


# FOURTH-QUARTER 2017 EARNINGS REVIEW

January 25, 2018

# GLOBAL OVERVIEW



Marc Bitzer

Chief Executive Officer

# 2017 FOURTH-QUARTER HIGHLIGHTS

- Ongoing EPS of $4.10 in Q4 and $13.74 for the full year, in-line with expectations
- Delivered positive global price/mix for the first time since Q4 2015
- Strong North America margin of 11.8 percent, a 60 basis point improvement
- Global price/mix and fixed cost reduction progressing ahead of expectations
- Returned a record $1.1 billion to shareholders in 2017

# PROGRESS TOWARD LONG-TERM GOALS

| | Profitable Growth<br>3-5%<br>Annual Organic Net Sales Growth | | Margin Expansion<br>10%<br>EBIT Margin (by 2020) | | | Cash Conversion<br>5-6%<br>FCF as % of Net Sales (by 2018) | | |
|---|---|---|---|---|---|---|---|---|
| | Net Sales | YoY Change | Ongoing EBIT Margin[1] | | YoY Change | Free Cash Flow[2] | | FCF as % of Net Sales |
| Q4 2017 | $5.7B | 0.8% | 6.6% | | (0.7)pts | nm | | |
| FY 2017 | $21.3B ✓ | 2.6% | 6.4% | ✗ | (0.9)pts | $707M | ✗ | 3.3% |

nm = not meaningful

# ONGOING EBIT MARGIN(1) DRIVERS

| | Q4 | FY |
|---|---|---|
| **2016 Ongoing EBIT Margin** | **7.3%** | **7.3%** |
| Price / Mix | +0.5 | -1.0 |
| Ongoing Cost Productivity & Restructuring Benefits | +1.25 | +2.0 |
| Raw Material Inflation | -1.50 | -1.75 |
| Marketing, Technology & Infrastructure | -1.0 | -0.25 |
| Currency | - | - |
| **2017 Ongoing EBIT Margin** | **6.6%** | **6.4%** |

*Approximate Impact*

# KEY PERFORMANCE DRIVER: PRODUCT PRICE/MIX

| Region | Q4'17 | FY'17 | FY'17 Drivers |
|---|---|---|---|
| **Total Company** | **+0.5%** | **-1.0%** | |
| **North America** | Up | Flat | • Positive price/mix driven by cooking category growth and *KitchenAid* brand |
| **EMEA** | Down | Down | • Sequential improvement in Q4, but below last year due to remaining obsolete inventory |
| **Latin America** | Slightly Down | Slightly Down | • Mix pressure due to continued lower refrigeration demand |
| **Asia** | Up | Down | • Price/mix improvement in Q4 driven by cost-based price increases in India and China |

**Exiting the Year with Improved Global Price/Mix**

# REGIONAL OVERVIEW

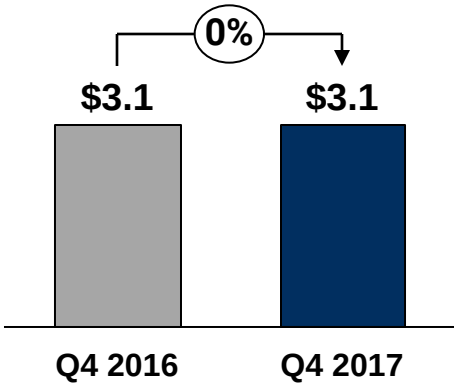


Jim Peters

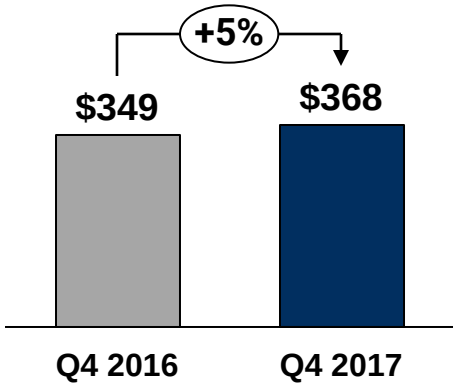
Executive Vice President
and Chief Financial Officer

# NORTH AMERICA FOURTH-QUARTER RESULTS

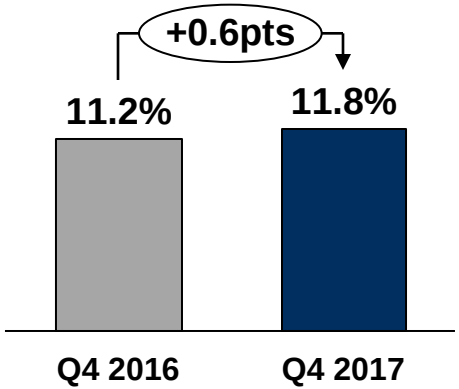
**Net Sales ($B)**




**Operating Profit ($M)**

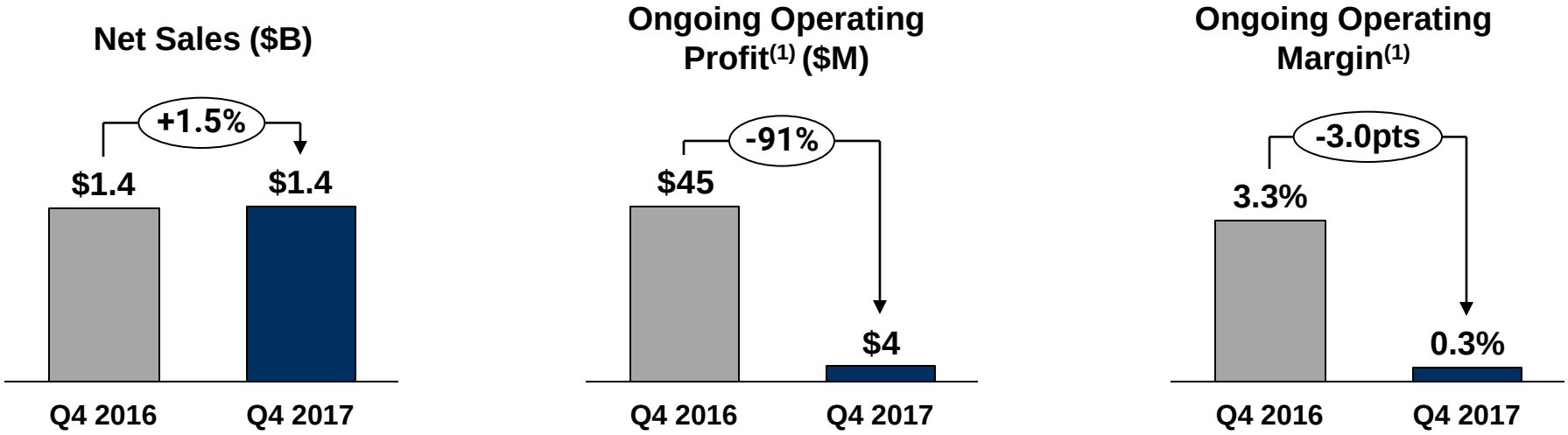



**Operating Margin**



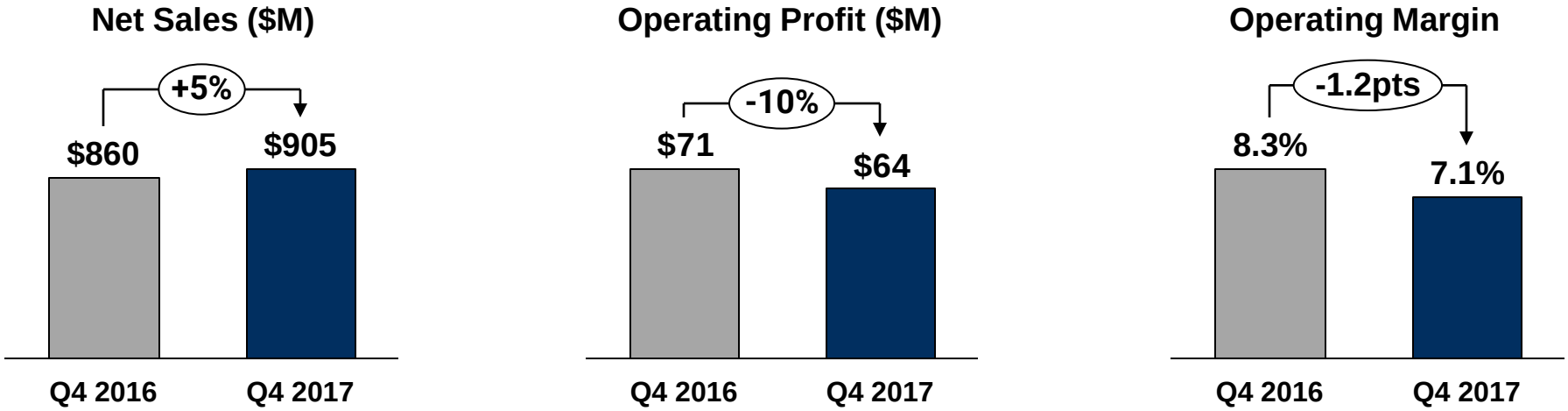

- Strong margin improvement in-line with guidance, primarily driven by positive price/mix
- Raw material inflation of ~$25M impacted operating margin by ~75 bps
- Implementing previously-announced cost-based price increases in US kitchen business by early 2018

# EMEA FOURTH-QUARTER RESULTS




- Margin below expectations, primarily driven by unfavorable price/mix
- Raw material inflation of ~$20M impacted operating margin by ~150 bps
- Previously-announced cost-based price increases executed or underway in nearly all countries

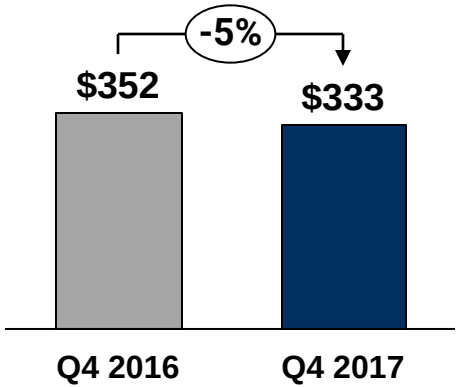
# LATIN AMERICA FOURTH-QUARTER RESULTS



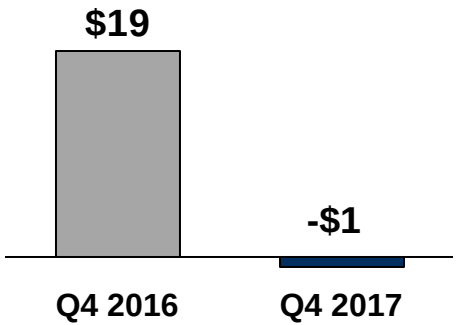

- Solid margins in a soft industry demand environment
- Price/mix sequentially improved as industry demand began to shift back to refrigeration
- Raw material inflation of ~$15M impacted operating margin by ~150 bps
- Favorable impact from sale and monetization of tax credits in Brazil

# ASIA FOURTH-QUARTER RESULTS

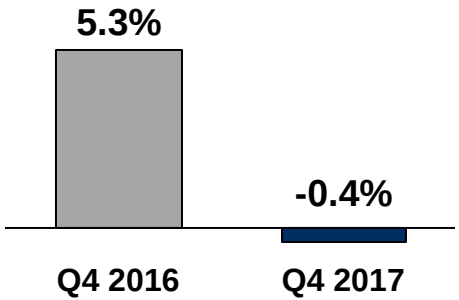
**Net Sales ($M)**




**Ongoing Operating Profit(1) ($M)**




**Ongoing Operating Margin(1)**




- Strong performance in India with unit volume growth, share gains and margin expansion
- Volume decline in China primarily driven by focus on price/mix improvements
- Raw material inflation of ~$10M impacted operating margin by ~300 bps

# 2018 GUIDANCE



Marc Bitzer

Chief Executive Officer



Jim Peters

Executive Vice President and Chief Financial Officer



# 2018 GUIDANCE OVERVIEW

## Profitable Growth

**3-5%**
Annual Organic Net Sales Growth

| Net Sales | YoY Change |
|---|---|
| ~$21.9B | ~3% |

## Margin Expansion

**10%**
EBIT Margin (by 2020)

| Ongoing EBIT Margin(1) | YoY Change |
|---|---|
| ~7.5% | ~1.1pts |

## Cash Conversion

**5-6%**
FCF as % of Net Sales (by 2018)

| Free Cash Flow(2) | FCF as % of Net Sales |
|---|---|
| $1.0-1.1B | ~5% |

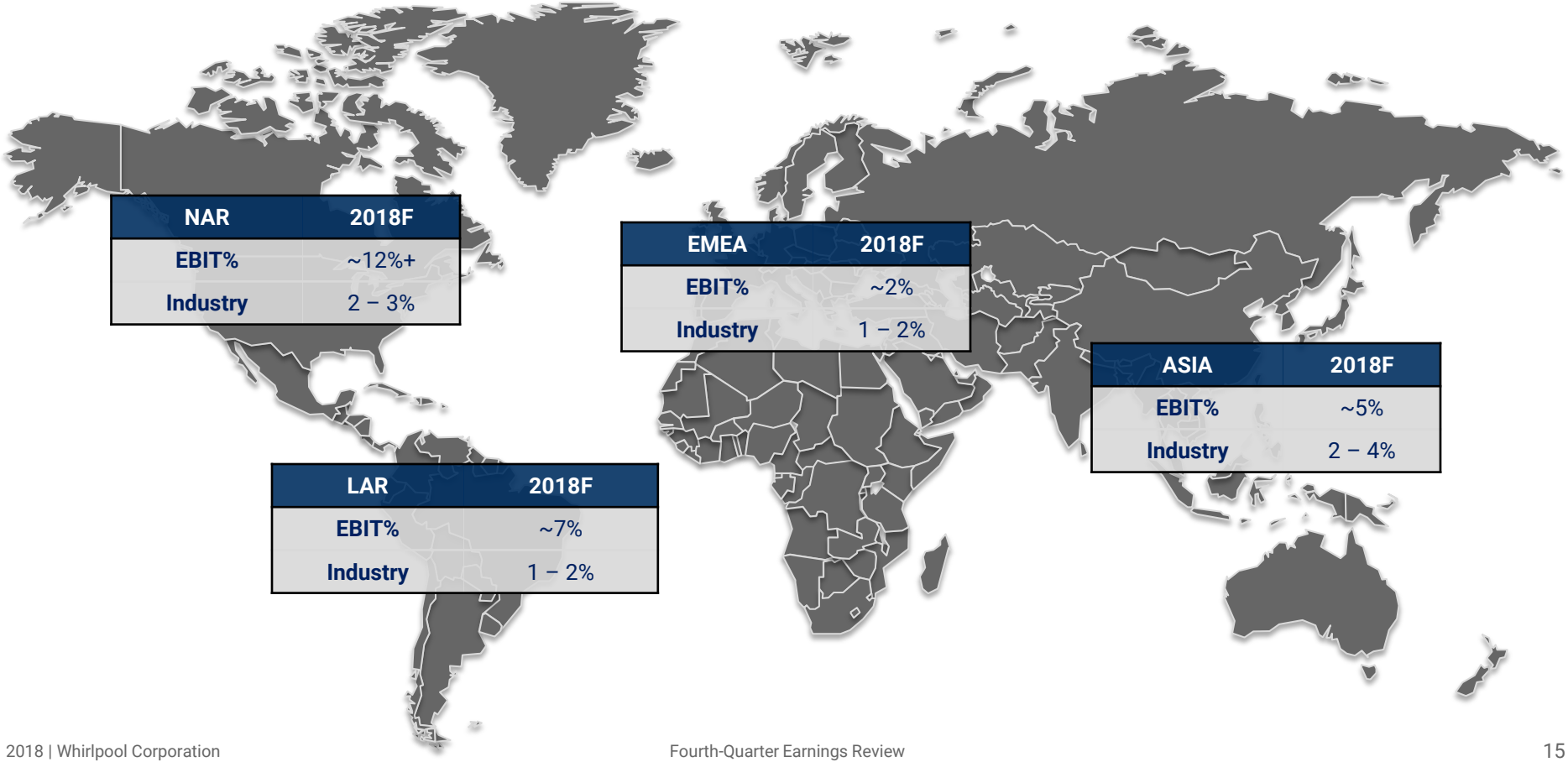
**Expect to Deliver Ongoing Earnings(1) of $14.50 - $15.50 per Share**

# 2018 ONGOING EBIT MARGIN(1) PROGRESSION

| | Full-Year | Comments |
|---|---|---|
| **2017 Ongoing EBIT Margin** | **6.4%** | |
| Price / Mix | +1.0 | • Innovative new product launches<br>• Previously-announced cost-based pricing |
| Fixed Cost Takeout | +0.75 | • Already 80% implemented |
| Ongoing Cost Productivity & Restructuring Benefits | +1.25 | • $175M benefit from cost productivity<br>• $100M from restucturing benefits |
| Raw Material Inflation | -1.0 | • Expect $200-250M cost increase |
| Marketing & Technology Investments | -0.75 | • Supporting global and regional launches, including *Whirlpool* brand connected suite |
| Currency | - | |
| **2018 Ongoing EBIT Margin** | **~7.5%** | |

*Approximate Impact*

# 2018 REGIONAL GUIDANCE



| NAR | 2018F |
|---|---|
| EBIT% | ~12%+ |
| Industry | 2 – 3% |

| EMEA | 2018F |
|---|---|
| EBIT% | ~2% |
| Industry | 1 – 2% |

| ASIA | 2018F |
|---|---|
| EBIT% | ~5% |
| Industry | 2 – 4% |

| LAR | 2018F |
|---|---|
| EBIT% | ~7% |
| Industry | 1 – 2% |

# 2018 FREE CASH FLOW(2) DRIVERS

| | Full-Year | Comments |
|---|---|---|
| **2017 Free Cash Flow** | **$707M** | |
| Cash Earnings | ~$350M | • Inclusive of improved price/mix and cost takeout actions |
| Working Capital | ~$125M | • Significant inventory reduction in North America and EMEA |
| Restructuring Cash Outlays | ~$(125)M | • Higher cash outlays related to Embraco plant closure in Italy and global fixed cost reduction initiative |
| Capital Expenditures | - | |
| **2018 Free Cash Flow** | **$1.0B - $1.1B** | |

*Approximate Impact*

**Expect to Achieve Our Cash Conversion Goal in 2018**

# 2018 CAPITAL ALLOCATION STRATEGY

| Fund the Business | Target | Status |
|---|---|---|
| Capex / R&D | Capex: ~3.5% of net sales<br>R&D: ~3% of net sales | • On-track<br>• On-track |
| Mergers & Acquisitions | Explore value-creating M&A to accelerate strategy | • Continue to be opportunistic |

| Return to Shareholders | Target | Status |
|---|---|---|
| Dividends | 25-30% of trailing 12-month earnings | • On-track |
| Share Repurchase | Continued repurchasing | • Repurchased $750M in 2017<br>• $1.95B authorization remaining |
| Targeted Capital Structure | Maintain strong investment grade rating | • On-track |

# OUR LONG-TERM VALUE CREATION FRAMEWORK

| Profitable Growth | Margin Expansion | Cash Conversion |
|---|---|---|
| Innovation-fueled growth at or above the market | Drive cost and mix to grow profitably | Asset efficiency converts profitable growth to cash |
| **3-5%** Annual Organic Net Sales Growth | **10%** EBIT Margin (by 2020) | **5-6%** FCF as % of Net Sales (by 2018) |

**Recently-Announced Actions Create a Clear Path to 2020 EBIT Margin Goal**

# Q&A AND CLOSING REMARKS



# SUMMARY OF KEY MESSAGES

- Global price/mix and fixed cost reduction progressing ahead of expectations
- Fourth-quarter price/mix exit rate and strong North America margins are encouraging
- Focused 2018 plans to expand margins across all regions
- Expect to fully achieve revenue growth and cash conversion goals in 2018
- Plan to continue returning strong levels of cash to shareholders


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# APPENDIX



# 2018 GUIDANCE COMPONENTS (APPROXIMATE IMPACT)

| Income Statement | FY2018E | FY2017A |
|---|---|---|
| Net Cost Takeout (inclusive of raw materials) | $200M | $100M |
| Cost Productivity (inclusive of $150M net fixed cost reduction) | $325M | $350M |
| Restructuring Benefits | $100M | $100M |
| Raw Material Inflation | $(200) - (250)M | $(350)M |
| Restructuring Expense | $200M | $275M |
| Interest and Sundry (Income) Expense | $130M | $87M |
| Interest Expense | $160M | $162M |
| Tax Rate | Mid 20's | 14.7% |
| Weighted-Average Diluted Shares Outstanding | * | 74.4M |

| Cash Flow Statement | FY2018E | FY2017A |
|---|---|---|
| Capital Expenditures | $675M | $684M |
| Pension Contributions | $35M | $42M |
| Dividends Paid | * | $312M |
| Amount of Stock Repurchased | * | $750M |
| Restructuring Cash Outlays | $300M | $175M |
| EMEA Legacy Product Warranty | - | $69M |

* Not included in Company's Guidance

# CAUTIONARY STATEMENT

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

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

# USE OF NON-GAAP FINANCIAL MEASURES

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

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

Other non-GAAP financial measures included in this presentation are free cash flow(2), free cash flow as percentage of sales and net sales (excluding currency), which we also refer to as organic net sales.

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

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

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