentially loading the US industry. This market disruption will likely continue into Q2 as competitors attempt to sell through their inventory. However, once the already announced tariffs fully kick in, this will turn into a significant tailwind for Whirlpool as a domestic producer.

No matter how you look at it, Whirlpool, with its 10 large US factories, is a net winner of a new tariff policy. With our strong domestic footprint, we produce 80% of our domestic sales in the US, no competitors even close to that level of domestic production. As we will explain to you later, the newly announced tariffs are critical in closing pre-existing loophole that gave our Asian competitors an unfair advantage over US domestic production. The tariffs will finally help create a level playing field for Whirlpool.

Irrespective of macro environment, we remain focused on the things we control. We successfully implemented pricing actions and structurally drove costs out of our business. Even more important, we are excited about the initial market response to the huge wave of new products we are introducing this year, all of which is expected to expand ongoing EBIT margins in the second half of 2025.

Turning to slide 6, I will provide an overview of our first quarter results. We achieved 2% organic net sales growth, which, as a reminder, excludes the impact of currency and the Europe transaction, driven by strong momentum in our SDA Global and MDA Asia businesses. Global EBIT margins expanded 160 basis points year-over-year, driven by previously announced pricing actions in MDA North America and MDA Latin America, along with continued cost takeout.

We also experienced approximately \$17 million unfavorable impact from our minority stake in Beko Europe B.V., which was offset by an interest rate swap benefit of approximately \$30 million. We delivered approximately \$200 million free cash flow improvement versus prior year, driven by the Europe transaction, as expected. Ultimately, we delivered ongoing earnings per share of \$1.70 and maintained our dividend of \$1.75 for both Q1 and Q2.

As mentioned before, we expect similar market dynamics in the second quarter as we experienced in the first quarter, with Asian competitors preloading ahead of tariffs and working through elevated inventories. Our inventories within the trade, on the other hand, are at healthy levels and we're fully focused on executing the already announced price increases.

With a full effect of the tariffs coming into place in July, we expect a more stable competitive landscape in the second half, an environment in which we can leverage our US domestic production to its fullest extent. This will put us on track to accomplish our full year ongoing margin guidance.

Turning to slide 7, I will provide an overview of our first quarter ongoing EBIT margin drivers. Price/mix favorably impacted margin by 50 basis points, driven by our successful pricing actions in MDA North America and MDA

Latin America. Our cost takeout actions delivered 100 basis points year-over-year, led by our continued manufacturing and supply chain efficiencies and our organizational simplification actions.

Raw materials were essentially flat, as expected. Marketing and technology had an unfavorable 25 basis point impact as we continue to invest in our products and brands. In the first quarter, the Brazilian real depreciated approximately 20% compared to prior year, resulting in an unfavorable margin impact of 50 basis points. European transaction positively impacted the first quarter by 75 basis points. We are pleased to have expanded margins year-over-year by 160 basis points despite the challenging market dynamics, which I explained earlier.

Now, I will turn it over to Jim to review the first quarter segment results.

James W. Peters

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

Thanks, Marc. Good morning, everyone. Turning to slide 8, I'll review the first quarter results for our MDA North America business. Net sales were flat year-over-year as we experienced a continued challenging macro environment in the US. Consumer confidence declined sharply throughout the first quarter as a result of economic uncertainty from anticipated tariffs. In addition, consistent with the fourth quarter, we saw inventory loading of Asian imports by foreign competitors into the US industry ahead of tariffs. Despite these challenges, MDA North America delivered an EBIT margin of 6.2%, driven by pricing actions and cost takeout.

As a reminder, we expect to turn over more than 30% of our product portfolio in MDA North America this year, our largest transition in over a decade. We have already seen a very positive trade response to the new product innovations we are launching in 2025. I will share more about these exciting new product launches shortly. We are confident that our actions position us well to achieve continued margin expansion as our industry environment stabilizes following the finalization of new trade policies.

Turning to slide 9, I'll review the results for our MDA Latin America business. In the first quarter, MDA Latin America had net sales growth of 2% year-over-year, excluding currency, driven by successfully implemented pricing actions. The segment delivered a solid EBIT margin of 6.6% in the quarter. Excluding an operational tax benefit of approximately 200 basis points in the prior year, EBIT margin expanded approximately 80 basis points year-over-year, driven by favorable price/mix.

Turning to slide 10, I'll review the strong results for our MDA Asia business. In the first quarter, MDA Asia realized net sales growth of 16% year-over-year, excluding currency, driven by strong volumes from share gains and industry growth. The segment delivered a 7% EBIT margin in the quarter with 240 basis points year-over-year of margin expansion from cost takeout and fixed cost leverage. Overall, we are very pleased with the first quarter results delivered by the MDA Asia team.

Turning to slide 11, I'll review the results of our SDA Global business. The segment achieved significant net sales growth of 10% year-over-year, excluding currency, with strong direct-to-consumer sales in the quarter. We continue to see momentum from our recent product launches in high growth potential categories such as our semi and fully automatic espresso machines. Overall, the segment delivered a very strong EBIT margin of 18.5% in the quarter, driven by favorable price/mix.

As a reminder, the first quarter accounts for less than 20% of their annual revenues and EBIT margin can be heavily impacted by the timing of marketing spend. We expect the first half EBIT margin to be in line with full year guidance.

Now, I'll turn the call over to Marc to provide an overview of the tariff landscape and our mitigating actions.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

Thanks, Jim. Turning to slide 13, we have provided an overview of a current tariff landscape of US imports. While we want to ensure we give you context for how tariffs impact our business, I need to highlight that the trade landscape is very fluid and additional trade policy actions could result in materially different outcomes.

In the table below, you can see a summary of the relevant existing tariffs before 2025 and the newly announced tariffs in 2025. Both Section 232 and 301 were originally implemented in 2018, with various modifications and exclusions added, particular over the past few years. More recently, in 2025, Section 232 exclusions were removed and additional changes were implemented under the Canada/Mexico and reciprocal IEEPA. The IEEPA tariffs have notably increased the tariff impact from China goods brought into the US as well as implemented a broad US import reciprocal tariff of 10% across most countries.

Turning to slide 14, we discuss how the evolution of a trade landscape has impacted Whirlpool as a major domestic producer. Pre-existing loopholes in the Section 232 and 301 tariffs have, in the past, created a disadvantage for us as a domestic producer. It is important to note that these unfair cost disadvantages are not new to us, and they were fully reflected in our baseline. Put it differently, we have been performing reasonably well despite these unfair disadvantages. The new trade policies are finally putting an end to these disadvantages and will level the playing field.

Let me first explain what created the existing loopholes for Asian producers. With the 232 and 301 tariffs in place, we as a domestic producer buy US-made steel, which is two to three times more expensive than Chinese steel. In addition, we have to pay tariffs on Chinese-made components for which we do not have a US supply base. Asian producers, on the other hand, are using cheap Chinese steel and components and do not have to pay a tariff when they bring their finished products into the US. As you will see later, this amounts to an approximately \$70 per unit disadvantage for our business.

In addition, some Asian producers have circumvented existing Section 301 tariffs by setting up assembly operations in Asian countries outside of China. Let me reiterate that while we have faced these negative impacts since 2020, we have been able to manage the impact to our business through pricing and cost takeout.

What happened over the last two quarters, to some extent, amplified the negative impacts from the past. Following the US Presidential election and the threat of additional tariffs, Asian producers have increased imports by over 30% year-over-year in the fourth quarter and February year-to-date this year, essentially loading the US industry.

In addition, some retaliatory tariffs have begun to negatively impact our business. Looking forward, some of these negative effects continue to impact our business, but more importantly, the current administration's trade policies will structurally benefit domestic producers. We expect the new reciprocal tariffs to level the playing field for US appliance manufacturers, and additional US trade policy actions will close loopholes and eliminate disadvantages we currently face.

On slide 15, I will review an illustrative example to provide details on the existing disadvantage to US-made products. This example demonstrates how an identical product is faced with very different component costs, depending on where it is being produced. It is important to note that steel is the most critical component in any appliance. Typically, steel amounts to about half the weight of an appliance, or in the case of a washer, adds up

to 100 pounds of steel. So when we produce a washing machine in the US, we use domestic steel, which is about two to three times more expensive than Chinese steel, which is used all over Asia. When the Asian producer imports the same washer into the US, they do not have to pay any tariffs on steel.

The same is true for components like LED panels or certain motors, which we cannot procure domestically. While we have to pay a tariff on these components, any Asian producer using the same components in their production will not have to pay tariffs. Putting both of these loopholes together, this has in the past led to an approximately \$70 per unit disadvantage for domestically produced appliances compared to identical products manufactured in Asia and imported into US.

Typically, a \$70 product cost disadvantage after adding some additional overhead cost and trade margins will lead to \$150 retail price difference. Needless to say that this unfair disadvantage in the past put pressure on our market share and production volumes in our US factories. While we have been operating successfully in the past despite this unfair disadvantage, this example illustrates how much potential our US business has if these loopholes are finally closed.

Turning to slide 16, let me review the tariff mitigation actions we have underway. First, we have taken steps to address the current environment through previously announced pricing actions. In addition, we announced a combination of list price and promotion price increases in order to cope with a higher component cost. We are also taking additional cost actions to mitigate input cost increases.

Secondly, we're evaluating our supply base and manufacturing footprint and are reducing our Asian exposure. This is limited as we have by far the largest US-based footprint with 80% of what we sell in the US produced in the US, compared to the industry average, excluding Whirlpool, which is only approximately 25% US produced.

Thirdly, we are proactively monitoring the evolving landscape and continue to provide insights to policymakers on tariff exemptions or circumventions that risk US manufacturing. With today's review of how the different tariffs impact our business, we provided much more detail than we typically would do. However, we felt it is important to highlight what I mentioned upfront. No matter how you look at the new tariff landscape, Whirlpool, with its strong US production base, is a net winner, more than anyone else in our industry.

And now, I'll turn it over to Jim to review our unchanged 2025 guidance and capital allocation priorities.

James W. Peters

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

Thanks, Marc. Turning to slide 18, I will review our guidance for 2025. As Marc highlighted, there is notable uncertainty in the overall macro environment. However, we are confident in our ability to manage what is within our control, and deliver our 2025 guidance, which is unchanged.

As a reminder, we have provided a reset baseline for 2024 results, excluding both the European major domestic appliance business from Q1 2024 and India's July through December 2024 consolidated results from the anticipated Whirlpool of India transaction. The reset baseline excludes approximately \$1.2 billion in net sales and an approximately \$6 million reduction in EBIT, creating a like-for-like comparison for 2025 guidance.

On a like-for-like basis, 2024 net sales were approximately \$15.4 billion, with an ongoing EBIT margin of approximately 5.8%. We expect organic growth of approximately 3% to \$15.8 billion in net sales in 2025, driven by our strong pipeline of new products. On a like-for-like basis, we expect 100 basis point ongoing EBIT margin

expansion and margins to be approximately 6.8%. Free cash flow is expected to deliver \$500 million to \$600 million.

As a reminder, the adjusted effective tax rate is expected to be 20% to 25%, which is an increase compared to 2024 and impacts 2025 ongoing earnings per share by approximately \$7. We expect full year ongoing earnings per share of approximately \$10.

Turning to slide 19, you will see our overall margin guidance is unchanged. However, we have included a separate summary of the tariff impacts that we expect to fully mitigate. We expect approximately 250 basis points impact from the incremental tariff changes, net of immediate mitigation actions. It is important to note these impacts represent currently announced tariffs and do not factor in any future or potential changes in trade policy. We expect to offset these impacts through the cost-based pricing actions announced in April and by continuing to implement supply sourcing changes summarized previously.

Turning to slide 20, I will review our unchanged capital allocation priorities. Funding our organic growth is critical to delivering innovative products that meet our consumers' needs. We are very excited about the new products we are launching this year. Secondly, we are committed to reducing debt levels. We expect to pay down \$700 million of debt in 2025, taking a significant step toward our 2 times net debt leverage target.

Lastly, we are committed to returning cash to shareholders by funding a healthy dividend. This year marks the 70th year of steady or increasing dividends. We are confident our business is well-positioned for continued growth and margin expansion in the second half, supported by our exciting new products. As Marc mentioned, we are also confident that in the new tariff landscape, Whirlpool will be a net winner. As a reminder, the dividend is approved quarterly by the board of directors.

Turning to slide 21, we have clear actions to address the upcoming debt maturities. \$1.85 billion of debt is maturing this year, of which \$350 million is a senior note due in May and \$1.5 billion is the remaining term loan from the InSinkErator acquisition due in October. We expect to refinance the remaining \$1.1 billion to \$1.2 billion after the meaningful debt repayment of approximately \$700 million expected in 2025. The cash generation from the anticipated India transaction, which has generated significant interest from large third-party investors, is expected in the second half of 2025.

On slide 22, you will see we have ample space in our flexible debt ladder to optimize our refinancing plans. Over 30% of our debt matures beyond 2030, with many open windows that provide optionality for our debt maturities. Our targeted refinancing will be both a 5-year and 10-year maturity timeframe, which lines up well with our debt ladder openings.

On slide 23, let me review how we are well-positioned for growth from our new product launches. Our organic growth of approximately 3% this year will be fueled by our new products. As previously mentioned, we have a very strong lineup of launches this year, with MDA North America transitioning over 30% of its products.

A few highlights of our products launching this quarter include the KitchenAid induction cooktop. This cooktop is created to empower users with a sleek, frameless design, featuring an innovative WipeClean coating that is easy to clean and convenient TempCook preset for precise and consistent cooking. Our new JennAir built-in wall oven features a vertical dual convection fan to distribute heat evenly and fast throughout the cavity for perfect results. A simplified graphic interface puts a digital sous-chef in your kitchen that takes you from prep to plate with an intuitive cooking experience.

In Latin America, our new Brastemp, a freestanding range is integrated with our Airfryer Pro for unmatched versatility. Also offering advanced features like a smart timer and Auto Shutdown for safety and peace of mind.

Finally, our new KitchenAid blender offers powerful blades and variable speeds, which allow for precise control over texture and consistency to make a wide range of meals. The versatile jar takes on hot and cold ingredients to effortlessly transform more. The lid features a heat release vent for splatter prevention and can blend a variety of food types for drinks, sauces, soups, and batters. All of this in a beautiful design and with the kind of durability the KitchenAid brand is known for. These products are just a few examples of how we continue to bring new, innovative products to our consumers' homes.

To further highlight the excitement around our new products, slide 24 showcases a few snapshots from our recent booth at the Kitchen and Bath Industry Show, also known as KBIS. KBIS is North America's largest trade show, dedicated to all aspects of kitchen and bath design. At the show, we created a significant amount of excitement from designers, trade customers, media, and consumers. Our booth was meticulously crafted for each of our unique brands: Whirlpool, Maytag, KitchenAid and JennAir. Our successful booth showcased our commitment to innovations that improve life at home for our consumers.

As you will see on slide 25, we won an impressive seven awards at KBIS. The upcoming KitchenAid launch, which is the first full product redesign in a decade, made a notable splash at the show. We introduced curated relevant colors and finishes, designed for personalization. We demonstrated the customizable possibilities, enabling you to choose knob and handle combinations that suit your style. We also introduced new innovative features such as an intelligent auto-fill in our refrigerators, giving you the ultimate hands-free set-it-and-forget-it experience filling your water.

The oven also features a built-in camera that lets you stay one step ahead of your cooking at all times, all of which received impressive feedback. The innovative downdraft induction cooktops from JennAir demonstrated powerful and effective extraction. The downdraft system draws vapors downward faster than cooking vapors rise, preventing steam, grease, and odors from spreading in the kitchen. It also provides unobstructed views, leaving your kitchen space available for indefinite open concept design opportunities. This product won multiple awards and made a lasting impression.

Turning to slide 26, let me review what you heard today. I'm proud of what the team has accomplished in this volatile and uncertain macro environment, remaining agile and focused on our operational priorities. We achieved organic growth and margin expansion in the first quarter, despite what has been an unfavorable environment. As you heard from Marc earlier in the call, we have been faced with a cost disadvantage in North America for our predominantly US-based production for some time. While we recognize trade policies continue to evolve, we believe they will eliminate this unfair disadvantage in support of American manufacturing.

We remain well-positioned to capitalize on the eventual housing market recovery in the US. North America is poised for success through our exciting, strong pipeline of new products while implementing measures to mitigate tariff impacts. Our Asia business continues to be a bright spot, delivering strong top line growth and substantial margin expansion. Our Latin America business continues to deliver with successfully implemented pricing actions to address unfavorable currency headwinds, and we expect our Global SDA business to continue to accelerate growth from new products and deliver strong EBIT margins. As a result, we are reiterating our full year guidance.

As I mentioned, our capital allocation strategy remains clear, with a focus on organic growth, debt reduction and paying our strong dividend in 2025. Overall, I am confident that we have the right operational priorities in place to deliver on our goals, while monitoring the evolving macro environment and positioning our business for success.

Now, we will end our formal remarks and open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the 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 this morning. And I appreciate the granularity in your presentation about the impact of tariffs. If tariffs currently fall from – or fall from their current stated rate in China, which I think adds up to 145%, down to a, let's call it, 10% or 20%, how much would that potentially impact your outlook?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yes. So, Laura, good morning. It's Marc. So, obviously, as we all probably acknowledge, right now, speculating about what happens in China is pure speculation. I mean, it's – I think we would all agree maybe 145% may not happen. I can't imagine that the administration goes all the way back to basically no tariffs at China, or very little. So, probably going to be somewhere in between. But the reality or maybe to answer it slightly different, even 20% changes commercial behaviors. And we see that already happening in the marketplace. But 20%, frankly, will not move factories. So if the stated intention of the administration is to move factories, they know it all. The administration is well aware of, it needs more than 20% to really start moving factories.

Now, moving beyond this one, as you also know, it's not just China. We're talking about basically Southeast Asia, which all benefit from cheap Chinese steel. Also here, it's kind of – I think the government, the administration knows very well is you can't close the front door to China and leave the entire back door open. And I think the odds that all tariffs basically go back to pre-Rose Garden ceremony level, it's – I would consider very low.

Laura Allyson Champine

Analyst, Loop Capital Markets LLC

Q

Got it. And you call out in the press release impacts from Asian competitors pre-shipping appliances to try to get ahead of tariffs. Is the impact on your business from that cooked or will we continue to see an impact in Q2 and Q3?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

So, Laura, just to put in perspective, we all know, Q4 and Q1, the industry, the US industry was approximately flat. The imports from Asian producers, again, not just China, all Asian producers in Q4 was up 30% in January, February also to a same level, up 30%. We don't yet have the March data. So, obviously, that certainly meets any definition of pre-loading into the marketplace. And I would say, obviously, with any pauses that pre-loading will continue, even I would say, it's been [ph] largely a drain (00:29:48). So, right now, we assume there's a fairly sizable amount of inventory in the country, maybe not all the trade. And of course, that brings some market disruption. Maybe not entirely surprising. We managed for that in Q1, and we right now expect similar market dynamics in Q2. But as we demonstrate in Q1, I think we can manage it. It's not easy, but we can manage it. But

again, the more important thing is once the tariffs fully kick in and they bite, quote-unquote, I think you will see quite a bit of a change in the market dynamics.

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

Sam J. Darkatsh

Analyst, Raymond James & Associates, Inc.

Q

Good morning, Marc. Good morning, Jim. How are you?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Good.

James W. Peters

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

A

Good morning, Sam.

Sam J. Darkatsh

Analyst, Raymond James & Associates, Inc.

Q

A couple questions here. First off, you noted that you're going to be looking to get some additional price in April. Can you help quantify that? And maybe put a little bit of color on that in terms of how much of that is going to be specific to microwave ovens versus the broad line?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

So, Sam, it's Marc. So, as you highlighted, we had in April another price increase. Again, that comes on top of a number of price increases over the last 12 months. Basically, what we communicated, the price increases are largely referring to the component cost impact, which we experienced and which we passed on. We're not going to give out the details about product group by product group, but it's largely meant to cover the component cost impact. I think, on [ph] microwaves (00:31:27), et cetera, we may also have some supply chain solutions over time, so let's see how that all plays out.

But put it all together, because again you have now multiple actions on pricing which impact promotional depth, which impact what we call the MAP, the minimum advertised prices, in some cases [ph] list (00:31:44) prices, put that all together, I think that gives us not only confidence on the 0.75% price which we have right now in the margin ladder year-over-year, but you also know it we have it in the tariff offset action with 2 points, a big part of that is pricing. So put that both together, I think you will see a full year perspective which is, on a pure pricing side, well north of 1 point, probably getting closer to 2 points up.

Sam J. Darkatsh

Analyst, Raymond James & Associates, Inc.

Q

And then my second question, if I could. You noted last quarter sell-through was healthy. I think sell-through in the first quarter you've been indicating that it's been similarly improved. How much based on your market intelligence are you seeing with respect to – I'm sorry, consumer pull-forward, not necessarily from retailers trying to beat tariffs, but consumers perhaps accelerating their purchase decision ahead of tariffs?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yes. I mean, let me maybe split it in two pieces of the answer. First of all, let's – completely backing off, it – as you very well know, we have – I mean, our demand is [ph] not (00:32:51) roughly replacement and discretionary right now, but the pure replacement probably in Q1 went up to 65%. We don't have final data, so it's a very, very significant portion of the market. Now, it's good because it's strong. It's good – it gives you a good base load. Where we felt softness in particular as the quarter progressed was from the discretionary side of demand. That is also here not surprising, because that's usually tied to consumer confidence, and as we all have seen, consumer confidence was taking a – significantly hit kind of coming February, March.

So, the discretionary side of the demand is weak, has been weak, as we all know for the last two years, and the exit rate of consumer confidence and discretionary demand end of Q1 was soft. Similar things probably will happen in Q2. So, we're not – that's why we said earlier, market dynamics remain the same.

In terms of a specific – your question about consumer pre-loading, frankly, I know there have been some retail advertising along these lines. I would say it's fairly limited. It's fairly limited. We may see something coming closer to – towards late June, if a real magnitude of the tariffs kick in. But so far, it's been somewhat limited.

Operator: Your next question comes from the line of Michael Rehaut from JPMorgan. Your line is open.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Thanks. Good morning, everyone, and thanks for taking my questions.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Good morning, Mike.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Also appreciate all the detail on the tariffs. But I want to delve in a little bit more and just make sure we're thinking about it correctly. Going to slide 15, where you kind of break out the differences in your costs versus your Asian competitors, is the upshot of this slide that due to the tariffs, essentially your competitors would be paying that additional \$70 that you're currently paying? Or I would have thought perhaps that given the greater amounts of overseas production on top of maybe just steel, there'd be a significantly higher tariff headwind for those Asian producers. So, I was wondering if you could kind of go into that a little bit.

And certainly, you've done extensive analysis on your top competitors. And of course, I'm thinking of your two major South Korean Asian competitors. If you could kind of walk through, perhaps, when you think about the US product that they sell, what percent is produced overseas? And why wouldn't we be thinking of a much higher tariff per unit, per se, than the \$70 that right now you estimate you're at a disadvantage at?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

So, Mike, obviously, that question probably deserves a little bit a long answer. First of all, I want to upfront clarify also, this time, we spent an unusual amount explaining the details of the tariffs and all the impacts. Don't expect

that going forward, we should also talk about our business results. But anyhow, so we just felt it's appropriate, given that it's a lot of discussion. First of all, the lay of the land in terms of production, we produce 80% of what we sell in the US. Of what we produce in the US, the vast majority is done with domestic components. So, 98% of our steel which we source is sourced in the US, the same is true. So, we are, by any definition, a US producer for the US market.

The rest of the industry, if you take Whirlpool out of equation, is only about 25% domestic production. And even while I'm not going to lay it out, of course, we assume that we have for every competitor a very detailed understanding where [ph] they (00:36:41) produce. But it's – the rest of the industry is basically [ph] – we want to simplify it (00:36:44), the rest of the industry is an importer largely. We are a local producer. That's the simple lay of the land.

Now, to that chart, and again, I want to reemphasize, that is a pre-existing tariff loophole. We've been – of course, we knew about this for a long time. It's basically sitting in our baseline, largely in the form of, yeah, it put pressure on our market share because we couldn't fill our factories, but it's a structural disadvantage which comes from steel. And again, I want to reemphasize, half of a product weight is steel. It's massive. On some products and dishwashers, it's even more.

So, of course, if we can't buy cheap Chinese steel and everybody else can, that makes a big difference. If we have to pay on component costs like LED panels, which we can't source in the US, et cetera, if we have high tariffs and [ph] everybody else (00:37:35) don't have to pay tariffs, it makes a difference. So, it's massive. So, again, it's a pre-existing loopholes. The new administration has already taken some steps in trying to close that. And I think the administration is well aware of our concerns, and they're listening. I give them a lot of credit for that.

I think there are multiple tools the administration has at their hand to close that loophole. Reciprocal tariffs might be one, but there could be [ph] other tools (00:38:03). So, let's see what's happening. But, of course, I think we just want to show this picture also. We're not asking for subsidies, gifts, or handouts. We're just asking that the loopholes are being closed. And I think there's – I think we have a high degree of confidence that the new administration will close these loopholes.

James W. Peters

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

A

Yeah. And Mike, just to say, and you kind of asked why would the impact not necessarily be higher or whatever, I think as Marc said, depending on what the go-forward tariff structure is, it could close this gap and then some. But again, we don't have a definitive answer on that. But what we're highlighting is that we do expect that, at a minimum, this gap will be closed. And then what comes on top of that depending on how the tariffs are structured and all that could create more incentive to produce in the US and give us an opportunity to, again, as Marc said, increase the volumes within our factories.

Michael Rehaut

Analyst, JPMorgan Securities LLC

Q

Right. No, I appreciate that. Thank you. I guess second question just looking at that 250 basis point tariff cost headwind that you expect to offset this year through price and cost, is it – if it would be possible to kind of break down roughly what you expect to do from price versus cost? I think you said, Marc, if I heard you right, maybe another 100 to 200 basis points all in, that's a bit of a wide range. But any type of breakdown there?

And also, if the tariff headwinds maybe aren't coming in, maybe from a timing perspective, until July, you have the price increase effective in April. I'm just wondering if there might be an additional kind of tailwind from a timing perspective, if I'm thinking about that right.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

So, Michael – and again, I'm – you're referring to this page 19 where we show the tariff impact, 2.5 points, and the actions also 2.5 points. First of all – and I appreciate many of you already want to see more detail behind how it's coming together. First of all, I want to clarify, the negative side of tariff impacts is building already. So, it's not like [ph] 4th of (00:40:27) July and then all a sudden you see it, because, of course, we see already changes in the 232 that's already impacting us. The base tariffs, the 10%, the 20%, they're already impacting us. So, the impact is already there. But of course, it's going to be, based on today's assumptions, significantly higher in the backside or back half of the year.

The other factor which you need to take into account, and that's why we don't want to get in too much detail, of course, we also make sure we have component inventories at our hands. And I think you would appreciate that we can't get into detail – show how much component we have on each one. So, we took certain measures also to buffer the impact, to some extent. So, that's kind of it. That's why it's a mixed picture here.

On the actions and more on your question on the pricing side, again, you need to take two things together. One is the 0.75 points of pricing, which we already have in our plans. And of the additional actions, I would say, probably more than half or almost two-thirds of that will come from pricing. But there are additional cost actions, and there's additional actions which we do in terms of rewiring the supply chain, which will help us.

I also want to reemphasize what I said in my prepared remarks is the rewiring of supply chain for us is limited by definition, we are a US producer. Only 5% of what we sell in the US is sourced in China. Now, we have components, so there's still some rewiring. But compared to anybody else, in our case, it's a very limited amount.

James W. Peters

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

A

And I think the other thing, Mike, to your question on a tailwind from pricing in the second quarter, again, as we implement all this in April here, you have to think about some of the offset as we talked about earlier that there has been some product loaded into the market by Asian competitors that will be making its way through. So, that's a bit of a headwind. Additionally, just think about how the promotional periods play out throughout the year. And yes, you'll see in a Memorial Day type of – begin to see this, but really 4th of July and the back half of the year is where we begin to see a lot more benefits from some of these type of promotional price increases. So, that's why we think the bigger benefit does come in the back half of the year on this.

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

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Q

Good morning, everyone.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Good morning, Susan.

James W. Peters

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

A

Good morning.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Q

Good morning. Continuing on that conversation, I guess when you do think about the benefits of the pricing coming through in the back half and these cost actions and other steps that you're taking, can you walk us through a bit how you're thinking of the North America MDA margins as we think about the sequential moves over the next couple of quarters in there, maybe something around first half, second half, anything of that nature?

James W. Peters

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

A

Yeah. Sue. Hey, this is Jim. As we said, what we see for North America in the second quarter is probably relatively similar to the first quarter. So, it does imply a build in the second half of the year. And I think you have to think about it this way – and it's going to be about a 200 to 250 basis point build in the back half of the year. First off, we believe price mix will be positive, could be 100 basis points plus positive. Part of that, as we just mentioned with the promotional price increases we've taken, the portion that's not offsetting some of the headwinds or other things we see in the previously announced ones will benefit us, too. We've got new products launching in the back half of the year, which will give us a mix benefit. As you think about it, it's a lot of KitchenAid product that we'll be launching in the back half of the year.

Next, net cost. We see probably about 75 basis points in net cost that will come as we go towards the back half of the year just with current cost actions we put in place as well as some of the additional cost actions we identified at the back or at the beginning of the year. Also, we should get some volume leverage in the back half of the year that will come. And then, probably the last piece there is just from a volume perspective, as some of this product that's been loaded into the marketplace works its way through and we see the opportunity as a large domestic producer to hopefully increase some of our market share, drive some of our market share, that should give us about another 75, 50 basis points there. So, again, that's kind of the build of how I would see this ramping up throughout the back half of the year.

Susan Maklari

Analyst, Goldman Sachs & Co. LLC

Q

Okay. That's helpful. And then turning to the SDA business that saw some really nice momentum to start 2025, can you talk about the path there for the balance of the year? And how we should be thinking about bridging the nice margin performance this quarter relative to the annual guide that I think you reiterated in your comments?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yeah. So, Susan, I mean, obviously, we've been very pleased with a very strong first quarter for SDA. That strong quarter came on the back of really the product innovation, which we talked last year about. It's a coffee maker, it's the rice grain cooker, it's the battery powered, the wireless appliances. So, there's a lot of good products. But, and that's very important, we also had on our stand mixer business, [ph] the kind of bread and butter percent of (00:45:37) business, a very strong Q1. So, we feel very good.

But I think the only caveat I would say is, you know [ph] what (00:45:45), seasonality of the SDA business is different than maybe MDA business. So Q1, by definition, is a small quarter. But frankly, yeah, it makes us feel

good that we kind of exit this smaller quarter on a very, very strong performance level, even while we continued heavy marketing investments in the SDA business. So, I would say, at this point, we're very confident about the full year guidance on the SDA business. And Q1 certainly gives us even increased confidence towards the guidance.

Operator: Your next question comes from the line of David MacGregor from Longbow Research. Your line is open. David, your line is open.

David S. MacGregor

Analyst, Longbow Research LLC

Q

Yeah. Sorry about that, everyone. Good morning. Just wanted to thank you...

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Good morning, David.

David S. MacGregor

Analyst, Longbow Research LLC

Q

...again for all the detail around the tariffs. As I understand it, most of the import, the offending imported product is sort of positioned in the mass premium segment of the market. But I guess, the question is, what percentage of your US unit volume overlaps with tariff-impacted imports?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yeah. David. It's Marc. So, again, I wouldn't just say it's mass premium. I think that will be a mischaracter. There are mass premium elements of imports coming, yeah, from [ph] Ireland (00:47:05) or Korea. But keep in mind, there's a non – not a small private label business and what we call OPP, opening price point business, which particularly comes from China, but also from other markets. So, it plays across all spectrums.

Keep also in mind, in particular, if you have some very aggressive opening price points come from private label, which came with all the advantages in rare cases, as we talked about, that puts pressure on the entire product line. So if you have a private label top-loader, which is all of a sudden sold at [ph] \$349 (00:47:39), that pulls an entire line down. So, I would argue the Asian imports – producer imports impact pretty much the entire product lineup, maybe with a small exception with super premium, like on the [ph] generic (00:47:52) side. But other than that, it impacts the entire range.

David S. MacGregor

Analyst, Longbow Research LLC

Q

Entire range. Interesting. Thanks for the detail. Second question, I just wanted to go back to SDA. You talked about the strength of the direct-to-consumer business, which is an interesting model. Can you talk about the development there and how we should think about how that grows as a percentage of that business going forward? And also, I guess, the extent that you see direct-to-consumer impacting the major line – the major appliance line?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yeah. David, I mean, first of all, I got to acknowledge, I mean, the SDA business is probably more geared towards an online purchase than the MDA business. On the MDA business, it's just because of the size of product, the fact that you have to install it, it's just – of course, you can also sell it online, and we see that quite a bit. But the SDA is a little bit easy. It's easy to ship. There's no installation. And frankly, take a stand mixer, I mean, most people don't need to kick the tires on the stand mixer. They know it's a fantastic product. I probably already have it at home. So, I think that's why the predisposition of these two businesses is slightly different.

Having said that, our SDA business has been – over the past couple of years, has been on a really impressive journey of driving basically overall now a quarter of the business is direct-to-consumer business. So, it's a very good business for us. As you also know, the way we look at this direct-to-consumer business, it's not just the first sale, it's the second sale, because it drives follow-on business, drives customer loyalty. It gives us opportunity to stay in touch with our consumers. So, it is an attractive business, and the team has done a fantastic job in growing that, while recognizing there is always going to be a role for traditional retail. So we're not trying to replace it. We're trying to augment it because there are some consumers, yeah, who want to be in direct interaction and in touch with the producer.

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

Mike Dahl

Analyst, RBC Capital Markets LLC

Q

Good morning. Thanks for taking my questions. Jim, I just want to follow-up again on the North American dynamic just so we're sure we're clear. When you say 2Q is going to be similar, do you mean both from a top line and a margin standpoint, i.e., like flattish sales and a low-6s margin? And then stepping up – I guess that implies stepping up to like high-8% on margin in the back half of the year, which would be up quite a bit. Is that the right way to think about how you're framing those comments?

James W. Peters

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

A

Yeah, it is. I mean, again, as we said, we really see with what's going on in the marketplace right now and the movement of product that's been loaded in, we see a Q2 that's going to be similar, and we don't give exact margin guidance, but similar to what Q1 was. And then the build that I did really implies a movement from around 6.25% to close to 8.5%, 8.75%. Now, again, as we said, we think some of the margin right now is just artificially suppressed by the amount of product that's been loaded into the marketplace. But again, I want to reemphasize, we believe our cost actions, the pricing we've taken and then the volume opportunities that we continue to see and build add up to a pretty significant improvement as you go to the back half of the year.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Michael, it's Marc. Just I want to also reiterate what Jim was saying. Of course, in the grand scheme of things, the tariffs will, in particular, help our North America business. But I want to reemphasize the products which we're introducing and which were just shown at KBIS are just outstanding. Honestly, in my 26 years, I've rarely seen such a positive response to new products as I've seen at KBIS. So, we feel – I really want to be clear, it's – yeah, tariff is one thing, but tariff plus new products or particular new products really points to an exciting future for our North America business.

Mike Dahl

Analyst, RBC Capital Markets LLC

Q

Yeah. And Marc, I hear you on that and the stuff we saw at KBIS together. I think the bigger picture question or concern I have is if we think about kind of the incremental over the past couple of months, you're acknowledging that there's been a big shift in the consumer landscape. There's still some lingering effects from the import demand or the import pre-load. I understand your point of view on kind of the relative benefits that can come your way over time from some of these shifts. But with those near term pressures and some uncertainty, some cost headwinds that are incremental that you do have to offset, I guess, in particular, on kind of the demand side, why hold the guide? Like it seems like that – it doesn't seem like that's leaving yourselves much room in a pretty uncertain environment.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yes. So, Michael, first of all – and I'll also – reiterating what Jim was saying. We're not counting on a massive improvement of a consumer behavior or consumer landscape. We guided earlier, in particular, for North America, essentially pretty much for a flat market environment. Maybe that's now flat to maybe low-single digits down because consumer confidence is down, and as such, the discretionary demand is not strong. So, we're not counting on dramatic improvement of market environment.

But what we are counting on is on the things which we are in our control, the cost takeout, the pricing actions which we've taken and the new product introduction. That's what we're counting on. And frankly, we all know it's kind of why we quantified the impact of our tariff headwinds, I think, with tariff tailwinds, depending now how this all comes together, could be significant. So, you take both of things into equation, I tell you right now, we have confidence in the full year guidance, and that's why we kept the guidance.

James W. Peters

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

A

I think you have to think about it that over the last twelve months, we've taken multiple promotional price increases we've talked about. We've put in place numerous significant cost actions that we continue to put in place and build upon. And then we're in an environment right now where, as we said, we don't assume overall demand improves, but what you're seeing is an influx of Asian-produced product into the marketplace that's at least displacing a certain amount of our product that – that has to flush out. Listen, it's not indefinite. And at some point, that begins to slow down. And so, that's what we assume or – and that is that by the back half of the year, we're back to a more normalized environment there. And we think with all the actions we've taken that Marc talked about positions us well for the back half of this year.

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 questions. And I appreciate all the color on tariffs as well. Just following up on Mike's question, just maybe can you give a little bit more color on the second half? What are sort of the assumptions around elasticity of demand for the industry and maybe your market share gain versus competitors? And then, could you maybe talk about what you're seeing from a pricing perspective from competitors? Have you seen them change at all given kind of the increase on their sourcing costs?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Yeah. Rafe, it's Marc. Obviously, there's a lot of unknowns at this point of the marketplace, to be very honest. First of all, on the broader category elasticity, and we I think we made this point before, from a pure consumer perspective, the category price elasticity is actually fairly limited. You do see, of course, in the store, once you're in the store and you see a product at [ph] \$459 and one at \$599 (00:55:44), yes, that drives elasticity, but that's not category elasticity. And we know that from the past.

But irrespective of this one, it's – and the other factor which you need to take into account, as I said before, 65% of the current market demand is replacement. Replacement demand is not – tends to not be very price [ph] elastic (00:56:05). It does not give us a lot of upside on a mix opportunity. But if you have to replace a washer, you will replace a washer. So, I think that – so it's really the discretionary impact of a discretionary side, which could be impacted. But I think it's – we're talking within manageable levels.

I think where we do see the upside, in particular, once these tariffs fully kick in, is bringing load to our factories. As you all know, it's kind of even though we defended our bottom line, our market share over the last three or four years have been under pressure. We're stabilized, but they're under pressure. And our factories are not fully loaded. So, I think once these tariffs kick in, you will see more US production and more market share gains.

Rafe Jadrosich

Analyst, BofA Securities, Inc.

Q

Yeah. And then just the industry assumption in the second half versus the first half?

James W. Peters

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

A

Yeah, I'd say, from an industry perspective, we assume it'll be flat. We don't see any changes in the overall drivers of the industry. We still believe, long term, in the housing market and that once we get through all this, at some point, we will see growth within the housing market that will drive significant growth long term for us. But I'd say, at least in the midterm, we're still assuming flat.

Operator: Your final question comes from a line of Eric Bosshard from Cleveland Research. Your line is open.

Eric Bosshard

Analyst, Cleveland Research Co. LLC

Q

Hi. Thanks. Two things, if I could. First of all, the tariff impact, the 250 basis points is roughly \$400 million, is that the back half impact and what is that on an annualized basis?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

So, Eric, it is largely skewed towards the back half. We have [ph] been (00:57:48) some smaller amounts already in Q1, but to be honest, very small. It will be building up in Q2, and it will be heavily loaded towards the back half. The reason is, of course, the timing of the tariffs. And then, as you know, from a pure accounting perspective, these impacts work their way through the inventory. So, they technically show up more in the back half. So, the number you've seen in front of you is largely back half loaded. And then, of course, that also means, on an annual base, it is more.

James W. Peters

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

A

And I'd say, Eric, the other thing to consider is, again, this is our estimate for this year with the mitigation actions that we know we have in place. If you look at different types of sourcing decisions, those mitigation actions begin to have a little bit longer timeline to the benefit. So, next year, we may have a different picture in terms of what the tariffs are depending on where we're sourcing certain things out of, and that could change. So, as we said, this is really just a picture for the calendar year of this year.

Eric Bosshard

Analyst, Cleveland Research Co. LLC

Q

And then within that, so on an annualized basis, it's \$600 million, \$700 million, \$800 million. I'm just curious, can you just give us even a big picture perspective of this is – half of this is finished goods you're importing, half of it is components? Just trying to get a sense. I know that you're a US manufacturer, but trying to just get a sense of where I'm surprised the number is so big, what the source of the magnitude of that number comes from?

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

A

Eric, it's largely components, but there's some finished goods impact. And the components are either products or components which we, at this point, cannot yet source in either US or Mexico, but I think the supply chain will change there also, or the impact – elements which are impacted by 232 tariffs. So, it is largely components. There's a smaller number on finished goods, but also here. And that's why I'm careful about this annualized impact over next year's impact because, of course, we are taking steps to rewire supply chain. So, some of these effects would just probably not be there by the time we come to 2026 because we will have already taken steps on supply chain. But that's right now our best estimate for this calendar year. Again, I will be careful already assuming that this fully rolls over into next year, because we are taking actions.

Marc Robert Bitzer

Chairman & Chief Executive Officer, Whirlpool Corp.

So with that, again, thank you all for listening to our call today. Yeah, just want to close a little bit on an item which we typically don't talk that much about this, and this has been a special item. We, unfortunately, also had in March a tornado impacting one of our factories. It's actually our Tulsa, Oklahoma factory with 1,600 employees. Even though the tornado, which caused severe damage on the factory, it happens kind of in the morning when we have a full shift with several hundred people there. Luckily enough, nobody was injured, and we are very grateful and thankful for this one.

But I also want to express my gratitude to the team. It's been only four weeks. The team has worked around the clock to basically get the factory up and running again. So as of Monday, we were able to produce again despite a huge issue, which we had caused in the factory, which goes up more as a thank you to our Oklahoma team. And I think it's testimony to all the good things you can achieve with a strong American workforce.

So on that note, I appreciate you all listening, and talk to you soon.

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

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