



Whirlpool Corp. (WHR)

Updated July 25th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$99	5 Year CAGR Estimate:	11.8%	Market Cap:	\$5.4 B
Fair Value Price:	\$96	5 Year Growth Estimate:	7.0%	Ex-Dividend Date¹:	08/24/24
% Fair Value:	103%	5 Year Valuation Multiple Estimate:	-0.6%	Dividend Payment Date¹:	09/15/24
Dividend Yield:	7.1%	5 Year Price Target	\$135	Years Of Dividend Growth:	0
Dividend Risk Score:	C	Retirement Suitability Score:	A	Rating:	Buy

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 twelve principal brand names. The \$5.4 billion market cap company, which employs about 59,000 people, generated nearly \$20 billion in sales in 2023.

On January 17th, 2023, Whirlpool entered into an agreement with Arçelik A.Ş to transform its portfolio. Whirlpool is contributing its European major domestic appliance business, while Arçelik will contribute its major domestic appliance, consumer electronics, air conditioning, and small domestic appliance businesses into a newly formed entity. Whirlpool will own 25% of this new entity, which will have combined sales of over €6 billion, while Arçelik will own the remaining 75%. Additionally, Whirlpool agreed to sell its Middle East and Africa business to Arçelik. The transaction closed on April 1st, 2024.

On July 24th, 2024, Whirlpool reported second quarter 2024 results. Sales for the quarter totaled \$3.99 billion, down 16.8% from second quarter 2023. Ongoing earnings per diluted share was \$2.39 for the quarter, 43% lower than the previous year's \$4.21 per share.

Whirlpool updated its 2024 guidance, which now sees ongoing earnings-per-share coming in at a midpoint of \$12.00 (down from \$14.00 previously) on revenue of \$16.9 billion (unchanged). Additionally, Whirlpool expects cash provided by operating activities to total roughly \$1.05 billion, with \$500 million in free cash flow.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$11.39	\$12.38	\$14.05	\$13.78	\$15.16	\$16.00	\$18.46	\$26.59	\$19.64	\$16.16	\$12.00	\$16.83
DPS	\$2.88	\$3.45	\$3.90	\$4.30	\$4.55	\$4.75	\$4.85	\$5.45	\$7.00	\$7.00	\$7.00	\$8.11
Shares²	78	77	74	71	64	64	64	63	55	55	55	50

From 2014 through 2023, Whirlpool grew earnings-per-share by an average compound rate of 4.0% per year. This growth can be attributed to an improvement in margins and a reduction in the share count. These items can continue to boost the bottom line but starting from a higher base makes growth more difficult.

While the COVID-19 pandemic called demand into question for many companies, including Whirlpool during the first half 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.

We see the impressive earnings result in 2021 as a cyclical peak, and from a more normalized 2024 forecast of \$12.00 per share, we expect 7.0% earnings-per-share growth through 2029. The strong home improvement spending, which had provided a boost to Whirlpool's results in recent years, is subsiding as a result of the rapid rise in interest rates and

¹ Estimated date

² In millions.

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ongoing price inflation. However, interest rates are forecasted to begin declining in 2024, which may spur demand for Whirlpool's products.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	13.4	14.4	11.9	12.9	9.3	8.8	8.4	8.2	8.1	8.3	8.3	8.0
Avg. Yld.	1.9%	1.9%	2.3%	2.4%	3.2%	3.4%	3.2%	2.3%	3.7%	5.3%	7.1%	6.0%

Since 2014, shares of Whirlpool have traded hands with an average P/E ratio of 10.4 times earnings, but in the last five years this has come down to only 8.4 times earnings on average. We are using 8.0 times earnings as a valuation baseline, taking into consideration the company's growth prospects and overall quality, as well as the economic slowdown from rising rates. Shares currently trade at 8.3 times earnings, which implies a small headwind to the valuation for the foreseeable future.

The company's forward payout ratio of 58% is now exceeding management's long-term goal of 30%, thus we are not anticipating much in the way of dividend growth. Still, with a 7.1% starting yield, this component adds nicely to shareholder returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	25%	28%	28%	31%	30%	30%	26%	20%	36%	43%	58%	48%

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.

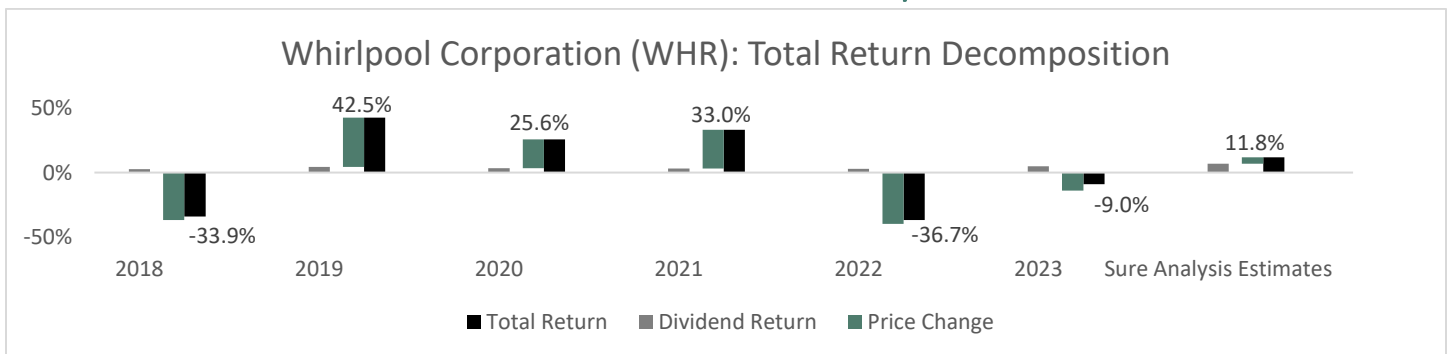
During the last recession, the company posted per share earnings results of \$8.10, \$5.50, \$4.34, and \$9.10 from 2007 through 2010. Meanwhile, the dividend was held steady at \$1.72 throughout the entire period. The -30%+ earnings drop in 2008 may not have been welcome - and provides a good indicator 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 \$1.2 billion in cash, \$5.9 billion in current assets and \$17.3 billion in total assets against \$6.1 billion in current liabilities and \$14.0 billion in total liabilities. Long-term debt equaled \$6.3 billion.

Final Thoughts & Recommendation

Whirlpool has established itself as a reliable company and had a blowout year in 2021, but results have been declining since this peak. The company is likely to struggle to increase earnings in the next few years. We forecast total return potential of 11.8% per annum, stemming from a 7.1% starting dividend yield, 7.0% EPS growth, and a small valuation headwind. Whirlpool maintains its buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue (\$B)	19,872	20,891	20,718	21,253	21,037	20,419	19,456	21,985	19,724	19,460
Gross Profit	3,395	3,660	3,692	3,602	3,537	3,533	3,850	4,409	3,073	3,170
Gross Margin	17.1%	17.5%	17.8%	16.9%	16.8%	17.3%	19.8%	20.1%	15.6%	16.3%
SG&A Exp.	2,038	2,143	2,080	2,112	2,189	2,142	1,877	2,081	1,820	1,993
D&A Exp.	560	668	655	654	645	587	568	494	475	361
Operating Profit	1,324	1,443	1,541	1,411	1,273	1,322	1,911	2,281	1,218	1,137
Op. Margin	6.7%	6.9%	7.4%	6.6%	6.1%	6.5%	9.8%	10.4%	6.2%	5.8%
Net Profit	650	783	888	350	-183	1,184	1,081	1,783	-1,519	481
Net Margin	3.3%	3.7%	4.3%	1.6%	-0.9%	5.8%	5.6%	8.1%	-7.7%	2.5%
Free Cash Flow	759	536	543	580	639	698	1,090	1,651	820	366
Income Tax	189	209	186	550	138	354	384	518	265	77

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets (\$B)	20,002	19,010	19,153	20,038	20,038	18,881	20,350	20,285	17,124	17,310
Cash & Equivalents	1,026	772	1,085	1,196	1,196	1,952	2,924	3,044	1,958	1,570
Acc. Receivable	2,768	2,530	2,711	2,665	2,665	2,198	3,109	3,100	1,555	1,529
Inventories	2,740	2,619	2,623	2,988	2,988	2,438	2,187	2,717	2,089	2,247
Goodwill & Int.	5,610	5,684	5,508	5,709	5,709	4,665	4,690	4,466	6,478	6,454
Total Liabilities	14,206	13,336	13,425	14,910	14,910	14,763	15,641	15,272	14,618	14,780
Accounts Payable	4,730	4,403	4,416	4,797	4,797	4,547	4,834	5,413	3,376	3,598
Long-Term Debt	4,347	3,998	4,470	5,218	5,218	4,993	5,369	5,237	7,615	7,231
Total Equity	4,885	4,743	4,773	4,198	4,198	3,195	3,799	4,846	2,336	2,362
LTD/E Ratio	0.89	0.84	0.94	1.24	1.24	1.56	1.41	1.08	3.26	3.06

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.7%	4.0%	4.7%	1.8%	-1.0%	6.4%	5.5%	8.8%	-8.1%	2.8%
Return on Equity	13.3%	16.3%	18.7%	7.8%	-5.6%	43.2%	30.9%	41.2%	-42.3%	20.5%
ROIC	7.4%	7.9%	8.9%	3.4%	-1.9%	12.9%	11.3%	17.5%	-14.9%	4.8%
Shares Out.	78	77	74	71	64	64	64	63	56	55
Revenue/Share	249.65	262.12	268.37	285.66	313.05	318.05	307.36	349.52	352.84	352.45
FCF/Share	9.54	6.73	7.03	7.80	9.51	10.87	17.22	26.25	14.67	6.63

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

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