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Whirlpool Corporation Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you sir [Operator Instructions]. We'll take our first question from the site of David Macgregor from Longbow Research; your line is open.

David Macgregor- Longbow Research

Can you just talk in hopefully quantitative terms about the impact of I guess future cost savings from restructurings that have occurred to date that are not yet reflected in the first quarter results?

Roy Templin

David, this is Roy, good morning. As you look at the benefits from the restructuring we had \$25 million of benefit as you know in the fourth quarter of last year. In 2009, David, we are estimating that we'll have a total of \$165 million in benefit from those actions. I want to be clear here; the \$165 million is not incremental to the \$25 million. It is the cumulative reductions through the end of this year and then through the end of 2010 we think that number will total \$230 million of benefit and that will be our run rate going forward David.

David Macgregor- Longbow Research

Just with respect to these cost savings, which are pretty impressive I guess what are the elements here beyond depreciation? Can you talk a little bit about the extent to which its being generated from labor versus head count reductions versus plant closings? Can you just break it open for us a little bit?

Jeff Fetig

Think again going back to what we talked about, think about it in two parts; product and non-product. In the product area we are getting material productivity from the things I talked about including cost design changes, eliminating material from the product cost, moving to global standards and communizing parts and components and getting more scale from the volume that we have. Those are the primary drivers of material productivity.

In our factories in terms of conversion we not only have lean manufacturing activities but quality improvements are improving our conversion rates, which are greatly challenged by the volume reductions that we have. We also are looking at significant improvements in our warehousing and logistics costs and that sort of thing.

So really, every piece of the business we have under a microscope and we're managing every both fixed and variable cost to drive savings. In SG&A, again, it's a number of items. As we've talked about we have reduced both jobs and benefits. It's a very difficult decision but appropriate for this environment. Spending is also under a microscope and we're spending only where it's important to run today's business and invest in the marketplace today.

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