

GigaCloud (GCT US)

Riding on stepping-up of expansion

GigaCloud (GCT) 4Q23 results beat already-high expectation, with revenue/earnings +95%/185% YoY (beating 9%/43%). Coupled with robust 1Q24E guidance, we see high visibility for its strong performance in next few quarters, backed by continuous share gain and SKU& Sellers expansion. Leveraging its “3P+1P+logistics” edge, GCT is well-positioned to capture upcoming opportunities (e.g. global supply chain penetration, industry booming demand). Noble House (NH) consolidation would bring more synergies in supply chain and product offerings (e.g. open strategy), with margin enhancement. Favourable pricing terms with ship owners will further support its GPM trend. For conservative estimates, we slightly raised our earnings forecast by 1%-3% in FY24-25E, with higher TP at US\$43.

- 4Q23 beat all around.** GCT delivered eye-catching 4Q23 results, with revenue at the highest growth (+95% YoY, 9%/7% above consensus/our estimates) and huge beat in earnings (+185% YoY, 43%/35% above consensus/our estimates). We are impressed with its improving margin (adj. NPM at 14.5%, +1ppt QoQ), even with NH loss. Mgmt guided 1Q24E revenue at US\$230mn to 240mn (+80%~88% YoY), with midpoint 12% above consensus.
- Strengthening leadership with stepping-up of expansion.** We reiterate our confidence in GCT's organic growth and global expansion. 4Q23 seller/buyer +46%/21% YoY (with higher ROI), and suppliers from new product origins in Colombia, Mexico, and Turkey have joined GCT as 3P sellers in Feb 2024. We expect such addition would help GCT tap into larger TAM with more diversified supply chain. We turned more positive on GCT's share gain and scaling pace, and forecast FY24E revenue +57% YoY (vs. prior +54%), backed by enriched SKU, higher ROI of seller & buyer expansion, warehouse expansion and M&A synergies. Moreover, freight fee started to decline post CNY and mgmt. stated that GCT will enter into agreement with ship owners with favourable pricing for upcoming sizable volume, further supporting GCT's margin stabilization.
- More synergies from Noble House to come.** In 4Q23, we estimate NH to contribute revenue of US\$31mn (inline), in which volume & ASP saw healthy growth. We expect NH's revenue to reach US\$45mn in 1Q24E. GCT has started to penetrate NH's supply chain in India, and leverage its warehouse in Canada for next-step expansion. More synergies would come, as NH gradually opens its products to GCT marketplace. NH may bear continuous fruit on margin improvement after consolidation, with increasing price and disciplined costs.
- Maintain BUY.** To reflect stronger momentum, we lift FY24-25E earnings forecast by 1%-3%, with higher SOTP-based TP at US\$43. Our new TP implies 16.6x FY24E P/E, still below industry average of 19.4x.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	490	704	1,107	1,347	1,625
YoY growth (%)	18.3	43.6	57.3	21.6	20.6
Net profit (US\$ mn)	24.0	94.1	105.8	138.2	174.1
EPS (Reported) (US\$)	0.98	2.30	2.59	3.38	4.15
YoY growth (%)	(65.6)	134.2	12.5	30.7	22.9
Consensus EPS (US\$)	NA	NA	2.42	3.01	NA
P/S (x)	3.1	2.0	1.3	1.0	0.9
P/E (x)	34.6	14.7	13.1	10.1	8.2
ROE (%)	16.3	38.8	32.1	30.9	28.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$43.0
(Previous TP)	US\$30.0)
Up/Downside	25.7%
Current Price	US\$34.2

China Entertainment

Sophie HUANG

(852) 3900 0889

sophiehuang@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	1,395.2
Avg 3 mths t/o (US\$ mn)	76.1
52w High/Low (US\$)	43.15/5.01
Total Issued Shares (mn)	41.0

Source: FactSet

Shareholding Structure

Larry, Lei Wu	22.9%
DCM	14.5%

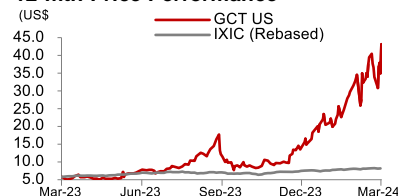
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	32.9%	32.3%
3-mth	229.9%	206.0%
6-mth	276.9%	223.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: KPMG

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Figure 1: 4Q23 financial review

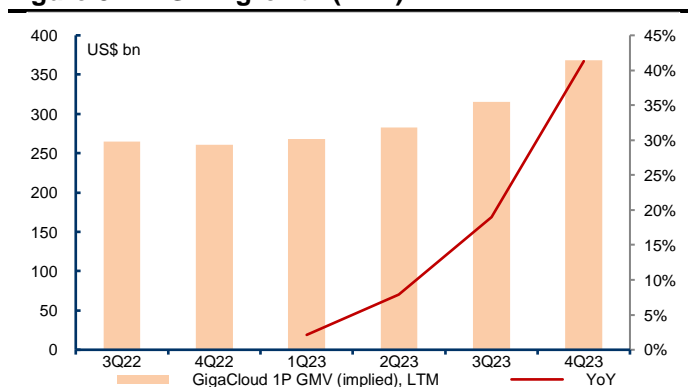
US\$ mn, Dec-YE	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	128	126	128	153	178	245	37.4%	94.8%	224	9%	228	7%
Gross profit	23	27	30	40	49	70	42.9%	161.8%	61	15%	62	13%
Operating Profit	4	15	18	23	32	37	17.1%	146.5%	32	17%	34	10%
Adj. net profit	1	12	16	18	24	36	47.0%	185.1%	25	43%	26	35%
Adj. EPS (US\$)	0.02	0.31	0.39	0.45	0.59	0.87	32.1%	184.5%	0.58	50%	0.65	35%
Margin (%)												
Gross margin	17.6%	21.2%	23.1%	26.4%	27.4%	28.5%			27.1%		27.2%	
Operating margin	3.3%	12.0%	14.0%	15.3%	17.8%	15.2%			14.1%		14.7%	
Adj. net margin	0.5%	9.9%	12.5%	12.0%	13.6%	14.5%			11.1%		11.6%	
Growth (%)												
Revenue (YoY)	NA	NA	13.7%	23.5%	39.2%	94.8%			78.3%		81.8%	
Revenue (QoQ)	3.2%	-1.9%	1.7%	19.8%	16.4%	37.4%			25.7%		28.2%	
Operating Profit	NA	NA	141.3%	185.4%	646.2%	146.5%			109.8%		123.1%	
Adj. net profit	NA	NA	242.2%	203.1%	3583.7%	185.1%			99.6%		111.6%	

Source: Company data, Bloomberg, CMBIGM estimates

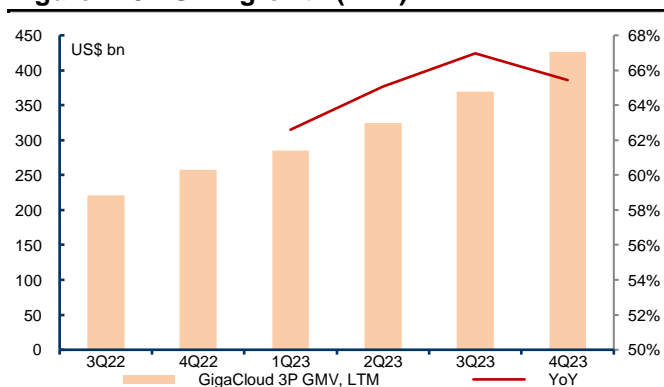
Figure 2: 4Q23 revenue breakdown

US\$ mn, Dec-YE	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	QoQ	YoY
Total revenue	128	126	128	153	178	245	37%	95%
Service rev (3P)	41	36	35	43	51	69	35%	92%
Product rev (1P and off-platform)	87	90	93	110	127	175	38%	96%

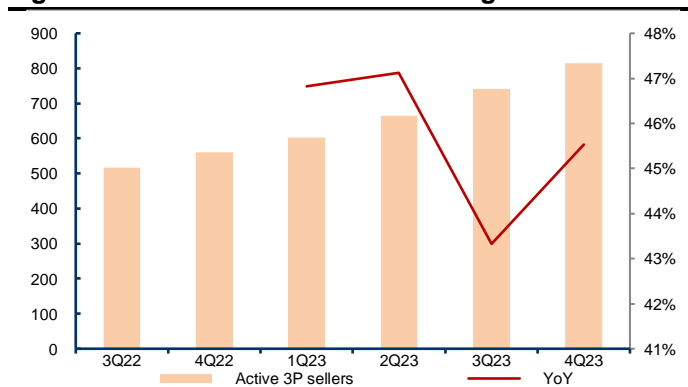
Source: Company data

Figure 3: 1P GMV growth (LTM)

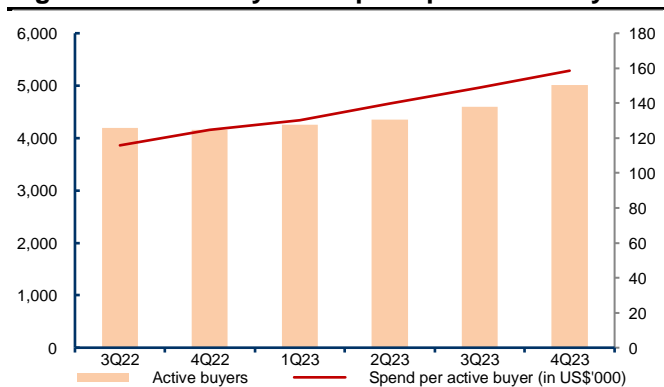
Source: Company data, CMBIGM

Figure 4: 3P GMV growth (LTM)

Source: Company data, CMBIGM

Figure 5: No. of active 3P sellers and growth

Source: Company data, CMBIGM

Figure 6: Active buyers & spend per active buyers

Source: Company data, CMBIGM

Figure 7: Income statement

US\$ mn, Dec-YE	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	414	490	704	1,107	1,347	1,625
Service rev (3P)	98	141	199	257	338	439
Product rev (1P and off-platform)	316	349	505	850	1,008	1,186
COGS	325	407	515	822	997	1,202
Gross profit	90	83	189	286	350	422
Selling and marketing	26	24	41	80	92	106
General and administrative	25	23	30	62	71	81
Research and development	-	1	4	14	18	21
Operating profit	39	35	110	130	170	214
Interest expense	(0)	(1)	(1)	(1)	(1)	(1)
Interest Income	1	0	3	3	3	3
Foreign currency exchange gain/(loss)	(2)	(5)	2	-	-	-
Government Grant	-	1	1	-	-	-
EBT	38	31	115	132	173	217
Taxes	(8)	(7)	(21)	(26)	(34)	(43)
Net income	29	24	94	106	138	174
Adj. EBITDA	48	42	118	146	184	232
Margin Analysis						
Gross margin	22%	17%	27%	26%	26%	26%
Operating margin	10%	7%	16%	12%	13%	13%
Net margin	7%	5%	13%	10%	10%	11%
Adj. EBITDA margin	12%	9%	17%	13%	14%	14%
Growth Analysis						
Revenue	50%	18%	44%	57%	22%	21%
Gross profit	19%	-7%	127%	51%	23%	21%
Operating profit	-11%	-11%	214%	18%	31%	26%
Net profit	-22%	-18%	293%	12%	31%	26%
Adj. EBITDA	-9%	-13%	183%	24%	26%	26%

Source: Company data, CMBIGM estimates

Figure 8: CMBIGM estimates vs consensus

US\$ mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,107	1,347	1,625	1,031	1,190	NA	7.5%	13.2%	NA
Gross Profit	286	350	422	268	309	NA	6.6%	13.2%	NA
Operating Profit	130	170	214	121	151	NA	7.5%	12.8%	NA
Net profit	106	138	174	99	123	NA	7.3%	12.8%	NA
EPS (US\$)	2.59	3.38	4.15	2.42	3.01	NA	7.1%	12.5%	NA
Gross Margin	25.8%	26.0%	26.0%	24.9%	24.1%	NA	+0.9ppts	+1.9ppts	NA
Operating Margin	11.7%	12.6%	13.2%	14.4%	12.7%	NA	-2.7ppts	-0.1ppts	NA
Net Margin	9.6%	10.3%	10.7%	11.8%	10.3%	NA	-2.3ppts	-0.0ppts	NA

Source: Company data, Bloomberg, CMBIGM estimates

Figure 9: Earnings revision

US\$ mn, Dec-YE	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,107	1,347	1,625	1,056	1,269	NA	4.8%	6.1%	NA
Gross Profit	286	350	422	254	305	NA	12.7%	15.0%	NA
Operating Profit	130	170	214	128	165	NA	1.4%	2.9%	NA
Net profit	106	138	174	104	134	NA	1.3%	2.8%	NA
EPS (US\$)	2.59	3.38	4.15	2.55	3.29	NA	1.3%	2.8%	NA
Gross Margin	25.8%	26.0%	26.0%	24.0%	24.0%	NA	+1.8ppts	+2.0ppts	NA
Operating Margin	11.7%	12.6%	13.2%	12.1%	13.0%	NA	-0.4ppts	-0.4ppts	NA
Net Margin	9.6%	10.3%	10.7%	9.9%	10.6%	NA	-0.3ppts	-0.3ppts	NA

Source: Company data, Bloomberg, CMBIGM estimates

We applied 18x P/E multiple (10% discount to global ecommerce and retailer average multiple) for its 3P segment, while 16x PE multiple (at 18% discount) for 1P business as it has inventory risks, yielding TP of US\$43. Our SOTP valuation suggests 16.6x FY24E P/E. We selected three group peers for comparison, including global ecommerce comps, furniture-related retailers /consumer peers and logistics peers. Ecommerce/ retailers/ logistics peers trade at 20x/20x/17.6x FY24E P/E. The industry multiple is 19.4x FY24E P/E, 17% above our SOTP-based multiple. For crosscheck, we also introduced DCT model for valuation reference.

Figure 10: SOTP valuation (P/E methodology)

Business (US\$ mn)	2024E Rev (US\$m)	2024E Adj. NP (US\$m)	Methodology	Multiple	Valuation	Stakes	Value
Service rev (3P)	257	26	P/E	18.0x	463	100%	463
Product rev (1P and off-platform)	850	81	P/E	16.0x	1,293	100%	1,293
Equity Value (US\$ mn)							1,755
TP (US\$) based on SOTP							43

Source: CMBIGM estimates

Figure 11: Peers valuation

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			FY24-26 EPS CAGR
							FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	
GigaCloud Technology	GCT US	1,376	USD	34	BUY	43	13.1	10.1	8.2	1.3	1.0	0.9	28%
Global ecommerce													
eBay	EBAY US	27,040	USD	52	NA	NA	11.9	11.6	10.6	2.6	2.5	2.4	8%
Wayfair	W US	7,336	USD	61	NA	NA	62.7	27.9	18.6	0.6	0.6	0.5	72%
Groupm	GRPN US	491	USD	13	NA	NA	16.0	7.9	4.4	1.0	0.9	0.7	NA
Mercadolibre	MELI US	76,021	USD	1,500	NA	NA	42.9	31.8	22.8	4.3	3.5	2.9	37%
Etsy	ETSY US	7,851	USD	66	NA	NA	17.8	15.9	14.6	2.8	2.6	2.4	11%
RB Global	GB US	968	USD	5	NA	NA	24.4	11.5	9.4	2.0	1.7	1.5	61%
OPENLANE	KAR US	1,728	USD	16	NA	NA	14.6	12.8	9.5	1.0	1.0	0.9	30%
IndiaMART	INMART IN	1,902	INR	2,628	NA	NA	49.3	40.0	32.0	13.2	11.0	9.2	25%
SONGMICS HOME	301376 CH	1,342	CNY	24	NA	NA	23.8	19.4	15.9	1.6	1.3	1.1	22%
Average							20.3	16.6	12.9	1.6	1.5	1.3	19%
Retailers / Consumers (Furniture-related)													
Home Depot	HD US	369,877	USD	373	NA	NA	24.5	23.3	21.8	2.4	2.3	2.2	8%
Walmart	WMT US	488,962	USD	61	NA	NA	25.6	23.6	21.5	0.7	0.7	0.7	10%
La-Z-Boy	LZB US	1,558	USD	37	NA	NA	13.1	12.9	12.6	0.8	0.8	0.7	9%
Ethan Allen Interiors	ETD US	828	USD	33	NA	NA	11.9	11.1	NA	1.2	1.2	NA	NA
Lifetime Brands	LCUT US	217	USD	10	NA	NA	15.7	11.7	12.3	0.3	0.3	0.3	14%
Tempur Sealy	TPX US	9,203	USD	53	NA	NA	18.8	16.5	15.7	1.8	1.7	1.7	10%
RH	RH US	5,297	USD	291	NA	NA	32.2	23.8	17.9	1.7	1.6	1.5	42%
Williams-Sonoma	WSM US	18,204	USD	284	NA	NA	18.8	18.2	17.4	2.4	2.3	2.2	6%
Average							20.1	17.6	17.0	1.3	1.2	1.2	14%
Logistics													
United Parcel Service	UPS US	130,771	USD	153	NA	NA	18.5	15.9	14.8	1.4	1.3	1.3	13%
FedEx	FDX US	63,295	USD	253	NA	NA	14.4	12.0	10.6	0.7	0.7	0.7	17%
Expeditors International of W.	EXPD US	17,248	USD	120	NA	NA	25.6	24.3	24.7	1.9	1.8	1.8	5%
GXO logistics	GXO US	5,902	USD	49	NA	NA	17.9	15.3	13.9	0.6	0.5	0.5	14%
ArcBest	ARCB US	3,021	USD	129	NA	NA	12.5	10.2	8.8	0.7	0.6	0.6	19%
Full Truck	YMM US	7,985	USD	7	NA	NA	16.3	12.5	10.0	5.5	4.5	3.7	28%
Average							17.6	15.0	13.5	1.3	1.2	1.1	17%
Average							19.4	17.3	14.8	1.7	1.5	1.4	17%

Source: Bloomberg, CMBIGM estimates

Figure 12: DCF valuation

DCF Valuation (US\$ mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	130	170	214	257	299	337	371	402	428
Tax	(26)	(34)	(43)	(51)	(60)	(67)	(74)	(80)	(86)
D&A	1	2	2	2	2	2	2	2	2
Change in working capital	(10)	26	(47)	(49)	(52)	(55)	(57)	(60)	(63)
CAPEX	(3)	(4)	(5)	(5)	(6)	(6)	(7)	(8)	(9)
FCF	91	159	121	153	183	210	235	255	273
FCF Growth	-23%	75%	-24%	26%	20%	15%	12%	9%	7%
PV	91	138	90	99	102	101	98	92	772
Terminal Value									2,210

Assumptions	
WACC	15.7%
Tax rate	20.0%
Risk free rate	3.95%
Beta	1.30
Market risk return	13.0%
Cost of equity	15.7%
Debt/Assets	0.0%
Long term growth	3.0%

Equity Value	
PV	1,584
minus: Net debt (US\$ mn)	(184)
minus: Minority interest (US\$ mn)	0
Equity Value(US\$ mn)	1,768
No. of shares (mn)	41
Target Price (US\$) based on DCF	43

		WACC					
		~	14%	15%	16%	17%	18%
Terminal growth rate	1.5%	46.7	43.3	41.3	37.9	35.8	
	2.0%	47.6	44.0	41.9	38.4	36.2	
	2.5%	48.6	44.8	42.6	38.9	36.6	
	3.0%	49.6	45.7	43.3	39.5	37.0	
	3.5%	50.8	46.6	44.0	40.1	37.5	
	4.0%	52.0	47.6	44.9	40.7	38.0	
	4.5%	53.4	48.6	45.8	41.4	38.6	

Source: Bloomberg, CMBIGM estimates

Risks

1) Intensified competition landscape; 2) economic uncertainties; 3) geopolitical tension and tariff change; 4) potential rise in ocean freight rate; 5) ineffective inventory management and operational misstep; and 6) failure to maintain and expand relationships with third-party platforms, sellers, and buyers.

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Revenue	414	490	704	1,107	1,347	1,625
Cost of goods sold	325	407	515	822	997	1,202
Gross profit	90	83	189	286	350	422
Operating expenses	50	48	75	156	180	208
Selling expense	26	24	41	80	92	106
Admin expense	25	23	30	62	71	81
R&D expense	0	1	4	14	18	21
Operating profit	0	0	0	0	0	0
EBIT	39	35	110	130	170	214
Interest income	1	0	3	3	3	3
Interest expense	(0)	(1)	(1)	(1)	(1)	(1)
Foreign exchange gain/loss	(2)	(5)	2	0	0	0
Other income/expense	0	0	(0)	0	0	0
Pre-tax profit	38	31	115	132	173	217
Income tax	(8)	(7)	(21)	(26)	(34)	(43)
Net profit	29	24	94	106	138	174

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	172	258	386	595	788	1,042
Cash & equivalents	64	145	184	294	468	608
Account receivables	18	27	59	69	86	109
Inventories	81	78	126	200	195	281
Prepayment	9	8	18	34	38	44
Non-current assets	14	161	454	415	417	420
PP&E	11	13	25	16	18	21
Right-of-use assets	0	144	399	399	399	399
Other non-current assets	3	3	31	0	0	0
Current liabilities	57	103	199	389	423	479
Short-term borrowings	0	0	0	0	0	0
Account payables	25	32	63	81	94	124
Tax payable	8	4	15	15	15	15
Other current liabilities	54	65	132	132	132	132
Lease liabilities	0	28	58	58	58	58
Contract liabilities	4	2	6	7	8	16
Accrued expenses	20	37	57	96	116	141
Non-current liabilities	4	121	351	344	344	344
Long-term borrowings	0	0	0	0	0	0
Obligations under finance leases	0	117	344	344	344	344
Total liabilities	61	223	550	732	767	823
Capital surplus	37	109	112	127	140	155
Retained earnings	61	84	178	283	422	596
Other reserves	(0)	1	1	0	0	0
Total shareholders equity	99	195	290	369	526	716

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	38	31	115	132	173	217
Depreciation & amortization	1	1	3	1	2	2
Tax paid	(8)	(7)	(21)	(26)	(34)	(43)
Change in working capital	(35)	6	28	(9.9)	26.3	(47.1)
Net cash from operations	9	50	133	113	179	144
Investing						
Capital expenditure	(2)	(1)	(4)	(3)	(4)	(5)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Net cash from investing	(2)	(1)	(91)	(3)	(4)	(5)
Financing						
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	34	0	0	0	0	0
Others	(37)	32	(4)	0	0	0
Net cash from financing	(3)	32	(4)	0	0	0
Net change in cash						
Cash at the beginning of the year	62	64	145	184	294	468
Exchange difference	(2)	0	0	0	0	0
Cash at the end of the year	64	145	184	294	468	608
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	50.4%	18.3%	43.6%	57.3%	21.6%	20.6%
Gross profit	19.3%	(7.2%)	127.0%	51.5%	22.6%	20.6%
EBIT	(10.9%)	(11.0%)	214.3%	17.7%	31.0%	26.4%
Net profit	(21.9%)	(18.1%)	292.6%	12.4%	30.7%	25.9%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	21.6%	17.0%	26.8%	25.8%	26.0%	26.0%
Operating margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Return on equity (ROE)	36.4%	16.3%	38.8%	32.1%	30.9%	28.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	3.0	2.5	1.9	1.5	1.9	2.2
Receivable turnover days	18.5	16.8	22.3	21.0	21.0	22.0
Inventory turnover days	65.8	71.6	72.2	72.0	72.0	72.0
Payable turnover days	24.7	25.4	33.5	32.0	32.0	33.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	NA	34.6	14.7	13.1	10.1	8.2
P/S	NA	3.1	2.0	1.3	1.0	0.9

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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