



# Camping World Holdings, Inc. (CWH)

Updated February 25<sup>th</sup>, 2023 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$23.46	<b>5 Year CAGR Estimate:</b>	6.9%	<b>Market Cap:</b>	\$1.05 B
<b>Fair Value Price:</b>	\$15.00	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	03/10/23 <sup>1</sup>
<b>% Fair Value:</b>	156%	<b>5 Year Valuation Multiple Estimate:</b>	-8.6%	<b>Dividend Payment Date:</b>	03/29/23
<b>Dividend Yield:</b>	10.7%	<b>5 Year Price Target</b>	\$22.04	<b>Years Of Dividend Growth:</b>	3
<b>Dividend Risk Score:</b>	F	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	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 close to \$7.0 billion in annual revenues and is headquartered in Lincolnshire, Illinois.

On February 21<sup>st</sup>, 2023, Camping World Holdings reported its Q4 and full-year results for the period ending December 31<sup>st</sup>, 2022. For the quarter, revenues came in at \$1.3 billion, 7.1% lower year-over-year. The decline compared to Q3-2021 was driven by lower sales across all of the company's RV and Outdoor Retail divisions. Specifically, new vehicle revenues declined 13.1%, used vehicle revenues declined 4.8%, other products and services revenues declined 0.4%, and finance and insurance revenues declined 4.6%. Lower revenues from vehicles were driven by a 6.2% decline in total unit sales and a 4.5% and 1.7% decline in the average selling price of new and used vehicles, respectively. A 2.5% increase in the company's Good Sam Services and Plans segment could not meaningfully offset these declines.

Net loss for the quarter was \$57.2 million or (\$0.79) per share, compared to a net income of \$116.5 million or \$0.54 per share last year. This was due to the company's margins getting crushed as a result of lower revenues, despite somewhat decent cost management. The company does not provide any guidance due to the highly volatile nature of its profit margins, which can be wildly swayed based on small movements in revenues and expenses. Our initial earnings-per-share estimate for FY2023 is \$2.00 and will likely be adjusted over time.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	---	---	---	\$0.08	\$1.12	\$0.28	(\$1.62)	\$3.11	\$6.19	\$3.23	<b>\$2.00</b>	<b>\$2.94</b>
<b>DPS</b>	---	---	---	\$0.08	\$0.32	\$0.32	\$0.32	\$0.34	\$0.84	\$2.50	<b>\$2.50</b>	<b>\$1.93</b>
<b>Shares<sup>2</sup></b>	---	---	---	18.8	26.6	37.0	37.3	39.4	45.0	42.4	<b>42.2</b>	<b>40.0</b>

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 expanding margins. The latest developments include the company's divestment from its low market segments and reducing its financial costs. In 2021, 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 expect earnings-per-share to be compressed further in FY2023, but then gradually improve in the medium-term following management's cost-cutting initiatives. In regards to its dividend, the company grew its base rate between 2019 and 2022. It has also paid special dividends during this period due to recording excess profits. With earnings getting materially compressed lately, we do not trust the current annual dividend of \$2.50. While the company could maintain it while waiting for its earnings to improve, we assume an arbitrary 5% annual decline to the dividend, to be prudent against a possible dividend cut.

<sup>1</sup> Estimated dates based on past dividend dates.

<sup>2</sup> 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	---	---	---	---	31.2	---	---	6.8	6.5	7.7	<b>11.7</b>	<b>7.5</b>
Avg. Yld.	---	---	---	1.3%	1.0%	3.1%	5.1%	4.8%	2.1%	10.0%	<b>10.7%</b>	<b>8.8%</b>

Camping World Holdings P/E had been mostly non-meaningful prior to 2020, amid negative or negligible earnings. The stock is currently trading at 11.7 times our expected EPS for fiscal 2023. While the multiple may appear low, it is rather justified considering that the company can easily report losses during unfavorable market conditions due to its razor-thin margins. Under a “normal” trading environment, we believe a fair P/E for the stock would be closer to 7.5. At the current dividend rate, the stock’s yield stands at a massive 10.7%. Assuming payouts can be sustained, dividend yield levels should remain elevated. However, the high yield also reflects the high possibility of a potential cut.

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

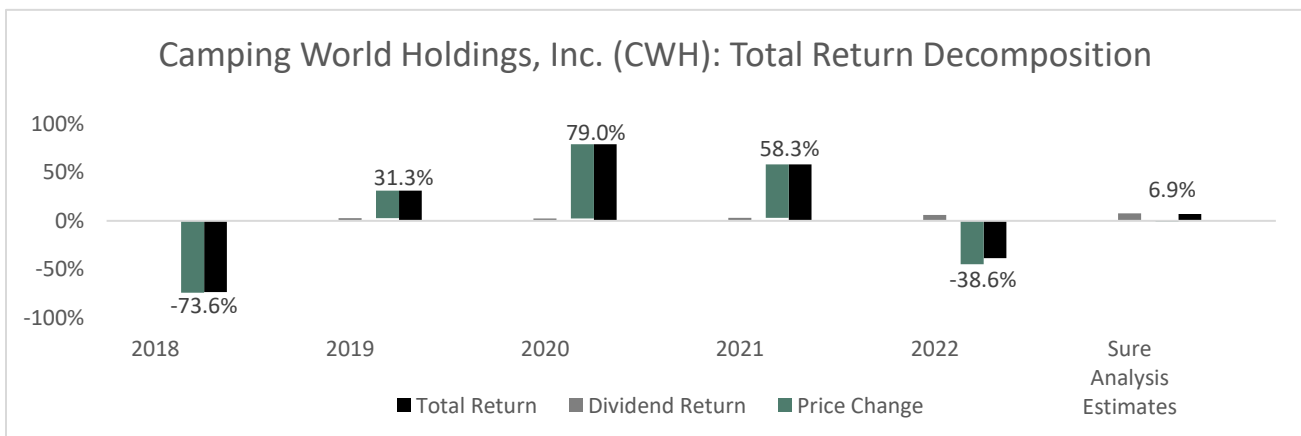
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	---	---	---	100%	29%	114%	---	11%	14%	77%	<b>125%</b>	<b>66%</b>

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 debt/equity ratio of over 1,500%. Along with the fact that payouts are not currently covered by earnings, we believe the chance of a dividend cut is quite high.

## Final Thoughts & Recommendation

Camping World Holdings is a useful instrument for investors who want to gain exposure in the recreational vehicles space. By taking a more prudent, we expect considerably lower earnings-per-share in FY2023, to be followed by a gradual recovery. Along with the company’s considerable dividend and the possibility of valuation headwinds, we forecast annualized return of 6.9% through 2028. The stock earns a hold rating, but we highlight that our current and future estimates are very speculative. Also, the dividend should not be trusted. If anything, a cut should be expected.

## 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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