

# VIRSI: H2 Results Review



## Maintains robust expansion of market share in fuel retail

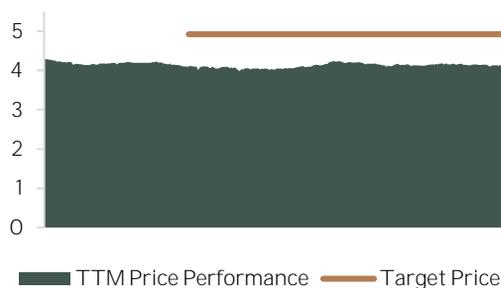
AS 'Virši-A' (hereinafter referred to as 'VIRSI' or, the 'Group') reported its 2H24 results, delivering lower-than-expected bottom-line profitability while meeting expectations for strong growth in core segments. The Group continues to expand its market share in the fuel retail segment, with convenience stores also showing strong sales growth and slight gross margin improvement. Investments in new station locations, network upgrades, and consumer loyalty have been the primary drivers of this performance. VIRSI expanded its station network at a faster pace than expected, adding nine new fuel stations to reach a total of 82, moving toward its 2027 target of 90. Energy segment continued to expand its sales but the margins have remained downbeat.

Fuel segment sales reached EUR 148.5m (+4.1% y-o-y), though revenue figures can fluctuate based on fuel market prices, with the segment primarily driven by sales volumes. While total market fuel consumption increased by just 1% y-o-y over 11 months, VIRSI expanded its fuel volumes by 9.5% y-o-y. Accordingly, gross profit rose 20.6% y-o-y to EUR 10.3m, reflecting increase in volumes and indicating upside in gross margin per liter, likely driven by growing proportion of B2C in total client mix.

Convenience store sales reached EUR 30.7m (+20.5% y-o-y), benefiting from new locations and, in our view, increasing sales per square meter. At the end of 2023, the Group had 75 trading locations, expanding its network to 85 by the end of 2024, a 13% y-o-y increase. VIRSI also improved its gross margin to 36.8% (+0.9 pp y-o-y), increasing gross profit to EUR 19.1m (+23.4% y-o-y).

The energy segment reported the strongest sales growth, increasing 32.7% y-o-y to EUR 14.3m, which is also partly related to the low base effect. However, gross profit in this segment declined sharply by 73% y-o-y to EUR 0.3m, as energy commodity price stabilization reduced margins. Traders who had secured long-term power purchase agreements or hedged energy positions before 2023 price spikes could sell into a much higher spot market, realizing massive spreads. As prices normalized, margins returned to lower levels, though growing sales suggest an increasing market share in this segment.

| Company profile |                         |
|-----------------|-------------------------|
| Listing market  | Nasdaq Riga First North |
| Ticker          | VIRSI                   |
| Industry        | Speciality Retailer     |
| Website         | www.virsi.lv/en         |



| Share Data (February 28, 2024) |           |
|--------------------------------|-----------|
| Current price, EUR             | 4.1       |
| Target price, EUR              | 4.91      |
| Potential Upside/Downside, %   | 19.8      |
| 52 week Low/High, EUR          | 3.99/4.30 |
| 3 month av. daily volume       | 666       |
| Market cap, EURm               | 62.0      |
| Ordinary shares                | 15.1      |

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| Key Numbers (EURm) | 2021  | 2022  | 2023  | 2024  | 2025E | 2026E | 2027E | 2028E |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue            | 220.9 | 375.1 | 343.7 | 380.6 | 402.6 | 436.4 | 454.8 | 469.9 |
| EBITDA             | 9.7   | 12.3  | 13.7  | 13.7  | 17.2  | 20.1  | 22.1  | 22.9  |
| Operating Profit   | 6.1   | 7.9   | 8.7   | 7.5   | 10.2  | 12.3  | 13.7  | 14.4  |
| Net Profit         | 6.6   | 10.4  | 5.1   | 4.8   | 7.8   | 9.5   | 10.1  | 11.4  |
| Total Assets       | 101.4 | 133.2 | 135.8 | 151.0 | 162.1 | 177.9 | 182.9 | 186.0 |
| Net Debt           | 19.6  | 17.5  | 26.2  | 36.1  | 40.9  | 45.4  | 39.2  | 32.4  |
| Total Equity       | 50.0  | 66.5  | 69.6  | 75.4  | 81.6  | 90.0  | 96.5  | 104.1 |
| CAPEX              | 14.6  | 10.0  | 16.8  | 20.0  | 20.3  | 20.9  | 9.2   | 9.2   |
| EV/Revenue (x)     | 0.4   | 0.2   | 0.3   | 0.2   | 0.2   | 0.2   | 0.2   | 0.2   |
| EV/EBITDA (x)      | 9.2   | 6.7   | 6.6   | 6.3   | 5.0   | 4.3   | 3.9   | 3.7   |
| P/E (x)            | 10.8  | 6.4   | 13.1  | 12.9  | 7.9   | 6.4   | 6.1   | 5.4   |
| P/Book (x)         | 1.4   | 1.0   | 1.0   | 0.8   | 0.8   | 0.7   | 0.6   | 0.6   |

In the second half of 2024, the Group managed to expand its gross profit ahead of operating expenses (OpEx), although total OpEx exceeded our expectations by 11%. Total OpEx reached EUR 18.0m (+10% y-o-y), primarily driven by salary expenses, which increased by 15% y-o-y, moving in line with staff growth. In 2H24 VIRSI managed to expand its operating profit by 20.5% y-o-y to reach EUR 4.1m while net profit landed at EUR 2.8m, increasing by 45% y-o-y.

The Group communicated new financial targets, largely postponing its previous 2026 net profit target to 2027. VIRSI now aims for EUR 12.4m in net profit by 2027,

implying a 2.6x increase compared to net profit generated this year. Despite a miss on net profit, VIRSI continues to strengthen its market position through aggressive expansion, maintaining healthy margins in its core fuel and convenience store segments. As new locations mature and economies of scale take effect, we anticipate further profitability improvements beyond 2024.

The management has proposed a dividend distribution of 20% of earnings, amounting to EUR 0.965m before tax and EUR 0.772m after tax, implying a dividend yield of 1.5% before tax and 1.2% after tax.

| Results Review, EURm | H2/24A       | H2/23A       | % y-o-y     | H2/24E      | Dev abs.     | Dev, %     | FY24A       | FY23A       | % y-o-y      |
|----------------------|--------------|--------------|-------------|-------------|--------------|------------|-------------|-------------|--------------|
| Net sales            | 195.25       | 181.36       | 7.7         | 193.7       | (1.6)        | (1)        | 380.6       | 343.7       | 10.7         |
| <b>Gross profit</b>  | <b>22.08</b> | <b>19.76</b> | <b>11.8</b> | <b>21.1</b> | <b>(1.0)</b> | <b>(5)</b> | <b>41.2</b> | <b>37.7</b> | <b>9.3</b>   |
| EBITDA               | 7.43         | 6.78         | 9.7         | 8.1         | 0.6          | 8          | 13.7        | 13.7        | 0.0          |
| Operating profit     | 4.13         | 3.43         | 20.5        | 4.9         | 0.8          | 16         | 7.5         | 8.7         | (13.6)       |
| <b>Net profit</b>    | <b>2.82</b>  | <b>1.94</b>  | <b>45.0</b> | <b>3.9</b>  | <b>1.1</b>   | <b>28</b>  | <b>4.8</b>  | <b>5.1</b>  | <b>(5.4)</b> |
| Gross margin, %      | 11.3         | 10.9         |             |             |              |            | 10.8        | 11.0        |              |
| EBITDA margin, %     | 3.8          | 3.7          |             |             |              |            | 3.6         | 4.0         |              |
| Operating margin, %  | 2.1          | 1.9          |             |             |              |            | 2.0         | 2.5         |              |
| Net margin, %        | 1.4          | 1.1          |             |             |              |            | 1.3         | 1.5         |              |

Source: VIRSI; Signet Bank for estimates

## Investment case

We believe VIRSI has a strong opportunity to sustain and further expand its market share in the Latvian energy market

Key attractions of the investment case for VIRSI include its strategic focus on growth, the potential to leverage its image as a leading domestic energy trader with a clear focus on the Latvian market and local customers, and its proven track record in profitably developing the convenience store concept

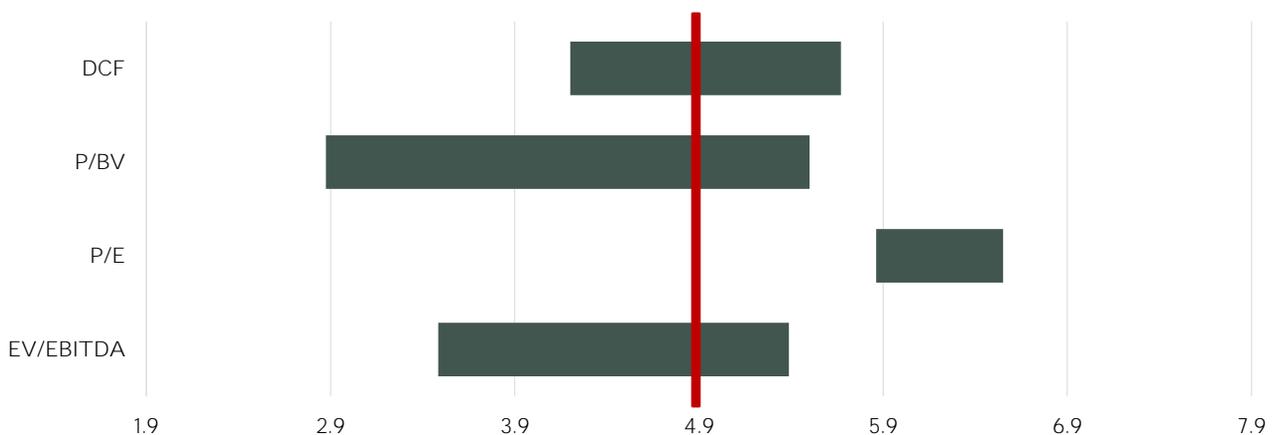
### Key Risks:

- High competitive intensity
- Slower than expected expansion
- Weaker margins
- High volatility of oil price

### Key Drivers:

- Strong brand image
- Good profitability track record
- Diversification of fuels
- Expansion in energy trading

| Weighted Value Per Share, EUR         | Period weights |       |       | Period weighted value | Weights | Contribution to value |
|---------------------------------------|----------------|-------|-------|-----------------------|---------|-----------------------|
|                                       | 2024E          | 2025E | 2026E |                       |         |                       |
| Method                                | 33%            | 33%   | 33%   |                       |         |                       |
| DCF                                   |                |       |       | 4.86                  | 70%     | 3.40                  |
| EV/EBITDA                             | 3.48           | 4.52  | 5.39  | 4.47                  | 10%     | 0.45                  |
| P/E                                   | 5.96           | 5.86  | 6.55  | 6.12                  | 10%     | 0.61                  |
| P/CF                                  | 2.87           | 4.90  | 5.50  | 4.43                  | 10%     | 0.44                  |
| <b>Total weighted value per share</b> |                |       |       |                       |         | <b>4.91</b>           |



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Sign-off time: February 28, 2025, 18:00

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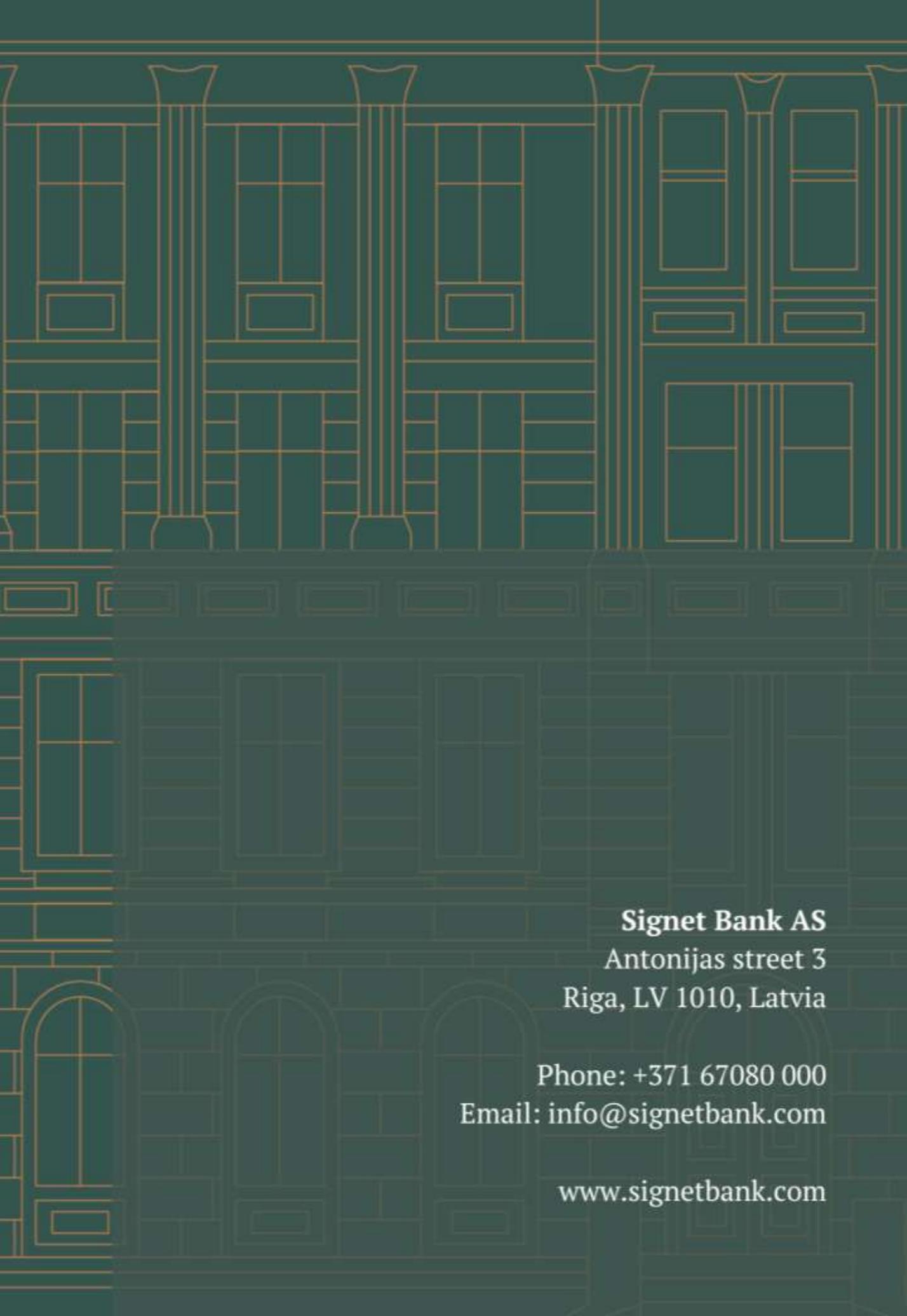
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