



**INVEST/STAY CONNECTED**

INITIAL REPORT MAY 24, 2024

LAST UPDATED MAY 24, 2024

## WHIRLPOOL CORPORATION

**\$86.52 / Recommendation: HOLD, target \$85.00**

Whirlpool Corporation (WHR) is a well-known multinational manufacturer and marketer of home appliances. The company ended 2023 with revenues of \$19.5 billion. Primary appliance types include laundry, refrigeration, cooking, and dishwashers. Brand names include Whirlpool, KitchenAid, Maytag and Amana. Whirlpool holds the #1 share position with north American home builders.

### Company Stats & Estimates \$ MM

Shares Outstanding	55
Equity Market Cap	4,724
Enterprise Value	12,398
2024 EBITDA	1,562
EV / EBITDA Multiple	7.94
2024 Free Cash Flow	583
2025 Free Cash Flow	782
2026 Free Cash Flow	878
2024 Projected Div Yield	<b>8.09%</b>
Enterprise Value	12,398
2024 Projected Earnings	12.55
2024 Dividend Coverage	152%
Price to Earnings / Share	6.89
Book Value / Share	<b>\$47.80</b>

Following an industry favorable 2021 sales slowed with housing starts weakening, higher interest rates and appliance prices jumping on the back of increased commodity costs. Whirlpool has a higher ratio of fixed costs so was limited in maneuverability. Although 2021 provided a nice bump, the company's operating income profit margin dropped from 2019 to 2023 (7.5-5%). In general investors have lost patience with the turnaround with the share price hitting a four year low in 2024. Also, in 2024, Manager David Tepper sold his position, and the company was dropped from the S&P 500 index.

The overall financial situation is good with \$1.2 billion in cash and 2023 EBITDA of \$1.4 billion. WHR is also expecting up to \$500 million from asset sales in 2024, but with net-debt at 4.4 X EBITDA, Standard & Poor's currently has a negative outlook on WHR and BBB rating. The company has elected to retain the relatively high dividend of \$7 per share leading to a current dividend yield of over 8%, but, free cash flow to dividend coverage was slightly less than 100% in 2022.

### RECENT PRESENTATION



WHR monthly chart since 2020

Currently, 2024 is expected to be a pivotal turn around year. WHR management has implemented cost reduction initiatives and sold a majority of its European (EMEA) division. This positions the company for revenue stability or possibly growth and expansion of free cash flow margins. The company is projecting free cash flow of \$550-650 for 2024 (versus \$366 million in 23) which fully covers the dividend of around \$385 million. This is indicated to improve again in 2025. If so, the company could easily fund debt maturities, maintain the dividend and keep the investment grade rating. If not, management may reduce the common dividend.

At this point we can see that investors are skeptical. Most of the initiatives are projected to take effect in 2<sup>nd</sup> half of 24 and 2025. So, investors cannot see success right now and we will know more in the second half of this year. Currently, the shares could be considered cheap at 7 X 2024 consensus earnings and a projected free cash flow yield of 12%. Our hold rating and price target of \$85 is based on the indication of improvements against the possibility of ratings downgrades and dividend reductions.

## BROXTON CAPITAL ADVISORS WHR as of 3/31/2024

Monday, May 27, 2024

share price \$86.52

### PROJECTIONS IN MM

2024      2025      2026

Income Statement			
Net Revenues	16,148	16,955	17,803
Total Expenses	13,201	1,765	1,790
<b>Operating Income</b>	<b>1,222</b>	<b>1,456</b>	<b>1,593</b>
Net income	693	892	988
<b>Net Income / Share</b>	<b>\$12.55</b>	<b>\$16.15</b>	<b>\$17.90</b>

Cash flow	1,033	1,232	1,328
Capex	450	450	450
Free cash flow after Capex	\$583	\$782	\$878
Common dividend	384	384	384
<b>Retained cash flow</b>	<b>199</b>	<b>398</b>	<b>494</b>
Retained cash flow sum	199	596	1,091
EV / EBITDA Multiple	7.94	6.90	6.42
<b>EBITDA</b>	<b>1,562</b>	<b>1,796</b>	<b>1,933</b>
Cash Flow Yield	12.33%	16.55%	23.09%

Debt Amortizations **\$800    \$1,850    \$550**

### Valuations

Dividend Yield	8.1%	8.1%	8.1%
PE ratio	6.9	5.4	4.8
<b>Enterprise Value</b>	<b>\$12,398</b>		
Equity Market Cap	\$4,724	4,724	4,724

### Capital Structure

Shares outstanding mm	55
Debt	7,674

### Liquidity

	Mar. 31 2023
Cash	1,231
Borrowing Availability est.	1000+
Total Assets	17,370
Total Liabilities	14,760

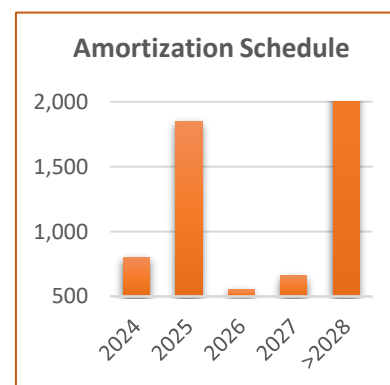
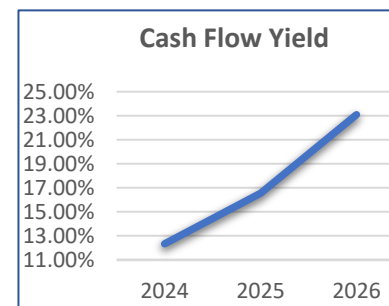
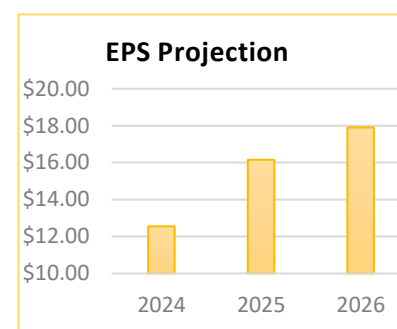
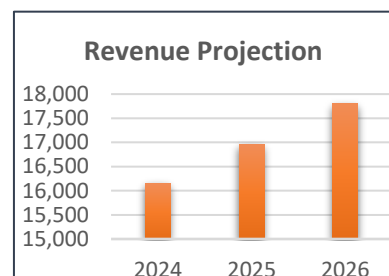
Ratio 118%

### Book Value

Estimated BV / share	\$47.80
Book Value Gross	\$2,610

#### NOTES:

Earnings and financial projections do not include restructuring, write downs or impairments



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Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. 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