



Via Renewables (VIA)

Updated November 19th, 2021 by Aristofanis Papadatos

Key Metrics

Current Price:	\$12	5 Year CAGR Estimate:	5.1%	Market Cap:	\$431 M
Fair Value Price:	\$10.60	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	11/30/2021
% Fair Value:	113%	5 Year Valuation Multiple Estimate:	-2.4%	Dividend Payment Date:	12/15/2021
Dividend Yield:	6.1%	5 Year Price Target	\$11.70	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Retirement Suitability Score:	C	Last Dividend Increase:	N/A

Overview & Current Events

On August 10th, 2021, Spark Energy (SPKE) changed its name to Via Renewables (VIA) to reflect its direction to renewable energy. It is an independent retail energy services company founded in 1999. The organization provides residential and commercial customers with alternative choices for their natural gas and electricity. Via Renewables is headquartered in Houston, Texas, and currently operates in 19 states and serves 100 utility territories. Via Renewables has a market cap of \$431 million and executed its initial public offering in 2014.

In early November, Via Renewables reported (11/3/21) financial results for the third quarter of fiscal 2021. Earnings grew from \$22.6 million in last year's quarter to \$34.7 million thanks to strong gains on derivative instruments and a decrease in general and administrative expenses. The company posted a high monthly attrition rate of 2.4%. On the other hand, Via Renewables grew its customer count 6% sequentially, from 347,000 to 368,000, and expects continued growth of its customer count thanks to recent acquisitions. The new customers will be immediately accretive to EBITDA. Management has implied that the dividend will be cut if the pandemic persists for a considerable period. However, the pandemic has begun to subside thanks to the massive distribution of vaccines.

Via Renewables has an opaque business model and does not provide any guidance for the year. On the bright side, we note the decent business momentum of the company and the fact that it has settled most of its litigation issues.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	---	---	---	-\$0.01	\$0.53	\$1.11	\$1.21	-\$0.69	\$0.02	\$1.48	\$0.85	\$0.94
DPS	---	---	---	\$0.30	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73
Shares¹	---	---	---	6.00	6.24	33.44	34.62	34.99	35.0	35.4	35.4	36.0

Since its IPO, Via Renewables has made many acquisitions and has grown its customer base at a fast pace. However, this strategy has hardly borne fruit so far. The company has a remarkably volatile performance record and hence it is essentially impossible to forecast its future results with any degree of accuracy. Its fragile business model is also evident from the markedly high monthly attrition rate, which averaged 5.0% in 2019 and 4.0% last year. Via Renewables posted a loss in 2018 and a marginal profit in 2019 and never provides any material guidance. It is also worth noting that Via Renewables offers very little information in its earnings reports and is not followed by analysts. It is also concerning that its management remains focused on EBITDA instead of earnings. We prefer to be conservative and expect the company to grow its earnings-per-share by 2.0% per year on average beyond this year.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	---	---	---	---	14.7	12.0	13.5	---	---	5.6	14.1	12.5
Avg. Yld.	---	---	---	---	9.3%	5.5%	4.5%	7.6%	7.4%	8.8%	6.1%	6.2%

¹ In millions.

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Via Renewables has traded at a price-to-earnings ratio in the low double-digits since its initial public offering. Accordingly, we estimate that the firm's fair value is somewhere near a price-to-earnings ratio of 12.5. The stock is currently trading at a price-to-earnings ratio of 14.1. If it trades at our assumed fair valuation level in five years, it will incur a -2.4% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

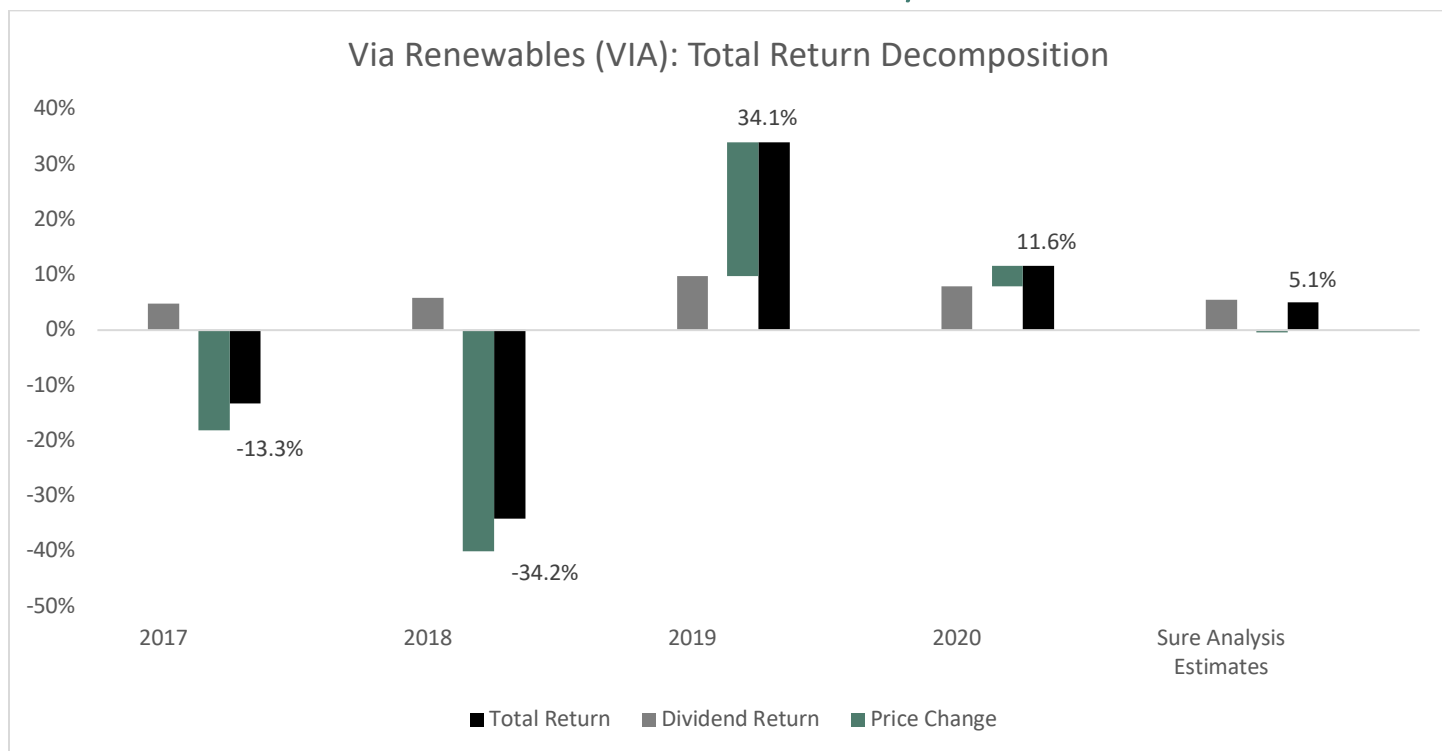
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	---	---	---	---	138%	65.8%	61.3%	---	---	49.3%	85.9%	77.8%

As a small-cap energy business, Via Renewables tends to be more volatile than most large cap stocks. To provide a perspective, the stock is -45% off its peak posted about four years ago. Moreover, the stock could underperform the market during sell-off periods. In the sell-off triggered by the pandemic, the stock plunged -50% whereas the S&P 500 fell -35%. Furthermore, Via Renewables is not followed by analysts and provides little information in its reports.

Final Thoughts & Recommendation

Via Renewables is facing a headwind due to the coronavirus crisis but the pandemic has begun to subside and hence the business performance of Via Renewables has improved lately. If the pandemic does not extend beyond this year, we expect the stock to offer a 5.1% average annual return over the next five years, thanks to its 6.1% dividend yield and 2.0% average annual earnings-per-share growth, which may be offset by contraction of the valuation level. The stock may offer higher returns but management provides too little information on the results and no guidance. Also, given the markedly volatile performance record of Via Renewables, the stock is highly speculative. Moreover, retirees should note that Via Renewables earns a poor rating for Retirement Suitability, largely due to its short dividend history and its excessive payout ratio. We also note that the dividend will be at the risk of being cut whenever an unforeseen downturn shows up. We rate shares as a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	---	379	317	323	358	547	798	1,006	814	555
Gross Profit	---	100	84	64	117	202	246	160	199	210
Gross Margin	---	26.3%	26.5%	19.9%	32.7%	36.9%	30.8%	15.9%	24.4%	37.9%
SG&A Exp.	---	47	35	46	62	85	101	111	134	91
D&A Exp.	---	23	16	22	25	49	43	51	41	31
Operating Profit	---	29	33	(4)	30	84	102	(4)	24	89
Operating Margin	---	7.8%	10.4%	-1.2%	8.3%	15.4%	12.8%	-0.4%	2.9%	16.0%
Net Profit	---	26	31	(0)	4	14	19	(1)	8	29
Net Margin	---	6.9%	9.9%	0.0%	1.1%	2.6%	2.4%	-0.1%	1.0%	5.3%
Free Cash Flow	---	42	43	3	44	65	60	58	85	90
Income Tax	---	0	0	(1)	2	10	39	2	7	16

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	---	129	109	138	162	375	504	489	423	367
Cash & Equivalents	---	7	7	4	4	19	29	41	57	72
Accounts Receivable	---	78	69	65	62	115	162	153	116	75
Inventories	---	4	4	8	4	4	4	4	3	1
Goodwill & Int. Ass.	---	---	---	1	26	107	155	147	138	126
Total Liabilities	---	68	73	114	129	251	303	308	266	191
Accounts Payable	---	44	37	39	32	56	82	71	49	28
Long-Term Debt	---	10	28	33	49	78	146	146	123	100
Shareholder's Equity	---	61	36	9	11	30	58	46	51	65
D/E Ratio	---	0.16	0.77	3.81	4.30	2.58	1.48	1.07	0.87	0.66

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	---	---	26.4%	0.0%	2.6%	5.4%	4.4%	-0.2%	1.9%	7.4%
Return on Equity	---	---	64.6%	-0.2%	38.7%	69.3%	43.8%	-2.3%	17.4%	50.5%
ROIC	---	---	46.6%	-0.1%	5.6%	10.2%	7.0%	-0.4%	2.8%	10.5%
Shares Out.	---	---	---	6.00	6.24	33.44	34.62	34.99	35.0	35.4
Revenue/Share	---	63.18	52.85	53.81	53.82	43.08	59.80	75.13	55.86	37.71
FCF/Share	---	6.98	7.17	0.47	6.64	5.10	4.53	4.36	5.81	6.09

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

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