



Camping World Holdings, Inc. (CWH)

Updated August 3rd, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	\$32	5 Year CAGR Estimate:	5.7%	Market Cap:	\$1.10 B
Fair Value Price:	\$38	5 Year Growth Estimate:	-5.0%	Ex-Dividend Date:	09/13/22 ¹
% Fair Value:	84%	5 Year Valuation Multiple Estimate:	3.5%	Dividend Payment Date:	09/28/22
Dividend Yield:	7.9%	5 Year Price Target	\$29	Years Of Dividend Growth:	3
Dividend Risk Score:	D	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Camping World Holdings is America's largest retailer of recreational RVs and related products and services. The company's vision is to build a long-term legacy business that makes RVing fun and easy. Its Camping World and Good Sam brands have been serving RV consumers since the company's founding in 1966. Camping World Holdings generates around \$7.2 billion in annual revenues and is headquartered in Lincolnshire, Illinois.

On August 2nd, Camping World Holdings reported its Q2 results for the period ending June 30th, 2022. Revenues came in at a record \$2.2 billion, 5.2% higher year-over-year. The increase in revenues compared to Q2-2021 was again powered by higher pricing, increased activity in the company's service and repair business, and strong overall performance in the core Good Sam business as well as its used RV business.

Results were also boosted by the company's expansion plans last year. In 2021, the company opened 16 locations, which included twelve acquired RV dealerships, three acquired RV dealerships, and one Greenfield location. The company currently has operating dealerships, agreements to acquire land, or existing RV dealerships in 46 of the 48 contiguous U.S. states. Net income was \$198 million or \$2.01 per share, compared to \$246.0 million or \$2.33 per share last year. Despite the higher revenues, the decline in the bottom line was due to a decrease of 380 basis points in gross margins driven primarily by the higher cost of new vehicles. Thus, the net income margin declined 190 bps to 9.1% compared to last year. We have now adjusted our previous outlook for fiscal 2022, expecting EPS close to \$5.00, assuming relatively stable demand for RVs but thin net margins.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	---	---	---	---	\$0.08	\$1.12	\$0.28	(\$1.62)	\$3.11	\$6.07	\$5.00	\$3.87
DPS	---	---	---	---	\$0.08	\$0.32	\$0.32	\$0.32	\$0.34	\$0.84	\$2.50	\$2.50
Shares²	---	---	---	---	18.8	26.6	37.0	37.3	39.4	45.0	42.1	40.0

While Camping World Holdings is a leader in its niche industry, the company's business model is subject to extremely thin margins. Management's efforts to grow profitability are heavily reliant on growing margins. The latest developments include the company's divestment from its low market segments and reducing its financial costs. Last year, for instance, the company refinanced its senior secured credit facilities, reducing its outstanding principal by \$38.6 million, extending the term to 2028, and lowering the applicable margin rate by 25 bps. Still, even in 2021, a year of record profits, net margins were below the double-digits. We forecast a medium-term EPS CAGR of -5%, expecting results to gradually normalize from last year's record levels. In regards to its dividend, the company has grown its base rate over the past three years. However, it has also paid special dividends during this period which are based on any excess profits recorded. The current annual base dividend rate stands at \$2.50. While the company could continue to hike the dividend if its current elevated profitability levels persist, we assume no dividend in the coming years. This is as a dividend cut is just as likely should margins be compressed during an unfavorable trading period.

¹ Estimated dates based on past dividend dates.

² Share count is 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	---	---	---	---	---	31.2	---	---	6.8	6.5	6.3	7.5
Avg. Yld.	---	---	---	---	1.3%	1.0%	3.1%	5.1%	4.8%	2.1%	7.9%	8.6%

Camping World Holdings P/E had been mostly non-meaningful prior to 2020, amid negative or negligible earnings. The stock is currently trading at 6.3 times our expected EPS for fiscal 2022. While the multiple may appear surprisingly low, it is rather justified considering that the company can easily report losses during unfavorable market conditions due to its razor-thin margins. That said, we do believe that the stock deserves a moderately richer multiple, close to 7.5. Following strong dividend hikes lately, the stock's yield currently stands at 7.9%. Assuming payouts remain at current levels, dividend yield levels should remain elevated. However, the high yield reflects the high possibility of a potential cut.

Safety, Quality, Competitive Advantage, & Recession Resiliency

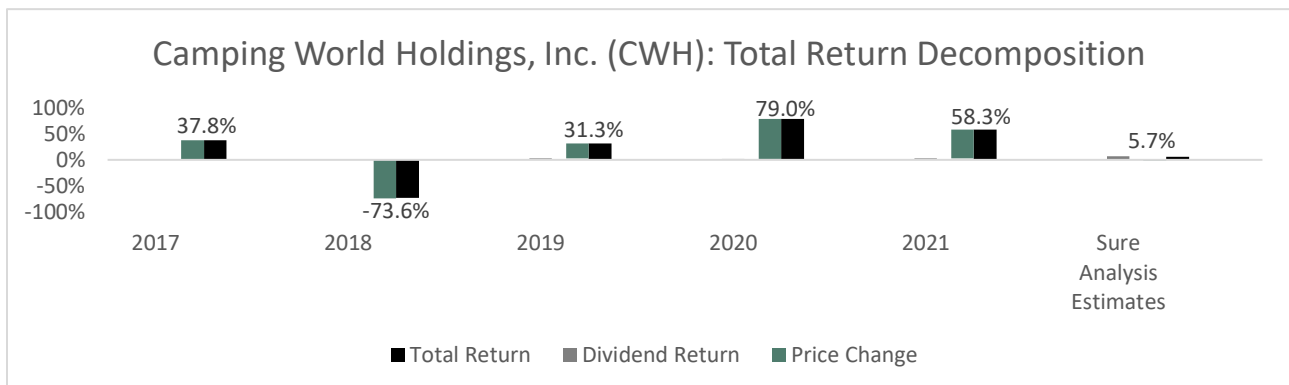
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	---	100%	29%	114%	---	11%	14%	50%	65%

Camping World Holdings is the largest U.S. company in the industry, which makes for a great edge in terms of market dominance. It's also worth noting that the company's full-service repair facilities enable it to install all parts and accessories that it sells in its retail locations. Thus, the ability to both sell and install parts and accessories affords Camping World a competitive advantage over online and big box retailers, that do not have service centers designed to accommodate RVs, and over RV dealerships which also do not offer a comprehensive selection of parts and accessories. That said there are multiple risks attached to the company's profitability, which could be materially impacted during a recession. It's key to note that the company is heavily indebted, featuring a net debt position of \$3.18 billion and a debt/equity ratio of 1,696%. For this reason, the rich dividend should be cherished, but not blindly trusted. This further explains the rather humble valuation multiple.

Final Thoughts & Recommendation

Camping World Holdings is a useful instrument for investors who want to gain exposure in the recreational vehicles space. The possibility of margins expanding amid management's recent initiatives along with a possible multiple expansion could yield extraordinary returns, especially combined with the current dividend yield. However, by taking a more prudent view in which earnings gradually normalize from last year's record levels, we forecast annualized return of 5.7% through 2027. Accordingly, the stock earns a hold rating. However, there are multiple risks attached to Camping World Holdings' investment case, and future performance estimations are highly speculative.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue		2,357	2,635	3,279	3,516	4,280	4,792	4,892	5,447	6,914
Gross Profit		663	746	899	994	1,241	1,363	1,287	1,702	2,456
Gross Margin		28.1%	28.3%	27.4%	28.3%	29.0%	28.4%	26.3%	31.3%	35.5%
SG&A Exp.		483	536	635	692	853	1,069	1,142	1,156	1,574
D&A Exp.		21	25	24	25	32	49	60	52	66
Operating Profit		159	185	240	277	356	244	86	494	816
Operating Margin		6.7%	7.0%	7.3%	7.9%	8.3%	5.1%	1.8%	9.1%	11.8%
Net Profit		21	124	174	189	30	10	(61)	122	278
Net Margin		0.9%	4.7%	5.3%	5.4%	0.7%	0.2%	-1.2%	2.2%	4.0%
Free Cash Flow		(33)	3	40	159	(99)	(118)	164	663	(100)
Income Tax		2	2	1	6	155	31	30	58	92

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets			1,163	1,338	1,456	2,567	2,807	3,376	3,256	4,373
Cash & Equivalents			111	92	114	224	139	148	166	267
Accounts Receivable			63	64	75	103	114	107	110	139
Inventories			677	862	903	1,416	1,559	1,359	1,136	1,793
Goodwill & Int. Ass.			63	115	156	387	394	417	443	515
Total Liabilities			1,400	1,633	1,600	2,495	2,774	3,535	3,266	4,139
Accounts Payable			51	57	69	126	145	107	148	137
Long-Term Debt		-	1,044	1,324	1,252	1,891	2,091	2,057	1,678	2,426
Shareholder's Equity			(237)	(295)	(30)	51	45	(33)	27	158
LTD/E Ratio			(4.41)	(4.49)	(42.10)	37.44	46.94	(63.08)	62.68	15.35

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets				13.9%	13.5%	1.5%	0.4%	-2.0%	3.7%	7.3%
Return on Equity						287.4%	21.9%	-1015%		301.3%
ROIC				19.0%	17.7%	1.9%	0.5%	-3.0%	6.9%	12.9%
Shares Out.										
Revenue/Share		127.89	32.11	39.96	42.06	160.76	53.92	130.98	136.13	77.02
FCF/Share		(1.78)	0.03	0.49	1.90	(3.70)	(1.33)	4.38	16.56	(1.11)

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

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