Market share growing, profit declining

AS 'Virši-A' (hereinafter referred to as 'VIRSI' or, the 'Group') continued to expand its fuel retail market share in Hl/25, with volumes outperforming the market, although a weak macro environment and intensified competition weighed on segment margins. Convenience store sales softened versus H2/24 but remained higher y-o-y, while margins in the segment stayed stable and optimal. The energy segment posted higher volumes, yet elevated rebalancing costs offset gains, resulting in a gross profit loss. While sales and gross profit met expectations, higher-than-anticipated operating expenses pressured profitability, with net profit down 27% y-o-y. Currently, the Group is undergoing a very intense expansion phase weighing on profits temporarily, that said, the downbeat in profits is partly natural outcome until the investment period is finalized.

In the first half of the year, retail fuel volumes rose 11.5% y-o-y versus the market's modest 1.1% growth. Fuel segment gross profit increased 4.8% y-o-y to EUR 9.8m but fell 4.1% compared to H2/24, highlighting margin compression per liter sold. The sluggish macro environment continues to limit market growth and foster price competition, keeping pressure on margins.

Convenience store sales reached EUR 28.7m (+10% y-o-y; -6% vs. H2/24), reflecting softer consumer spending. Two stores, separate from fuel stations, were closed in May due to underperformance relative to ROI expectations. Segment gross profit rose 14% y-o-y to EUR 10.5m, though down 7% from H2/24, with gross margin improving by 1.3pp y-o-y to 36.6%, indicating strong pricing discipline.

In energy, VIRSI began selling natural gas to both B2B and retail customers. Electricity volumes traded surged 46% y-o-y to 283.4 GWh, equating to an 8% market share. Currently the Group is the fourth largest electricity supplier to households. However, high rebalancing costs drove a EUR 0.05m gross loss in the segment. Management is revising pricing and supplier mix to reduce rebalancing costs, with margin improvements expected ahead.

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



■ TTM Price Performance

Share Data (August 14, 2025)	
Current price, EUR	3.93
Target price, EUR	Under Review
Potential Upside/Downside, %	n.a.
52 week Low/High, EUR	3.91/4.24
3 month av. daily volume	1087
Market cap, EURm	59.5
Ordinary shares	15.1

maryst

Valters Smiltans

Valters.Smiltans@Signetbank.com

+371 66956529

Key Numbers (EURm)	2021	2022	2023	2024	2025E	2026E	2027E	2028E	
Revenue	220.9	375.1	343.7	380.6					
EBITDA	9.7	12.3	13.7	13.7					
Operating Profit	6.l	7.9	8.7	7.5					
Net Profit	6.6	10.4	5.l	4.8					
Total Assets	101.4	133.2	135.8	151.0	Under Review				
Net Debt	19.6	17.5	26.2	36.1					
Total Equity	50.0	66.5	69.6	75.4					
CAPEX	14.6	10.0	16.8	20.0					
EV/Revenue (x)	0.4	0.2	0.3	0.2					
EV/EBITDA(x)	9.2	6.7	6.6	6.3					
P/E (x)	10.8	6.4	13.1	12.9					
P/Book (x)	1.4	1.0	1.0	0.8					

Source: VIRSI, Signet Bank



Operating expenses rose 15.5% y-o-y to EUR 18.2m, mainly from depreciation and maintanance costs related to new stations, salary inflation and expansion-related staffing. Some costs are being incurred before new stations reach full sales momentum, temporarily weighing on profitability. EBITDA remained broadly stable at EUR 6.3m, while net profit fell to EUR 1.5m (-27% y-o-y).

Capex in H1/25 amounted to EUR 7.4m (–25% y-o-y), with six new fuel stations added y-o-y, bringing the total network to 83 stations at period-end. Total debt rose 16% y-o-y to EUR 40.7m, reflecting continued expansion and investments in the biogas plant, which is expected to be operational in H1/26 with an annual capacity of 60 GWh. Network expansion targets have been revised, with at least 90 stations now expected by 2027 (previously 2026) due to weaker macro conditions.

Overall, we view the fuel and convenience segments positively. supported bv consistent outperformance in fuel volumes, which also supports store traffic. However, fuel segment margins are likely to remain subdued until macro conditions improve. The intensity of competition will remain in our view. Circle K is buying out Astarte fuel station network, medium size fuel retailer concentrating on regional areas, which is likely to improve Circle K locations outside Riga. The energy segment still needs scale to deliver meaningful profitability, although margin recovery is expected. Given the developments in biogas production, weaker margins in energy segment than anticipated and higher operating expenses, we have decided to revisit our estimates.

Results Review, EURm	H1/25A	H1/24A	% y-o-y	H1/25E	Dev abs.	Dev, %	FY24A	FY23A	% y-o-y
Net sales	188.60	185.32	1.8	192.5	3.9	2	380.6	343.7	10.7
Gross profit	20.75	19.11	8.6	21.2	0.5	2	41.2	37.7	9.3
EBITDA	6.00	6.31	(5.0)	7.6	1.6	21	13.7	13.7	0.0
Operating profit	2.57	3.37	(23.8)	4.2	1.6	39	7.5	8.7	(13.6)
Net profit	1.46	2.01	(27.4)	2.8	1.4	49	4.8	5.1	(5.4)
Gross margin, %	11.0	10.3					10.8	11.0	
EBITDA margin, %	3.2	3.4					3.6	4.0	
Operating margin, %	1.4	1.8					2.0	2.5	
Net margin, %	0.8	1.1					1.3	1.5	

Source: VIRSI; Signet Bank for estimates

Disclaimer



Sign-off time: August 14 2025, 18:00

The report has been prepared by Signet Bank AS, hereinafter referred to as 'Signet Bank'. The copyright in this report belongs to Signet Bank. The responsible analyst for this report is Valters Smiltans. The report is prepared solely for the informational purposes, and is not construed as a personal investment advice or recommendation. Signet Bank does not recommend taking any actions based on this report. The stock analysis report is not an offer to sell or a solicitation to buy securities, and it should not be interpreted as such. The Bank and its employees shall not be liable for any losses or damages which may result from or be in connection with reliance upon the information provided.

The report may not be reproduced, redistributed or published in any form whatsoever (in whole or in part) without prior written permission of Signet Bank. The user shall be liable for any non-authorized reproduction or use of this report, whether in whole or in part, and such, reproduction may lead to legal proceedings. Signet Bank does not accept any liability whatsoever for the actions of third parties in this respect. This information may not be used to create any financial instruments or products or any indices.

Neither Signet Bank nor its board members nor its representatives nor its employees will accept liability for any injuries, losses or damages, direct or consequential, caused to the reader that may result from the reader's acting upon or using the content contained in the publication.

Readers of this report should be aware of that Signet Bank is constantly seeking to offer investment banking services to companies (hereinafter, 'Company' or 'Companies') mentioned in research reports or may have other financial interests in those Companies.

Signet Bank currently has no active agreements with VIRSI regarding capital markets transactions. The Group was provided with a copy of this report, excluding the valuation section, prior to its publication in order to verify its factual accuracy and the report was not subsequently changed.

All reports are produced by Signet Bank's Customer Relationship and Service department. In order to proactively prevent conflicts of interest, Signet Bank has established several procedural and physical measures. Such measures include, among other things, confidentiality measures through separation, or so-called "Chinese walls", virtual and physical barriers to limit the exchange of information between different departments, groups or individuals within Signet Bank. These measures are monitored by the Compliance department of Signet Bank. Signet Bank does everything possible to avoid the conflict of interests but it cannot guarantee that conflict of interests situations do not arise at all.

The responsible analyst(s) for the content of the report certifies that, notwithstanding any potential conflicts of interest mentioned here, the opinions expressed in this report accurately reflect the personal views of the respective analyst(s) concerning the companies and securities covered in the reports. The analyst(s) also certify that they have not received, are not receiving, and will not receive any direct or indirect compensation for expressing their views or making specific recommendations in this report.

This report is based upon information available to the general public. The information contained within has been compiled from sources deemed to be suitably reliable. However, no guarantee to that effect is given and henceforth neither the accuracy, completeness, nor the timeliness of this information should be relied upon. Any opinions expressed herein reflect a professional judgment of market conditions as at the date of publication of this document and are therefore subject to change without prior notice.

The analysis contained in this research report is based on numerous assumptions; different assumptions could result in materially different results. Any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. The inclusion of any such valuations, projections and forecasts in this report should not be regarded as a representation or warranty by or on behalf of Signet Bank or any person within Signet Bank that such valuations, projections and forecasts or their underlying assumptions and estimates will be met or realized.

Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate due to currency exchange rate moves and taxation considerations specific to that investor.

The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision.



Signet Bank reviews its estimates at least once during financial reporting period and upon most major financial events.

The target price has been issued for a 12-18 month period and has been derived from a weighted approach combining both DCF valuation and relative multiple comparisons. The relative multiple comparisons further incorporate additional weighting considerations relating to the underlying metrics and time forecast periods. Company specific inputs have been forecast and a list of peer companies has been compiled by the Signet Bank analyst(s) writing this research commentary, whereas the consensus peer data has been obtained from Bloomberg. For more detailed information about the valuation methods please contact the analyst(s) using the contact details provided above. Although we do not issue explicit recommendations, for regulation compliance purposes we adhere to the following synthetic structure:

- Buy-Expected return of more than 10% within 12-18 months (including dividends)
- Neutral-Expected return from -10% to 10% within 12-18 months (including dividends)
- Sell-Expected loss more than 10% within 12-18 months (including dividends)

Signet Bank is launching equity research services and initiates its third company coverage. In the 12-month period preceding 15.08.2025 Signet Bank has issued 2 recommendation, of which 40% have been 'Buy recommendations', 0% as 'Neutral', 20% as 'Sell' and 40% as 'under review'. Of all the 'Buy recommendations' issued, 50% have been for companies for which Signet Bank has provided investment banking services in the preceding 12-month period. Of all the 'Neutral recommendations' issued, 0% have been issued to companies for which Signet Bank has provided investment banking services in the preceding 12-month period. The classification is based on the above structure

For a list of recommendations that were disseminated during the preceding 12-month period, including the date of dissemination, the identity of the person(s) who produced the recommendation, the price target and the relevant market price at the time of dissemination, the direction of the recommendation and the validity time period of the price target, please contact the analyst(s) using the contact details provided above.

Signet Bank believes this report is considered to be a minor non-monetary benefit as the product is free to everyone who wishes to receive it and is therefore not an inducement according to Ch.7 in ESMA's "Questions and Answers on MIFIDII and MIFIR investor protection topics.

