Sam Darkatsh:

Good afternoon. We're going to start, if at all possible, right on time, if not a minute early, because we've got a lot to cover this afternoon. I'm Sam Darkatsh, and on behalf of Raymond James, would like to welcome you to the Whirlpool Corporation presentation, ticker WHR. With us today from Whirlpool, is executive vice-president and president of North America, Joe Liotine, and director of investor relations, Lara Mordoh.

Sam Darkatsh:

For reference, Whirlpool is the world's leading kitchen and laundry appliance company. Approximately $19 billion in annual sales, 78,000 employees and 57 facilities worldwide. The company markets under brand names, including, Whirlpool, KitchenAid, Maytag, Consul, Brastemp, Amana, Bauknecht, JennAir, Indesit, among others, and sells product in nearly every country throughout the world. The format of today's presentation will be as follows.

Sam Darkatsh:

The company will have perhaps 15/20 minutes or so of prepared introductory remarks, followed by a fireside chat Q&A session, which I will host. If you would like to submit a question, you may do so using the Q&A feature in the webinar system. With that, Joe, Lara, thank you for joining us today. The floor is yours.

Joe Liotine:

Thank you, Sam. It's a pleasure to be here today. I'm going to go ahead and advance the slides to our presentation. As I jump into things, really the very first slide is what you'll see here. This is what's most important to Whirlpool, which is constant pursuit of improving life at home. You'll see throughout our presentation why that's important to us and why we think we're uniquely positioned to do that well. Oops.

Joe Liotine:

From a company composition standpoint, we're the leading kitchen and laundry appliance company. We have global scale, leading global scale. We're number one in six of the top countries. We have a brand portfolio that Sam talked about that is unparalleled, unmatched by others. We have luxury brands such as JennAir and Brastemp. We have mass premium brands, such as KitchenAid and Whirlpool Maytag, Amana, Hotpoint, all great brands.

Joe Liotine:

Five of which are billion-dollar brands in the marketplace. In addition, we have a proven track record of innovation. Pictured here is our new global platform on dishwashing, which essentially has a top-level

rack, a third-level rack where you can wash cups, bowls legitimately, on top of the other two racks that really just differentiate our products above and beyond competition, and really deliver on what consumers are looking for at home by their products and their brands.

Joe Liotine:

We've won countless awards from innovation, design and even industry awards. Then lastly, our best cost position. We have a strong track record of cost productivity, combine that with global scale and we're the number one leading kitchen and appliance company in the world. From a regional standpoint, each of the regions presents opportunities for growth. In North America, our track record of profitable growth over the last five/six years has been tremendous. 20% CAGR.

Joe Liotine:

In EMEA, we have the number one position in three of the top four markets, France, Italy, Russia, well-positioned for significant growth in that market. Then in Latin America, we have great brands like Brastemp and Consul. Brastemp's the number one brand, and frankly, one of the strongest brands in the country across any industry. Then Consul, one of the top three brands, very positioned for growth as well in Latin America.

Joe Liotine:

Then lastly, in Asia, specifically in India, a lot of growth is available to us in terms of penetration. That market has different characteristics that present opportunities for us. Washers are only 14% penetrated, refrigerators, 33, microwaves, 2%. In addition, our manufacturing footprint in China offers excellent cost-efficient manufacturing and scale for us. If we look at our track record of delivering strong results, you'll see from 2018 and 2020, a lot of great progress.

Joe Liotine:

From an ongoing EBIT standpoint, 280 basis points improvement over that time period. From an EPS standpoint, three consecutive years of records and 11% CAGR. Then relating to our shareholder return, 18% over three years and outpacing the household durables index by 6.6 points over that same time period. Then cash flow growth, 21% CAGR. Then return on invested capital, an increase or improvement of 250 basis point.

Joe Liotine:

All just fantastic results, really showing our track record and consistency over the last few years. From a guidance standpoint in 2021, we're affirming our 2021 guidance. We're really looking to deliver on our long-term value creation targets. In the top section, you'll see those targets. 3% organic growth, ongoing, approximately 10% EBIT percent rate, and then cash conversion of greater than 6% is our long-term aspirations.

Joe Liotine:

Our 2021 guidance is revenues of 20.6 billion, an increase of approximately 6% year over year. EBIT of nine plus percent. A small increase up to 25 basis points, year over year. Then a billion dollars plus of cash flow and approximately 5% conversion free cash flow to net sales. Full-year expected ongoing EPS range of 19 to $20. From a net sales growth drivers, in 2021, we expect share growth in a strong demand environment. Sustained strong global demand led by increased focus on the home.

Joe Liotine:

We've seen that consistently around the globe in terms of time people are spending in their home, how much it matters and how important appliances are in that experience. In addition, we've seen a robust housing demand market. We expect that to continue and we're encouraged by that. In addition, we're leveraging our global brands and product portfolio to gain share in all regions. What we've launched from a brand portfolio standpoint and a product portfolio standpoint is really exciting.

Joe Liotine:

I touched on one earlier with our dishwashers, but there are many more in the regions that really give us optimism and growing. Then lastly, our U.S. supply chain recovery expected by the end of Q2. We experienced disruptions in 2020. We've been consistently revolving around those and evolving those such that we're progressing out of them. We have good confidence that by the end of the Q2, our back orders and our pent-up orders will be relieved.

Joe Liotine:

From a 2021 margin enabler standpoint, we're leveraging a resilient business model in an inflationary environment. We have very disciplined execution of go-to-market strategy and have done so for quite a few years. In addition, we're consumer-focused and we're launching innovative products that mean a lot to consumers and to our trade base. We've taken cost-based price increases already in countries such as Brazil, Russia, and India.

Joe Liotine:

Lastly, we're delivering cost efficiencies through advanced productivity tools. We're employing various tools across our supply chain and value chain and ensuring the most efficient and effective supply chain possible and really getting the benefits of that, both in 2020, as well as go forward in 2021. From a long-term growth and margin expansion standpoint, there are three main buckets to look at. The first is direct to consumer.

Joe Liotine:

We've been growing that business over the last couple of years pretty consistently, and look forward to doing that in the future. We're launching things that are direct to consumer and really fit in with our IOT products. In this first picture, you'll see early this year we launched Swash detergent. It's an end-to-end experience. You can replenish it via your bulk dispense in your washer. You can order it via your app, and you can have it fulfilled via Amazon or some other party.

Joe Liotine:

Really entering into other segments, not just direct to consumer from a MDA standpoint, but also all the ecosystem partners that present itself. In addition, I touched on the international growth. We have ample opportunity for international growth consistently across the globe. Then lastly, cost productivity. Something we've done very well over decades, really continue that progression.

Joe Liotine:

We're looking at sophisticated tools and methods via world-class manufacturing and digitization of our value chain to really become more efficient and more effective in everything we do. We're very confident in these long-term growth and margin expansion levers long-term. From a 2021 capital

allocation standpoint, essentially have two main buckets. How do we fund our innovation and our growth and how do we return value back to shareholders?

Joe Liotine:

In the first bucket, we want to invest approximately 6% into our capital expenditures and our research and development. In addition, we want to invest behind our direct-to-consumer capabilities and our world-class manufacturing discipline around our production systems. In addition, we're going to opportunistically pursue M&A with higher ROIC. Then in the second bucket, the return to shareholders, from a dividend standpoint, 2021 marks the 75th consecutive year of paying dividends.

Joe Liotine:

It's also an increase in dividend for eight consecutive years. Then we focus on 30% trailing of 12-month ongoing net earnings. From a share repurchase standpoint, we repurchased 1.4 billion of share repurchases since 2018. In 2020, we expect to have moderate repurchases. We have approximately 530 million in authorization remaining in terms of share repurchase. Then lastly, our targeted capital structure. We ended 2020 with a gross debt leverage of 2.3 times.

Joe Liotine:

In 2021, we expect to get the two times leverage. With that, this concludes the high level remarks, Sam. I'd like to turn things back over to you for the Q&A and fireside chat.

Sam Darkatsh:

Terrific. Can you hear me okay, Joe?

Joe Liotine:

Yes.

Sam Darkatsh:

Okay. Excellent. Obviously, you and the industry have had severe capacity and supply chain constraints, and lead times have been extended since last spring. You talked about that to an extent in the prepared remarks. Talk about where lead times are right now for Whirlpool compared to the eight weeks seen in the third quarter and the fourth quarter of last year and how do those lead times compare for the retailers versus the home builders?

Joe Liotine:

Yeah. In terms of lead times, we experienced a sharp uptick as a consequence of all the COVID-related disruptions, really in Q2 and Q3 and they generally persisted in the Q4, although, they got better. That improvement is really a function of our ability to stabilize our supply base, stabilize our labor in our own facilities and actually increase capacity and output across both our supply base and our own facilities. We've invested in additional tools and equipment. We've invested in suppliers. We've also invested in labor.

Joe Liotine:

All that now is essentially exceeding current need states and so we're able to chip away at the back order position or the lead time position. The way to think of it is, by the end of Q2, we expect that to

return to, I'll say, historical levels. Not every category exactly the same across each week, but pretty consistently. The improvements happen in a prorated approach across the first half. They're not big bang in Q1 or Q2. It's week by week with improvements, and we've already seen those positions are moving in the right direction.

Joe Liotine:

Then you follow that on by retailers. The retailer versus the builder experience on availability or lead times is a little different only because of the cycle in which you know you have a building coming due in six months. You know exactly where it is exactly. You know exactly the products that it would be. There isn't a lot of variation because by builder, there's usually predefined models that we sell them. It's not exactly open to every skew combination available.

Joe Liotine:

They can be a lot more planful, and frankly, we can be a lot more planful with them. The characteristics across the two different segments of distribution can vary quite a bit. I would say, our disruptions are improving consistently, so are some others. I think those who experienced disruption in the U.S. and Mexico, our competitive set, would have had similar, I think, experiences. That's also improving.

Joe Liotine:

In general, if you were to look in the retail landscape, I think that's getting better in mass across everyone, but maybe not exactly the same by segment, by manufacturer in a consistent way. I feel very good about our improvements and we're looking forward to getting back to where we were at the end of Q2 from an availability standpoint and execution standpoint. Then we enter into the back half with frankly a bit more capacity and flexibility than we would have had otherwise, which is also a positive sign.

Sam Darkatsh:

If I'm to paraphrase, if you were at, let's call it eight weeks of lead time in the fourth quarter or so, maybe a week or two improve from that and every couple, two or three weeks, another week or two, is that one way to think about it until you get to the normal one to two weeks?

Joe Liotine:

Yeah. I think generally I would look at it in that way, linear fashion. That's about right.

Sam Darkatsh:

Who do you figure in the industry ... and it very well might be Whirlpool. Who do you figure in the industry gets to normalize lead times first and is able to really gain a fair amount of market share as a result?

Joe Liotine:

I mean, as far as Whirlpool stands, we do expect to normalize all these operational disruptions, create more capacity, so we can be more flexible and then recoup what we lost in 2020. That's certainly our intent and I think we're on the right path there. I think anyone else who produced in the U.S. would have had some of that sharp disruption and in a recovery, maybe at the same rate, maybe not. I can't speak to that.

Joe Liotine:

Then anyone who would've produced from Asia, frankly would have had pretty different characteristics in terms of how their supply chain was affected. Yeah. I would put them in slightly different buckets, maybe less by manufacturer, more by supply chain.

Sam Darkatsh:

Got it. Then same thinking there. You have vocalized expectations of gaining share this year, and I'm specifically talking about North America, although I could say that for around the globe, but specifically in North America. Would that be in the first quarter too, especially knowing that many of the Asian players may be struggling getting finished goods into the country? Would you be able to gain share, you think, here in the first quarter, or would that be more of a second half issue once you go up against the ECA market share comparisons?

Joe Liotine:

Yeah. I mean, from your question on share from an enterprise standpoint, we absolutely have intentions to grow share, not just in North America, frankly. In EMEA as well, and Latin America and Asia as well. That's a consistent directive. Then in terms of North America, essentially the way I would look at it, we've not disclosed necessarily what we think we're going to gain, by how much and when and where exactly.

Joe Liotine:

We are looking to unwind a lot of that pent-up order demand, and so by doing so, we would be gaining back some of the businesses that we lost without giving exact numbers or indications of what that means. We expect to outpace the industry and then make up the pieces that we missed in the first half by the end of Q2.

Sam Darkatsh:

Got you. Raw material inflation, obviously a prevailing theme. You've called out expectations of, call it 250 to $300 million in RMI company-wide, especially in steel and resins. Steel and resins and base metals continue to rise, obviously. How much risk would there be potentially to that 250 to $300 million estimate? Especially knowing that ... I don't think you called out base metals originally as a source of pressure. Then I have a follow-up question around freight-out costs. Let's start there.

Joe Liotine:

Yeah. In terms of the overall guidance of what we set in terms of RMI, it's the 250 to 300, as you cited. Principally, we did refer to steel, resins and even freight in those early discussions. For us, there's a couple things to note. Our steel contracts, and we've shared this before, are more on an annual basis. The volatility we're going to experience is going to be a little different than what you see in the spot market. It also matters on when it commences and when in anniversaries.

Joe Liotine:

Not everything is January 1st, December 31st. That's a bigger element than people sometimes understand. From a resin standpoint, it's more of the two to three-month window, but the same characteristics. It's not exactly every month on the beginning of the month and at the close of every

second month or third month. That's a factor in there. Not as long cycle as steel. Then freight has been something we're watching. That also has been elevated.

Joe Liotine:

If you think about our costs, essentially steel is eight or 9% of cost. Resin is a similar number, eight or 9%, and then freight a number of more like matter 10% of our total costs. That's the magnitude of what that impact is. In terms of what could happen the remainder of the year, we're certainly watching it closely. There's a lot of different things happening. We don't have a new projection or a risk number per se to share, but we're certainly watching it closely.

Joe Liotine:

I would say at the same time, we have lots of tools. We've demonstrated over a long period of time, we're adept at managing costs and managing how to do that both from a mitigation standpoint or in market standpoint. Just as we have 250 to 300 million planned of elevated RMI, we also have 250 to 300 million planned of cost takeout, productivity, across all of our costs buckets. We're actively and aggressively pursuing all those opportunities.

Joe Liotine:

Then in addition, we'll always look at go-to-market actions as well, to see what needs to make sense, to make sure the entire business works the way it should, and that we're generating the right amount of profit across our businesses. It's something that will be really monitored very closely here, as things continue to change.

Sam Darkatsh:

As a reminder, when you're saying eight to 9% of costs, is that cost of sales or is that total cost between the sales and EBIT line?

Joe Liotine:

That's cost of goods.

Sam Darkatsh:

Cost of goods, right. I'm just making sure we understand that. The promotional environment at retail has been virtually non-existent really for the past two/three quarters or so, based on the long lead times, based on the fact that we've had a lot of nondiscretionary replacement, based on the fact that a lot of retailers don't necessarily want high-traffic levels in the store. To that extent, at least, it's been a terrific backdrop.

Sam Darkatsh:

Once industry lead times normalize and discretionary replacement returns, there's an argument to be made that the promotional activity will resume as well. I think one of your competitors, Electrolux has already cited expectations that the promotional environment is going to return in the back half. First off, do you think that is the most likely scenario? How will Whirlpool react if industry pricing gets more aggressive, especially in light of the inflationary environment?

Joe Liotine:

Yeah. I mean, that question related to promotion for Whirlpool is answered in a very consistent fashion, which is, we have a toolkit, we have a set of frameworks. If we think a promotion is going to drive value for the company, and it's a creative, we're going to consider it. Certainly after we have the appropriate inventory levels and that kind of thing and not before. That's how we look at it. If it arises or not ... and we've been in a very competitive environment for decades.

Joe Liotine:

If you look at the North American business in particular, over the last five or six years, we've increased EBIT margin every year, even with that highly competitive dynamic. The promotional side of things I think always needs to be considered. They're certainly opportunistic by nature and so we'll see those potentially come back in and Whirlpool will be very structured about what makes sense and what adds value and what doesn't.

Joe Liotine:

When that happens, hard to predict what others will do. Whirlpool thinks of it in a very regimented way.

Sam Darkatsh:

Why didn't you raise price in the beginning of this year? Normally, if you do raise price, typically it's early on in the calendar year. Based on the lead times, based on the demand, based on the inflation, why the decision this year not to do so?

Joe Liotine:

Yeah. I mean, I think you're speaking specifically for North America.

Sam Darkatsh:

Yes, sir.

Joe Liotine:

We did raise the price in many other countries, but North America has not.

Sam Darkatsh:

Right. Sorry. Yeah.

Joe Liotine:

Again, same framework for us in terms of what we can mitigate, what we can manage with go-to-market actions and when to do it. At this point in time, we've not announced any price increases. We'll always evaluate that and make sure we're thinking things through. We've not always done it Jan 1 though, to be honest. We've done it broad Jan 1. We've done it broad in the middle of the year and a partial year. We've done it nuanced by segment or by brand.

Joe Liotine:

We've really designed the pricing tool, and even the promotion tool, to as specific as we can to get as much value out. For us, it's not January 1 or not. It's not all or nothing. It really does depend on the

characteristics of the landscape. We design our approach based on that. I think that's the cleanest way to think of it.

Sam Darkatsh:

The largest retailer in the U.S., the brand Blue, is increasingly going to an EDLP pricing strategy, at least for the entirety of their box. Do you think that affects things promotionally at retail or wholesale for the major appliance category?

Joe Liotine:

Yeah. For those who've been maybe around longer, remember different stories that have happened in the past. I would say in all industries, CPG, durables, some of this stuff comes and goes, depending on where we are in the cycle of things. That's maybe one theme from a time horizon. The second one is by category or by brand, EDLP or high/low, or UMRP also exists at all periods in time. The value segment normally has more of those characteristics anyway, even if it's not announced or disclosed.

Joe Liotine:

Then maybe the medium, the mass and the premium has less of it. The fact that Lowe's is investigating or others are investigating certain things, I'm not sure it has a direct implication to anything, based on how they go to market anyway. Some of that is them and some of that is a consequences to manufacturers. I don't think that's a pass-through concept.

Sam Darkatsh:

From a demand standpoint, again, we'll stay with North America since that's your bailiwick. From a demand standpoint in 2020, I mean, I think pretty clearly it was almost virtually entirely nondiscretionary replacement, both because of extreme usage, because of the inclination of a consumer to want maybe a second refrigerator or a second freezer in their garage. Also because contractors weren't largely allowed into the home, or at least permitted into the home.

Sam Darkatsh:

So large-scale kitchen remodel jobs were not really the case. One would imagine that would have meant pull forward of demand. But on the other hand, the good news is that now you have all this potential discretionary replacement coming as the economy opens up. What kind of analysis have you focused on in terms of how much nondiscretionary demand in 2020 might've accelerated the replacement cycle? I mean, I've got my own ideas, but you folks have far better data than we would externally.

Sam Darkatsh:

Then, if the kitchen remodel activity really does step on the accelerator, what does that do for your business in terms of volume, in terms of mix, in terms of margin? What have you. That's a long-winded question, but it's a pretty important dynamic, I think, of what's happening in this country.

Joe Liotine:

Yes. There were a lot of points there. Maybe I'll go back a step and just remind everyone, for those who maybe aren't as close to it. The composition of our business is essentially 55% annually is duress, and let's say 15% builder. Those are the easiest ones to maybe put a fence around. Discretionary in the middle gets a little bit muddled, when you talk about multiple skews, remodel and all that. We think the

duress absolutely had some impact in it, in terms of people being home more throughout the year and wear-out usage, things like that.

Joe Liotine:

We think the building outlook is pretty favorable, depending on multifamily, single family, where you're looking exactly, what geography, but generally pretty favorable. If I look at 2020, how Q2 started, the very first thing we saw was almost an inorganic event around people changing the appliance needs based on their buying patterns. Freezers, second refrigerators, and maybe even microwaves because they needed some quick ability to do things in their apartment or whatever it might be.

Joe Liotine:

Early on, that spiked, but as 2020 progressed, that really didn't stay elevated. It moved into a more normal mix, a more normal segment across both brands and product categories. What that tells me is, it's much more about the consumer being home all day, cooking all day, taking care of their family, using their products much more frequently than they ever have. As a consequence, maybe some wear and tear, or maybe it was more important to get exactly what they wanted out of their dishwasher or their oven or whatever it is.

Joe Liotine:

I think that feels like that's what we saw from consumers. That's what we learned through research. I don't necessarily think a lot of it is a pull-ahead, to use some of the terms that I've heard, because consumers are still at home. It's still really important to take care of your family. We also don't believe there's data that says consumers will snap back or revert back to where they were pre-COVID. I think a lot of behaviors have changed.

Joe Liotine:

Will they go back to some degree because they'll work maybe a bit more in the office or they'll go back a little bit closer to where they were? Yes, for sure. Will people be back in the office the same way as they were before? Will people be not in their home the way they were? Do they build any new habits or any new passion areas or any new ways of caring for their family? We really think that's going to carry you forward more than it would've pre-COVID.

Joe Liotine:

For us, you layer in that dynamic, you layer in how we feel about housing. We really think that it's positive and so our outlook for 2021 in North America specifically, is four to 6%. We don't have a crystal ball. We'll see how it progresses, but I would say early on, we'd say that's a good number at this point. We have no reason to believe any snapback or any pull-ahead is going to transpire. Then maybe your last point around remodel and mix implications and things like that.

Joe Liotine:

Remodels generally are favorable for good businesses and good brands. Meaning, you'll sell not just one product. You might sell more than one. The person's really investing for the next five or 10 years, so they might even move up a price point. Whereas in replacement, they may just get what they could or what they can afford. In a remodel, they're building for the future, so normally those characteristics are a bit more favorable.

Joe Liotine:

That's not exactly true, but it's more generally true. If the case is we had pent-up missed opportunities on remodel, and I'm not sure it's true, but if it is true, then that would be a favorable move for mix and frankly, even just sell-through.

Sam Darkatsh:

Whirlpool has been in the forefront of the smart or connected appliances theme for a number of years now. How much growth do you anticipate coming from these products and how large is that business now for Whirlpool?

Joe Liotine:

Yeah. I mean, we're targeting to have 5 million connected products in the next couple of years, and we're on track to do that. That's globally, across all of our business segments. In North America, we've launched some amazing front-load connected product and top-load connected product that essentially going back to the Swash detergent comment that I made, has bulk dispensing, can count how many cycles you've used. Ping you via notifications of the app or otherwise to say, "Hey, order more."

Joe Liotine:

Then we can actually fulfill that with Amazon or other providers with our own detergent or even someone else's. In addition, in the kitchen we have more and more growth with connected products, specifically our Yummly brand. We just launched in the latter half of last year, a wireless meat or protein probe that essentially interacts with the Yummly app. You can pick doneness levels. You can pick the type of meat.

Joe Liotine:

You can pick even how you want to cook it, and it will engage with you to make sure it's cooked perfectly to the recipe that you had and even provoke you to flip it or not, or how long to make it rest. You'll see more and more integration with peripheries and hardware and apps, really removing friction out of the kitchen, really making the food journey come to life and making people cook at just a better level and/or with less steps to where they care.

Joe Liotine:

By doing that, we open up all kinds of replenishment opportunities, periphery opportunities, even services opportunities long-term. We're really excited about where we're going. We have real proof points in market with Swash and Yummly probe, not just strategy or theory. That's evolving very quickly with the next couple of years, 5 million units in market. I mean, that's a very significant amount of product and market.

Joe Liotine:

What it does, is it opens up a door to have a lifetime relationship with consumers across many categories. That's something we've always had directly as the manufacturer. We're excited about that.

Sam Darkatsh:

From a platform-to-platform basis, where are your primary new products coming out this year and next, and the timing they're in?

Joe Liotine:

Globally, we have a mix. We've just launched some really successful French door refrigerators out of China, but they're also being launched in EMEA, in North America and even in some cases, Latin America. That's really exciting. It's our Jupiter platform. It's done very well. In EMEA, we're launching a lot of cooking technologies and built in, and that's really central to being successful from a mix standpoint in EMEA. Sometimes there's a trickle-down into the United States for our higher-end cooking brands there.

Joe Liotine:

We launched mid-year or late in the year, laundry products in 2020, that will actually have probably the biggest benefit in 2021. We're right now launching a top-load product that essentially is both a high efficiency washer and agitator washer, agitator-based washer. You can remove it. It's called a two-in-one. You can remove the agitator for big garments or you can put it back in and get a different cleaning performance and cycle.

Joe Liotine:

We're the only ones to have this removable agitator. That's really exciting. Then again, maybe the detergent and the probe and frankly, our D2C business has been growing quite nicely. We're about a billion dollars globally direct-to-consumer businesses. We expect that to continue to be fuel for both our growth and our overall margin profile.

Sam Darkatsh:

Has new product development been impaired at all, or pushed back at all with COVID and also the capacity constraints?

Joe Liotine:

I wouldn't say it was impaired at all, but I think in some cases, when we launched things last year, and let's say retailers were closed, it didn't get on the floors as fast as it normally would. The associates didn't get trained on it and consumers couldn't see it real life, so it maybe stunted a little bit of its launch. That was true for the laundry products I cited. That's why we're so excited about 2021, because all of that is incremental for 2021.

Joe Liotine:

That's true for our dishwashers that we launched, our laundry machines, even our probe, to be honest, was launched mid-year at some retailers who were essentially partially closed. All those I think are going to be a benefit to 2021 and frankly help our mix projections on how we're going to drive mix ongoing in the future. Nothing really was turned off or canceled as a consequence from an innovation standpoint.

Sam Darkatsh:

I've got some questions from the field. What are the remaining levers in terms of operational efficiency?

Joe Liotine:

The remaining levers. I mean, I'll take us back to world-class manufacturing, which is the method, our production system. It covers really all facets of our industrial supply chain. It's really driving a lot more transparency on data, a lot more measurement from an analytics standpoint, a lot more automation

from either materials' management or even online. A lot more testing that drives higher quality. Those are really big levers.

Joe Liotine:

We've been on a multi-year journey, but there's a few years left before we hit, I'll say, maturity on some of these disciplines. As we're digitizing the entire value chain, you get speed benefits as a consequence of that and you get frankly capital investments as a consequence of that because you're not investing in hard tools every time you have an idea. You can do a lot more in a 3D manner than you could historically. Those are, I think more ahead of us than behind us.

Sam Darkatsh:

You've given '21 guidance for segment margins. In North America, call it 15. Europe, call it two and a half. LATAM, seven. Asia, two. As we look out, three to five years from now, how should investors think about likely margin targets for each of those segments realistically?

Joe Liotine:

Yeah. I mean, what I would say is what we accomplished in 2020 and what we guided for 2021 should be the reason we have confidence in the achievability of what we shared as long-term plans in our last investor day. We're still not there yet in every instance, but we're absolutely on track or on our way, and these last couple of years should give us the confidence to say that, "Yeah. That's feasible. That's achievable given our trajectory."

Joe Liotine:

That's where we're pointed. We're pointed at achieving what we depicted just a couple of years ago, in 2019.

Sam Darkatsh:

Right. You're right now operating a level that is exceeding that, in at least North America. Over the next few years or so, what would be a sustainable margin for the North American business? I mean, I'll keep it with North America since obviously that's where you spend all your time. You'll do 15 this year. What's a realistic sustainable number for that though?

Joe Liotine:

Yeah. I mean, we think 14 to 15 is probably the right expectation for North America at this point in time. 15 in 2021 and 14 to 15 I'll say immediately thereafter. Until we come back and really think about that and provide new long-term guidance, that's probably the right expectation.

Sam Darkatsh:

Last question, M&A. You mentioned it in the prepared remarks in terms of being opportunistic. There's clearly some international opportunities that you might be able to plug and play. In the States, your market share is such where it becomes a bit more challenging, at least for large-scale M&A. What sorts of things, either bolt-ons or maybe ancillary or tangential businesses, that might be interesting to you, Joe?

Joe Liotine:

Yeah. I mean, we're constantly scanning the landscape to say, "What's available? What do we have interest in? More importantly, where are we going? Does anything fit?" It's hard to throw out potential targets, really can't do that. I would say it's across all those dimensions that you would think they are. We'll wait till we find a target that we like, but it doesn't need to be necessarily in North America. It could be anywhere across the globe or it could be in North America.

Joe Liotine:

I mean, there's no limiters there. The MDA side of acquisition in North America would be trickier, but there are many other parts of our business that are not just MDA in terms of what we do. We have a full breadth of business. We have small domestic. We have major domestic. We're now in detergent. We have filters. We have a fresh brand and the cleaners it goes with. We have our luxury brand, JennAir. We have our commercial laundry business.

Joe Liotine:

We have our service business, our home delivery business. I mean, there's a multitude of different segments that still could be growth for us, even in North America.

Sam Darkatsh:

With that, I think we're out of time. Joe, Lara, this was terrific. Thank you so much, as always, for participating in our conference. Good Lord willing, we'll be doing elbow bumps in person in Orlando again next year.

Joe Liotine:

Great. Thank you for having us. Pleasure.

Lara Mordoh:

Thank you.

Sam Darkatsh:

Very good. Be well, both of you. Take care.