



Camping World Holdings, Inc. (CWH)

Updated August 1st, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	\$21.13	5 Year CAGR Estimate:	-0.2%	Market Cap:	\$952.4 M
Fair Value Price:	\$15.40	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	09/13/24 ¹
% Fair Value:	137%	5 Year Valuation Multiple Estimate:	-6.1%	Dividend Payment Date:	09/27/24
Dividend Yield:	2.4%	5 Year Price Target	\$17.00	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 \$6.0 billion in annual revenues and is headquartered in Lincolnshire, Illinois.

On July 31st, 2024, Camping World Holdings reported its Q2 results for the period ending June 30th, 2024. For the quarter, revenues came in at \$1.81 billion, 4.7% lower year-over-year. The decline in revenues was driven by lower sales in used vehicles. Used vehicle revenues declined by 22.8% to \$480.8 million due to an 11.7% decline in unit sales, further compounded by a 12.6% fall in average selling prices. New vehicle revenues grew by 5.8% to \$847.1 million, but were hardly able to offset that decline.

Good Sam Services and Plans saw its revenues grow by 3% to \$52.5 million, not affecting the company's overall results meaningfully. Net income for the period was \$9.77 million, or \$0.22 per share, compared to a net income of \$28.7 million, or \$0.65 per share, last year.

The company did not share an outlook due to the highly volatile nature of its profit margins, which can be wildly swayed based on small changes in revenues and expenses. Our EPS projection for 2024 is now \$0.92, expecting the RV industry to rebound from here. However, we believe the company has an earnings power of \$2.20 under "normal conditions", which we have applied in our estimates.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	---	---	\$0.08	\$1.12	\$0.28	(\$1.62)	\$3.11	\$6.19	\$3.23	\$0.70	\$0.92	\$2.43
DPS	---	---	\$0.08	\$0.32	\$0.32	\$0.32	\$0.34	\$0.84	\$2.50	\$1.50	\$0.50	\$1.01
Shares²	---	---	18.8	26.6	37.0	37.3	39.4	45.0	42.4	44.6	45.1	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 double-digits.

We expect growth of 2% from our earnings-per-share power estimate of \$2.20, projecting a gradual recover in RV sales over the medium-term. This follows a plunge in demand and prices for RVs in 2023, which was, in turn, after two years (2021 and 2022) of very favorable market dynamics. Still, the company's future financials are highly speculative. Regarding the dividend, the company grew its base rate between 2019 and 2022. It has also paid special dividends

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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during this period due to recording excess profits. The dividend was cut last year. We have assumed an annual growth of 15% from here, expecting the company to increase if from current levels if a rebound in sales is indeed to take place.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	---	---	---	31.2	---	---	6.8	6.5	7.7	---	9.6	7.0
Avg. Yld.	---	---	1.3%	1.0%	3.1%	5.1%	4.8%	2.1%	10.0%	6.3%	2.4%	5.9%

Camping World Holdings P/E had been mostly non-meaningful prior to 2020, due to negative or negligible earnings. The stock is currently trading at 9.6 times our EPS power estimate. We believe this multiple is rather rich given how easy it is for Camping World to report losses during unfavorable market periods. We believe that the market overvalued the stock even if it were to post notably higher EPS compared to this year's actual estimate. Our fair multiple stands at 7.0x earnings power. The yield is just 2.4%, though it could advance notably assuming the dividend starts to grow from here.

Safety, Quality, Competitive Advantage, & Recession Resiliency

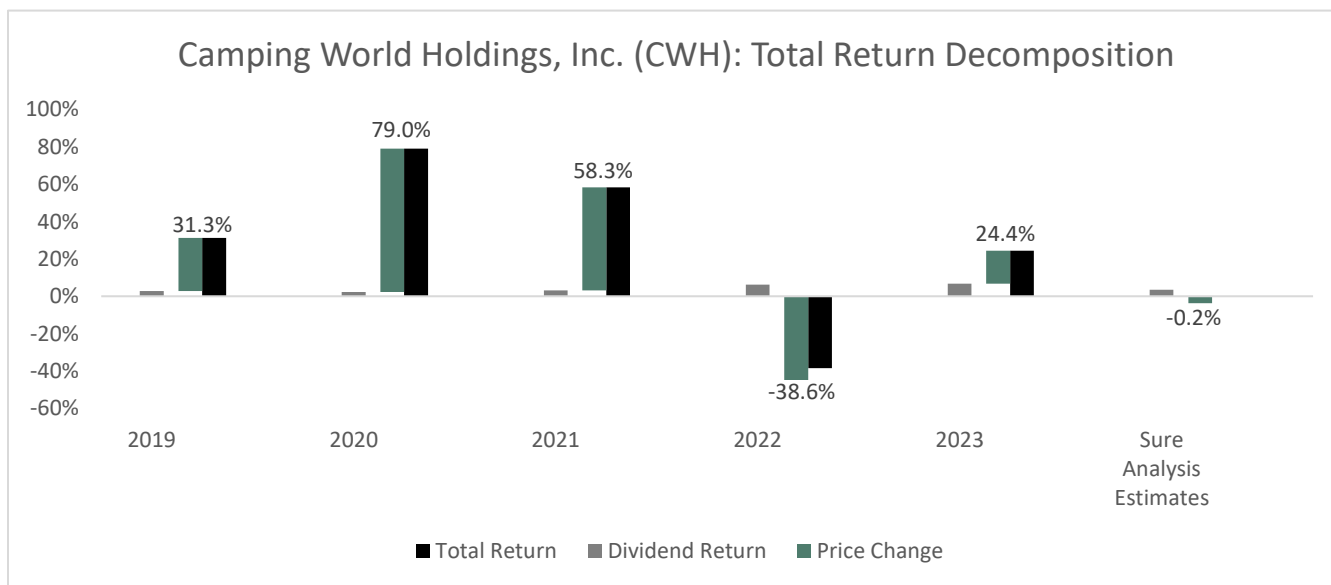
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	29%	114%	-20%	11%	14%	77%	214%	23%	41%

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 last-12-month debt/EBITDA of over 9.3X.

Final Thoughts & Recommendation

Camping World Holdings is a useful instrument for investors who want to gain exposure in the recreational vehicles space. We expect a rebound in earnings-per-share in FY2024. Nevertheless, we forecast bleak annualized return prospects through 2029, as valuation headwinds could hamper the stock's investment case. Shares earn a sell 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	2,635	3,279	3,516	4,280	4,792	4,892	5,447	6,914	6,967	6,227
Gross Profit	746	899	994	1,241	1,363	1,287	1,702	2,456	2,182	1,879
Gross Margin	28.3%	27.4%	28.3%	29.0%	28.4%	26.3%	31.3%	35.5%	31.3%	30.2%
SG&A Exp.	536	635	692	853	1,069	1,142	1,156	1,574	1,607	1,539
D&A Exp.	25	24	25	32	49	60	52	66	80	69
Operating Profit	185	240	277	356	244	86	494	816	575	271
Operating Margin	7.0%	7.3%	7.9%	8.3%	5.1%	1.8%	9.1%	11.8%	8.3%	4.4%
Net Profit	124	174	189	30	10	(61)	122	278	137	31
Net Margin	4.7%	5.3%	5.4%	0.7%	0.2%	-1.2%	2.2%	4.0%	2.0%	0.5%
Free Cash Flow	3	40	159	(99)	(118)	164	663	(100)	(22)	110
Income Tax	2	1	6	155	31	30	58	92	99	(2)

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,163	1,338	1,456	2,567	2,807	3,376	3,256	4,373	4,800	4,846
Cash & Equivalents	111	92	114	224	139	148	166	267	130	40
Accounts Receivable	63	64	75	103	114	107	110	139	84	84
Inventories	677	862	903	1,416	1,559	1,359	1,136	1,793	2,124	2,043
Goodwill & Int. Ass.	63	115	156	387	394	417	443	515	643	725
Total Liabilities	1,400	1,633	1,600	2,495	2,774	3,535	3,266	4,139	4,552	4,631
Accounts Payable	51	57	69	126	145	107	148	137	128	134
Long-Term Debt	1,044	1,324	1,252	1,891	2,091	2,057	1,678	2,426	2,805	2,913
Shareholder's Equity	(237)	(295)	(30)	51	45	(33)	27	158	148	125
LTD/E Ratio	(4.41)	(4.49)	(42.10)	37.44	46.94	(63.08)	62.68	15.35	19.28	23.38

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets		13.9%	13.5%	1.5%	0.4%	-2.0%	3.7%	7.3%	3.0%	0.6%
Return on Equity				287.4%	21.9%	-1015%		301.3%	89.5%	13.4%
ROIC		19.0%	17.7%	1.9%	0.5%	-3.0%	6.9%	12.9%	4.8%	1.0%
Shares Out.									42.85	85
Revenue/Share	32.11	39.96	42.06	160.76	53.92	130.98	136.13	77.02	162.58	73.28
FCF/Share	0.03	0.49	1.90	(3.70)	(1.33)	4.38	16.56	(1.11)	(0.51)	1.30

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

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