



# Whirlpool Corp. (WHR)

Updated January 27<sup>th</sup>, 2022, by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$202	<b>5 Year CAGR Estimate:</b>	8.3%	<b>Market Cap:</b>	\$12.3 B
<b>Fair Value Price:</b>	\$270	<b>5 Year Growth Estimate:</b>	0.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	02/25/21
<b>% Fair Value:</b>	75%	<b>5 Year Valuation Multiple Estimate:</b>	6.0%	<b>Dividend Payment Date:</b>	03/15/22
<b>Dividend Yield:</b>	2.8%	<b>5 Year Price Target</b>	\$270	<b>Years Of Dividend Growth:</b>	11
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Last Dividend Increase:</b>	12.0%

## Overview & Current Events

Whirlpool Corporation, founded in 1955 and headquartered in Benton Harbor, MI, is a leading home appliance company with well-known brands like Whirlpool, KitchenAid, and Maytag. Roughly half of the company's sales are in North America, but Whirlpool does business around the world under 13 principal brand names. The \$12.3 billion market cap company, which employees about 78,000 people, generated nearly \$22 billion in sales in 2021.

On April 19<sup>th</sup>, 2021, Whirlpool increased its quarterly dividend 12.0% to \$1.40 per share.

On January 26<sup>th</sup>, 2022, Whirlpool released Q4 and FY 2021 results. For the full-year, sales came in at \$22 billion, which was up 13% compared to 2020, driven by strong consumer demand and cost-based pricing actions. Reported earnings equaled \$1.8 billion or \$28.36 per share compared to \$1.1 billion or \$16.98 per share in the year ago period. On an adjusted basis earnings-per-share equaled \$26.59 versus \$18.46 prior. During 2021, Whirlpool repurchased \$1.0 billion of common shares.

Whirlpool also provided its full year 2022 outlook. The company anticipates ~5.5% sales growth and ~\$28.00 in GAAP and adjusted earnings-per-share. Additionally, leadership expects free cash flow of \$1.5 billion and a tax rate of roughly 25.0%.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS</b>	\$7.05	\$10.03	\$11.39	\$12.38	\$14.05	\$13.78	\$15.16	\$16.00	\$18.46	\$26.59	<b>\$27.00</b>	<b>\$27.00</b>
<b>DPS</b>	\$2.00	\$2.38	\$2.88	\$3.45	\$3.90	\$4.30	\$4.55	\$4.75	\$4.85	\$5.45	<b>\$5.60</b>	<b>\$6.81</b>
<b>Shares<sup>2</sup></b>	79	77	78	77	74	71	64	64	64	63	<b>62.0</b>	<b>58.0</b>

From 2010 through 2020, Whirlpool grew earnings-per-share by an average compound rate of 7.4% per year. However, during this time total company-wide sales only grew by an average rate of 0.6% per annum. The difference between top-line growth and bottom line per share results can be explained by an improving margin and a reduced share count. These items can continue to boost the bottom line but starting from a higher base makes growth more difficult. One year of outperformance in 2021 skewed WHR's nine-year and five-year average compound growth rate to 15.9% and 14.4%, respectively.

While the COVID-19 pandemic called demand into question for many companies, including Whirlpool during Q1 and Q2 of 2020, results proved resilient and very strong since then. Over the long-term Whirlpool continues to have opportunities in the way of the potential for margin improvement and a strong share repurchase program over time. With the massive gains made in 2021 and the strong guidance in 2022, we are forecasting 0% annual growth coming off a much larger base. It remains to be seen whether or not increased home improvement spending is a long-term trend, but this has certainly boosted Whirlpool's short-term bottom-line.

<sup>1</sup> Estimated date

<sup>2</sup> In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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## Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	10.6	12.8	13.4	14.4	11.9	12.9	9.3	8.8	8.4	8.2	7.5	10.0
Avg. Yld.	2.70%	1.80%	1.90%	1.90%	2.30%	2.40%	3.20%	3.40%	3.20%	2.30%	2.8%	2.5%

Since 2010 shares of Whirlpool have traded hands with an average P/E ratio of about 11 times earnings, but in the last five years this has come down to about 9.5 times on average. This mark has varied considerably, ranging from 6 to 18 times earnings. We are using 10 times earnings as a valuation baseline taking into consideration the company's growth prospects and overall quality. With shares currently trading around 7.5 times elevated earnings, this implies the potential for a valuation tailwind.

Despite the company's relatively conservative payout ratio, we are not anticipating significant dividend growth, given management's long-term goal of targeting a 25% to 30% dividend payout ratio. This may change over time, but we're taking the company at its word. Still, with a 2.8% starting yield, this component adds nicely to shareholder returns.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	28%	24%	25%	28%	28%	31%	30%	30%	26%	20%	21%	25%

Whirlpool has strong brands, and its competitive advantages include its global presence and a strong control over its costs, which is why the company generates significantly higher margins than its peers.

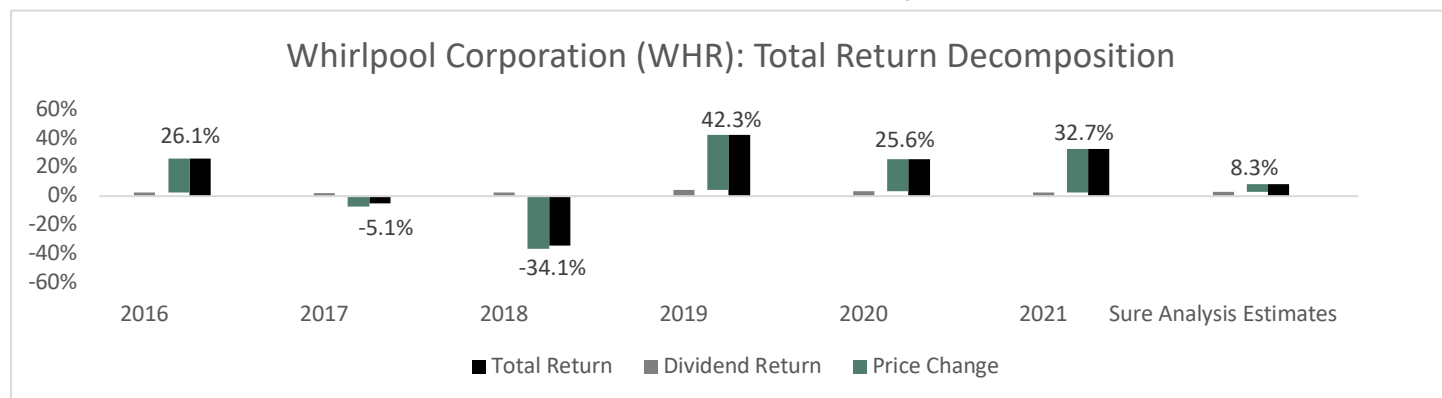
During the last recession, the company posted per share earnings results of \$8.10, \$5.50, \$4.34, and \$9.10 from 2007 through 2010. Meanwhile, the dividend was held steady at \$1.72 throughout the entire period. The -30%+ earnings drop in 2008 may not have been welcome - and provides a good indicator of some of the cyclicity inherent in the business - but we are encouraged by the quick rebound. Moreover, the low dividend payout ratio allows for greater flexibility, without the need for dilutive action in lesser times. Whirlpool has held up well in the current crisis as well.

As of the most recent report the company held \$3.0 billion in cash, \$9.7 billion in current assets and \$20.2 billion in total assets against \$8.5 billion in current liabilities and \$15.3 billion in total liabilities. Long-term debt equaled \$4.9 billion.

## Final Thoughts & Recommendation

The company generated strong total returns of 32.7% in 2021. Whirlpool has proven to be a solid business and had a standout year in 2021, which leadership is anticipating extending into 2022. We forecast total return potential of 8.3% per annum, stemming from a 2.8% starting dividend yield and the potential for a valuation tailwind. Shares earn a hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenue (\$B)</b>	18,143	18,769	19,872	20,891	20,718	21,253	21,037	20,419	19,456	21,985
<b>Gross Profit</b>	2,893	3,298	3,395	3,660	3,692	3,602	3,537	3,533	3,850	4,409
<b>Gross Margin</b>	15.9%	17.6%	17.1%	17.5%	17.8%	16.9%	16.8%	17.3%	19.8%	20.1%
<b>SG&amp;A Exp.</b>	1,757	1,828	2,038	2,143	2,080	2,112	2,189	2,142	1,877	2,081
<b>D&amp;A Exp.</b>	551	540	560	668	655	654	645	587	568	494
<b>Operating Profit</b>	1,106	1,445	1,324	1,443	1,541	1,411	1,273	1,322	1,911	2,281
<b>Op. Margin</b>	6.1%	7.7%	6.7%	6.9%	7.4%	6.6%	6.1%	6.5%	9.8%	10.4%
<b>Net Profit</b>	401	827	650	783	888	350	-183	1,184	1,081	1,783
<b>Net Margin</b>	2.2%	4.4%	3.3%	3.7%	4.3%	1.6%	-0.9%	5.8%	5.6%	8.1%
<b>Free Cash Flow</b>	220	684	759	536	543	580	639	698	1,090	1,651
<b>Income Tax</b>	133	68	189	209	186	550	138	354	384	518

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets (\$B)</b>	15,396	15,544	20,002	19,010	19,153	20,038	20,038	18,881	20,350	20,285
<b>Cash &amp; Equivalents</b>	1,168	1,380	1,026	772	1,085	1,196	1,196	1,952	2,924	3,044
<b>Acc. Receivable</b>	2,038	2,005	2,768	2,530	2,711	2,665	2,665	2,198	3,109	3,100
<b>Inventories</b>	2,354	2,408	2,740	2,619	2,623	2,988	2,988	2,438	2,187	2,717
<b>Goodwill &amp; Int.</b>	3,449	3,426	5,610	5,684	5,508	5,709	5,709	4,665	4,690	4,466
<b>Total Liabilities</b>	11,029	10,510	14,206	13,336	13,425	14,910	14,910	14,763	15,641	15,272
<b>Accounts Payable</b>	3,698	3,865	4,730	4,403	4,416	4,797	4,797	4,547	4,834	5,413
<b>Long-Term Debt</b>	2,461	2,463	4,347	3,998	4,470	5,218	5,218	4,993	5,369	5,237
<b>Total Equity</b>	4,260	4,924	4,885	4,743	4,773	4,198	4,198	3,195	3,799	4,846
<b>LTD/E Ratio</b>	0.58	0.50	0.89	0.84	0.94	1.24	1.24	1.56	1.41	1.08

## Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Return on Assets</b>	2.6%	5.3%	3.7%	4.0%	4.7%	1.8%	-1.0%	6.4%	5.5%	8.8%
<b>Return on Equity</b>	9.5%	18.0%	13.3%	16.3%	18.7%	7.8%	-5.6%	43.2%	30.9%	41.2%
<b>ROIC</b>	5.9%	11.5%	7.4%	7.9%	8.9%	3.4%	-1.9%	12.9%	11.3%	17.5%
<b>Shares Out.</b>	79	77	78	77	74	71	64	64	64	63
<b>Revenue/Share</b>	228.79	232.29	249.65	262.12	268.37	285.66	313.05	318.05	307.36	349.52
<b>FCF/Share</b>	2.77	8.47	9.54	6.73	7.03	7.80	9.51	10.87	17.22	26.25

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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