

# VIRSI: 9M Turnover Update

## Results indicate growth in core segments

VIRŠI-A ('Virši' or the 'Company') released its 9M turnover numbers which indicate solid growth across its core segments. The Company reported a total turnover of EUR 270.32m (+67.3% y-o-y). Convenience store sales in 9M 2022 reached EUR 30.14m (+18.2% y-o-y), while fuel sales amounted to EUR 227.30m (+68.3% y-o-y). We consider that the main growth driver behind convenience stores sales has been the expansion of the fuel station network (+4 fuel stations in 9M 2022), upgrades in convenience stores' product assortment bringing in more added value products, and good brand image, while a part of the sales increase might also be attributed to price adjustments due to inflationary pressures. In our view, the fuel sales have been mostly driven by the increase in raw material (oil) price increase that does not contribute to Company's gross profits. That can also be seen in higher sales growth compared to gross profit growth in H1 2022. However, an increase in fuel retail volumes also has contributed to fuel sales growth. In H1, Virši reported higher fuel retail volumes growth than overall market growth (Virši: +8.9%, market: +2.2% y-o-y), thus increasing its market share which also supports convenience stores' sales growth. Overall, these two segments are quite interrelated, thus having a correlation in their performance. The newly launched energy segment in 9M reported sales of EUR 11.77m, compared to EUR 0.02m in 9M 2021. While sales are growing very rapidly, it is the result of soaring electricity prices and as an intermediary Virši generates a tiny income from reselling electricity. Similar to fuel retail, the gross margin per MWh is relatively stable and sales increase due to soaring electricity prices does not necessarily contribute to bottom line. As per the Company, the total purchased/sold electricity volume in H1 reached slightly over 25 thousand Mwh and considering higher electricity prices in Q3 the contribution from these activities to total gross profit should remain modest.

Although the Company reports semi-annually, from this year it has started to release quarterly segmental turnover, thus we can not make a y-o-y comparison, but can compare the numbers on a q-o-q basis. The fuel sales in Q3 reached EUR 95.1m (+27.1% q-o-q), consequently as oil price on average has been relatively stable in Q2/Q3, the upside likely indicates further growth in fuel volumes sold and potential increase in gross margin per litre sold. Furthermore, the state revenue service data shows that fuel retail volumes decreased in July and August by c.a. 10% and 2% y-o-y, respectively, thus if our assumptions are correct, Virši in Q3 continued to grow its market share. Convenience store sales reached EUR 11.87m (+12.7% q-o-q) in Q3, growing relatively slower than previously, which could indicate that due to high fuel prices consumers are cutting expenses in convenience stores. The energy segment sales in Q3 amounted to EUR 8.37m (+153.7% q-o-q), but as opposed to oil prices, electricity prices in Q3 have been significantly higher, thus we attribute the growth mainly to electricity price increase and consider volumes sold to remain very modest.

Key Numbers (EURm)	2018*	2019	2020	2021	2022E#	2023E#
Sales (EURm)	180.3	187.0	171.4	220.9	224.4	245.0
Sales growth (%)	21.5	3.7	(8.3)	28.8	1.6	9.2
Net profit (EURm)	3.8	3.6	4.2	6.6	5.3	6.5
EPS (EUR)	583.60	546.45	87.78	0.5	0.3	0.4
P/E (x)	-	-	-	9.7	12.5	10.2
Payout per share (EUR)**	76.88	122.62	-	0.1	0.1	0.1
Payout yield (%)	-	-	-	1.9	1.4	2.4
P/B (x)	-	-	-	1.4	1.2	1.1
EV/Sales (x)	-	-	-	0.4	0.4	0.4
EV/EBITDA (x)	-	-	-	9.2	9.2	7.9
EV/EBIT (x)	-	-	-	13.5	15.1	12.4
ROE (%)	15.7	11.9	12.1	15.3	10.2	11.6

Source: VIRSI for historicals, LHV # The valuation multiples from 2022E -2023E are calculated using the share price of EUR 4.36 (18<sup>th</sup> Oct 2022). \*\* Payout per share include dividends and share capital reduction.

\* Note: All P&L and CF data until 2018 (BS data until 2017) is presented based on Latvian GAAP, from 2019 (BS data from end-2018) based on IFRS.

### Company Profile

Listing Market:	First North Baltic Share List
Bloomberg Ticker:	VIRSI LR
ISIN:	LV0000101848
Industry (Bloomberg):	Consumer Discretionary
Sector (Bloomberg):	Retail
Website:	www.virsi.lv

### Share Data, as of 18<sup>th</sup> Oct 2022

Current Share Price (EUR):	4.36
Fair Value Range, EUR (FVR):	5.50-5.90
Upwside, % (to mid-point of FVR):	30.73
52-week High/Low (EUR):	6.40/3.95
3m Avg. Daily Volume (th):	1.10
Market Cap (EURm):	65.80
Ordinary Shares (m):	15.09

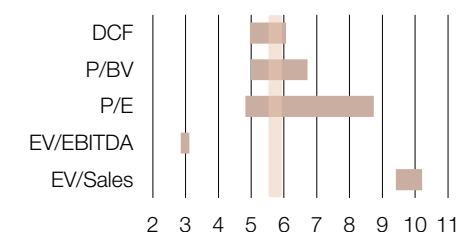
### Key Shareholders, as of 31<sup>st</sup> Dec 2021

Jānis Riekstiņš	21.1%
Jānis Rušmanis	20.9%
Ruta Plūme	20.9%
Andris Priedītis	12.8%
Ilgvars Zuzulis	12.8%

### YTD-Price Performance



### LHV Fair Value Range: EUR 5.50-5.90



\* As of 7<sup>th</sup> Dec 2021

EURm	Q2/22	Q3/22	q-o-q %	9M/22	9M/21	y-o-y %
Convenience store sales	10.54	11.87	12.7	30.14	25.51	18.2
Fuel sales	74.83	95.10	27.1	227.30	135.08	68.3
Energy segment sales	3.30	8.37	153.7	11.77	0.02	n.m.
Other income	0.40	0.25	(36.7)	1.11	0.98	13.5

Source: VIRSI

Overall, we see the news as positive for Virši's business development, however, inflationary pressures on costs might hurt the profitability. Also, as the data shows reducing consumer purchase power and high fuel prices does negatively affect the overall fuel market, although the negative effect is rather limited and we consider the fuel

market to be resilient to economic difficulties. Notwithstanding some negative effects on the fuel market which could also slow down Virši's fuel volumes growth, the Company is successfully gaining market share which gives a positive outlook for the mid to long-term.

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Date and time of sign-off: Wednesday 19<sup>th</sup> Oct, 18:00**Disclaimer**

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