



# Via Renewables (VIA)

Updated May 13<sup>th</sup>, 2022 by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$8	<b>5 Year CAGR Estimate:</b>	12.5%	<b>Market Cap:</b>	\$273 M
<b>Fair Value Price:</b>	\$8	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date:</b>	5/31/2022
<b>% Fair Value:</b>	100%	<b>5 Year Valuation Multiple Estimate:</b>	0.1%	<b>Dividend Payment Date:</b>	6/15/2022
<b>Dividend Yield:</b>	9.1%	<b>5 Year Price Target</b>	\$10.80	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	F	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	Hold

## Overview & Current Events

On August 10<sup>th</sup>, 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 \$273 million and executed its initial public offering in 2014.

In early May, Via Renewables reported (5/4/22) financial results for the first quarter of fiscal 2022. The company switched from a loss of -\$27.6 million in the prior year's quarter to earnings of \$31.0 million, mostly due to the impact of winter storm Uri in last year's period. The company posted a high monthly attrition rate of 3.7%. On the other hand, now that the pandemic has begun to subside, Via Renewables has ramped 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
<b>EPS</b>	---	---	-\$0.01	\$0.53	\$1.11	\$1.21	-\$0.69	\$0.02	\$1.48	-\$0.17	<b>\$0.70</b>	<b>\$0.94</b>
<b>DPS</b>	---	---	\$0.30	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73	\$0.73	<b>\$0.73</b>	<b>\$0.73</b>
<b>Shares<sup>1</sup></b>	---	---	6.00	6.24	33.44	34.62	34.99	35.0	35.4	35.6	<b>35.8</b>	<b>36.0</b>

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
<b>Avg. P/E</b>	---	---	---	14.7	12.0	13.5	---	---	5.6	---	<b>11.4</b>	<b>11.5</b>
<b>Avg. Yld.</b>	---	---	---	9.3%	5.5%	4.5%	7.6%	7.4%	8.8%	6.7%	<b>9.1%</b>	<b>6.8%</b>

<sup>1</sup> In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Via Renewables has traded at an average price-to-earnings ratio of 11.5 since its initial public offering. The stock is currently trading very close to this level, at a price-to-earnings ratio of 11.4. If it trades at its average valuation level in five years, it will enjoy a marginal 0.1% annualized gain in its returns.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

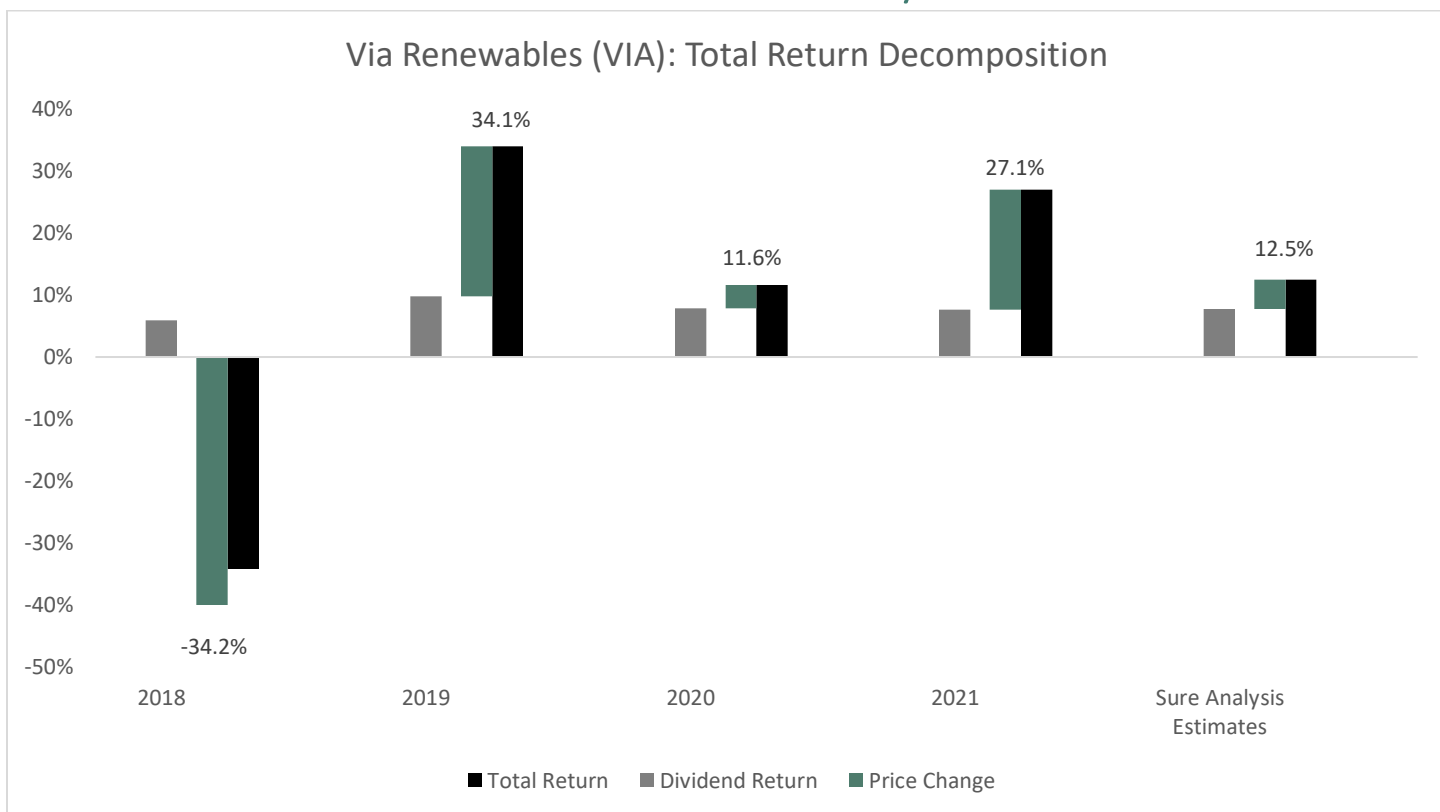
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	138%	65.8%	61.3%	---	---	49.3%	---	104%	77.9%

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 -80% 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. The stock could offer a 12.5% average annual return over the next five years, thanks to its 9.1% dividend yield, its 6.0% average annual earnings-per-share growth and a marginal 0.1% annual expansion of the valuation level. However, 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
<b>Revenue</b>	379	317	323	358	547	798	1,006	814	555	393
<b>Gross Profit</b>	100	84	64	117	202	246	160	199	210	70
<b>Gross Margin</b>	26.3%	26.5%	19.9%	32.7%	36.9%	30.8%	15.9%	24.4%	37.9%	17.9%
<b>SG&amp;A Exp.</b>	47	35	46	62	85	101	111	134	91	44
<b>D&amp;A Exp.</b>	23	16	22	25	49	43	51	41	31	22
<b>Operating Profit</b>	29	33	(4)	30	84	102	(4)	24	89	4
<b>Operating Margin</b>	7.8%	10.4%	-1.2%	8.3%	15.4%	12.8%	-0.4%	2.9%	16.0%	1.1%
<b>Net Profit</b>	26	31	(0)	4	14	19	(1)	8	29	5
<b>Net Margin</b>	6.9%	9.9%	0.0%	1.1%	2.6%	2.4%	-0.1%	1.0%	5.3%	1.3%
<b>Free Cash Flow</b>	42	43	3	44	65	60	58	85	90	6
<b>Income Tax</b>	0	0	(1)	2	10	39	2	7	16	4

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets</b>	129	109	138	162	375	504	489	423	367	355
<b>Cash &amp; Equivalents</b>	7	7	4	4	19	29	41	57	72	69
<b>Accounts Receivable</b>	78	69	65	62	115	162	153	116	75	70
<b>Inventories</b>	4	4	8	4	4	4	4	3	1	2
<b>Goodwill &amp; Int. Ass.</b>	---	---	1	26	107	155	147	138	126	126
<b>Total Liabilities</b>	68	73	114	129	251	303	308	266	191	218
<b>Accounts Payable</b>	44	37	39	32	56	82	71	49	28	44
<b>Long-Term Debt</b>	10	28	33	49	78	146	146	123	100	135
<b>Shareholder's Equity</b>	61	36	9	11	30	58	46	51	65	53
<b>D/E Ratio</b>	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
<b>Return on Assets</b>	---	26.4%	0.0%	2.6%	5.4%	4.4%	-0.2%	1.9%	7.4%	1.4%
<b>Return on Equity</b>	---	64.6%	-0.2%	38.7%	69.3%	43.8%	-2.3%	17.4%	50.5%	8.8%
<b>ROIC</b>	---	46.6%	-0.1%	5.6%	10.2%	7.0%	-0.4%	2.8%	10.5%	1.9%
<b>Shares Out.</b>	---	---	6.00	6.24	33.44	34.62	34.99	35.0	35.4	35.6
<b>Revenue/Share</b>	63.18	52.85	53.81	53.82	43.08	59.80	75.13	55.86	37.71	26.01
<b>FCF/Share</b>	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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