

GigaCloud (GCT US)

Embracing continued outperformance

GCT delivered a solid start in 1Q24, with strong topline and guidance. 1Q24 net margin was temporarily diluted by new fulfilment centers expenses and FX fluctuation, but will gradually pick up in 2H24E (with improving warehouse utilization and annual freight contracts), in our view. We are positive on 2Q24E topline growth (guiding +73%~83% YoY), boosted by rising demand for outdoor furniture. With expanding fulfilment network and BaaS initiatives, we are confident on GCT's continued outperformance ahead. We keep our full-year financials forecast unchanged, with TP at US\$46.

- Solid 1Q24 with strong topline and guidance.** GCT delivered strong 1Q24 results with revenue +96% YoY (3%/0% above consensus/our estimates) and net profit at US\$27mn (+71% YoY, 7% above consensus, while 10% below our estimates). Its NPM slightly declined 1.7ppts YoY (-3.7ppts QoQ), mainly due to: 1) ~US\$2mn of cost from four new fulfilment centers during the setting-up phase in 1Q; and 2) FX fluctuation losses of roughly US\$2mn from the euro depreciation. Mgmt guided 2Q24E revenue at US\$265mn-280mn (+73%~83% YoY), with midpoint 1%/9% above consensus/our estimates.
- Positive on 2H24E margin trend.** For 2Q24E, we expect GCT to benefit from rising demand for outdoor furniture, backed by expanding SKUs and Noble House synergies. By Apr 30, GCT's global fulfilment network had expanded into 42 locations with over 10.5mn square feet (+169% vs. Mar 31, 2023), supporting the continued robust growth of 1P & 3P business. With improving utilization of warehouse after new fulfilment centers setting-up phase, we estimate 2Q24E GPM might be less dragged by this factor. As annual freight contracts come into effect, GCT can effectively hedge against ocean shipping rates fluctuations. Excluding SBC dilution, we think non-GAAP net margin would be intact in 2Q24E. We are positive on 2H24E margin trend, boosted by: 1) a narrowing loss for NH (or upcoming breakeven), 2) more benefits from annual freight contracts; and 3) higher warehouse utilization.
- BaaS initiatives to unlock TAM and foster stronger engagement of buyer & sellers.** GCT launched the BaaS program in Apr, and they are observing widespread enthusiasm from sellers as they prepare for inaugural transactions under the program in 2Q24. GCT will operate it by SKUs evaluation. Once the SKU is qualified, GCT will charge a competitive designated fee (nominal fee at around 4%, vs. industry standard at 10%). We expect long-term incremental upside from BaaS initiatives, although it would take some time for sellers to join and ramp up SKUs.
- Maintain BUY.** We keep our FY24-26E earnings forecast unchanged, with SOTP-based TP at US\$46 (16x FY24E P/E).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	490	704	1,112	1,353	1,632
YoY growth (%)	18.3	43.6	58.1	21.6	20.6
Net profit (US\$ mn)	24.0	94.1	116.0	149.6	187.9
EPS (Reported) (US\$)	0.98	2.30	2.82	3.62	4.52
YoY growth (%)	(65.6)	134.2	22.7	28.3	24.9
Consensus EPS (US\$)	NA	NA	2.91	3.65	4.16
P/S (x)	3.1	2.2	1.4	1.1	0.9
P/E (x)	38.0	16.2	13.2	10.3	8.3
ROE (%)	16.3	38.8	34.7	32.3	28.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$46.00
Up/Downside	23.2%
Current Price	US\$37.35

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Stock Data

Mkt Cap (US\$ mn)	1,531.4
Avg 3 mths t/o (US\$ mn)	59.5
52w High/Low (US\$)	43.15/5.24
Total Issued Shares (mn)	41.0

Source: FactSet

Shareholding Structure

Larry, Lei Wu	20.8%
DCM	13.8%

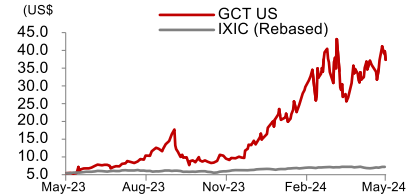
Source: Nasdaq

Share Performance

	Absolute	Relative
1-mth	20.4%	19.1%
3-mth	27.6%	24.8%
6-mth	301.2%	238.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: KPMG

Related reports:

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- Riding on stepping-up expansion – 19 Mar 2024
- More surprises to come - 26 Jan 2024
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- Initiation: Data-driven B2B pioneer on large parcel logistics - 16 Oct 2023

Figure 1: 1Q24 financial review

US\$ mn, Dec-YE	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	128	126	128	153	178	245	251	2.6%	96.5%	243	3%	251	0%
Gross profit	23	27	30	40	49	70	67	-4.7%	125.0%	65	2%	70	-5%
Operating Profit	4	15	18	23	32	37	35	-6.2%	95.0%	31	13%	37	-6%
Net profit	1	12	16	18	24	36	27	-23.5%	70.6%	25	7%	30	-10%
EPS (US\$)	0.02	0.31	0.39	0.45	0.59	0.87	0.66	-23.8%	69.6%	0.63	6%	0.74	-10%
Margin (%)													
Gross margin	17.6%	21.2%	23.1%	26.4%	27.4%	28.5%	26.5%			26.8%		28.0%	
Operating margin	3.3%	12.0%	14.0%	15.3%	17.8%	15.2%	13.9%			12.7%		14.8%	
Net margin	0.5%	9.9%	12.5%	12.0%	13.6%	14.5%	10.8%			10.4%		12.0%	
Growth (%)													
Revenue (YoY)	NA	NA	13.7%	23.5%	39.2%	94.8%	96.5%			90.1%		96.0%	
Revenue (QoQ)	3.2%	-1.9%	1.7%	19.8%	16.4%	37.4%	2.6%			-0.7%		2.4%	
Operating Profit	NA	NA	141.3%	185.4%	646.2%	146.5%	95.0%			72.8%		107.6%	
Net profit	NA	NA	242.2%	203.1%	3583.7%	185.1%	70.6%			59.0%		89.1%	

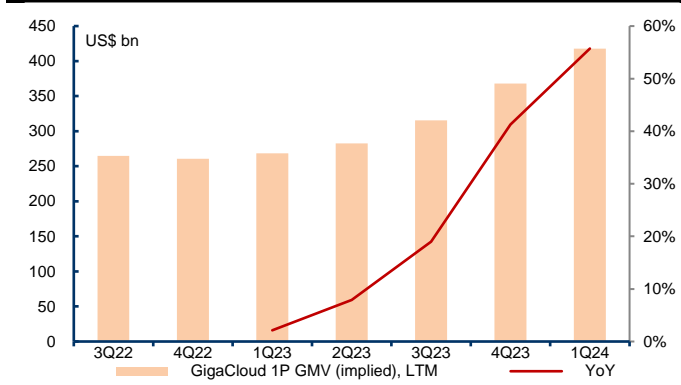
Source: Company data, Bloomberg, CMBIGM estimates

Figure 2: 1Q24 revenue breakdown

US\$ mn, Dec-YE	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
Total revenue	128	126	128	153	178	245	251	3%	96%
Service rev (3P)	41	36	35	43	51	69	67	-3%	92%
Product rev (1P and off-platform)	87	90	93	110	127	175	184	5%	98%

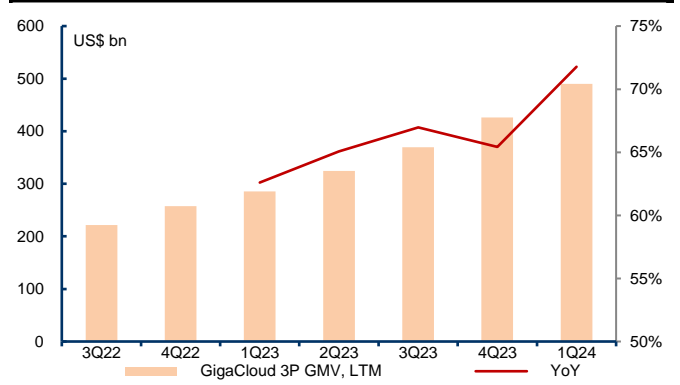
Source: Company data, CMBIGM

Figure 3: 1P GMV growth (LTM)



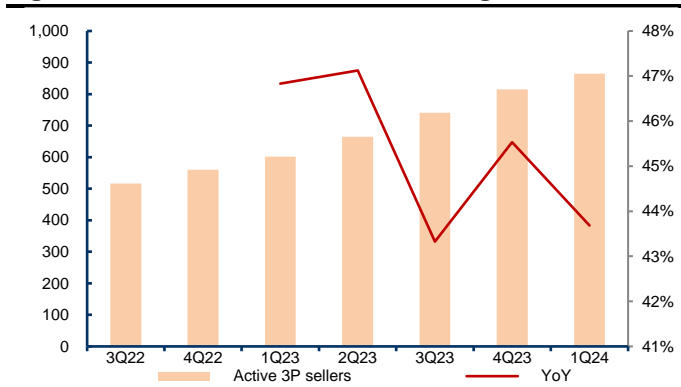
Source: Company data, CMBIGM estimates

Figure 4: 3P GMV growth (LTM)



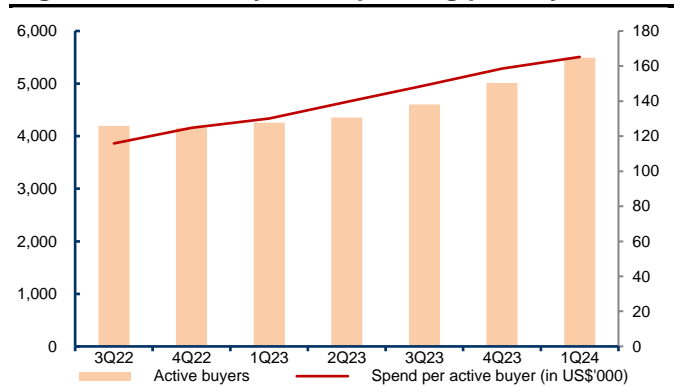
Source: Company data, CMBIGM estimates

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



Source: Company data, CMBIGM estimates

Figure 6: Active buyers & spending per buyers



Source: Company data, CMBIGM estimates

Figure 7: Income statement

US\$ mn, Dec-YE	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	414	490	704	1,112	1,353	1,632
Service rev (3P)	98	141	199	257	338	439
Product rev (1P and off-platform)	316	349	505	855	1,014	1,193
COGS	325	407	515	812	988	1,191
Gross profit	90	83	189	300	365	441
Selling and marketing	26	24	41	81	92	106
General and administrative	25	23	30	62	72	82
Research and development	-	1	4	14	18	21
Operating profit	39	35	110	142	184	232
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	145	187	235
Taxes	(8)	(7)	(21)	(29)	(37)	(47)
Net income	29	24	94	116	150	188
Adj. EBITDA	48	42	118	159	198	249
Margin Analysis						
Gross margin	22%	17%	27%	27%	27%	27%
Operating margin	10%	7%	16%	13%	14%	14%
Net margin	7%	5%	13%	10%	11%	12%
Adj. EBITDA margin	12%	9%	17%	14%	15%	15%
Growth Analysis						
Revenue	50%	18%	44%	58%	22%	21%
Gross profit	19%	-7%	127%	59%	22%	21%
Operating profit	-11%	-11%	214%	29%	29%	26%
Net profit	-22%	-18%	293%	23%	29%	26%
Adj. EBITDA	-9%	-13%	183%	35%	24%	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	1,112	1,353	1,632	1,109	1,322	1,632	0.3%	2.3%	0.0%
Gross Profit	300	365	441	302	356	441	-0.4%	2.7%	0.0%
Operating Profit	142	184	232	144	180	208	-1.1%	2.2%	11.7%
Net profit	116	150	188	119	150	173	-2.5%	0.1%	8.9%
EPS (US\$)	2.82	3.62	4.52	2.91	3.65	4.16	-3.0%	-0.8%	8.7%
Gross Margin	27.0%	27.0%	27.0%	27.2%	26.9%	27.0%	-0.2ppts	+0.1ppts	0.0ppts
Operating Margin	12.8%	13.6%	14.2%	13.0%	13.6%	12.7%	-0.2ppts	-0.0ppts	+1.5ppts
Net Margin	10.4%	11.1%	11.5%	10.7%	11.3%	10.6%	-0.3ppts	-0.2ppts	+0.9ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 9: SOTP valuation (P/E methodology)

Business (US\$ mn)	2024E Rev		2024E		Multiple	Valuation	Stakes	Value
	(US\$mn)	Adj. NP (US\$mn)	Methodology					
Service rev (3P)	257	31	P/E	18.0x	555	100%	555	
Product rev (1P and off-platform)	855	84	P/E	16.0x	1,341	100%	1,341	
Equity Value (US\$ mn)								1,896
TP (US\$) based on SOTP								46

Source: CMBIGM estimates

Figure 10: DCF valuation

DCF Valuation (US\$ mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	142	184	232	276	318	356	391	421	448
Tax	(29)	(37)	(47)	(55)	(64)	(71)	(78)	(84)	(90)
D&A	1	2	2	2	2	2	2	2	2
Change in working capital	(8)	24	(45)	(48)	(50)	(52)	(55)	(58)	(61)
CAPEX	(3)	(4)	(5)	(5)	(6)	(7)	(7)	(8)	(9)
FCF	103	168	137	170	200	228	253	274	291
FCF Growth	-13%	64%	-19%	24%	18%	14%	11%	8%	6%
PV	103	145	102	109	112	110	105	98	824
Terminal Value									2,356

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	1,709
minus: Net debt (US\$ mn)	(184)
minus: Minority interest (US\$ mn)	0
Equity Value(US\$ mn)	1,893
No. of shares (mn)	41
Target Price (US\$) based on DCF	46

	Terminal growth rate	WACC				
		~	14%	15%	16%	17%
1.5%		50.0	46.4	44.2	40.6	38.3
2.0%		51.0	47.2	44.9	41.2	38.7
2.5%		52.0	48.0	45.6	41.7	39.2
3.0%		53.1	48.9	46.3	42.3	39.7
3.5%		54.3	49.9	47.2	42.9	40.2
4.0%		55.7	50.9	48.1	43.6	40.7
4.5%		57.2	52.1	49.0	44.3	41.3

Source: Bloomberg, CMBIGM estimates

Risks

1) Intensified competition; 2) economic uncertainties; 3) geopolitical tension and tariff changes; 4) potential rises 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	1,112	1,353	1,632
Cost of goods sold	325	407	515	812	988	1,191
Gross profit	90	83	189	300	365	441
Operating expenses	50	48	75	158	181	209
Selling expense	26	24	41	81	92	106
Admin expense	25	23	30	62	72	82
R&D expense	0	1	4	14	18	21
Operating profit	0	0	0	0	0	0
EBIT	39	35	110	142	184	232
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	145	187	235
Income tax	(8)	(7)	(21)	(29)	(37)	(47)
Net profit	29	24	94	116	150	188

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Current assets	172	258	386	604	810	1,075
Cash & equivalents	64	145	184	305	489	644
Account receivables	18	27	59	69	87	110
Inventories	81	78	126	196	195	276
Prepayment	9	8	18	34	39	45
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	386	423	476
Short-term borrowings	0	0	0	0	0	0
Account payables	25	32	63	79	94	121
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	10
Accrued expenses	20	37	57	95	116	140
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	730	766	820
Capital surplus	37	109	112	127	140	155
Retained earnings	61	84	178	294	443	631
Other reserves	(0)	1	1	0	0	0
Total shareholders equity	99	195	290	379	547	752

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Operating						
Profit before taxation	38	31	115	145	187	235
Depreciation & amortization	1	1	3	1	2	2
Tax paid	(8)	(7)	(21)	(29)	(37)	(47)
Change in working capital	(35)	6	28	(8)	24	(45)
Net cash from operations	9	50	133	125	188	160
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	305	489
Exchange difference	(2)	0	0	0	0	0
Cash at the end of the year	64	145	184	305	489	644
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	50.4%	18.3%	43.6%	58.1%	21.6%	20.6%
Gross profit	19.3%	(7.2%)	127.0%	59.2%	21.6%	20.6%
EBIT	(10.9%)	(11.0%)	214.3%	29.4%	29.2%	25.9%
Net profit	(21.9%)	(18.1%)	292.6%	23.3%	29.0%	25.5%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	21.6%	17.0%	26.8%	27.0%	27.0%	27.0%
Operating margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Return on equity (ROE)	36.4%	16.3%	38.8%	34.7%	32.3%	28.9%
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	1.6	1.9	2.3
Receivable turnover days	18.5	16.8	22.3	21.0	21.0	22.0
Inventory turnover days	65.8	71.6	72.2	72.2	72.2	72.2
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	13.1	38.0	16.2	13.2	10.3	8.3
P/B	3.9	4.7	5.2	4.0	2.8	2.1

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

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