Company Name: Whirlpool
Company Ticker: WHR US
Date: 2019-05-23
Event Description: Investor Day

Market Cap: 7,593.11
Current PX: 119.88
YTD Change($): +13.01
YTD Change(%): +12.174

Bloomberg Estimates - EPS
Current Quarter: 3.650
Current Year: 14.705
Bloomberg Estimates - Sales
Current Quarter: 4958.286
Current Year: 20167.333

Investor Day

Company Participants

- Max Tunnicliff, 'Senior Director Investor Relations'
- Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'
- Joao Brega, 'Executive Vice President President - Whirlpool Latin America'
- Roberto Campos, 'VP Global product organization'
- Liz Dore, 'VP Global Strategic Sourcing Organization'
- Kirsten Hewitt, 'VP and Chief Legal Officer'
- Joe Liotine, 'EVP & President Whirlpool North America'
- Carey Martin, 'VP Chief Human Resources Officer'
- Gilles Morel, 'President of Europe Middle East and Africa Region'
- Sam Wu, 'EVP & President Whirlpool Asia'
- Unidentified Speaker, ''
- Jim Peters, 'Executive Vice President and Chief Financial Officer'
- Joseph Liotine, 'Executive Vice President and President - Whirlpool North America'

Other Participants

- Michael Dahl
- David MacGregor
- Sam Darkatsh
- Ken Zener
- Curtis Nagle
- Megan McGrath
- Analyst
- Peter Lawrence

Presentation

Max Tunnicliff, 'Senior Director Investor Relations'

Good morning, and welcome everyone to Whirlpool Corporation's 2019 Investor Day. Thank you for coming to the New York Stock Exchange, and for those of you online, thank you for joining our webcast. With us today are Marc Bitzer, our Chairman and Chief Executive Officer; and Jim Peters, our Chief Financial Officer along with members of our Global Executive Team. Our remarks may track with a presentation available on our website at www.whirlpoolcorp.com.

Before we begin, just remind you that we will be making forward-looking statements including non-GAAP measures. You can look in the appendix of the presentation for important information about those items. As we look at the agenda, we will spend about an hour and 45 minutes on the presentation, followed by a question-and-answer session with our executive team. And we ask that you hold questions until that time.

With that, I will turn the presentation over to Marc.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

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Good morning, everyone. First of all, thanks for coming here, I know it's a rainy day outside. I understand for some New Jersey Turnpike issues, so we're glad you made it.

Really great to be back here at this great institution so really fascinating building awesome. Before, we actually get started, I actually want to take the opportunity to action to use our global executive committee. I know day-by-day you typically interact with Jim or myself and while you appreciate it you probably appreciate even more to get to know the rest of the team, which will actually do the lion share of the presentation also the day and we have entire team you also for Q&A So let me just actually moved probably just go here in the sequence of a slide. So Brega, you want to start.

Joao Brega, 'Executive Vice President President - Whirlpool Latin America'

Good morning. My name is Joao Brega, I'm President of Latin America and working for 24 years in Whirlpool.

Roberto Campos, 'VP Global product organization'

Good morning, I'm Roberto Campos, Global product organization at 30 years in the company.

Liz Dore, 'VP Global Strategic Sourcing Organization'

Good morning.

My name is Liz Dore and I run the Global Strategic Sourcing Organization, I've been with the company eight years.

Kirsten Hewitt, 'VP and Chief Legal Officer'

Good morning. I'm Kirsten Hewitt, the Chief Legal Officer Whirlpool. I've been work for 23 years.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

I know Joe.

Joe Liotine, 'EVP & President Whirlpool North America'

Good morning, Joe Liotine I lead our North American Business. I've been with the company for 15 years.

Carey Martin, 'VP Chief Human Resources Officer'

Good morning I'm Carey Martin and I am the CHR for whirlpool and I've been with the company for six years

Gilles Morel, 'President of Europe Middle East and Africa Region'

Good morning.

Gilles Morel, I lead the EMEA region and I've been in the business for the last seven weeks.

Sam Wu, 'EVP & President Whirlpool Asia'

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Good morning Sam Wu, I lead the Asia pacific region join the whirlpool 2.5 years ago. Before that I run Siemens OSRAM from for Asia Pacific.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

So with that in mind let's just get started now and you've seen the agenda, let me first talk about what we will not talk about today.

This meeting of this Investor Day's a is not meant to give you an update on our guidance. This is not a quarterly earnings call and very straightforward on guidance we issued guidance end of January. You all know we had actually a very strong Q1, we feel very confident about where we are from a business, from a guidance perspective. I know there has been some rumbling around tariffs, but we said January it's already factored in and that's the same statement today.

So, we feel very good about where the businesses where we guidance is, so there's no update. So if you came for just an update on guidance, I have to disappoint you because we're on track period. The second thing which is not about, we're not going to comment or speculate about mergers and acquisitions or divestitures. Of course you can ask us and we can comment about things which we've already announced, but we have on the process, but I think you appreciate we'll not engage in speculation about what could be their down there a couple years number[ph] roads.

So, what meeting is about is actually we want to tell you as executives committee why we strongly believe Whirlpool is a good long-term investment. That's basic but this meeting is about. And the essence of that is actually captured on that slide. The reason why we feel very strongly about, our long-term future as an company and as an investment is basically built on three main pillars.

One is our sound of very solid or super strong structure position, how we want to put it. Which is around the global leading scale. I think we have by a long short[ph], the best brand Portfolio industry. It is our legacy, our track record of innovation, And our best cost, which is not just scale but also the tools which are available to us in terms of taking cost out.

That's the structural element in I will just explain a little bit more. But equally important we believe by region but also some strategic transformation there's some very big value creation between this. On from a regional perspective, we do believe North America, as you've seen webs very strong margin over the last two quarter even in a somewhat down market, but frankly on the market we are actually reasonably positive and bullish above the long-term market perspective. We believe are still a lot of runway left in these markets, and you've seen our margin generation even in a somewhat soft environment.

Europe now that the Indesit[ph] integrations behind us we do see significant opportunities to expand our margins through cost measures, but also go-to-market measures and we're going to talk about that. In Latin America, we had for decades a very strong business in particular in Brazil, which is the biggest market out there. And we finally see a Brazilian market coming around, which always helps us significantly. So we're actually very upbeat about the Latin America perspective.

And lastly Asia, where we've a very strong India business in a growing market and we've a China business where we've a very strong cost based product platform, product factory opportunities for kind of not only for China, but also export. Coupled[ph] that before we haven't right side for strategic transformation, and this is something which frankly we don't typically talk about an earnings call. But we as a team embarked actually last year on a fairly long strategic journey which, call it transformation, is and it's essentially about three major pieces. One is how the nature of a product which we sale[ph] changes going forward.

It is about connected appliance, but it's not only about connected appliance, because connected appliance is just technology. It is about what kind of product and service will sell in the future. The second part is about the consumer journey, which has seen throughout the world. We've seen some pretty dramatic changes over the last 10 years in that space.

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And the third element is what that all means for our value chain, how our value chain changes going forward. And also how we can use many of the same tools, be it data analytics everything else on getting more productivity in the value chain. And then we're going to talk about all these aspects, to put the same perspective in numbers and this is on this slide that you see our commitment to long-term value creation. Let me just take a little bit for the numbers EBIT our long-term value creation target is a 10% EBIT, on free cash flow to 6% plus and then our ROIC is 12% to 14%.

Now let me give you a little bit more color and Jim will later on cover a lot more detail behind this, initially you also the margin walk. But 10% is a number which we had out there two years ago also. We do firmly believe and we will confirm that today that this business is absolutely capable of delivering 10%. Frankly we lost probably two years, lost two years because macroeconomic challenges, cost inflation and yes we also lost time with a European integration.

But business is such is absolutely capable of delivering 10% EBIT Free cash flow for both of you follow us for many years, previously, we have 5% to 6% we believe this business through earnings power plus also for sustained opportunities to reduce working capital, we can drive 6% plus free cash flow on sustained basis. In the third element is ROIC, ROIC is a measure which of course we look at very closely internally, we have externally not given commitments of firm numbers in terms of where we want to take the business. You see on the left side in our definition of ROIC is 9.4% last year, to make a little side note on this one as you know, there's many definition on ROIC out there. We take a fairly conservative definition of the ROIC and we can give you all the details later on.

But that conservative assumption, we do believe we can expand ROIC by 3 to 5 points. Through a combination of our earnings power, but we also believe there are further opportunities to reduce our fixed asset base. So, ROIC is a key measure for us, you will some of know and Jim will also show that later on. It is also half of our long-term compensation.

So, it's something which we focus on very strongly. On the right side, you see how we plan to use the cash. And the one thing which is reasonable[ph] predictable Whirlpool is the funding of a business, CapEx with typically invest in around 3%. Also if you look at the last 10 years there's not been a lot of spikes up and down, and I think you should expect that also going forward.

Dividends, historically our guideline or guidance was 25% to 30% trailing 12-months earnings. We can update that to around 30%. You also seeing that we kind of raised yet again the 7th year in a row dividends and makes just a reflection of around 30% trailing 12-months. Share repurchases we had last year a fairly elevated level of share buybacks and we stayed here continued.

What we mean with that specifically, we of course we'll buy back shares but we also built a close consideration of our debt metrics. We said publicly we want to get to around the 2 gross debt leverage. But right now 3.6 some of you know better still a temporary loan related to Embraco sale and the Nidec purchase in there once that reverses we should get a lot closer to the tools by the back half of the year, and Jim again which will a lot more detail later on. So, why would balance the debt metrics that's also how we look at the share buyback's what is specific means you should expect probably moderate level of buyback's until we reach debt leverage and then we can have a different discussion about that, or can expanded also.

Put that all together both the earnings and cash flow and our capital allocation. Yes, we do aspire and aim for a top quartile TSR and put the math together yes math translates into roughly 10% EPS growth, put it all together and of course with certain parameters in this assumption. So with that in mind, let me -- and actually also Joe Liotine will join me here. Let me feel first 30 minutes spend some time on a little bit of our structural position, I'll get a little bit of recap, but then more importantly let's start talking about what we're doing in the company -- around the company kind of which sets us up for a great future going forward and how we transform a company.

And again our structure position most of you are very familiar with history[ph]. I still believe it's a very important element because whenever you buy Whirlpool share you get the structural element, and it is a unique asset which we have in our company and it essentially is ground and four main pieces. One is global leading scale, you will see later on scale on many dimensions be it in the factories or be it in the countries which is still a key driver of our overall profitability. We proud ourselves of the strongest brand portfolio in the industry with six brands above $1 billion

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revenues.

We have a strong track record of innovation and we're funding innovation even in bad times we did not take our funding down, so we invest roughly about $1 billion, every year between CapEx and engineering. And we pride ourselves on having best cost position, not only because of scale, but also how we work and approach certain tools and how we drive productivity going forward. So, if you take a little bit closer look at this one, the first one on leading scale and again this is just the scale in the countries and I think that's actually very important chart for us which spot one of the strongest assets we've from structure position perspective. These are our top 10 countries in order of revenue size, so these are top 10 as we kind of internal look at them.

And 7 of these ones we are number one. In some cases by a long shot. The reason why about so relevant is country scale matters or put it differently if you would plot our profitability by country versus our relative scale position. There's a strong correlation.

So, country position, country scale matters big time and having 7 out of the top 10 countries on the number one position is a big deal. So, that is a probably maybe one of our strongest assets as company. Second one is a brand portfolio. During the past, I sometimes have been asked about well wouldn't you want to have just 1 or 2 brands that's interesting, but if you aspire in a mark in a country to let's say a moment 15%-20% market share, it's hard to serve that kind of market share of business with just one brands.

Actually our brand portfolio allows us to targets a very diverse consumer spectrum, allows us to target very different consumer needs. And I would say our brand portfolio is pretty much one of our really key assets in this industry. We're not going through a lot of details, it is also nice spectrum between value, mass, and premium. If we can play the entire ladder fairly well with our brand portfolio.

The third element without going too much into the details. There's a lot of talk about how innovation -- we've been 108 years in the innovation business. And if you look at a lot of pictures out there, you could argue the majority of innovation in this industry came from Whirlpools. So we take a lot of pride, but we also recognize having a108 years of track records is not a guarantee of future.

That's why we invest significant amounts. And as I mentioned before it's roughly about $1 billion every year between R&D and CapEx. So we have around 4,000 engineers who do nothing else but think about kitchen and laundry innovation and product development. So, that's a commitment also future and you also know for those of you follow us closer even in economic difficult times, we never scale back on our investments in innovation.

The 4th element the best cost position, and what I want to highlight here it's not just a scale reflection, the scale is what you see a little bit on the left side and this is just showing the factories it is scale, plus tools and capabilities. Our first, -- let me start actually on the left side with the factories and again you have similar pictures not just for factories, you have a same thing also in logistics and some other elements. In our industry, most people would consider a 1 million to 3 million unit factory a very large factory by any definition, and we talked about factories which are close to my long. We've 17 large factories, we've 6 what we call mega factories, these are 3 million to 5 million unit factories.

Believe me across the entire world, the entire industry there are not that many mega factories and we have 12 factories still with less than a million which are either specialized of service specific country, so we have 12 small factories. If you do the math between all these ones. You can say basic pretty much 80% of our entire production volume comes from fairly large factory. So scale is a big element again this just shows the factory scale but the other element is the productivity tool.

Two years ago, we started as a company, where we engaged in a what we call Global Whirlpool Production System which in essence of world class manufacturing tools, which actually helped us a really key catalyst to drive sustained four-wall productivity. In a way we're frankly we have not reached in the past. The second piece and there's a lot of talk and there's a lot of opportunity around versus product architecture, we serve many countries, we serve many markets, we serve many categories, many brands by definition you have complexity. But well we embarked on a journey kind of pretty much 2 or 3 years ago a journey towards simplifying that with a smart way in how we approach product architecture and modularity, i.e. find a way to not only measure complexity, no more cost efficient manner but also

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overall reducing particular parts and component complexity and architecture complexity.

So, that is a key element than catalyst for our system productivity. And we also have a number of very good tools in particular on indirect spending which is now industry also fairly significant. So put that all together and this is again let's just for the factories and the conversion, we strongly believe and we know it. We can get to 4% sustained nets conversion productivity.

So that is after all salary inflation everything else that is the in four-wall productivity which we know we can get and which we actually achieved. So that, again that's just some cost position, we can show you a similar chart and service costs, logistic costs but of course conversion cost is a big element. So, let me shift gears and actually talk about how we're changing the company And the way you got to look at this is not a 2019 initiative, that is a multi-year initiative, which we started as an executive committee. So we're kind of in year two of this one, and in essence is about three major elements.

One is being the leader in connected appliances and services. And let me just emphasize this one it's not necessarily about just connected. Connected is a technology, okay. Which frankly is not rocket science.

Is it more difficult to make a safe connected appliance but you can do that. It is about how you translate that technology into relevant consumer benefits and that is easier said than done. How do you make it in a way, which provides true value to consumers but consume pay for. and which ultimately even redefines a shapes what is it we're selling in the future.

We see today what we're selling is pretty straightforward and appliance, but what kind of bundle of services are you going to sell in the future how does it look like. So that is a fundamental change in terms of how we look about the next three to five years. To be also very clear it is not a big element of our P&L today. But it's very obvious but change is happening, and we change -- will stay here and it would certainly impact how business looks like a 3 to 5 years from now.

The second part is this what we called the winning the digital consumer journey. Sometimes you don't really appreciate how much has been already changed and what it means for our company, and to give you perspective, you actually only have to go back 10 years ago. 10 years ago the number one source for consumers which I looked at when they were about to buy an appliance for newspapers[ph], it was be added on the weekend and you probably also remember that. I know when you think today about this newspaper add it feels like Medieval Times It's 10 years ago, it was the number one source.

Today by long shots it's digital, about 80% to 90% of consumers around the world. It's not just US go pre informed in a purchase process, i.e. they have a digital research before. So it's a race to consumer ratings it is what you do in a pre-buy digitally where we invested a lot of assets, but I think we made a huge progress, but that's really a big battlefield. The second part related to this one is also what happens on the actual e-commerce and the transaction.

They actually US as a global market is almost little bit behind, it's around 14%. Other parts of world are quite a bit ahead, particular China some parts in Europe and where you see a 30%, 40% e-commerce translation. That offers a whole different set of opportunities either working with e-commerce partners or in some parts of our business also going direct, because you have different tools and different abilities that you can go electronic indirect[ph], which is of course a very attractive opportunity in terms of our future and how we directly interact with consumers. The third part is this value chain, what it all means for value chain, which has actually two aspects.

One is what do streams number 1 and 2 mean from value chain because all of a sudden you look differently at elements like home delivery, you do look differently at service and how you repair appliances. You just look different value chain, you come to different conclusions where do we want to be strong and where we don't have these have assets. But, it's equally a lot of tools which we use in particular around consumer journey et cetera. A lot of additional tools as the data analytics AI have a big impact on how we drive productivity across our value chain.

So, in essence, these are the three major transformation streams which work on very hard, which will create a very different business going forward and offers a lot of opportunities. So now I actually will have Joe, going a little bit

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more in the detail of these work streams. Joe, is running on North America business maybe as I noted. I know our companies have a Chief Transformation Officer, Chief Digital Officer, we don't and it comes out of conviction because I think deep transformational change happens in the business and through business.

That's why all these streams are carried and driven by our executive committee. And I think that drives the most profound change and also the most successful change. With ,that Joe.

Joe Liotine, 'EVP & President Whirlpool North America'

Thank you, Marc.

Good morning. So I'm going a little bit deeper on some of the topics that Marc just highlighted. The very first thing I want to show you is in a video. We're going with our laundry products in particular, these are our front load launch.

Some of this is in market today some of this stuff is coming in the future, but it gives you an idea of what the combination of great products, great brands, and great technology with a purpose you can do, or the friction points it can remove for consumers and really highlights the value we could bring to consumers. So, please play the video. (Audio-Video presentation) So, this is just an example of kind of what's coming. And when you think about the friction points, the technology in the products kind of all working together building business partners ecosystems it's to really help each other with Amazon Fresh or Instacart or whatever it might be.

We can really help consumers and their everyday life. Get a lot more done the way they want to in a very smart way, efficient way. So again these products just launched earlier this year, more of it is coming later in the year. And in the subsequent years but it really gives you a good idea of kind of what we're going to do to the market, how's that's helpful to the consumers.

The next example is really not in the laundry room and the kitchen side. And what you'll see is, we're launching different things and experimenting. The countertop oven in the left we unveiled that at CES, that's a countertop oven that has all the performance benefits of a typical oven. In addition has image recognition, it has app integration really just kind of bringing us forward in terms of what's important to consumers and making their lives easier, faster, more efficient.

And all of these all three these products actually work with Yummly. The middle picture is a Whirlpool connected suite that we've launched in the last let's say 12-months out market today, variety of different products, microwave, free standing range, built-in oven, all connected all working with one another machine-to-machine, app to machine, into the cloud and with partners. And all of these data is helping us really serve the consumer to do a lot of things better. In the last one, which is the most exciting probably as its newest.

Is just launching right now that's a typical KitchenAid oven, that has all these power accessories that go inside the oven into a proprietary port that can help you grill, steam or have a heated baking stone. So, you have all the performance benefits of a fantastic KitchenAid oven plus all of these things. And this again elevating the experience to consumers to the next level no one else is doing anything like this. They all sit on top of Yummly.

And Yummly is not just a recipe app company for us. It really is a lot more than that it can do recipes, it can do guided meal prep, it can do app to machine interface and you can sequence and set algorithms in advance of when the consumer needs. So we can preheat our oven for you based on a recipe that it knows you're cooking, take in sequence the temperatures in the oven based on the type of food you're cooking and the recipe at hand. So really kind of taking the experience to the next level.

Letting consumers get a lot more out of our machines -- excuse me. And really have an experience that I think is helpful. They can spend their time the way they want you with their family, we're doing other tasks maybe not spending as much time in these transfer processes they get no utility out of. So we're very excited about this more to kind of come but all three of these are in market and we've won quite a bit of attention and awards for these early on.

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Yummly, I mean again and Yummly is going to do a lot for us. Again it's going to be the operating system the platform, for how we engage. We've been making hardware for a long time and the way we've talked about it is we made cubes that either made things hot, cold or wet for 100 years. Well we're certainly going to make these cubes in the future they're the anchor point and the reason why we have permission in the kitchen and the laundry room to help consumers.

But in addition Yummly is going to be an agnostic portal where consumers can enter. They don't have to have our products or they may have our products. And the benefits of having both our hardware and our Yummly app, and really working with that in concert across the entire kitchen or laundry room will be tremendous in terms of taking away friction, in terms of making a more successful at whatever they're doing. In terms of really the supply chain and knowing what's important to them and making sure they have the right ingredients and or detergent or whatever it is at the right time.

So this next video you shows maybe one more performance aspect of Yummly that we've already launched end[ph] market today on the app and it shows how we can do image recognition either on your counter, or in your refrigerator or in your pantry to know hey what ingredients you have and as a consequence you want to cook this recipe we can offer recipes based on the ingredients you have. We can understand your preferences dietary or allergies or whatever they might be and offer suggestions based on that combined with the ingredients you have at hand. And that really starts to solve things for consumers what's for dinner. Well it starts with what do I have.

So this next video will kind of give you a bit of insight there. (Audio-Video presentation) So, against another small glimpse on what's coming. We've been very consistent focused on use cases and focus on what's important to consumers. So purposeful innovation.

So you'll see that in these and features that we're offering. It's very clear we're follow[ph] needs not just adding technology for technology sake. A little bit more about Yummly, kind of more the characteristics. It's got 26 million plus registered users, 10 million email subscribers, 9 million monthly active and 3 million visitors per week.

It is the leading recipe app out there today, it has a fantastic 4.8 star rating on iOS So it really is well received we've taken all the great things they did and over the last let's say 18 months, really kind of ingested it and began to integrate it with our hardware. And our overall partners in our ecosystem and consumers will now start to feel that in market as they buy new products and really in 2019 for the first time in a material way. So we're very excited about what this platform is an operating system does for us and really what it does for consumers. And how that works and really kind of builds overall in this kind of impact in the ecosystem of the kitchen.

And again, it's not just recipes, it's not just image recognition, it's not just machine the app dialogue. We're actually making Yummly even more compelling to go into. So we're adding premium features with chefs Richard Blais and Carla Hall and even Andrew Zimmern. There are part of our process, they're adding content they're adding videos, they're adding how to is they're partnering with us.

To make sure the content itself is super enriching and then how we use a technology should be also very enriching and engaging to consumers. So this is also now in market today very new, so we're still kind of growing it, put in market today. And then in terms of our leadership and Marc touched on this. This is an important element to our strategy, we've been recognized externally very consistently for what we're bringing the approach the thoughtfulness around really friction points, or engagement points or really utility for the consumer.

We've won all kinds of awards if you take a moment to look and read and what they've said about us. Those aren't the things people would have expected we're talked about for Whirlpool 5 years ago 10 years ago, but they are the things we expect people to say about us 5 years from now 10 years from now. So we're very committed to making sure this aspect of our business grows in a very structured fundamental way to enable our other businesses to grow as a consequence. And then kind of the ramp up, so how fast is this going to happen, what does this really mean in terms of in market.

So you'll see these are the products for just the US we've sold lots of other connected products across the globe, but specifically for the US This is the amount of units we've sold in a cumulative fashion what we expect for both 2019 and

2020. So you can see the scaling aspect here is very, very quick and the install base matters because it sets up how much engagement, how much density we have with engagement, and the pathways in the data and so with scale with install base there are lots of benefits as a consequence of that, really can enrich our partnership ecosystem as well as our own machine to app and digital ecosystem. And so 2019 is a pretty significant increase. In 2020, I would say is when we really enter I would say the new material world in terms of how much is connected in a very big way.

And then maybe one last video, and this video is more to talk about around the globe, all of the different regions are working on innovation. Innovation isn't solely related to IoT or technology. As a company we've been innovating to the slide Marc presented earlier for a 108 years. So, innovation needs to come organically across all dimensions, some of that is in our traditional products, some of that is in technology, some of that is just in feature benefits that consumers are really asking for and desiring.

So this video will kind of detail a bit of that. (Audio-Video Presentation) So, as you can see our innovation really is coming from all across the globe and all kinds of different fashions in terms of product technology design, we're really excited about what this brings as a portfolio to the company and each of us regional leads what will also share more about our business going forward. So kind of moving more into the digital consumer journey side of things. I mean data really is at the center, really everyone's business, but we're also doing to really drive the right information, at the right time for the right consumer and we're understanding all the different connection points and we're doing a better and better job of taking data and moving it to the right places and use it for the right decisions and so really all across the consumer decision journey that data brings to life our decision making and it really helps point us to be more effective, more efficient and more impactful, as we talked and engaged with consumer.

If you think about it from a structural standpoint, the slides a little dense, but just more meant to illustrate we've lots of different data inputs across a variety of different things from brand properties to service call center, industrial. And we've our technology stack that we think is best in class that does the processing, cleansing, organizing of it. And then we disperse it, run through the pipes to the right places and we're doing a much better job taking that data, being a lot more sophisticated advanced with analytics and really targeting consumers better using it from an industrial standpoint better. And I'll kind of give a little bit of a detail in the upcoming slides on what that means.

But the point here is that it really is kind of thoughtful process for us to make sure, we're getting the most out of everything we know, every place we can. Which really has helped us, I think grow quickly from a marketing standpoint, from consumer engagement standpoint and from an industrial standpoint. That what we know about the consumer has changed quite a bit in the last 5 years. We used to know certain things based on general population research, we used to know certain things based on if consumers registered their product, but that frankly happened a little infrequently.

We used to know certain things we could buy certain data from certain places, but it's hard to put it all together was hard to build a profile in a very clean way in a very high accuracy based way. Today, that's not true anymore, we can do that -- we know a lot about Jane Doe and in Joao and in the pre buy experience. And we know a lot about James, Joao in the post buy experience and we're putting that together to make sure, we're anticipating the needs of the consumer in advance of when they need it and that's really helping us become more sharp, more effective with everything we do. Because we're not running the averages as much, we're lot more targeted and so one-to-one marketing, one-to-one engagement really CRM throughout the loyalty loop, when one group knows, the other group is done it kind of builds off that, is a lot more realistic and a lot more developed than it was five years ago.

And as a consequence, we can send very targeted emails. We know how long you've had a product, maybe how many service calls you had or haven't had or maybe the fact that you have two products, but a third may not be our brands and we can engage the consumer that way. We can set up our website based on measuring high-value tasks and dwell and all these technical things to make sure we're actually to putting content on our sites, for what they're looking for in advance of them telling us. We can do a lot better job with our seo[ph] our search and making sure, we're targeting the right things and using the right words and setting up the right content from a video or advertising standpoint.

And lastly, we can make sure our products, are what they need, based on what they're looking for, what they're asking for and what they're searching. And so all that comes together to be a much more meaningful engagement with

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consumers. From a digitization standpoint in the industrial side of things, I mean it's not unique to the upfront marketing and CRM side solely, there are lots of advantages for a company like ours, as a big industrial company to really take data through the system and get us a little bit sharper, a little bit more accurate everything we do. So from machine learning standpoint in automation and robotics we're moving down that path industrial robots, collaborative robots and really driving that getting them smarter and smarter in our big industrial footprints, which is really exciting the one on the right augmented reality.

I mean it's amazing how we trained our employees today in our plans. We use light guided systems they're very first day there on out mock assembly line and lights are showing them what to do and they're building dexterity and experience in a very safe environment in a very quick way to learn a green light means you did it right, a red light means you didn't do it right. And so we're training our employees, I'm very I think sophisticated and frankly engaging ways. So much better way to learn for employees and so light guided, visual inspection, the image recognition are becoming commonplace in our industrial footprint and it really is helping us take out costs be more efficient.

You really get the performance out of machines that we're looking for. From a value chain standpoint in quality, it's also helping us in a couple different dimensions. We're designing products better consumers don't ever use a feature or have a lot of the issues with a feature we can redesign that. We can get ahead of what they're looking for.

In manufacturing our test coverage, our ability to measure performance, our ability to measure variation or supplier quality. Whatever it might be goes up step function changes in the moment real time in the factory not after the event as an auditor or some problem solving. And then lastly in homes, if products are connected and we're getting data with high frequency, high volume. We know what's working we can maybe measure tolerances, we can measure performance and calibration of different components in the machines.

As a consequence we can get ahead of things, so we can reduce service visits, we can identify parts that need to be replaced not guess and bring three parts. Just bring the one part that's correct. We can sometimes engage with the consumer via chat or web or whatever it is, to solve a problem without having to visit, which is usually the best case scenario for everyone because we don't waste time and we don't interrupt their day. And then lastly, every time we go to a consumer's home, we should be able to solve things at a higher and higher rate.

So that we go there once, and we solve the problem with high satisfaction and maybe even solve or some opportunities they didn't know they had. And so we can really, I think be a lot more knowledgeable as we enter those discussions than we have in the past. And then logistics and kind of the final mile, this one gets a lot of attention today given how we shop and how we deliver products. And so an online purchase comes with an opportunity to engage the consumer and know what they want, what time do they want a delivery, is it a afternoon? is it a morning? what day do they prefer? Once we get that information with a lot of specificity about qualifying them, is an old house, is that a new house.

Are we removing something and we're not removing something, we running water, we can ask a lot of questions become much more informed, before we get there in a structured way. We can then optimize our routing, making sure we have the most efficient delivery systems. The most anticipatory of traffic or weather or pinch points and then we can really kind of see it real time and so can the consumer, is this delivery coming on time or is it late? Did something happen and really engaged the consumer in a way, where there's no surprises and customer satisfaction, is at a really, really high level. And if we do that well, we think that builds loyalty long-term, this is a very big opportunity to start that discussion with the consumer.

So these are kind of the big areas, what we want to talk about within each of the regions. We're really excited about our innovation, really excited about technology, really excited about the Yummly, operating system as a platform and it kind of manifests itself and each of our kind of regional roll-ups. So this first slide is kind of a summary of all the regions and we'll go across each of the leaders and share where we are -- I'll obviously talk about North America in from a revenue standpoint in 2018, we are $11.4 billion, our EBIT margin was 11.8. Our share was approximately 36, and industry size about 50 million.

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So our long-term expectations and goals are 2% to 3% revenue growth, 13% plus EBIT margin and in 2% to 3% industry size growth over the long term. And I'll kind of detail a little bit more about kind of the drivers to how we're going to get there. If -- we get this question a lot on industry and kind of what's happening and certainly if you take a long-term view there's a pretty clear line across how its performed. We think that pretty clear line is generally the right story.

Yes we've had a little bit of disruption, in Q4 and Q1 in terms of a little bit softer industry a little bit more volatile. So that's certainly true, but generally speaking if you look at the components of demand you'll see that we still feel pretty good about its long-term trend. So the preceding 70 years, 80 years was approximately 3%, 2019 forecast that we published in have talked about is a minus 2 to a 0 for the industry, and approximately '20-'23 forecast is about 2% to 3%. If we can break down the demand buckets because it's important to understand I think that the bigger drivers, and there's more ways to segment this.

But generally speaking these are the bigger buckets between replacement, new construction and discretionary. Generally those buckets have been kind of the same in terms of its structure but it's sizing changed quite a bit, so replacement has grown quite a bit over the last -- let's say, few years. And that's a function that will kind of elaborate on in the upcoming slides. So, appliances in a replacement fashion get replaced approximately every 10 years.

Plus or minus different categories performs a little different. The increase the installed base kind of helps add stability to the overall industry kind of characteristics or dynamics. New construction has historically been let's say 15%, 20 something percent that 15 now and we think there's opportunities there that it will outpace a little bit but it has done recently and I'll detail that out in some upcoming slides. And discretionary is about 30% that really has some elements around remodel and just discretionary purchases that consumers can pick and choose.

And we think generally speaking that the factors that go in discretionary spend your employment rate, consumer confidence, household, remodel spends, broadly are all kind of favorable as well. So, if we just go a little deeper on replacement and you look at the chart on the right. You'll see kind of the replacement market over the volume[ph] industry over the last couple of years and replacement as kind of a little bit of an explode. And if you look at 2008, 2012, that was the kind of trough period in the industry.

And if you look forward at the box to the right it's kind of highlighted between 2018 and 2022 that's the 10 year kind of window. Assuming generally it performs the same we're kind of in the trough today. We're not through the trough but we're definitely in it, and we think generally speaking and the data supports that it's not going to have a lot of variability from where we are today. It's certainly not going to be a big area of growth from a replacement standpoint, but generally speaking we're kind of in it today, we're experiencing today that maybe some of the erosion or depressed industry that we've seen in Q4 and Q1, certainly contribute with their other factors that will lay out as well.

And so, we're watching this but generally speaking this feels like it's as we expected. If you look at the next bucket, which is really more on kind of discretionary in a 30% of the industry. If you look at consumer confidence its upward sloping, upward trend we expect that to continue. If you look at homeowner improvement and repair expenditures again upward sloping and also contributor.

Those are going to build our feet into the propensity or likelihood of someone to have discretionary spend. So again we think that should outpace and grow versus where it was and so we think that's a positive for us certainly. And then the last one is really on kind of new construction and what we expect. There's lots of arguments to be made, but generally speaking the gray area on the chart indicates kind of a normal amount of starts.

We think we've been below that normal level for quite a few years now. There's a lot of reasons for that, the trough put a lot of pressure on builders. Few years back they were very sensitive the labor markets extremely tight and so, it's hard to get labor, so there's reasons for that. Regardless we believe the housing stock has not kept up pace with the needs[ph].

We think household formations kind of say the same story The certainly discussion about will households form the same way they always have with millennial's and things like that, but I think the data shows maybe a slower or later but not a dramatically different in aggregate composition. So again, we think this is going to be a positive factor in the

future. We think prices have also maybe depressed some of the new -- new housing, as supply comes a little bit stronger and prices moderate a little bit. We think that's a bit of a boost to this segment of the overall demand creation.

And then, if we talk about maybe our brands. Over the last let's say 6 years, we put around 33% branded share. So our portfolio brands, what Marc alluded to earlier. This really is an asset for us.

We believe we covered 97% plus of the US Market as an example with these brands. You can look at demographic, Geographic or attitudinal. We think we cover and so that's a really good position to be in, so no matter what kind of happens from a consumer preference standpoint. We believe our brands can occupy really all those needs from a consumer standpoint, either in price point, or in technologies, or in equities, it really doesn't matter and frankly that the data has kind of supported that our Q1 is at a similar level at 33.

So, we expect that to kind of continue and help us, grow in a market irrespective of things changing. The trade landscapes also changed quite a bit. There's been a lot of discussion about how it's going to change in the future? And how it has changed in the past? This goes back, 18 years and there's big changes here. Significantly Independent retail[ph], Sears, Home Depot Lowe's growth have been very big.

We've managed to stay fairly ahead of most of these changes proactively in the example of Sears being one clear one here lately, but frankly just in generally, we want to be positioned to be very successful irrespective of channel or customer. And if we do that well, whatever grows or shrinks were generally going to be competitive in that environment and we've demonstrated that. And so, irrespective of a Sears[ph] change, our performance has been very strong irrespective of a Lowe's or Depot growth our performance has been very strong. So, what we're trying to stay ahead of those things? The one that comes up quite a bit, is the direct to consumer kind of e-commerce market places, and we're also doing things to stay ahead of all those landscape type changes, to make sure again, we're very good at what we do and very successful in those channels so, if they grow, we're ready to grow in those channels as well.

From value creation standpoint, if you look at kind of 10 year, 11 year window, ongoing EBIT and net sales on the bottom left, you'll see we generally have grown our EBIT rate, over post 2011 on, and really back in 2010, 2011 the company took some very difficult structural changes, to make sure we were going to be healthy, from a structural standpoint with people, with plants, with infrastructure generally, so that positioned does, to be a lot more nimble, and lot more healthy, and then we could move as necessary to accommodate and anticipate the market, and we've done a good job of that generally speaking, and we've generated both growth, and EBIT appreciation, we have lots of tools to do that we can do that with product launches and mix we can do that with trade landscape anticipation and frankly execution we can do that with growing D2C as that continues to grow. Our consumer service and home delivery really is best-in-class and we think that is a differentiator for the company we have great service, great home delivery to others don't know consumers will have a better experience. Retailers want to have business go our way because it'll actually be a better easier sell for them. We invested quite a bit in these areas our competitive advantage on factory scale we have to Mark's earlier comment we have mega factories, we have large plant facilities that are highly scaled highly efficient and getting more and more sophisticated with every step.

And then lastly, discipline fixed cost management to the learnings we had back in 2010 and 2011 having a very lean infrastructure really does help us kind of be ready to anticipate whatever it might be that changes before us. So with that, I want to turn things over to Gilles.

Gilles Morel, 'President of Europe Middle East and Africa Region'

Thank you Joe. Good morning and good afternoon to the Investors in our European region, before talking about the future of Europe I want to start with a recap of our Indesit acquisition, its completion and its impact.

At the end of 2014, we acquired Indesit to expand our product offering in the laundry category, to increase our presence in Russia and in the UK to also enhance our brand portfolio with Brands like Hotpoint and Indesit and also to combine our technology leadership in one company to offer the most important innovative products throughout our region. It has been an ambitious and a very complex integration, but we can say as of now that it's complete. We have significantly

here reduce the complexity of our business, but combining and reducing the number of architectures and platform we have by reducing the number of cues we produce, we have also reduced significantly and optimize the footprint. We have considered across manufacturing facilities, warehouse and offices.

So, an important consideration about footprint. For a complexity reduction, we have also worked intensively on our system, on our the legal entities and we have reduced the number of employees. So, you also know that if basically we have delivered the case that we say that the start of the process and that's the green dot here, in the same time we have faced some challenging strategies to meet the integration. And then move complex time, these systems and logistics and this has resulted in product availability issues, in loss of for space and in loss of sales.

Internal challenges, which has been in parallel with external challenges especially with the Ruble and the Ruble the Pounds and putting really our business under pressure in EMEA and also masks many benefits of the integration that had been completed. And as a result the last two years, we ended up with operating losses. Indesit integration is complete and as given this but also as put us in a position that is from a structural point of view strong. Out of the top 5 Market in India, we have leadership position on four.

The UK and Russian, we have country position and number one and this came through the integration. In France and Italy, we are also strengthened and our leadership through the integration. So, even if we lost shares in the last 2 years, these are the 2018 ranking, we have from the market, the country position point of view, the strong structural position. From a product point of view as well, the laundry category, we are leading through there is the progress, we made to in cooking and saw from the EMEA region, the beautiful W collection that is being launched now in Europe, and I'm in setting in my new kitchen in Milan.

We also we have seen as well great progress, with a Bauknecht and this has been recognized in particular and we're very proud of this to some of the design award, one of the most procedures we have in Europe, 6 of our, we received 6 Awards this year, 11 products, brand like kitchenAid, Whirlpool, Bauknecht, Indesit have been recognized. We have it so strong product position and we see also going in all the categories, good expansion. So these give us, post-acquisition, post integration, strong structural position in Europe and from the strong structural position, together with, what we have and Joe as a showed some of the in the past few minute ago, coupled with strong action and I'm going to detailed in a minute, we believe we can regain leadership of category's and restore margin not only to the past level, but also to the competitive level. So this is the walk of our earnings from the 2016 -18 to the longer-term.

We believe that through the short time and then midterm action that we are taking and also some of the longer-term action that are take a bit more time to implement and we create also value over time. We can reach approximately 8% earnings in EMEA I'm going to describe in the next Slide, the action that are critical to support this development, as we announced in the quarter three earnings call. We want to refocus our business. So we announced, we will exit from the commercial operation in Turkey, we will exit as well the Hotpoint small appliances and as today, I can tell you we are on a good track to have this completed by the end of this quarter.

We also continue to explore the potential sale of the South African operation, all these to refocus our business. We also announced an effort on the fixed cost and the $50 million and this is on track, as we speak we're not going to stop there. This is critical to deliver, the first green element you saw in the previous chart, but this is definitely we will continue evaluating further cost of opportunities. And what was very critical and where we are on track this was when I was talking about lost follow space renegotiate our contract, regain the momentum with our customers and as we speak, this is happening and we since quarter one other volume growth of about 6%.

When the industry's basically flat in Europe. So, this is something that need to be strengthened, continued for the Esco to come but definitely it's also from the short-term essential to bring Europe back to profitability. And then of course we look at optimizing our assets-base, we look at our return on invested capital as I said that are not performing yes we will evaluate and will further assess our factory footprint that's clear. So that's bring us, when we do the all these level of profitability that was at least the historical level if not higher, but we want definitely to go further and we believe, we can go to the next level to it the benchmark of the industry in Europe.

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And these we want to accelerate our margin generations whose a build in business and our premiums business. Built-in is critical it's a bit less than half of the industry volume in Europe but is a vast majority of the profit in Europe. Here, we have strong growth opportunity they take a bit more time to catch because this is long-term contract, this is customers that you need to regain and gain confidence and when you had service issues in the past you need to rebuild this confidence. But as we speak today we have good traction in a regaining long-term customers and even expanding in our built-in kitchen business, which is not only through the customer relationship, but also with all the product innovation that we bring.

I do believe that with the brand portfolio that we have, we've also opportunities to invest and support the more premium side of our brands, the whirlpool really expand with KitchenAid in Europe as well. So this will bring us in the longer-term to approximately 8% earnings level. After two months in the business, I can ensure you of three things. I've met people in Europe, who want to succeed.

Who want to deliver this turn around and be in an area where we can be proud[ph] and deliver success for Whirlpool. People who have the capabilities, and we have also the capacity to attract new capabilities. So, I'm confident about the people we have in Whirlpool globally and in Europe to deliver this plans. About the brand portfolio honestly I'm excited about the brand portfolio, we have not yet untapped also possibility we having these brand portfolio, I'm coming from industry where we're investing and the leveraging lot of the brand with what Marc has shown the kitchenAid, the Whirlpool and Bauknecht and Indesit, we can really bring and create values while brands and finally near the product, we have exciting product we have to connected appliances to the service lot of things that in our pipeline, so as I speak today I know I need to be a humble it's only seven weeks as I said in the business.

I spend time in the factories, in the market and with the team, we are convinced and I am committed to this strategy and this action plan that we lead Europe to level of earnings, which is in the competitive benchmark and will be approximately 8%. With this, handover to Brega for Latin America.

Joao Brega, 'Executive Vice President President - Whirlpool Latin America'

Thank you Giles. Good morning to all.

We are going to talk about Latin America and before we go into more details, I'd like to emphasize that different from the last 60 years from now on, Latin America is going to be a pure appliances players because we are not going to have Embraco manage and consolidate in our numbers in the future. So, talking about the region and from give you a perspective about to the territory and the countries that we are operated I'd like to emphasize, the largest five ones and you can see that even though, we are as a region and not upside economic scenario, we still have a very robust market and Brazil is the second largest country that Whirlpool operates and I'd like to give you more color about Brazil. When you look at this picture, I have to tell you that, if you are Brazilian, you realize that you are survivor but also you can see the flip side in a positive way that the potential that we have in front of us, without a doubt, Brazil in terms of demand touched the bottom. And what we are looking for and what we are going to see from now on, it's a takeoff.

I'm not saying that we are going to have a cruise flight, we are going still to see some bumps, because Brazil is a young democracy and we still facing some issues but without a doubt, we are going to see Brazil growing as a country, economy, and as a result of that our appliances demand is going to be higher. And you can see that we are being conservative in the best of our knowledge that we are seeing but the potential is there. And we are -- without a see a much higher upsides and downsides in terms of Brazil demand and how we are preparing to face that and to enjoy these growth. I'd like to just make a comparison to show you the power of our brands, when to talk about Brastemp, you were talking about KitchenAid, stand mixer so, that's the power for our brand Brastemp, we have among the top three -- two brands the most powerful awareness and preference in Brazil.

And also as Joe Liotine, showed before the way that we are seeing the consumer journey in the future is we are leveraging that data. There is one fact that we cannot dispute is the consumer has the autonomy to buy wherever they want to buy, if they want to buy in a store, they go to the store the offline, if they want to buy in a website they go to website, if they go to buy direct from the manufacturer, they go or they go to the marketplace. The consumer has this

autonomy and our job is to put our brand and our products always in front of the consumer. By doing that in 2018, we were in the pure website home appliance players.

We are the third one. The third largest one, can we sell only three brands. The other ones sell the remaining competitors as well. And we are doing that, we are not operating on our own websites but we also more and more growing in the marketplace and why we're doing that besides, the power of our brands, we have one capabilities that's very important to emphasize.

Brazil has 5.4 thousand cities and Whirlpool has the ability to deliver door-to-door in 5.1 out of this 5.4. And we are seeing that as a tremendous leverage and competitive advantage for us continue to grow in this area. In 2018, direct to sales for us was accountable for more or less 15% of our Brazilian sales, and we continue to grow in that path. That's all that I have for Latin American and Brazil and I'm going to turn to sale[ph].

Unidentified Speaker, ''

Thank you, Brega. Good morning everyone. Turning to page 53, let me give you a quick introduction about Asia appearances industry. China is the largest country from the industrial size perspective is about 65 million units.

However, given the slower economy and also very high penetration level, we see little[ph] or no growth for the next few years to come. India is the second largest market in Asia, with about 20 million units, and as you can see India is you have a very low appliances penetration level with a very strong economy, we do see India for the next few years we'll enjoy very nice growth rate from the industry perspective. For other part of Asia, we are talking about Southeast Asia, Hong Kong, Taiwan, Oceania, Australia, New Zealand so on so force. We see the total size of the market is about 30 million units.

So zooming into our India business, which we have a very, very strong business in India. And over the last several years, this business has been creating significant value for the shareholders. And we own 75% of this business is a public traded company in India and today this company itself Whirlpool India is 2.3 billion market cap, by because of the investors really value the business momentum. In the last few years, this business has been able to generate 14% year-over-year growth and above company average EBIT margin.

For 2019, we feel pretty good about the business will continue to generate 15% top end growth, at about 10% EBIT margin. Going forward, we see the key drivers for this business continue to prosper, when is a positive industry demand trend. Particularly outside the laundry and refrigeration, which we normal refers to T2[ph], and also we have a very strong Whirlpool brand awareness in India. And currently, our brand preference remains above our current share position, so we still have a ways to get additional growth from this business.

And we expect strong future growth, through continued drive channel distribution, expansion, new product launches, including some of the product Joe showed you earlier, connected devices, and also maximizing mix opportunities. Last of list is driving expansion into new product categories such as cooking and few other areas. So, next is our China business, on the one hand, we are very happy with both China business back on track, after a very disappointing 2017 results. However, our short-term expectation on China on the margin expansion remain limited.

One in the industrial demand is very soft especially in Q1, and the other one is we are investing heavily in the brand transition from Sanyo brand which we acquired through the Hefei acquisition conditions into Whirlpool brand. So, that transition will continue for the next few years. However, in after seeing that I also want to talk about another aspect of the China business why this important for Whirlpool corporation? In the China continued provide a cost-efficient manufacturing base for the corporation. Our smart factory in Hefei by the way this is the real picture we built from a enormous land by for operation in 18 months, that's a speed in China.

This is fast this smart factory to deliver the best-in-class manufacturing capabilities for the corporation. In this side we utilize industrial 4.0 practices as part of a global manufacturing 2020 initiatives. And because of this, we are able to continue to drive operational excellence. And also cultivation installed capacity.

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We continue to invest heavily in smart robotics, augmented reality and IoT to enable real-time production planning and feedback, we will the same time, today from this side. We are exporting 25% of the refrigeration, laundry, microwave oven, dishwasher products to Europe and to other countries within Asia. So to summarize for Asia, given the strong momentum of India for the next few years and also best-in-class manufacturing base in China. We strongly believe, we can deliver the long-term goal of 3% to 4% revenue growth and approximately 8% EBIT level from Asia-Pacific region.

With that I will turn it over to Jim to talk about Capital allocation.

Jim Peters, 'Executive Vice President and Chief Financial Officer'

Thank you Sam and good morning everybody, real quick here what I'm going to do, is I'm going to walk you through as Marc mentioned earlier, drill into some of the numbers that we shared some of the financial goals and metrics. Hopefully, summarize a lot of what the different regional presidents have talked to you about and see how that comes together on a global basis. In again, if you look at our long-term value creation goals, which are very similar to what we've shared in the past, here is one a revenue growth on an annual basis of approximately 3%.

Eventually, coming to a 10% Global EBIT margin, which I'll drill into a little bit deeper and one of the upcoming slides and then as Marc mentioned earlier our focus on return on invested capital as we look at that goal of 12% to 14% further out. And then our free cash flow goals, which we feel we're very on track to right now of a 6% plus. And I think the one key thing, you also got to look at here is our annual expectation is from margin expansion, we expect to expand by about half a point to a point every year. And again, as we look forward, we know there's going to be some volatility, we need to deal with and other things and timing of many of the actions we've described.

But we do believe that's the pace that you will see it at. Also if you look at return on invested capital obviously, there's a large correlation with that to our returns or to our EBIT margins but also as we look at some of the actions around asset optimization and asset use will as the timing of those rolls out, you'll see how that impacts our return on invested capital. So, if I look at our drivers of our ongoing EBIT margins and we've broken it down by what are the drivers on a global basis but also what impact will the individual regions have to this. And if you really look at the first piece on a global basis is, it's just a recovery of demand and a big part of that is recovering the volumes we lost within EMEA, but also as you've heard from many different regional presidents especially end markets like Brazil in that and India, were we expect the demand to continue to increase at a significant rate that will help drive that there.

The second piece is new product introductions and a lot of that comes as you've heard from the regional presidents but also is Joe talked about earlier, in our connected appliances in the new products were launching in that space. You really see that the products that we're bringing out and these will drive an improvement to our mix but also an improvement over time into[ph] our margins and then net cost inflation, and or cost net of inflation. And really what we look at is, as you know Marc talked about earlier, the different things we're doing in the manufacturing space, in the product design space, and how those things add up, Joe talked about some of the benefits of the digital work, we're doing and how it will help us from a total cost of quality. Those things begin to come into there, and set the basis for how we continue to drive ongoing productivity.

Obviously, we do assume within their will also have to offset some inflation in many of the markets, whether if you -- labor inflation, logistics inflation, etcetera. So, we do have a -- we do believe, we have a path to that and then if you've heard everybody talked about Joe talked about Technology Investments we're making, Sam talk about some of the Brand Investments we're making in China and other places, you see that we do also assume, that we will have to up our level of investment in certain areas of the business to deliver on the strategy go forward. You take it on regional basis and you look there, as Joe talked about a North America, we really believe, we have a strong business with in North America. We expect to see continued strong margins, with slight expansion within their, as we launched new products, as we take advantage of the things that we have in the marketplace today.

But when you move to EMEA, and as Giles talked about with the turnaround for EMEA, that can have a significant effect on our margins global, and we do expect to see that over the next few years that turnaround begin to come to the

bottom line here. Latin America with the recovery of Brazil and now that is a pure play appliance business, we do expect to see a benefit to our global margins from that and then as you look at Asia with our strong India business and the Sam, talked about expanding the whirlpool brand within China, we do believe that also will add cumulatively to our bottom line and our EBIT margins. Cash flow to get to 6%, big driver of this is the margin expansion obviously and that's the biggest piece when you start off. The next thing is to focus on working capital and at the end of last year our working capital levels we're relatively low compared to historical levels, we targeted ourselves to try and get to a working capital zero percent of sales in the future and that's really what up it is, to do it on a structural basis.

So that we see this at what we call everyday lower working capital. How do we manage our inventories better, how do we make sure, we're managing our payables and receivables. On the inventory side, it's a lot about demand planning but there's also going to be some benefits that come from some of the things Marc talked about earlier as we make improvements in our production environment and how we design products. The fewer architectures we have, the fewer number of parts we need to go into many of our products, the fewer number of skus we have all lead to lower inventory levels over time.

So there are many structural things that we look at in there. The other thing is that, as we look at it there have been a lot of what I'll call significant one time or non-recurring type cash impacts we've had in recent years. Whether that be the level of restructuring that we had to do around the Indesit integration and as you heard Giles say, we are at the end of that now, we've got most of that behind us, in terms of the integration is done and most of the payments are now getting behind us for that. The pension contribution, we made last year of 350 million, that eliminated 5 years of future pension contributions for us, so we'll see that benefit coming over time.

Within this year, we had some the settlement of some antitrust issues within France that we've had to pay, obviously that's a one-time item. So again, a lot of those things are getting behind us and we anticipate to begin to see the benefit in the next few years and getting to that 6% plus. Step change in an ROIC through it is margin expansion but also our focus on invested capital. As we look at parts of our business, whether within EMEA some of the actions we've taken -- to reduce our business there but some of the assets that really weren't creating value and we've taken them out of the business.

With the sale of the Embraco business that actually was a good business, but again as we looked at it go forward and Brega talked about that earlier. We felt to that was an appropriate thing to move out of our portfolio, lower working capital obviously impacts this, but also I'll talk about in a little bit here on terms of capital expenditures, our capital expenditures right now are about 3% of sales, with the work we're doing around product architectures in that, it allows us to get more out of our capital spending than we did in the past fewer architectures mean that you don't have to invest in as much in tooling and machinery as you did in the past, which you can still launch as many new products as you had or more in the past. So again, a lot of different focuses there. The other thing is when you look at how we calculate ROIC, we include everything.

We use a very simple metric where we take the total assets on the balance sheet, all intangibles everything in, we subtract a non-interest bearing current liabilities and that's what we say is our invest so there's[ph], we don't try and manage it around and pull things out. And we also use a constant tax rate, because we know that our tax rate fluctuates from time-to-time, but if we look at it over an extended period of time, it gives us a good comparable number. So as Marc mentioned, externally you may see people calculating it differently, this is how we do it and we think it really represents -- it's a best representation of the assets we have in use in our business today. Our capital allocation strategy, not a lot of change here from what you've seen in the past but I do want to highlight a few things as we walk through.

As I said, in terms of CapEx and R&D, they're both about 3% on an annual basis so about 6% very similar to the past. Mergers and acquisitions, we look at it opportunistic things that come up in opportunist or opportunities, we've got -- I'll go into in a second, we have certain ROIC thresholds for different types of acquisitions that we look at. Now kind of walk you through that, dividends historically we've always said that we would be about 25% to 30% of our trailing earnings on dividends. Right now, we probably been trending to the 30% level, if we look at recent years.

We are very confident in our ability to expand margins, very confident in our ability to generate free cash flow and so we've really wanted to say we're going to stay right around that 30% as we look more go forward. Share repurchase

obviously, Marc said earlier, we will continue to repurchase shares but maybe not at the levels we had in some of the recent years as we focus on things such as our capital structure. And again Marc, talked about getting our debt to EBITDA down to about 2 times is where we really feel is the right level for us to be at. In order to execute on certain opportunities that may come up in the marketplace as we look forward.

So again, talked about in our different threshold on acquisitions, and if you look at -- we look at strategic acquisitions, which have a much longer timeframe to them. And we do believe that they should deliver at slightly above what our target at ROIC levels are. But, they're going to have a period of time, that it takes to integrate them, and to get them to get take advantage of the synergies that they generate. We also look at some bolt-on M&A opportunities and with those we have a much higher threshold.

Because, we believe and we expect the benefits to occur, almost immediately, as we do that acquisition. So we want to make sure that when we do those we've got the right threshold and we do believe it, will be earnings accretive from the beginning of the acquisition. Again I talked about the dividend in earlier in here and you can just see the pattern of dividend increases that we've had and as I said, we expect to keep that at about 30% of our trailing earnings go forward. Very confident in our ability to generate free cash flow, we've consistently even as you look back through some of the more difficult economic times and if you would have gone back before this, we've always held our dividend or raised it and it's been something that I think go forward.

We do believe that's the right thing to do. Continue to repurchase shares, as you can see going back to 2015 to now, we've done significant share repurchases. Right now, as I said with the focus, we have on trying to get our debt and our capital structure to the level that we believe is optimal for us. We are still repurchasing shares but maybe a slower pace than we had in the last few years.

And we expect to do that in about 200 million to 300 million and annually over time, now obviously with the free cash flow targets that I talked about earlier. As we move on, we will continue to look at once our debt metrics in place, what is the best use whether it be acquisition share repurchases et cetera. But in the medium term this is what you should expect to see. Targeting our gross debt EBITDA of two times, Marc mentioned this earlier really there's three simple pieces that come to this.

Is one, when we receive the Embraco proceeds, we pay down the term loan we have. Two; what with the expansion of our EBIT margins, it'll expand our EBITDA obviously. And then three, as we look at some of our debt that's maturing over time, we will make the decision whether to refinance or pay some of it down using free cash flow. So, again those are the three big drivers and it's a that gets us to around 2.5 then we look at that last half there and we say okay, that's going to be looking at whether there's opportunistic M&A opportunities or whatever out there, let's make sure we balance that with the overall needs of the company and then whether that comes through EBITDA expansion or it comes through debt pay down, we do -- we are going to get there but we just can't pinpoint today exactly how we'll get there.

The other thing is just to talk about some of these metrics. You can see how these tie into the compensation of the leadership of our company and this is not just with this leadership team here but throughout our entire Vice-Presidents and many of our Senior Directors in our company have compensation and all of our employees on the short-term compensation have compensation that's tied to the performance metrics and you look at from a short-term annual bonus perspective, it's ongoing EBIT and it's free cash flow, and they are weighted evenly. Because we do believe that obviously as we look at the value creation for this company, those are the two biggest drivers and I think we talked about that the last time we had an Investor Day. And we really look to what's driven our valuation over time and these have had the greatest effect on it.

But then, we look at long-term compensation, and we say okay. Our ongoing EPS in terms of over three year period of time that also then incorporates in things such as our tax rate and our capital structure and other things and how that impacts our earnings, and then what's our return on invested capital. And again, we believe return on invested capital is a very good long-term metric to look at for our company, and it talks about the health of our business overall. And that's what we really targeted our leaders with their long-term compensation to have that as a key component of it.

The other thing if you look at here is for our overall, our top executives, more than 80% of the compensation is pay at risk, whether it be through our short-term, bonus pools in that or through our long-term equity compensation that we receive. So again, we do believe very strongly in pay-for-performance, and we do believe that we should tie the pay especially of our Executives and our Senior Leaders in our company to our performance against these metrics over time. So with that, I think I brought us to the end here, Max.

Max Tunnicliff, 'Senior Director Investor Relations'

All right.

Thank you, Jim. That ends our presentation and takes us into the question-and-answer session. So if you have a question in the room, I have to ask you to do a few things. When you -- raise your hand and wait will deliver a mic to use that those online can hear your question.

Two, please state your name in your company before you ask your question, and then last let's do one question each to start and then time permitting we can circle back. So with that, [ph] we'll take a question right here. (Question And Answer)

Max Tunnicliff, 'Senior Director Investor Relations'

(Technical Difficulty) Go ahead and stand up Mike. Please.

Michael Dahl

Hi. Michael Dahl from RBC Thanks for taking my question. I wanted to go back to an earlier point in the slides because it seems like the productivity side is a pretty core part of the strategy and how to drive margin? And there were a couple slides around, the integration of automation and technology automation in the production side technology and some of the logistics. Can you just give us a little more detail around? Where are we in that process? Can you help quantify? How much does that represent of your productivity goals? Thanks.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Yes, maybe I can take it. So, Mike. So first of all, I mean, this is a competitive industry and you have to be cost-competitive, I think we also demonstrate our last couple of years, we are able to drive significant levels of productivity. The point which were trying to bring across, you don't get that going forward with just squeezing every little bit tighter.

Of course, we have scaled which always give us the benefit, but there are significant our tools which I mentioned. One was this world-class manufacturing product architecture modularity, indirect spend, what will show them your augmented reality, these are just tools and how we drive in this case in particular but in four walls, what we call the conversion productivity, either[ph] pieces the cost generated in my factory, not necessary for material but in my factory. So, always data analytics, smart robots, human assisted robot, they are all tools and how we get to that productivity. That's why we all stated that number, we do believe, because we're seeing it, we can drive sustained net productivity 4%.

And again, that's net because you always want to have salary inflation all kind of other elements. So to tell you now how much over 4% falls and augmented reality and data analytics, I don't know, well because it's in it's so interval, when but it's certainly a key element in terms of how we overall drive to net productivity.

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David MacGregor

Good morning, and thanks for the presentation. David MacGregor, Longbow Research.

I guess it a question, but also a clarification, and just a clarification is on page 43, where you talk about the margin progression over time in Europe. Are you essentially guiding to a 3% to 3.5% margin in 2020, as it would appear from the timeline you layer on slide, and then the question I guess is just, how should we be thinking about normal operating leverage in Europe? Now this is complete, what's the kind of margin progression, we should be seeing in terms of incremental margin versus an incremental revenue growth? Thank you.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

I'm trying to not put really on the spot, but what you should have taken away from that slide is not necessarily 2020 guidance at 2021 guidance, what was -- what you should have taken away is where certain actions and levers in particular [ph] and the asset side, which we will consider being in our control, which we can drive in the shorter term and if it's actually in mind you get to what you call the historic levels are certainly the 2%, 3%, 4% margin within a reasonable timeframe, because we know that memory fixed assets were fixed cost reduction and we also on progress to regain the volume so, see it more in terms of these are reactions in our control, which also means yeah, we are highly confident the next two years, we can fully utilize and leverage these opportunities, what Joao told you earlier about the built-in and the premium -- freestanding growth. Of course, we're already working on this one, but that's a pretty long journey because its product range, its long-term supply of trade partner contract is that just takes longer.

It doesn't mean that we'll wait until the other years start already now but the full benefit you get in the outer years, your question about the volume leverage. As we said several times in earnings call, but volume leverage is completely different by product, by factory because it depends on the capacity utilization et cetera. As a rough rule of firm in Europe right now in particular yes, you are talking about $20 to $30 volume leverage per units. So it is significant in particular in the phase where we've been last year but you underutilized because if that's what we refer to what with these skills we had several factories, which were significantly de-scaled and that's of course when you have a negative volume leverage that's why we put a lot of emphasis on we have to re-stabilize and regain my volume to stop that deleveraging.

But again, be careful about that number because it's very different factor by factory, because it's just depends on the capacity utilization the fixed asset intensity by product types it says it's a blend average what I just give you.

David MacGregor

Okay.

Max Tunnicliff, 'Senior Director Investor Relations'

We'll stay in the middle here. Go ahead and Sam.

Sam Darkatsh

Thank you Sam Darkatsh at Raymond James, Marc I respect that you mentioned that you don't want to talk about perspective M&A or divestiture speculation so I've -- I'll make sure that I frame this delicately you have, I'll call it a stretch goal of 8% operating margin in Europe. Even if you get to 8%, you've got $10 billion of tangible gross assets right now in Europe. So, even if you get to a that's still a low single-digit, pre-tax ROA So my first question would be how much of the asset base, can you extract over the next 3, 4, 5 years to make the ROA more attractive in Europe beyond just the margin exercise? And then I guess holistically and however you want to answer this question obviously

feel free, just to help educate us or remind us what the strategic importance is of Europe just to begin with for the company? You don't have, I don't believe any platforms that you're making there any material platforms that you're making there for other regions, help us to understand that strategic imperative or at least the importance of being in the theater for the company as a whole, thanks.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

So, Sam.

Let me maybe start, can pretty much at the outset of you question. So there's no question and I'm again, I'm not going to speculate on M&A and whatever else but there's no question and we show that on the slide but Europe is the most significant upside value creation opportunity for our company period, that's why we just showed in my margin walk, is if you just do the math. But if you also do the math correctly and include all parameters everything inside you also come to conclusion the most attractive way to do that is to fix it. Now is also very clear and I would be lying to you if I would say anything different, there's a limited time line, okay.

What I'm saying is we have to fix it within a reasonable timeframe and if we don't do it when we have number of set of questions on the table. But again, believe me we've -- that's our job to look at all these parameters on the map. The most attractive map is you fix it and you drive a adequate TSR which comes with that, so that is our journey. Two question about the assets utilization.

A big part of already what we've decided on SDA Hotpoint, what we're doing in South Africa and some other pieces we do believe we can put Europe in a more -- I wouldn't call it asset likes, but certainly a lighter model. Because post integration, we see opportunities even on going to go forward base, we can further reduce been invested asset base in Europe. So what we announced that may not be the end of a journey, because -- and that's what Giles showed earlier. We do believe are some favorable between the forever reduce the asset base, and to kind of -- see clearly get away from his $10 billion, what you mentioned before.

To your other question about the global benefit. We could now have a two-hour discussion about the global model and more benefit you get out of its own. But first of all, I mean we mentioned it several times, our global technology organization, which Roberto had a -- it's a Global organization. So, you have cooking experts doing whatever induction cooking for rest of the world, we have a laundry experts pretty much throughout the world, keep all this in mind it's in 50's or 60's a lot of our technologies were born in the US and went East.

You have now more-and-more technologies be it in laundry or being cooking, which I've ever born in Europe and go west or are born in Asia. So technology trends, I'm afraid, you would miss the boat if you just sit on an island, on one continent.

Max Tunnicliff, 'Senior Director Investor Relations'

All right. Any questions in the middle, we'll kind of stick to the middle for a minute hear, anything else, go ahead please.

Ken Zener

Thank you guys for your efficient presentation. Breaks are always good though. So, if you look at the margin, and Giles are not going to focus on the regional piece, but -- and Joe if you could answer this one or focus on some the response. If we have a flat US, it's obviously today the way the markets going who knows, that's your guys estimate, everybody else can have their own.

But could you describe how you get kind of that, without volume gains, can you get the volume walk for the leverage, and if you think about this year how North America guidance played out right falling material costs, but you guys didn't

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get as much volume productivity kind of the corollary[ph] that? So, my focus question is how do you get the new product margin expansion, if you kind of have this world we have falling material cost, but you can't get the de leveraging? I mean, where does that conviction for the longer term guidance come from in terms of how that works through the income statement? Thank you.

Joseph Liotine, 'Executive Vice President and President - Whirlpool North America'

So, I mean, in terms of volume obviously there's different expectations, but -- and that's fine. We think we have a certain thinking behind it, but I would say even in recent times last couple of years, we've demonstrated ability to both get growth and generate incremental margin in that same kind of volatile suppressed market. In terms of product launch and we're constantly looking a launching new products and we flash quite a few of them earlier, and so that generally can be incremental mix, that can be incremental segments were not in, that could be incremental segments we create like the smart oven, powered accessories, and things like that.

So those are all I think opportunities, if you take that one step further and you say well with connected, you know Marc talked about what we want to drive in terms of product there, that's certainly going to be a revenue generator, but so are services and as we do more-and-more home delivery, more-and-more service, more-and-more partnerships that are enabled by connected products or otherwise, those are all revenue drivers for us, that are maybe early right now but should mature in. If you look at our ramp scale that we showed in the presentation, we're kind of just starting that journey. So, we don't know and we haven't necessarily experienced all the benefit of that, but those should all come in parallel not in sequence of one another like gives us some more assets, some more ability to drive revenue in the forward years.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Can we maybe just adding to this one? And I know some of you not, necessarily use in the past always use the p-word, peak margin word in the context of North America.

And frankly, I've heard that question about peak margins always peak marks for the last five years, for five years we've been beaten what was previously considered peek margin? So we continue to expand it and I know many of you had questions can you get North America's 8% remember, can you get it to 10 can you get it to 11. We had solid 12% with a volume decline. When we even took out inventory took out production. So I think that's because already volume, but we ever part and I can't emphasize that enough Joe said is part of a reason I want to show you a little bit what we do on this connected products.

What we're doing winning purchased? Our job is to create a different business model, and honestly our job is to create a business model with different margin potential than the past. So, if you would have just continued selling appliances for all the channels which we know in an analog world and we deal with the way it is. Yes you have a question about what's involved in a budget etcetera but part of it is also, when you think about connected appliances in the services if as an example, what you saw [ph] integrated detergent delivery. If you get a commission by the detergent I'm supplier on the detergent delivery to home appliance that is a margin which we never had in the business.

Just as an example, not necessary North America but also number parts of what going direct is a different margin potential whenever business, so part of a strategic transformation is to create a business which has a completely different margin potential than we have had in the past. So, that's why I'm saying yes, beyond product mix and what we can do there? but the beginning pieces I hope we see in almost both products and the purchase transformation that starts showing just very different results but it takes time to build it also.

Jim Peters, 'Executive Vice President and Chief Financial Officer'

Yes. And I think the one thing is just at the very end is not to forget within North America, we still have significant ongoing cost opportunities, as we talked about the manufacturer world-class manufacturing, we're very at the very early stages of that with many of our US factories, so we do see on top of the product launches the margin expansion mix opportunities there cost within the US And North America, we still have significant opportunities over the coming three to five years around manufacturing costs, logistics cost, product development costs et cetera.

That will continue to help expand the margins within that business.

Max Tunnicliff, 'Senior Director Investor Relations'

All right. Over the side right [ph] please.

Curtis Nagle

Good morning.

Thanks for taking my question. Curtis Nagle from Bank of America. I guess the question for you Joe just hoping we could walk through the massive placement in the US Just so 10 years replacement on average we're now cycling recession years where we saw a pretty big drops in volume so, if we're cycling those years on lower volumes I just why would we expect to see stable volumes should make go down given that were replacing lower volumes or I guess is there another way to think about it and then just as a secondary question right so past couple quarters volumes it's been pretty light, right variety of reasons because we can all speculate on but rest the year I guess just what gives you confidence that we will see a reasonable ramp up this year and next.

Joseph Liotine, 'Executive Vice President and President - Whirlpool North America'

Yes.

In terms of the replacement we picked a few slides in the that kind of show the trough in the recession years of wait let's say 2012 play that forward 10 years that's '18 through '22 we're kind of in it right now we have seen some depression as a consequence and volatility. So I think that's accurate but again that's one of the drivers right the other two buckets, we think have upside and continue to show strong fundamentals terms of either employment, or consumer confidence, remodel spend so that should help mitigate some of that negativity that we see there were watching it very closely obviously the other part that we see is our cell through with our customers, we think also gives some support to what that looks like going forward that's not shipments that sell-through at the register and that's incomplete it's not the full industry but that also seems to be progressing, as we had anticipated anticipate. So those comp of those combined events make us look at it. And yes we have seen a range of 0 to negative 2 for 2019 for the industry.

So it's not exactly a very overly positive number to begin with we're saying it's kind of going to be a little bit depressed, as a consequence to what you highlighted.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Curtis, maybe just that little bit more color to this one because I think there's also clarification on my chart which you refer to preferred placement that shows the total number of market it does not show the replacement volume on that one, because we want to show where the trough of industry walls and what you should expect going forward. Now to also give a little bit more color, its 10-year average appliance life cycle thing about a bell[ph] curve. It's a spread and it's also very different by product categories, so typically we see shorter replacement cycles and laundry a little bit long and refrigeration and cooking.

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But on average you can basically give them half of ten years. Right now, when we look at it replacement yeah it's about 50%, 54%, 55% of the total market. Given that you, if you just apply the 10 years you pretty much into year 2 of a trough which you now replacing. So we know already how it feels but, also if you know -- because we know about 20, whatever at 2009, 2010, 2011 was from going forward, it's not going to come down, it's going to be stable.

So in a positive way I said, I know I have a floor in the market because we know that this product launch is replaced so, 55% of my market is pretty reliable because, the stable[ph]. Now, once you get me out two years, so you get much more momentum from replacement because, when you go against the growth rates so to Joe's point is what we see right now, yeah there's not a lot of momentum coming of replacement. We expected that because, we're already in year 2 of a trough . What we saw in Q4 and Q1, was the other elements the discretionary and the home-related one, there are much softer than most people would have expected.

Particular driven by the, homes sector which was sluggish.

Megan McGrath

Good morning. Megan McGrath from Buckingham research. Marc, I'm going to push you a little on Europe, I appreciate the 8% walk and that you said, you need to fix it, and a timeline but what does it mean to be fixed, can you give us a little bit more detail on your view, what that means is that a margin number, that a return number? And have you given Giles a timeline on when he needs to reach that number and I'd love to hear it if you have it.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Did I give you the timeline, now making it and first of all fixing again, I start off with the 8% target, we know there's at least two of our competitors will publish my numbers beyond that level so it's not like and you have a fairly solid market position. Historically, we've never been an eight but we've been pretty close to seven as a standalone company. But we're in is it as a standalone company was awesome 11. So we know, it's possible in this industry.

It's not some new number which is out there, it is possible to really get to a full 8% I fully believe it requires a lot of built-in growth because that's was a vast majority of profit is. I would put the fixed in two pieces one, is obviously we got to stop the leading, get to a break even and nor from break-even. That largely comes from reactions which we announced in Q4 and as usual they are on track okay, but you there's a stop of leading and kind of stabilizing the business, but one which takes longer is rebuilding the building in the premium business. So that by definition you won't get that done in the one or two years.

In terms of our patience as a company, I'm not going to publicly talk about the timeline, but as you can also imagine it's kind of because we get questions every quarter, our patience is not infinites , it is not. Not to put you under pressure but

Max Tunnicliff, 'Senior Director Investor Relations'

All right other questions in the room anyone has not asked a question yet, please in the back corner.

Analyst

Thanks for taking my question Mike Finnicaro Fixed Income. On the Embraco sale proceeds, first talk on the Embraco sale are there any regulatory hurdles remaining on closing the sale and then quick follow-up to that, could you provide a little more color on when those proceeds are expected to come in? Thanks.

Jim Peters, 'Executive Vice President and Chief Financial Officer'

Yeah. I would say right now again as we've said we expect the closure of the Embraco deal to come in the near future. At this point in time, we have what would say is, the final step is to get it through the European commission, and we have a preliminary approval that's based on certain steps being taken by the buyer and being fulfilled. So, we're waiting for that to happen.

Once it's to that point of closing, the proceeds will come in a relatively short time. They're after depending on time of the actual closure, and so it's within we expect to within less than a month receive proceeds and pay down the debt. So again, it'll all happen relatively quickly, once it goes forward.

Max Tunnicliff, 'Senior Director Investor Relations'

Up in the front, please.

Peter Lawrence

Hi, it's Peter Lawrence here from JP Morgan Asset Management. Sorry, another question on Europe, and the roadmap to 8%. Firstly, as you on the volume up lift of 300 basis points. What assumptions are you making there on recovery and then markets like the UK, and also any market share gains on your side, and secondly on the built-in uplift of 250 basis points.

It's a big number, and I'm wondering find it's going to take time, but what is your confidence and actually achieving that because your main competitor now has a well-entrenched position in that market as you say it's long data contracts, and also you just don't have the brand recognition that they have particular the German-speaking world with AG? Thanks.

Gilles Morel, 'President of Europe Middle East and Africa Region'

So on the first bit, this has started, and this is a basically we start in the quarter four last year, regaining contract and this was been some major customers across Europe. And as we speak, we have made a really significant progress. So in increasing the floor space including in the UK, but also across in the German countries or German speaking countries, we have in Central Europe, we had so.

As we speak, there's the main thing is, recover the volume and the floor space we had, and this is happening. I do believe we need to strengthen this on the longer term, to have a long-term business plan with those customers, but honestly with both the product pipeline we have, and this work and I'm pretty confident, and the numbers we have seen so far, we are gaining share in Q1 versus Q4, we are regaining share, is visible in the number, so I'm confident in this one. The biggest number is ambitious, I agree with you. However, the opportunities there, and the number is not either completely out of the room, it is definitely a more gross than the rest of the portfolio, but that's a steely in a growth rate of our business, that is in the high single digit number.

So, this is something I really believe, we can achieve, we need the product and we're working on this where this as go-to-market, the logistic and this and we're putting in place, and I met in my first week a lot of those customers and their impatient to that we can grow with them and this is in the UK, this is in Italy, this is in France, and of course we have a CW party in Germany which is a biggest market, we have back Bauknecht as a grow strong brand Heritage, and in the past years we have not already been able to leverage this as well as we could. So the first back at we'll get there, we'll get there with good sales operational discipline and customer engagement. The second one, we'll get there as well this is more company enterprise initiative, but it's not a number that is totally in race, I repeat has a high single digit every year, it's we need to deliver year-on-year, but once the engine is started, we will get there and we'll accept it.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Peter, maybe just give a little bit more color on these two questions.

One is on the short-term volume regain. Again, keep in mind because the public number. We lost last year close to 20% of our volume, so we are on track towards our 6% and we will be standing here if we are not confident about that's the run rates. But it also tells you we're not done with 6% volume to fully recover that volume, which you lost in the de-leveraging.

We are have to -- it's going to be a one or two-year progress or put it differently, if you don't see from mid-single or high single digit number of growth, when we're not on track to regaining the volume. And again, it's not done with one or two quarters, and we have to get better and sustained pace but I would say Giles said that so far so good , it's this kind of 5 months behind us we're in good shape from that perspective, but it's not done to be very clear. But built-in, first of all sights I know you have to go a little bit back in history, in 2007 Whirlpool as a standalone company was the number two player in built-in. So it's not a market which is alien to us, it's not a market where our brands don't have pull, we know how to do it.

But as you know very well it takes a certain time, because it's built in part reason why it's very profit in Europe, it has many elements of a system business. Because it's a set of appliance, which are delivered at the same time to a custom home, you have to the design fits, you need to have a logistic perfect setup, these are trade points with long timeline and so, it's not just getting a flooring, you need to have entire system business ready, but again, we've done that in past, it's not an easy one, I'm not minimizing that. But, I would say we're still a lot of capabilities, within our organization who remember that and know how to get it done, but it's not a Q1, Q2 fix it issue. But, David--

Max Tunnicliff, 'Senior Director Investor Relations'

Just go back this way to the middle.

David MacGregor

Yeah, David MacGregor, Longbow. The follow-up, thanks. One of the interesting developments that's occurring right now in the industry this full transfer potentially transformational change to direct sale to the consumer, I'm interested in, I think Mr.Brega talked about it on his slide, with respect to the Brazilian business, as being a major growth driver from down there. But, Marc, could you talk about direct to the consumer sales in North America.

And just if you could dimension that for us now, in terms of just how big it is in the size, and what is the inflection point and how do you deal with retailer opposition?

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Let me maybe make first time I've been able to also ask Joe to add a comment. So the first of all, I start with a consumer, consumers throughout the world as Brega point out it's their choice in terms of where we want to buy, where we want to buy traditional retail, an e-commerce player with OEM manufacture with regard. Just think about yourself as a consumer, there are many categories but you just look up a manufacturer website, in some cases you expect. It's your expectation that you sell direct.

About where it's already very present in the US., if you would go to a typical electronic retail in US., take a best buy. We will go for the entire floor, you would recognize that about 70% of that floor not appliance best buy floor, you can also buy direct with could manufacture.

And again, I see that it's a reflection of responding to consumer needs. To now tell you exactly how much we want to grow the business in North American where, where that is a little bit premature, but we have communicated two weeks ago, we're starting it, and by the way we have done it for many years and KitchenAid small domestic appliances. Now there are certain parts of a world where we think we can grow faster, they make more sense and we're certain areas of

the world that we will take a more conservative approach. I would say back to Brega's presentation.

You should expect Latin America will be one of our fastest marked countries or regions, I think we will see a business where we will have about 20% of our business direct to consumer. So, that's where we see more dynamics and there may be other parts of the world but we see different opportunities. I don't think North America will be leading that charge, but they've had a communication two weeks ago, we said we want to build the capabilities, we want to go direct, because ultimately it's all so, we want to respond to what the consumer access for.

Joseph Liotine, 'Executive Vice President and President - Whirlpool North America'

Maybe the only add is people use the words direct-to-consumer and e-commerce almost interchangeably and to Brega's comments earlier the e-commerce side of things can be a marketplace can be a pure play, can be a retailer bricks and clicks and then direct-to-consumer really from the manufacturer standpoint is also new once.

Our goal is to be very successful in all channels, successful in all chance irrespective of what they are. Direct to consumers the channel that consumers expect us to be in, based on the feedback they've given us, and so home delivery, service, technology are all assets to make sure we can do that very well. So that's kind of our goal there and consumers then we'll choose, based on their preferences and needs what's best for them.

Michael Dahl

Hi, thanks.

Mick Dahl from RBC, again. I had two follow-up questions or two-part follow up to Curt and Ken's earlier questions. Just to circle back on the industry chart that was asked about with respect to replacement side. As Marc to be clear within the other drivers, what is the assumption for new construction over that time period? that's question one.

And then in terms of the second question, there's a lot of uplift that's expected from mix, but in the broader kind of housing trends that we're seeing to extend that volumes coming back, it's increasingly focused on the low end you may not necessarily lose an appliance sale as that shift occurs, but certainly there could be a mix and packed, to what extent are you factoring in negative mix shift within housing towards entry level in your overall mix bucket? Thanks.

Joseph Liotine, 'Executive Vice President and President - Whirlpool North America'

You want to start.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

I can start, Mike just maybe on a broader construction is probably a longer answer negative. First of all, keep in mind that is today a small part of a mark which is directly housing-related, but of course you have always indirect effects.

As we stated repeatedly, if you look at the housing market total in US., from day one of the recovery recession it was supply constraints. First, we were not lots, and there's no builders then you didn't have lumber one point, and you certainly didn't have over the last six years workers skilled -- workers actually do building. So, it was massively supply constraint coupled with tighter lending standards.

What it led to is, against still positive demographic trends and everything else. It led to an appreciation of home appliances which are faster than you would expect in the cycle. And that just a reality I mean you saw 4 to 5% increase

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last year in prior years so, you saw supply constraint markets with price appreciation which was more than you probably want to see for a healthy market. What we think we saw last year is the mortgage rate increase until Q3, which is still low in absolute terms but it still came up one and a half points coupled with broad and certainly led to kind of softness of kind of a buyers coming to the market.

We do see that coming back, because the fundamental demographic trends are intact, okay, and more many intact that if you look at it, to its population growth household formation is still kind of a 40-year low is now slowly, slowly coming back. It comes back in the segment which you refer to is more then mass and below end or what you'd call the entry buyer. But it is intact, I mean from whatever angle you look at, you cannot come to another conclusion, the housing market still has quite a bit of runway. Keep all this in mind, but most people don't even talk about, look at the age of a rental stock, and owned housing stock in US.

, when the stock is not 40 years old. You all know, I mean 40 year old rental stock, I mean, you can't just keep it forever, or if you keep it very long either even drives the home-improvement markets, all will drive a new construction market. But rentals, and owned housing stock in US is at a historic high, So where is put all the facts together, that's why we said in of confidence, you cannot come to another conclusion that the US Just to give them a demographic trends, and the housing stock, you have to see a mark with 1.5 million to 1.7 million new housing. And we all know, we're far away right now still 1.2 million.

But we're not planning for 1.5. We would love to see it, but it's --if you just put all the parameters together, that is still what we would consider a healthy run rate for US., so to see right now 1.2, what is the 1.2 something, and existing home sales of 5.19 is below, where anybody would expect, but we also see it is going to recover, not only the back half of this year, but also over time, from every angle we look at it. To your point, yes, we see and that's a positive, we see it as a positive, but entry buyer starts coming back.

The household formation comes back in the market. Now, and that's the strength of our brand portfolio, we're not only selling JennAir and KitchenAids. It we with Amana, what we have also in the intersection of Whirlpool. That is the mark was their farewell, and actually you see now more-and-more for national builders have multiple portfolios, and we have right brand portfolio, and we can mix up very nicely within the brand portfolio.

So, we are of course we take that into account the mix, but we sit here with a smiling face, because we have a brand portfolio to serve all the segments.

Max Tunnicliff, 'Senior Director Investor Relations'

Other questions? On your right, one second.

Curtis Nagle

This is Curtis Nagle, Bank of America.

Max Tunnicliff, 'Senior Director Investor Relations'

Go ahead.

You both have time.

Megan McGrath

(Technical Difficulty) Too many microphones. Megan McGrath. Just as a follow-up to add, we haven't really talked a lot about the competitive pricing environment in the US You have your market share chart there.

Can you talk to us a little bit about the importance of maintaining that market share in light of your 13% plus margin goal? Would you be willing to give up some share to reach that margin goal? Are you assuming that everyone continues to play nicely in the sandbox on pricing over the next couple of years?

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Do you want start?

Joseph Liotine, 'Executive Vice President and President - Whirlpool North America'

That's from a pricing competition standpoint, I mean the environment has been very competitive for a long period of time. So we expect that to continue, there's no reason expect otherwise, and we've not experienced really a different world in a decade. So, in everything, we're doing in terms of launch pricing analytics things like that, expect that. And so we've been very successful in the last let's say five years or so managing it and generating EBIT growth, so our plans are I would say more of the same and expect more of the same going forward, maybe some of the discussion around new launches and different products in terms of services would be like that are little different, but everything else.

We would expect to have a very disciplined system. How we manage price and how we look at analytics that will continue.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Maybe just adding to this one is, we don't get forward-looking statements on pricing. I think the way you look you need to look at market share and pricing.

So first of all, the last couple of years, I mean you saw that we had for 6 years a very stable and very sound branded business. We also stated for the last 6 years is, when we look at particular more short-term promotional tactical opportunities where we look at that equation, can we create value and we're certainly not chasing what we would call a quick sand market share, which you quickly gain and quickly lose. We're looking for the sound structural market share business in our branded side. And that's what we've been doing very consistently and I think that's our strategy.

So, we're and also take into account the chart which I showed in very beginning for the leading countries field. Market share is a strategic asset, but you also need to be very smart about which strategic assets you want to build and protect. And you're not going to go for any short-term wins, which may never create some value. So yes it's a key focus but if we consider the strategic asset and needs to be earned over time, and we've done that very well in the last five years.

I'm a competitive pricing the basis of hire -- highly competitive environment, it's just has been will be and as such you need to be of course smart and how you operate it and it's demonstrate the last six years, so I don't think the competitive intensity will anyway go down. The flip side is also you need to keep in mind, current round of pricing was driven by massive material cost increases. And I know some of you are speculating how quickly a material costs coming down with 650 million inflation and all we talked about right now is that the increase the further increase may slow down. So the rationale for why we had to do pricing is intact and that is not going to go away very quickly.

Curtis Nagle

Curtis Nagle Bank of America. What is your current share? or I guess the sales penetration in the US for builders I guess how does that compares peak to trough? And clearly it's a business that requires a lot of scale, and is defendable but have any of your competitors tried to make inroads, I guess ex-GE?

Joseph Liotine, 'Executive Vice President and President - Whirlpool North America'

I mean, probably can't get you a lot of details in terms of what we expect for competitors, and what happened the future, but I would say that channel of distribution builder, is equally as competitive and has been -- has some different characteristics in terms of how you fulfill the channel. And generally speaking we want to be successful in all channels, so we've the last 5-10 years, it is considered effort to had good balance across all the channels, so that we can win as a channel grows or frankly mitigated when it doesn't, and so we're pleased with our business there, but it's a lot of work to continue -- to maintain it, and so we're always looking to get better there, but generally speaking that channel behaves just like retail, in terms of its competitiveness. Solely different assets required, but kind of this would be the same.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Include maybe just additional colors, but the builders markets or segments as to prefer to you got to think about two pieces. The one piece is more of a smaller, medium-sized builders which very often go through the pro-business or pro desk offer home improvement channel or Ferguson whatever. So there's a pro-business which we don't serve directly, it goes through our other channels. But we it's hard to calibrate but we have a pretty good understanding and these are very much similar competitors as we see in our spaces.

On the big national builders, I would say overall there are less players in the field and that's very strongly driven because it is as much as product requirements is a significant logistics capability because you need to deliver an entire set of appliances, very often the two or three hour time window[ph] to the construction site. You don't do better on the spot by spot base so very often with national builders are multi-year contracts. This multi-year contracts are typically either with one exclusive supplier or two so it's much more concentrated business and as such you would see less the layers and you mentioned GE and GE us we are the largest player in that segment. Frankly, we have not seen despite a lot of talk a lot of dramatic moves in that segment in terms of new entrance or whatever.

Max Tunnicliff, 'Senior Director Investor Relations'

In the middle please. Go ahead Ken.

Ken Zener

Ken Zener, KeyBanc. I'm looking at Slide 12, which says unique structural position best cost position seems important could you not pass up this opportunity, and really talk about these mega factories which have six and the 17 just kind of talk about, what we should be assuming as the margin dispersion and I guess it's good news no one's talked about tariffs today and new plants in the US, I think that's makes sense in light of your recent margins but Clyde has I believe a 5 million capacity other new plants in the US that have opened from competitors had a 1 million I mean, can you please flushed out to the extent you can what scale means specifically or just some details that you haven't shared yet from that Slide 12? Thank you.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

Ken you successfully embedded two or three questions in one question. So let me in particular, let's talk about is one example. So, here's our Clyde factor is about 4 to 5 million capacity though it's just washers, we haven't as Marion similar-sized dryer, so this is just washers, which is by a long shot the largest and if you compare to the second in the US is about yeah twice to what moment 3 times the size of a number 2 in here. So, we've a significant scale advantage, I would say when we talked about these large mega factories on client particular.

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First of all hard steel dimension and rule of thumb is has been always just for hard scale typical doubling of volume have about 3 point benefit or advantage. But, it's much more than pure scale, I mean it just it build it takes some time to build a capable workforce. In particular when we talk about deploying some of the tools that world-class manufacturing etc. No, it's not anymore that you evolve, I train you for 2 hours and you get them aligned and done having a capable workforce which also not an ongoing production, which can introduce new products, which can launch new products is a non trivial matter so it's more than just the scale, it's also the experience curve, and don't underestimate this one.

That's why people just look at the numbers, but having an experienced workforce, having a training system in place is a big deal, and that provides benefits way beyond the accuracy of hardcore scale benefit.

Max Tunnicliff, 'Senior Director Investor Relations'

All right. One final question from David MacGregor.

David MacGregor

Yeah, thanks.

David MacGregor, Longbow. Question for Joe I guess, on page 39, you've talk about the leverage to expand margins to 13% Plus in North America, and various points through the discussion here, this morning we've touched on a few of these, but I wonder if you could just make reference to that slide, just rank order for us, maybe the 2 or 3 largest or most impactful that you would expect to play out from that list maybe you have already, that's the case say so, but just help us understand, as we look at 6 or 7 different points here. Most impactful? Thank you.

Joseph Liotine, 'Executive Vice President and President - Whirlpool North America'

Yeah, that mean obviously that slides important to us that's kind of the growth leverage as we've detailed them.

Product mix, and we buy and large sell products right so when we launch innovation, we launch new feature sets. That's always going to be a big contributors to our margin. So that's always going to be primary for us and so things like the KitchenAid ovens things like the laundry front-load machines that we talked about. You have different, differences there you have some things that are high in on the KitchenAid brand and generate obviously a good business for us, and then you have laundry which is a big category for the industry as well as for Whirlpool and so that generates quite a bit of value there.

Our ability to be effective and our pricing in merchandising is always going to be a sensitive one for us, we have a lot of units that we sell annually. So that the sharper we are, can always increase incremental value, that's a big one. And then I think some of these areas that we've talked about that are new and growing along with Yummly connected products some services that we touched on, maybe a little bit of a more diverse buckets, but they're all immature and growing that should all be incremental for us as we're not in those businesses or those categories a today. Those are probably the bigger ones from a cost standpoint, we're a certain a big company in industrial company that has a lot of opportunity, Marc touched on the manufacturing side of things in the slides proceeding that showed the quality and the productivity side of things.

So, that's going to be a very big bucket, how to dimensionlize here in this discussion, but obviously given the amount of things we touch, number of units we touch and dollars associated, if we can become sharper there, that's going to be contributor going forward.

Max Tunnicliff, 'Senior Director Investor Relations'

All right. We'll pass it over to Marc for closing remarks and then I'll wrap up the presentation.

Marc Bitzer, 'Chairman of the Board President Chief Executive Officer'

First of all, again thanks for coming and thanks all for all these questions here.

I'm not going to cover number slide I just want to come back to where we started off this discussion first of all. This meeting is not about updating our guidance, I want to repeat we are on track I think Ken mentioned the tariffs whatever noise was around tariffs first of all I think there's maybe too much noise about tariffs but we very, very clear on our earnings call. we fact that possibility already into our original guidance, so by definition it has not changed. So, we're well on track, confident about business and that confidence has not changed in the last 4 weeks since we're in earnings call.

So, that's the good news we want to spend the time here and that's what you had at the beginning of slide is talking about why we believe Whirlpool is a great long-term investment in why we can bring the company to a different level. It starts over structural position and again that's just and certainly I inherited for 108 years it took a long time to build it, but it's an incredible asset. But, really big part is what you saw what Joe presented is the broad transformation for our company not only on products on services, how we go to market, how to talk to consumers down to the factories. That is a fairly massive undertaking and to what we alluded to earlier it will lead to different business model and of course a business model where we expect high margins and that's why we do with those strategic transformation.

You also saw -- we ever sow it if you go region by region there are a lot of opportunities to further create value in the respective regions, in some cases it comes on the back of market growth, in some other cases it comes on our improvement like in Europe. So, I think there's plenty of opportunities, kind of region we're not relying on just one region across all regions, it's further expand the margins. So, that's why we give a targets, which we gave, and that's why we're committed to these targets. So, with that in mind again, thank you very much for coming.

Great pleasure, good questions and safe travel to back home. Thanks a lot.

Max Tunnicliff, 'Senior Director Investor Relations'

On your way out. Please grab lunch, it will be set in just about 3 minutes, also we have a small gift for you.

And once again on behalf of the entire Whirlpool team, we do thank you safe travels.

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