



Via Renewables (VIA)

Updated March 9th, 2022 by Aristofanis Papadatos

Key Metrics

Current Price:	\$11	5 Year CAGR Estimate:	6.9%	Market Cap:	\$399 M
Fair Value Price:	\$8.80	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	2/28/2022
% Fair Value:	126%	5 Year Valuation Multiple Estimate:	-4.5%	Dividend Payment Date:	3/15/2022
Dividend Yield:	6.6%	5 Year Price Target	\$11.70	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Retirement Suitability Score:	D	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 101 utility territories. Via Renewables has a market cap of \$399 million and executed its initial public offering in 2014.

In early March, Via Renewables reported (3/2/22) financial results for the fourth quarter of fiscal 2021. The company switched from earnings of \$8.8 million in the prior year's quarter to a loss of -\$35.8 million due to the impact of excessive commodity prices on its cost base. The company posted a high monthly attrition rate of 3.3%. On the other hand, now that the pandemic has begun to subside, Via Renewables will ramp up its door-to-door and telemarketing efforts to enhance its customer base. Management has implied that the dividend will be cut if the pandemic persists for a considerable period. The pandemic has begun to subside but the company is facing a strong headwind due to high fuel costs. We thus expect lackluster earnings-per-share of approximately \$0.70 this year.

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

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	---	---	-\$0.01	\$0.53	\$1.11	\$1.21	-\$0.69	\$0.02	\$1.48	-\$0.17	\$0.70	\$0.94
DPS	---	---	\$0.30	\$0.73	\$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	35.6	35.6	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, 4.0% in 2020 and 3.3% in 2021. Via Renewables posted losses in 2018 and 2021 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 6.0% average annual growth of earnings-per-share off this year's low expected earnings.

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	---	---	---	14.7	12.0	13.5	---	---	5.6	---	15.7	12.5
Avg. Yld.	---	---	---	9.3%	5.5%	4.5%	7.6%	7.4%	8.8%	6.7%	6.6%	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 15.7. If it trades at our assumed fair valuation level in five years, it will incur a -4.5% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

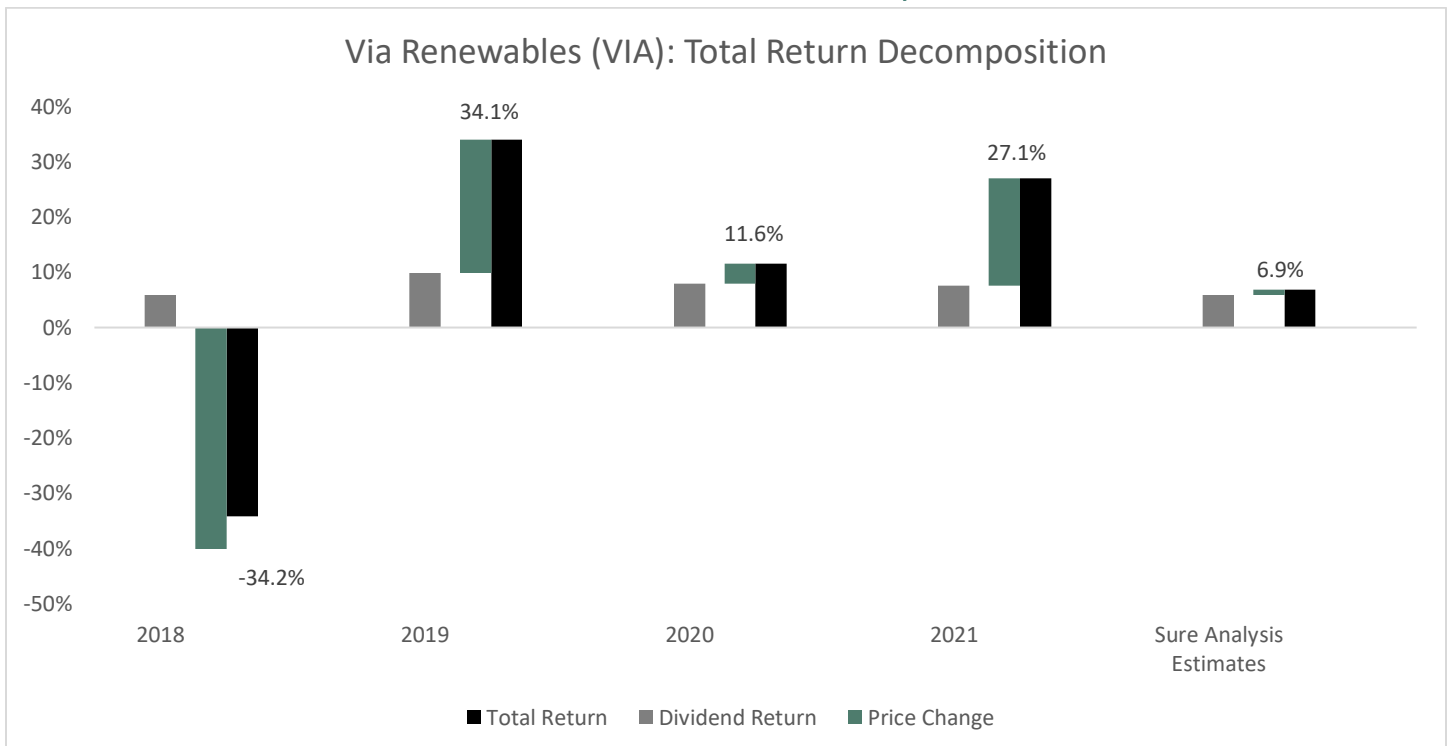
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	138%	65.8%	61.3%	---	---	49.3%	---	104%	77.9%

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 -50% off its peak posted about five 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

The pandemic has begun to subside but Via Renewables is now facing another strong headwind, namely the excessive fuel costs, which have resulted from the tight global supply of oil and gas. We expect the stock to offer a 6.9% average annual return over the next five years, thanks to its 6.6% dividend yield and 6.0% average annual earnings-per-share growth, which may be offset by a 4.5% annual 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	379	317	323	358	547	798	1,006	814	555	393
Gross Profit	100	84	64	117	202	246	160	199	210	70
Gross Margin	26.3%	26.5%	19.9%	32.7%	36.9%	30.8%	15.9%	24.4%	37.9%	17.9%
SG&A Exp.	47	35	46	62	85	101	111	134	91	44
D&A Exp.	23	16	22	25	49	43	51	41	31	22
Operating Profit	29	33	(4)	30	84	102	(4)	24	89	4
Operating Margin	7.8%	10.4%	-1.2%	8.3%	15.4%	12.8%	-0.4%	2.9%	16.0%	1.1%
Net Profit	26	31	(0)	4	14	19	(1)	8	29	5
Net Margin	6.9%	9.9%	0.0%	1.1%	2.6%	2.4%	-0.1%	1.0%	5.3%	1.3%
Free Cash Flow	42	43	3	44	65	60	58	85	90	6
Income Tax	0	0	(1)	2	10	39	2	7	16	4

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	129	109	138	162	375	504	489	423	367	355
Cash & Equivalents	7	7	4	4	19	29	41	57	72	69
Accounts Receivable	78	69	65	62	115	162	153	116	75	70
Inventories	4	4	8	4	4	4	4	3	1	2
Goodwill & Int. Ass.	---	---	1	26	107	155	147	138	126	126
Total Liabilities	68	73	114	129	251	303	308	266	191	218
Accounts Payable	44	37	39	32	56	82	71	49	28	44
Long-Term Debt	10	28	33	49	78	146	146	123	100	135
Shareholder's Equity	61	36	9	11	30	58	46	51	65	53
D/E Ratio	0.16	0.77	3.81	4.30	2.58	1.48	1.07	0.87	0.66	0.96

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	---	26.4%	0.0%	2.6%	5.4%	4.4%	-0.2%	1.9%	7.4%	1.4%
Return on Equity	---	64.6%	-0.2%	38.7%	69.3%	43.8%	-2.3%	17.4%	50.5%	8.8%
ROIC	---	46.6%	-0.1%	5.6%	10.2%	7.0%	-0.4%	2.8%	10.5%	1.9%
Shares Out.	---	---	6.00	6.24	33.44	34.62	34.99	35.0	35.4	35.6
Revenue/Share	63.18	52.85	53.81	53.82	43.08	59.80	75.13	55.86	37.71	26.01
FCF/Share	6.98	7.17	0.47	6.64	5.10	4.53	4.36	5.81	6.09	0.41

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

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