



Camping World Holdings, Inc. (CWH)

Updated November 3rd, 2023 by Nikolaos Sismanis

Key Metrics

Current Price:	\$18.92	5 Year CAGR Estimate:	2.3%	Market Cap:	\$842.9 B
Fair Value Price:	\$18.75	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	12/13/23 ¹
% Fair Value:	101%	5 Year Valuation Multiple Estimate:	-0.2%	Dividend Payment Date:	12/29/23
Dividend Yield:	2.6%	5 Year Price Target	\$18.75	Years Of Dividend Growth:	N/A
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Sell

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 November 1st, 2023, Camping World Holdings reported its Q3 results for the period ending September 30th, 2023. For the quarter, revenues came in at \$1.73 billion, 6.8% lower year-over-year. The decline was driven by lower sales across all of the company's RV and Outdoor Retail divisions. In particular, while used vehicle revenues grew by 12.2% to a record \$590.2 million, there was a notable decline of 18.6% to \$679.2 million in new vehicle revenues. This decrease in new vehicle revenues was primarily attributed to a substantial 13.7% reduction in total units sold, which was further compounded by a 5.7% dip in average selling prices. On the other hand, the increase in used vehicle revenues can be attributed to a remarkable 18.4% rise in unit sales, although it was somewhat offset by a 5.2% decrease in average selling prices.

Net income for the quarter was \$30.9 million or \$0.32 per share, compared to a net income of \$102.9 million or \$0.97 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. We believe the company has an earnings power of \$2.50, which we have used in our estimates. That said, earnings are set to be considerably lower this year. We expect GAAP earnings to land close to \$0.80 on a per-share basis.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	---	---	---	\$0.08	\$1.12	\$0.28	(\$1.62)	\$3.11	\$6.19	\$3.23	\$0.80	\$2.50
DPS	---	---	---	\$0.08	\$0.32	\$0.32	\$0.32	\$0.34	\$0.84	\$2.50	\$0.50	\$0.50
Shares²	---	---	---	18.8	26.6	37.0	37.3	39.4	45.0	42.4	44.7	55.0

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 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 don't expect further growth from our earnings-per-share power estimate of \$2.50, as the company's future financials are highly speculative. 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

¹ Estimates 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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recording excess profits. As we had previously predicted, the dividend was indeed cut this year. We expect it to remain at similar levels moving forward, as current payouts should be easily afforded by the company.

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	7.6	7.5
Avg. Yld.	---	---	---	1.3%	1.0%	3.1%	5.1%	4.8%	2.1%	10.0%	2.6%	2.7%

Camping World Holdings P/E had been mostly non-meaningful prior to 2020, amid negative or negligible earnings. The stock is currently trading at 7.6 times our EPS power estimate. 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. Thus, our fair multiple stands at similar levels. Following the recent dividend cut, the stock's yield stands at just 2.6%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

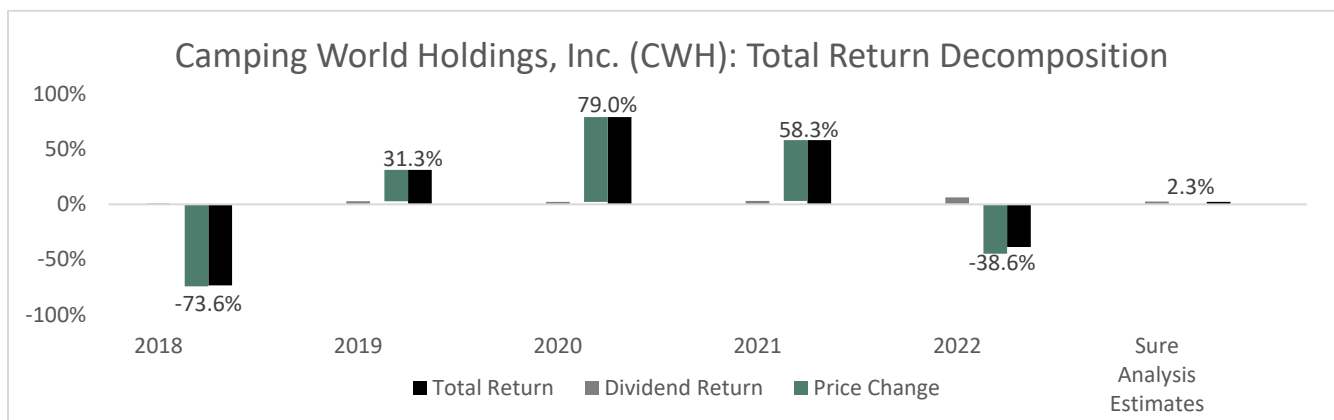
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	---	---	---	100%	29%	114%	---	11%	14%	77%	20%	20%

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 1,400%.

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, but have used higher estimate in our calculations to assess the company's prospects under "normal conditions". Nevertheless, we forecast underwhelming annualized returns through 2028, as both the company's growth prospects and current dividend yield appear too soft to generate shareholder value. The stock continues to earn a sell rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	2,357	2,635	3,279	3,516	4,280	4,792	4,892	5,447	6,914	6,967
Gross Profit	663	746	899	994	1,241	1,363	1,287	1,702	2,456	2,182
Gross Margin	28.1%	28.3%	27.4%	28.3%	29.0%	28.4%	26.3%	31.3%	35.5%	31.3%
SG&A Exp.	483	536	635	692	853	1,069	1,142	1,156	1,574	1,607
D&A Exp.	21	25	24	25	32	49	60	52	66	80
Operating Profit	159	185	240	277	356	244	86	494	816	575
Operating Margin	6.7%	7.0%	7.3%	7.9%	8.3%	5.1%	1.8%	9.1%	11.8%	8.3%
Net Profit	21	124	174	189	30	10	(61)	122	278	137
Net Margin	0.9%	4.7%	5.3%	5.4%	0.7%	0.2%	-1.2%	2.2%	4.0%	2.0%
Free Cash Flow	(33)	3	40	159	(99)	(118)	164	663	(100)	(22)
Income Tax	2	2	1	6	155	31	30	58	92	99

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets		1,163	1,338	1,456	2,567	2,807	3,376	3,256	4,373	4,800
Cash & Equivalents		111	92	114	224	139	148	166	267	130
Accounts Receivable		63	64	75	103	114	107	110	139	84
Inventories		677	862	903	1,416	1,559	1,359	1,136	1,793	2,124
Goodwill & Int. Ass.		63	115	156	387	394	417	443	515	643
Total Liabilities		1,400	1,633	1,600	2,495	2,774	3,535	3,266	4,139	4,552
Accounts Payable		51	57	69	126	145	107	148	137	128
Long-Term Debt		1,044	1,324	1,252	1,891	2,091	2,057	1,678	2,426	2,805
Shareholder's Equity		(237)	(295)	(30)	51	45	(33)	27	158	148
LTD/E Ratio		(4.41)	(4.49)	(42.10)	37.44	46.94	(63.08)	62.68	15.35	19.28

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets			13.9%	13.5%	1.5%	0.4%	-2.0%	3.7%	7.3%	3.0%
Return on Equity					287.4%	21.9%	-1015%		301.3%	89.5%
ROIC			19.0%	17.7%	1.9%	0.5%	-3.0%	6.9%	12.9%	4.8%
Shares Out.										42.85
Revenue/Share	127.89	32.11	39.96	42.06	160.76	53.92	130.98	136.13	77.02	162.58
FCF/Share	(1.78)	0.03	0.49	1.90	(3.70)	(1.33)	4.38	16.56	(1.11)	(0.51)

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

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