



Via Renewables (VIA)

Updated April 4th, 2023 by Aristofanis Papadatos

Key Metrics

Current Price:	\$17	5 Year CAGR Estimate:	13.6%	Market Cap:	\$129 M
Fair Value Price:	\$14	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	5/30/2023 ¹
% Fair Value:	121%	5 Year Valuation Multiple Estimate:	-3.8%	Dividend Payment Date:	6/14/2023
Dividend Yield:	21.4%	5 Year Price Target	\$19	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

On August 10th, 2021, Spark Energy (SPKE) changed its name to Via Renewables (VIA) to reflect its direction to renewable energy. On March 15th, 2023, the company performed a reverse split 5:1 to boost its stock price and thus meet stock market requirements. All figures in this report have been adjusted to reflect the reverse split. Via Renewables 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 102 utility territories. Via Renewables has a market cap of \$129 million and executed its initial public offering in 2014.

In late March, Via Renewables reported (3/29/23) financial results for the fourth quarter of fiscal 2022. It narrowed its losses from -\$37.3 million in the prior year's quarter to -\$27.5 million, mostly due to lower losses in its price hedges. Adjusted EBITDA grew 9% thanks to higher margins, partly offset by higher spending on customer acquisition. Now that the pandemic has subsided, Via Renewables has ramped up its door-to-door and telemarketing efforts to enhance its customer base. However, we note that the company has been severely hurt by high energy prices, which have resulted from the Ukrainian crisis. We also note the hefty losses, which probably resulted from a poor hedging strategy. Management has implied that the dividend will be cut if the company faces a prolonged downturn but expects improved business performance this year thanks to lower energy costs. We expect the company to cut its dividend at some point in the future.

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	---	-\$0.05	\$2.65	\$5.55	\$6.05	-\$3.45	\$0.10	\$7.40	-\$0.85	-\$0.15	\$2.50	\$3.35
DPS	---	\$1.50	\$3.63	\$3.63	\$3.63	\$3.63	\$3.63	\$3.63	\$3.63	\$3.63	\$3.63	\$2.13
Shares²	---	1.2	1.2	6.7	6.9	7.0	7.0	7.1	7.1	7.2	7.3	7.5

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, 3.3% in 2021 and 3.8% in 2022. Via Renewables posted losses in 2018, 2021 and 2022 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. We prefer to be conservative and expect 6.0% average annual growth of earnings-per-share off this year's low expected earnings.

¹ Estimated date.

² 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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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	---	---	14.7	12.0	13.5	---	---	5.6	---	---	6.8	5.6
Avg. Yld.	---	---	9.3%	5.5%	4.5%	7.6%	7.4%	8.8%	6.7%	8.9%	21.4%	11.4%

Via Renewables has traded at an average price-to-earnings ratio of 11.5 since its initial public offering. The stock is currently trading at a price-to-earnings ratio of 6.8. We assume a fair earnings multiple of 5.6 for this volatile business. If the stock trades at its fair valuation level in five years, it will incur a -3.8% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

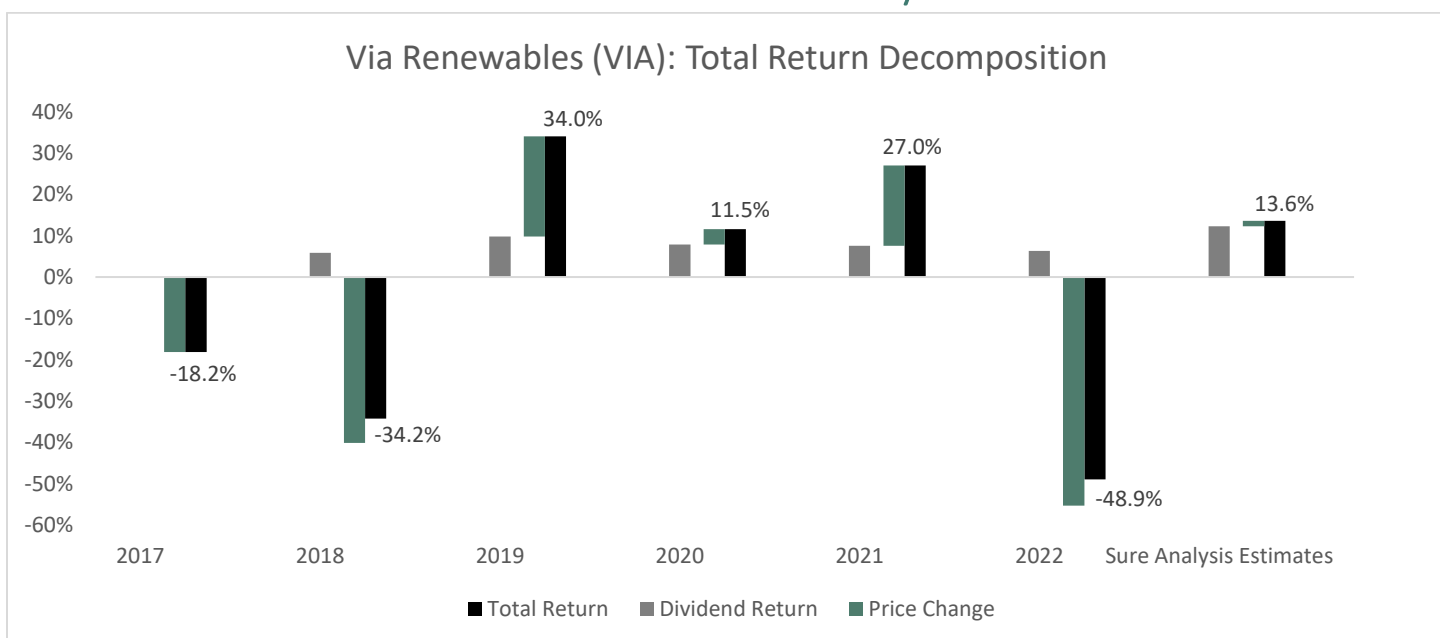
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	---	---	138%	66%	61%	---	---	49%	---	---	145%	64%

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 -85% off its peak posted in 2017. 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 subsided 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. Given its depressed price, the stock could offer a 13.6% average annual return over the next five years, thanks to its 21.4% starting dividend yield and its 6.0% average annual earnings-per-share growth, partly offset by a -3.8% annual contraction 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	317	323	358	547	798	1,006	814	555	393	460
Gross Profit	84	64	117	202	246	160	199	210	70	103
Gross Margin	26.5%	19.9%	32.7%	36.9%	30.8%	15.9%	24.4%	37.9%	17.9%	22.4%
SG&A Exp.	35	46	62	85	101	111	134	91	44	62
D&A Exp.	16	22	25	49	43	51	41	31	22	17
Operating Profit	33	(4)	30	84	102	(4)	24	89	4	25
Operating Margin	10.4%	-1.2%	8.3%	15.4%	12.8%	-0.4%	2.9%	16.0%	1.1%	5.4%
Net Profit	31	(0)	4	14	19	(1)	8	29	5	8
Net Margin	9.9%	0.0%	1.1%	2.6%	2.4%	-0.1%	1.0%	5.3%	1.3%	1.7%
Free Cash Flow	43	3	44	65	60	58	85	90	6	9
Income Tax	0	(1)	2	10	39	2	7	16	4	6

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	109	138	162	375	504	489	423	367	355	331
Cash & Equivalents	7	4	4	19	29	41	57	72	69	34
Accounts Receivable	69	65	62	115	162	153	116	75	70	88
Inventories	4	8	4	4	4	4	3	1	2	4
Goodwill & Int. Ass.	---	1	26	107	155	147	138	126	126	121
Total Liabilities	73	114	129	251	303	308	266	191	218	215
Accounts Payable	37	39	32	56	82	71	49	28	44	54
Long-Term Debt	28	33	49	78	146	146	123	100	135	120
Shareholder's Equity	36	9	11	30	58	46	51	65	53	43
D/E Ratio	0.77	3.81	4.30	2.58	1.48	1.07	0.87	0.66	0.96	0.92

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	26.4%	0.0%	2.6%	5.4%	4.4%	-0.2%	1.9%	7.4%	1.4%	2.2%
Return on Equity	64.6%	-0.2%	38.7%	69.3%	43.8%	-2.3%	17.4%	50.5%	8.8%	16.1%
ROIC	46.6%	-0.1%	5.6%	10.2%	7.0%	-0.4%	2.8%	10.5%	1.9%	3.0%
Shares Out.	---	6.00	6.24	33.44	34.62	34.99	35.0	35.4	35.6	3.2
Revenue/Share	52.85	53.81	53.82	43.08	59.80	75.13	55.86	37.71	26.01	145.91
FCF/Share	7.17	0.47	6.64	5.10	4.53	4.36	5.81	6.09	0.41	2.96

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

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