

GigaCloud (GCT US)

More surprises to come

We are more bullish on GigaCloud (GCT)'s organic growth and Noble House (NH)'s margin improvement. We reiterate GCT as one of our top picks, for its high barrier, attractive valuation and clear earnings growth (36%/26% rev/earnings CAGR in FY23-25E). More catalysts may come: 1) upcoming stronger-than-expected 4Q23E; 2) potential Noble House's breakeven earlier than anticipated; and 3) synergies from M&A. Given industry tailwinds and GCT's strong performance in seller & buyer expansion, we lift 4Q23E rev/adj. NP forecast by 4%/35% (at US\$228mn/US\$26mn). Our FY23-25E earnings forecast was raised by 8.7%-11.3%, with higher TP at US\$30.

- **Stronger 4Q23E ahead.** We expect GCT to deliver another eye-catching quarter results in 4Q23E, with estimated rev +81.8% YoY (vs. prior +75%, 4%/2% above consensus/high-end guidance) and adj. net profit +112% YoY (vs. prior +57%, 11% above consensus). Excluding NH's consolidation, we forecast core biz rev +58% YoY in 4Q23E, accelerating from +39% YoY in 3Q23. Such stronger topline growth was mainly boosted by effective 3P seller expansion and Black Friday performance. We forecast its adj. NPM at 11.6% in 4Q23E, in which core biz margin kept stable QoQ.
- **Riding on booming industry demand and continuous share gain.** In Jan 2024, we noticed booming demand from sellers (furniture manufacturers) shipping products in GCT US/Europe warehouse before CNY, for upcoming CNY promotion and potential freight fee increase. We think such strong momentum would support a good start in 2024. Apart from industry tailwinds, we are more confident on GCT's share gain, with higher ROI of seller expansion, buyer engagement, improving warehouse utilization and M&A synergies. For recent red sea shipping disruption and freight fee increase, we expect it to pose limited financial impact on 1P margin.
- **High visibility for Noble House's breakeven in advance.** Regarding NH's previous breakeven target (in three to four quarters), we see high visibility for NH to turn profitable earlier than anticipated and to achieve higher margin than guidance of high single digit after six quarters. We expect NH to bear fruit on margin improvement after consolidation, backed by: 1) moderate price increase for key premium brands (e.g. Christopher Knight), but still with solid sales growth; 2) higher productivity with personnel optimization and non-core biz adjustment; and 3) synergies in brand design and inventory management.
- **Maintain BUY.** To reflect stronger momentum and NH's better margin outlook, we lift FY23-25E earnings forecast by 8.7%-11.3%, with higher SOTP-based TP of US\$30. Our new TP implies 11.6x FY24E P/E, still largely below industry average of 16x.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (US\$ mn)	414	490	687	1,056	1,269
YoY growth (%)	50.4	18.3	40.3	53.7	20.1
Net profit (US\$ mn)	29.3	24.0	84.9	104.4	134.4
EPS (Reported) (US\$)	2.86	0.98	2.08	2.55	3.29
YoY growth (%)	(27.6)	(65.6)	111.5	22.9	28.8
Consensus EPS (US\$)	NA	NA	1.97	2.29	na
P/S (x)	2.2	1.8	1.3	0.8	0.7
P/E (x)	7.6	22.1	10.4	8.5	6.6
ROE (%)	36.4	16.3	39.6	35.4	31.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$30.00
(Previous TP)	US\$20.10)
Up/Downside	37.9%
Current Price	US\$21.75

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Stock Data

Mkt Cap (US\$ mn)	891.8
Avg 3 mths t/o (US\$ mn)	29.8
52w High/Low (US\$)	23.47/4.88
Total Issued Shares (mn)	41.0
Source: FactSet	

Shareholding Structure

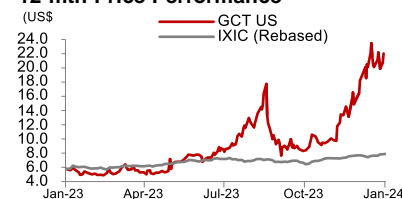
Larry, Lei Wu	22.8%
DCM	14.4%
Source: Nasdaq	

Share Performance

	Absolute	Relative
1-mth	46.4%	42.3%
3-mth	162.0%	117.8%
6-mth	165.9%	143.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: KPMG

Related reports:

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Figure 1: 4Q23E financial preview

US\$ mn, Dec-YE	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	QoQ	YoY	Consensus	Diff %
Revenue	112	124	128	126	128	153	178	228	28.2%	81.8%	220	4%
Gross profit	17	17	23	27	30	40	49	62	26.9%	132.5%	59	5%
Operating Profit	7	8	4	15	18	23	32	34	6.0%	123.1%	29	15%
Adj. net profit	5	6	1	12	16	18	24	26	9.1%	111.6%	24	11%
Margin (%)												
Gross margin	14.9%	13.7%	17.6%	21.2%	23.1%	26.4%	27.4%	27.2%			26.9%	
Operating margin	6.6%	6.6%	3.3%	12.0%	14.0%	15.3%	17.8%	14.7%			13.3%	
Adj. net margin	4.1%	4.9%	0.5%	9.9%	12.5%	12.0%	13.6%	11.6%			10.8%	
Growth (%)												
Revenue (YoY)	NA	NA	NA	NA	13.7%	23.5%	39.2%	81.8%			75.2%	
Revenue (QoQ)	NA	10.3%	3.2%	-1.9%	1.7%	19.8%	16.4%	28.2%			23.5%	
Operating Profit	NA	NA	NA	NA	141.3%	185.4%	646.2%	123.1%			93.9%	
Adj. net profit	NA	NA	NA	NA	242.2%	203.1%	3583.7%	111.6%			90.8%	

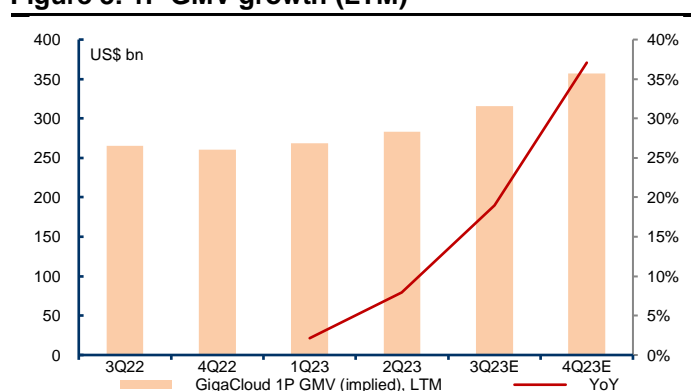
Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 4Q23E revenue breakdown

US\$ mn, Dec-YE	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	QoQ	YoY
Total revenue	112	124	128	126	128	153	178	228	28%	82%
Service rev (3P)	31	33	41	36	35	43	51	70	36%	94%
Product rev (1P and off-platform)	81	91	87	90	93	110	127	159	25%	77%

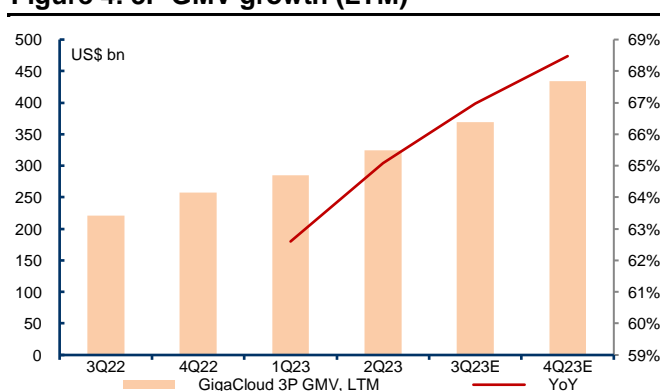
Source: Company data, CMBIGM estimates

Figure 3: 1P GMV growth (LTM)



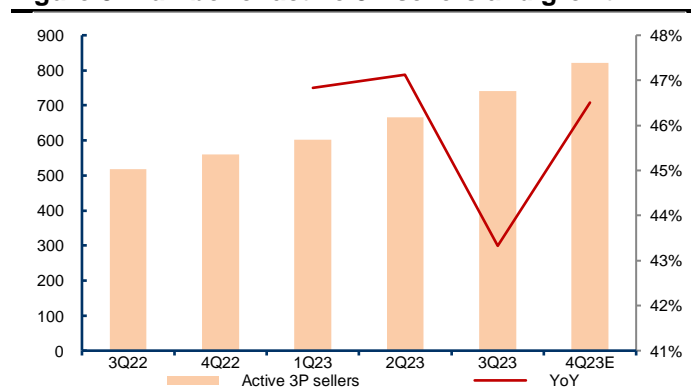
Source: Company data, CMBIGM

Figure 4: 3P GMV growth (LTM)



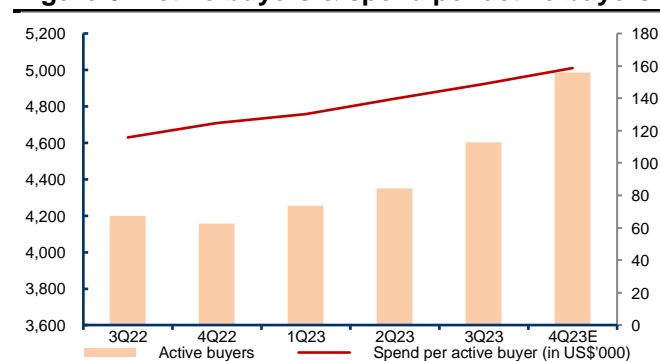
Source: Company data, CMBIGM

Figure 5: Number 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	FY23E	FY24E	FY25E	23-25E CAGR
Revenue	414	490	687	1,056	1,269	36%
Service rev (3P)	98	141	200	262	326	
Product rev (1P and off-platform)	316	349	488	795	943	
COGS	325	407	507	803	964	
Gross profit	90	83	181	254	305	30%
Selling and marketing	26	24	44	74	82	
General and administrative	25	23	26	43	47	
Research and development	-	1	4	8	10	
Operating profit	39	35	107	128	165	24%
Interest expense	(0)	(1)	(2)	(1)	(1)	
Interest Income	1	0	3	3	3	
Foreign currency exchange gain/(loss)	(2)	(5)	(4)	-	-	
Government Grant	-	1	1	-	-	
EBT	38	31	105	131	168	
Taxes	(8)	(7)	(20)	(26)	(33)	
Net income	29	24	85	104	134	
Adj. net profit	29	24	85	104	134	26%
Adj. EBITDA	48	42	112	139	178	27%
Margin Analysis						
Gross margin	22%	17%	26%	24%	24%	
Operating margin	10%	7%	16%	12%	13%	
Net margin	7%	5%	12%	10%	11%	
Adj. EBITDA margin	12%	9%	16%	13%	14%	
Growth Analysis						
Revenue	50%	18%	40%	54%	20%	
Gross profit	19%	-7%	118%	40%	20%	
Operating profit	-11%	-11%	204%	20%	29%	
Net profit	-22%	-18%	254%	23%	29%	
Adj. EBITDA	-9%	-13%	166%	25%	28%	

Source: Company data, CMBIGM estimates

Figure 8: CMBIGM estimates vs consensus

US\$ mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	687	1,056	1,269	679	1,022	1,179	1.2%	3.4%	7.7%
Gross Profit	181	254	305	169	246	289	7.2%	2.9%	5.3%
Operating Profit	107	128	165	98	114	143	8.7%	12.1%	15.8%
Adj. net profit	85	104	134	80	94	117	6.0%	11.6%	15.4%
EPS (US\$)	2.08	2.55	3.29	1.97	2.29	2.85	5.7%	11.7%	15.3%
Gross Margin	26.3%	24.0%	24.0%	24.9%	24.1%	24.6%	+1.5ppts	-0.1ppts	-0.6ppts
Operating Margin	15.5%	12.1%	13.0%	14.4%	11.2%	12.1%	+1.1ppts	+0.9ppts	+0.9ppts
Net Margin	12.4%	9.9%	10.6%	11.8%	9.2%	9.9%	+0.6ppts	+0.7ppts	+0.7ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 9: Earnings revision

US\$ mn, Dec-YE	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	687	1,056	1,269	679	1,039	1,247	1.2%	1.6%	1.8%
Gross Profit	181	254	305	160	210	264	13.3%	20.8%	15.5%
Operating Profit	107	128	165	94	115	149	12.9%	11.6%	10.4%
Adj. net profit	85	104	134	78	94	122	8.7%	11.3%	10.2%
EPS (US\$)	2.08	2.55	3.29	1.91	2.29	2.98	8.7%	11.3%	10.2%
Gross Margin	26.3%	24.0%	24.0%	23.5%	20.2%	21.2%	+2.8ppts	+3.8ppts	+2.9ppts
Operating Margin	15.5%	12.1%	13.0%	13.9%	11.0%	12.0%	+1.6ppts	+1.1ppts	+1.0ppts
Net Margin	12.4%	9.9%	10.6%	11.5%	9.0%	9.8%	+0.8ppts	+0.9ppts	+0.8ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 10: SOTP valuation (P/E methodology)

Business (US\$ mn)	2024E average Rev (US\$mn)	2024E average Adj. NP (US\$mn)	Methodology	Multiple	Valuation	Stakes	Value
Service rev (3P)	262	27	P/E	13.0x	350	100%	350
Product rev (1P and off-platform)	795	78	P/E	11.0x	857	100%	857
Equity Value (US\$ mn)							1,207
TP (US\$) based on SOTP							30

Source: CMBIGM estimates

Figure 11: Peers valuation

Company	Ticker	Mkt cap (USD mn)	Currency	Price	CMBI Rating	CMBI TP	PE			PS			FY23-25 EPS CAGR
							FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	
GigaCloud Technology	GCT US	886	USD	21.75	BUY	30.0	10.4	8.5	6.6	1.3	0.8	0.7	26%
Global ecommerce													
Amazon	AMZN US	1,621,099	USD	156.87	NA	NA	42.0	33.4	25.6	2.8	2.5	2.3	23%
Alibaba	BABA US	191,265	USD	75.20	BUY	137.0	8.5	8.1	7.4	1.4	1.3	1.2	10%
eBay	EBAY US	21,596	USD	41.61	NA	NA	9.6	9.7	9.3	2.1	2.1	2.0	4%
Wayfair	W US	6,460	USD	54.77	NA	NA	NA	98.4	27.9	0.5	0.5	0.5	NA
JD	JD US	37,088	USD	23.60	BUY	52.0	8.0	7.3	6.5	0.2	0.2	0.2	9%
Groupon	GRPN US	380	USD	11.93	NA	NA	NA	14.7	7.9	0.7	0.8	0.7	NA
Mercadolibre	MELI US	89,121	USD	1,762.70	NA	NA	79.2	51.5	37.0	6.2	5.1	4.2	44%
Etsy	ETSY US	8,181	USD	68.32	NA	NA	24.5	19.9	17.7	3.0	2.9	2.6	7%
RB Global	GB US	892	USD	4.70	NA	NA	NA	NA	NA	1.9	1.6	1.4	49%
OPENLANE	KAR US	1,535	USD	14.21	NA	NA	15.4	14.8	12.2	0.9	0.9	0.8	24%
IndiaMART	INMART IN	1,768	INR	2,450.05	NA	NA	46.4	37.6	30.1	12.3	10.3	8.6	25%
SONGMICS HOME	301376 CH	1,462	CNY	26.08	NA	NA	26.5	21.7	17.7	1.7	1.4	1.2	22%
Average							19.2	20.1	15.7	1.6	1.4	1.3	19%
Retailers / Consumers (Furniture-related)													
Home Depot	HD US	345,625	USD	347.27	NA	NA	22.9	22.6	21.7	2.3	2.2	2.2	5%
Walmart	WMT US	432,104	USD	160.50	NA	NA	24.8	22.8	21.0	0.7	0.6	0.6	10%
La-Z-Boy	LZB US	1,508	USD	35.26	NA	NA	11.9	11.5	11.7	0.7	0.7	0.7	3%
Ethan Allen Interiors	ETD US	752	USD	29.60	NA	NA	10.5	9.9	NA	1.1	1.1	NA	NA
Lifetime Brands	LCUT US	173	USD	7.91	NA	NA	14.7	11.8	9.4	0.3	0.3	0.2	25%
Tempur Sealy	TPX US	8,722	USD	50.63	NA	NA	20.5	17.4	15.2	1.8	1.7	1.6	14%
RH	RH US	4,816	USD	264.34	NA	NA	29.2	20.8	15.7	1.6	1.5	1.3	47%
Williams-Sonoma	WSM US	13,324	USD	207.72	NA	NA	14.2	14.4	14.1	1.7	1.8	1.7	3%
Average							18.6	16.4	15.5	1.1	1.1	1.0	15%
Logistics													
United Parcel Service	UPS US	133,395	USD	156.58	NA	NA	17.7	16.5	14.8	1.5	1.4	1.3	10%
FedEx	FDX US	62,406	USD	249.73	NA	NA	14.1	11.7	10.6	0.7	0.7	0.6	18%
Expeditors International of Washington	EXPD US	18,491	USD	127.18	NA	NA	24.0	26.3	25.2	2.0	2.0	1.9	1%
GXO logistics	GXO US	6,601	USD	55.49	NA	NA	21.3	19.4	16.8	0.7	0.6	0.6	13%
ArcBest	ARCB US	2,818	USD	119.10	NA	NA	14.7	11.5	9.5	0.6	0.6	0.6	28%
SF Holding	002352 CH	26,255	CNY	38.43	BUY	94.0	21.5	17.7	14.3	0.7	0.6	0.6	24%
Full Truck	YMM US	7,343	USD	6.86	NA	NA	19.6	15.6	12.3	6.3	5.2	4.3	26%
ZTO Express	ZTO US	14,209	USD	17.48	NA	NA	11.3	9.7	8.3	2.6	2.3	2.0	16%
Average							18.0	16.1	14.0	1.3	1.2	1.1	17%
Average							18.2	15.9	15.3	1.5	1.4	1.3	17%

Source: Bloomberg, CMBIGM estimates

Note: Data as of 25 Jan 2024

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Revenue	275	414	490	687	1,056	1,269
Cost of goods sold	200	325	407	507	803	964
Gross profit	75	90	83	181	254	305
Operating expenses	31	50	48	74	126	140
Selling expense	22	26	24	44	74	82
Admin expense	9	25	23	26	43	47
R&D expense	0	0	1	4	8	10
Operating profit	0	0	0	0	0	0
EBIT	44	39	35	107	128	165
Interest income	0	1	0	3	3	3
Interest expense	(0)	(0)	(1)	(2)	(1)	(1)
Foreign exchange gain/loss	1	(2)	(5)	(4)	0	0
Other income/expense	1	0	0	0	0	0
Pre-tax profit	45	38	31	105	131	168
Income tax	(8)	(8)	(7)	(20)	(26)	(33)
Net profit	37	29	24	85	104	134

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Current assets	132	172	258	408	620	791
Cash & equivalents	62	64	145	212	311	486
Account receivables	24	18	27	48	73	73
Inventories	36	81	78	130	204	197
Prepayment	11	9	8	17	31	35
Non-current assets	6	14	161	158	160	162
PP&E	6	11	13	14	16	18
Right-of-use assets	0	0	144	144	144	144
Other non-current assets	0	3	3	0	0	0
Current liabilities	49	57	103	208	279	298
Short-term borrowings	0	0	0	0	0	0
Account payables	19	25	32	52	85	84
Tax payable	8	8	4	4	4	4
Other current liabilities	41	54	65	65	65	65
Lease liabilities	0	0	28	28	28	28
Contract liabilities	0	4	2	4	6	8
Accrued expenses	18	20	37	55	91	109
Non-current liabilities	3	4	121	117	117	117
Long-term borrowings	1	0	0	0	0	0
Obligations under finance leases	0	0	117	117	117	117
Total liabilities	52	61	223	324	396	415
Capital surplus	0	37	109	115	125	137
Retained earnings	0	61	84	169	273	407
Other reserves	0	(0)	1	0	0	0
Total shareholders equity	62	99	195	234	356	509

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	45	38	31	105	131	168
Depreciation & amortization	0	1	1	1	1	2
Tax paid	(8)	(8)	(7)	(20)	(26)	(33)
Change in working capital	(4)	(35)	6	(23)	(14)	31
Net cash from operations	33	9	50	69	102	179
Investing						
Capital expenditure	(1)	(2)	(1)	(2)	(3)	(4)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Net cash from investing	(1)	(2)	(1)	(2)	(3)	(4)
Financing						
Proceeds from share issues	25	0	0	0	0	0
Share repurchases	0	34	0	0	0	0
Others	(2)	(37)	32	0	0	0
Net cash from financing	23	(3)	32	0	0	0
Net change in cash						
Cash at the beginning of the year	6	62	64	145	212	311
Exchange difference	1	(2)	0	0	0	0
Cash at the end of the year	62	64	145	212	311	486
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	125.2%	50.4%	18.3%	40.3%	53.7%	20.1%
Gross profit	238.4%	19.3%	(7.2%)	117.5%	40.2%	20.1%
EBIT	820.5%	(10.9%)	(11.0%)	204.3%	20.0%	29.1%
Net profit	1,191.6%	(21.9%)	(18.1%)	254.3%	22.9%	28.8%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	27.3%	21.6%	17.0%	26.3%	24.0%	24.0%
Operating margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Return on equity (ROE)	84.5%	36.4%	16.3%	39.6%	35.4%	31.1%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	2.7	3.0	2.5	2.0	2.2	2.7
Receivable turnover days	25.1	18.5	16.8	20.0	21.0	21.0
Inventory turnover days	52.3	65.8	71.6	75.0	76.0	76.0
Payable turnover days	30.5	24.7	25.4	30.0	31.0	32.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	na	na	10.5	10.5	8.5	6.6
P/B	na	na	1.3	3.8	2.5	1.7

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

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SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
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