

COMPANY UPDATE

Ignitis

Buy

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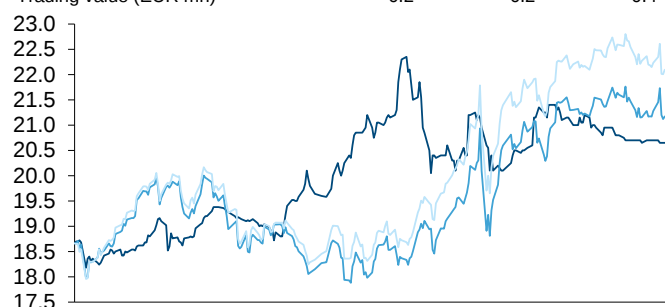
Share price (EUR) close as of 29/07/2025	20.6	Reuters	IGN1L.VL	Free float	25.0%
Number of shares (mn)	72.4	Bloomberg	IGN1L LH	Shareholders	
Market capitalization (EUR mn)	1 487.6	Div. Ex-date	08/04/25	Republic of Lithuania (75%)	
Enterprise value (EUR mn)	3 580.5	Target price	29.0	Homepage:	ignitisgrupe.lt

Key figures Overview

EUR mn	2024	2025e	2026e	2027e
Net sales	2 307.0	2 445.9	2 379.1	2 387.8
EBITDA	532.7	489.3	579.9	595.5
EBIT	350.0	278.6	349.3	346.1
EBT	308.3	223.3	282.5	267.6
Net profit	276.2	198.7	248.6	232.8
EPS (EUR)	3.82	2.74	3.43	3.22
CEPS (EUR)	6.86	5.54	6.47	6.52
BVPS (EUR)	33.66	35.06	37.11	38.90
Dividend/Share (EUR)	1.33	1.37	1.41	1.45
EV/EBITDA (x)	5.69	7.32	6.78	7.11
P/E (x)	5.13	7.49	5.98	6.39
P/CE (x)	2.85	3.71	3.18	3.15
Dividend yield (%)	6.77	6.65	6.85	7.05
EBITDA margin (%)	23.09	20.01	24.38	24.94
Operating margin (%)	15.17	11.39	14.68	14.49
Net profit margin (%)	11.97	8.12	10.45	9.75

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	7 736	11 028	18 339
Trading value (EUR mn)	0.2	0.2	0.4



— Ignitis — DJ STOXX Utilities — DJ EURO STOXX Utilities

Price performance:	1M	3M	6M	12M
in EUR	-1.2%	0.2%	-1.4%	10.1%

Financial Strength

	2024	2025e	2026e	2027e
ROE (%)	11.75	7.99	9.52	8.46
ROCE (%)	6.72	4.84	5.45	4.95
Equity ratio (%)	42.71	41.74	40.53	40.31
Net debt (EUR mn)	1 612.30	2 092.87	2 443.92	2 748.53
Gearing (%)	66.16	82.46	90.98	97.61

Flexibility supports growth

We keep our Buy recommendation on Ignitis shares with an almost unchanged twelve-month target price of EUR 29.0/share (previously EUR 28.4/share), based on a DCF-FCFF model.

The company benefits from higher regional demand for balancing capacities after desynchronization from Russia and from growing price volatility via its pump hydro and CHP capacities, as demonstrated by a strong 1Q25. This, combined with smooth delivery of new capacities, outweighs declining realized prices for RES and losses in the supply business. We thus also expect good results in 2Q25. The new strategy for 2025-28 is in line with the previous one and confirms Ignitis's equity story.

Ignitis has basically finished its 0.45 GW under-construction wind capacities, acquired an advanced pipeline of 0.29 GW hybrid RES and made FID for 291 MW of BESS since our last report. The company is thus on track to more than double RES capacities to 3.1 GW by 2028e. Ignitis also continues signing PPAs, lately with local TSO for 7 years, and won EUR 19.7mn in capacity payments in Poland for 2026.

We increase our 2025-27e adjusted EBITDA estimates by 1-6% on higher ancillary revenues and smooth capacities delivery, partly offset by lower market prices. We see Ignitis as well placed in the current volatile market environment thanks to integrated model and high share of flexible generation. The stock is a combination of decent growth, nice dividends and low valuation.

1Q25 results, 2025-28 strategy and 2Q25 preview

1Q25 adjusted EBITDA of EUR 188.5mn (+4% y/y) was 8% above consensus. EBITDA grew thanks to the core Green Capacities (+42% y/y) and Networks (+13% y/y), which was partly offset with a loss in end-customer supply and lower result from Reserve Capacities (CCGT).

Adjusted net profit reached EUR 108mn (-4% y/y), which was 13% above consensus. Net profit was y/y lower due to the faster ramp up of D&A than EBITDA (partly weather related) and due to a higher effective tax rate. Interest costs were stable and better than expected.

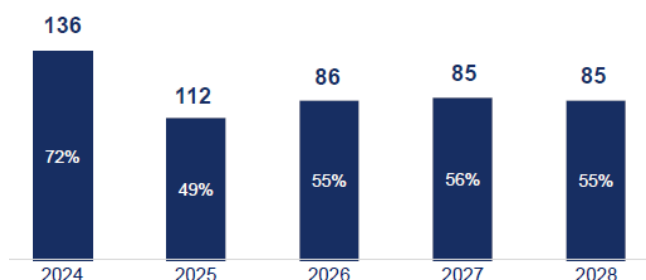
P&L (EURmn)	1Q25	1Q24	y/y	1Q25 exp.		1Q vs.	
				Erste	Cons.	Erste	Cons.
Total revenue	772.8	653.5	18%	792.8	733	-3%	5%
EBITDA	160.1	188.9	-15%	159.7		0%	
Adjustments	28.4	-7.2	n.m.	21.3		33%	
Adjusted EBITDA	188.5	181.7	4%	181.0	175	4%	8%
Green Capacities	109.3	77.1	42%	77.0		42%	
Networks	74.1	65.5	13%	64.8		14%	
Reserve Capacities	17.4	20.0	-13%	29.5		-41%	
Customers & Solutions	-14.2	17.4	-182%	10.6		-234%	
Adj. D&A and impairments	50	41	21%	48		4%	
EBIT	110	148	-25%	112	115	-2%	-4%
Adjusted EBIT	138	140	-1%	133		4%	
Net profit	84	119	-29%	83		1%	
Adjustments	24	-6	n.m.	18		34%	
Adjusted net profit	108	113	-4%	101	95	7%	13%
BS&CF (EURmn)							
Investments	147	210	-30%	199		-26%	
FCF	17	5	n.m.	-38		-143%	
Net debt	1 593	1 288	24%	1 651		-3%	
Net debt / adjusted EBITDA LTM (x)	3.0	2.5	20%	3.1		-5%	
Operating data (GW, TWh)							
Installed green capacities	1.4	1.4	1%	1.4		1%	
Electricity production	1.21	0.77	57%	1.21		0%	
Green Capacities	0.73	0.61	20%	0.71		3%	
Reserve Capacities	0.48	0.16	200%	0.51		-6%	
Heat production	0.62	0.46	35%	0.52		20%	
Electricity sales	2.00	1.84	9%	1.82		10%	
Electricity distribution	2.81	2.78	1%	2.70		4%	
Natural gas sales	2.94	2.84	4%	2.93		0%	
Natural gas distribution	2.48	2.68	-7%	2.60		-5%	

Source: Ignitis, LSEG, Erste Group Research

Production in **Green Capacities** grew by 20% y/y to 0.73 TWh, thanks to a 50% y/y increase in production from onshore wind and biomass and despite very weak wind speeds. Wind capacities were virtually stable at 0.28 GW, but new wind parks with 0.45 GW capacity were already partly producing. Captured prices in Green Capacities grew thanks to flexibility of assets, while hedged prices declined 6% to EUR 131/MWh (58% of production) in 1Q25.

Hedged prices: Ignitis has lowered hedged prices for 2025 from EUR 121/MWh (for 54% of production) to EUR 112/MWh (for 49% of production) sequentially, while prices hedged for 2026-28 grew to EUR 85-86/MWh for 55-56% of production from EUR 80-81 for 53% of production (for 2026-27). We believe that the q/q lower hedged price for 2025 is a function of higher expected volumes due to smooth projects delivery. The newly provided hedging level for 2028 is visibly better than our previous assumptions.

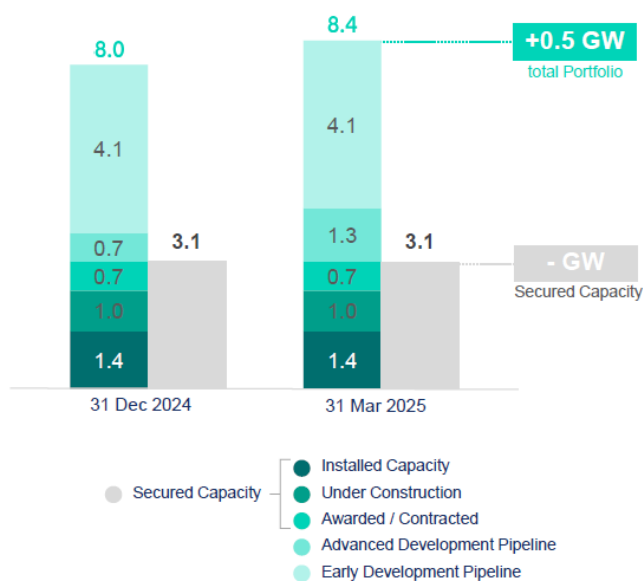
Hedged prices (EUR/MWh) and volume shares



Source: Ignitis

Capacities: 285 MW hybrid wind/PV/BESS project added to the advanced pipeline and 204 MW wind co-development project added to the early development pipeline. The company thus increased its total Green Capacities portfolio (finished assets + pipeline) to 8.4 GW from 8.0 GW sequentially.

Green Capacities portfolio (GW)



Source: Ignitis

In other segments, **Networks** performed well on 13% higher RAB and 71bp higher WACC and had y/y lower technological losses. **Reserve Capacities** saw a jump in volumes due to the higher need for balancing and low wind speeds, but CSS declined more than we expected to EUR 35/MWh (from EUR 86/MWh). **Customers and Solutions** (supply business) fell to a relatively high loss, which Ignitis explained with worse natural gas margins, while volumes grew.

2025 guidance: Ignitis confirmed FY25 adj. EBITDA guidance for EUR 500-540mn (approx. stable y/y in the mid-point) and the CAPEX guidance for EUR 0.7-0.9bn.

Ignitis presented its **new 2025-28 strategic plan**, which calls for:

- EUR 600-680mn adj. EBITDA in 2028 (previous guidance EUR 550-650mn adj. EBITDA for 2027)
- 2.6-3.0 GW Green Capacities in 2028 (vs. 1.4 GW in 1Q25 and 2.4-2.6 GW previous target for 2027)
- Unchanged GC target for 2030 at 4-5 GW
- Network RAB target at EUR 2.1-2.2bn for 2028, compared to previous target of EUR 2.0-2.1bn for 2027.
- Total CAPEX of EUR 3-4bn in 2025-28, same as previous plan for 2024-27. NW part at EUR 1.2-1.3bn. Target IRR at least WACC + 100bp for non-regulated activities (unchanged)
- Dividends in 2028 planned at ≥ EUR 108.0mn (≥3% annual growth), in line with previous policy
- ND/EBITDA of below 5x (unchanged)

Overall, Ignitis's 1Q25 confirmed the resilient performance we expected despite very weak wind speeds, load factors and y/y lower hedged prices. This was more than offset by the ramp-up of new capacities, including the biomass CHP and we assume that the company had quite good result from pumping, new balancing services and from heat. Only the results in the supply segment were weak as it saw an impact from the growing number of prosumers (EUR -6mn), and a low margin from natural gas. The new mid-term strategy is in line with the company's previous strategy. Ignitis confirmed its dividend policy, i.e. it continues to be an appealing combination of growth and high dividends.

Looking into 2Q25, we expect fast-growing production from new wind and PV assets, which should be offset by y/y lower hedged prices as well as lower SPOT market prices. The weather was favorable for wind production in 2Q25, partly offset by weak hydro. Growing RAB and WACC should again support Networks, while we expect continued losses in the supply business. Overall, we expect decent adjusted EBITDA growth and slightly lower adj. net profit due to the faster ramp up of D&A and interest costs than EBITDA from new assets.

2Q25 preview

P&L (EURmn)	2Q25e	2Q24	y/y	BS&CF (EURmn)	2Q25e	2Q24	y/y
EBITDA	97.5	105.3	-7%	Investments	149	213	-30%
Adjustments	19.0	2.7	605%	FCF	-58	-110	-47%
Adjusted EBITDA	116.5	108.0	8%	Net debt	1 652	1 411	17%
Green Capacities	60.8	57.4	6%	Net debt / adjusted EBITDA LTM (x)	3.0	2.7	13%
Networks	61.5	50.2	22%	Operating data (GW, TWh)			
Reserve Capacities	7.1	5.2	37%	Installed green capacities	1.7	1.4	23%
Customers & Solutions	-10.9	-5.6	95%	Electricity production	0.86	0.55	57%
Adj. D&A and impairments	53	45	18%	Green Capacities	0.70	0.50	41%
EBIT	45	60	-26%	Reserve Capacities	0.16	0.05	217%
Adjusted EBIT	64	63	1%	Heat production	0.40	0.37	9%
Net profit	33	50	-33%	Electricity sales	1.61	1.54	5%
Adjustments	16	2	595%	Electricity distribution	2.32	2.27	2%
Adjusted net profit	49	52	-5%	Natural gas sales	1.37	1.27	8%
				Natural gas distribution	1.08	1.11	-3%

Source: Ignitis, Erste Group Research

Changes in near-term estimates

We have made several underlying changes in our model, which in total result in 1-6% higher adjusted EBITDA for 2025-27e. The main changes include:

- Higher revenues from ancillary services and pumping in lower tens of EUR mn in 2025-26e. Ignitis paid EUR ~50mn in levies on extra profits from the balancing market in 1Q25, which implies annualized high tens of EUR mn additional profit from ancillary services. We, however, expect a fast decline in prices for balancing services due to new players entering the market and due to a wave of energy storage by 2027-28 in Lithuania. 1.2 GW (2.8 GWh) capacity has been reserved for new storage by TSO lately.
- Smooth delivery of new capacities lifts our RES production forecast for 2025 despite weak wind speed in 1Q25
- Lower average prices from RES, using Ignitis's latest hedged prices and slightly lower estimated market prices. We have increased near-term Baltic discount vs. CEE by 2-4% due to continued strong growth of RES capacities in the region. Also, the EE-FI interconnector Estlink 2 was restarted in mid-June ahead of schedule. This is partly offset by 7y PPA signed recently with Litgrid. Moreover, Ignitis's newly disclosed hedging levels for 2028 show visibly better prices and volumes than we had in our model previously.
- Higher estimated return on BESS investments of 200bp above WACC (50bp previously) at significantly lower CAPEX (using Ignitis estimates provided with FID). Overall, we now see BESS as nicely profitable if used for balancing services and thanks to their falling CAPEX. The commissioning of 0.3 GW new BESS slightly postponed to 2027 instead of gradual additions in 2026/27.
- EUR 19.7mn secured capacity payments in Poland for 2026e (Reserve capacities) are a key reason for our higher 2026 estimates.
- EUR 5/MWh lower CSS, offset with higher volumes in Reserve capacities segment
- Worse margins in the supply segment in 2025-26e to reflect weak 1Q25 and management comments.
- Addition of 285 MW (200 MW wind / 65 MW PV / 20 MW BESS) new capacities from the advanced pipeline in our CAPEX and longer-term P&L forecast (commissioning estimated in 2029e). This brings our model long-term Green Capacities to 3.4 GW by 2029e (1.4 GW in YE24, 2.1 GW in YE25e).

Change in short-term estimates

Consolidated, IFRS (EUR, mn)	2025e			2026e			2027e		
	Now	Before	Change	Now	Before	Change	Now	Before	Change
Total revenues	2446	2500	-2%	2379	2402	-1%	2388	2371	1%
Adj. EBITDA	571	563	1%	616	579	6%	618	603	2%
EBITDA	489	486	1%	580	543	7%	596	581	2%
EBIT	279	277	1%	349	312	12%	346	334	4%
Adj. net income	268	254	6%	279	240	16%	251	236	6%
Net income	199	189	5%	249	210	18%	233	218	7%
DPS* (EUR)	1.37	1.37	0%	1.41	1.41	0%	1.45	1.45	0%
CAPEX net	741	704	5%	734	832	-12%	681	613	11%
Green Capacities production* (TWh)	3.3	3.2	4%	4.0	3.9	1%	4.1	4.0	1%
Reserve Capacities production (TWh)	1.4	0.8	86%	1.0	0.8	34%	1.0	0.8	34%
Adj. EBITDA margin	23.4%	22.5%	4%	25.9%	24.1%	7%	25.9%	25.4%	2%
Adj. Net margin	10.9%	10.1%	8%	11.7%	10.0%	17%	10.5%	10.0%	6%

Source: Erste Group Research; *excluding BESS

Recommendation

We value Ignitis shares at a **EUR 29.0 per share twelve-month target price**, using a DCF-FCFF valuation of its existing business plus under-construction and advanced development pipeline. The target price provides 41% upside compared to the current share price; we maintain a Buy recommendation for the stock. Our valuation implies 7.8x EV/adj. EBITDA and 8.4x adj. P/E for 2027e, when we project peak leverage. The implied dividend yield arrives at 4.7% for 2025e.

We see Ignitis as very well equipped to proceed with the realization of its 7.0 GW RES and storage pipeline, thanks to its large flexible capacities and a large supply portfolio. Financials are supported by the high share of the stable grid business. Grids are expected to benefit significantly from the expansion of RES, which outweighs the outlook for lower electricity prices. The valuation of Ignitis seems compelling compared to its peers, and the stock offers outstanding cash returns. Key risks are electricity prices, regulation, project execution and ROI and financing of expansion.

Valuation

We use a DCF-FCFF model as our valuation tool for Ignitis, which reflects the estimated contribution from existing and under-construction assets and advanced development pipeline. We have rolled over our horizon by one year to 2025-35e vs. the previous valuation. The company has 5.0 GW in the long-term RES pipeline (including 1.7 GW of offshore wind), which is not included in our forecast. Our WACC range of 6.3% to 6.7% for the detailed period is some 20bp lower from previous valuation due to 25bp lower detailed period risk free rate.

Our DCF provides a EUR 29.0 per share twelve-month target price using terminal value growth rate of 2.0% (unchanged) and 2025e group net debt of EUR 2.1bn.

Our cash flow assumptions reflect the high investment activity in both the Green Capacities (until 2028e) and Networks (until 2033e) segments. This leads to a high share of the terminal value in our valuation and consequently to Ignitis' **valuation sensitivity to interest rates**. A 50bp change in the terminal WACC changes our DCF valuation by 15-20%, sensitivity to the terminal growth rate assumption similar.

WACC calculation

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e (TV)
Risk free rate	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.0%
Equity risk premium	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.1%
Beta	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0
Cost of equity	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	9.1%
Cost of debt	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.5%
Effective tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	20.0%
After-tax cost of debt	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	2.8%
Equity weight	46%	43%	41%	41%	41%	42%	42%	43%	45%	46%	60%
WACC	6.7%	6.5%	6.3%	6.3%	6.3%	6.4%	6.4%	6.4%	6.6%	6.7%	6.6%

DCF valuation

(EUR mn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e (TV)
Sales growth	-2.7%	0.4%	5.8%	4.6%	4.0%	-1.9%	2.2%	3.1%	2.2%	2.5%	2.0%
EBIT	349	346	381	391	408	382	387	395	376	358	365
EBIT margin	14.7%	14.5%	15.1%	14.8%	14.8%	14.2%	14.0%	13.9%	12.9%	12.0%	12.0%
Tax rate	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	20.0%
Taxes on EBIT	-56	-55	-61	-62	-65	-61	-62	-63	-60	-57	-73
NOPLAT	293	291	320	328	343	321	325	331	316	301	292
+ Depreciation	231	249	265	277	284	288	292	296	295	290	296
Capital expenditures / Depreciation	319%	273%	264%	175%	128%	125%	121%	122%	70%	71%	102%
+/- Change in working capital	21.3	15.6	87.4	53.9	-18.1	5.2	-0.8	46.0	0.4	0.4	-9.7
Chg. working capital / chg. Sales	-31.8%	178.6%	63.0%	46.0%	-17.0%	-9.7%	-1.2%	53.0%	0.6%	0.6%	-5.0%
- Capital expenditures	-734	-681	-701	-486	-362	-361	-355	-360	-205	-207	-302
Free cash flow to the firm	-189	-125	-28	173	246	253	261	314	406	384	276
Terminal value growth											2.0%
Terminal value											6 164
Discounted free cash flow - Dec 31 2025e	-177	-110	-23	135	180	174	169	191	232	205	3 093
Enterprise value - Dec 31 2025e	4 069										
Minorities - Dec 31 2025e	0										
Non-operating assets - Dec 31 2025e	0										
Net debt and leases - Dec 31 2025e	2 093										
Equity value - Dec 31 2025e	1 976										
Number of shares outstanding (mn)	72.4										
Cost of equity	10.8%										
12m target price per share	29.0										
Current share price (EUR)	20.6										
Up/Downside	41%										

Enterprise value breakdown
Sensitivity (per share)

		Terminal EBIT margin				
		10.0%	11.0%	12.0%	13.0%	14.0%
WACC	5.6%	31.9	37.1	42.2	47.4	52.5
	6.1%	25.8	30.3	34.8	39.3	43.8
	6.6%	21.0	25.0	29.0	33.0	37.0
	7.1%	17.1	20.7	24.3	27.9	31.5
	7.6%	14.0	17.2	20.5	23.7	27.0
		Terminal value growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	5.6%	29.0	34.8	42.2	52.1	65.8
	6.1%	24.3	29.0	34.8	42.2	52.1
	6.6%	20.5	24.3	29.0	34.8	42.2
	7.1%	17.3	20.5	24.3	29.0	34.8
	7.6%	14.6	17.3	20.5	24.3	29.0

Source: Erste Group Research

Disclosure of particular interests or indications of conflicts of interest according to delegated Regulation (EU) 958/2016 supplementing Article 20 of Regulation (EU) 596/2014 (MAR):

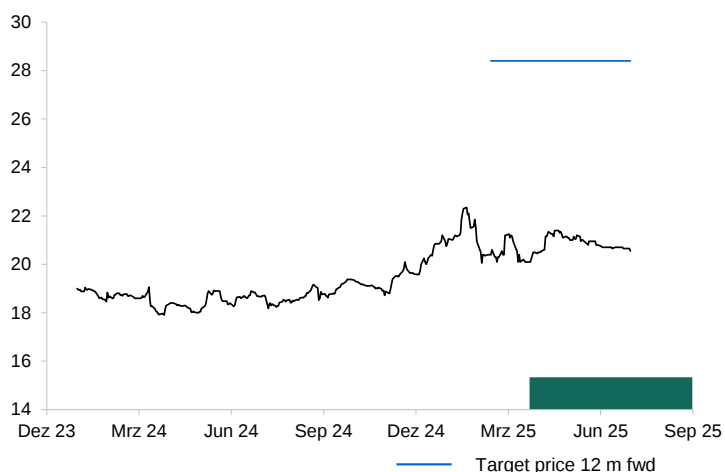
Company	ISIN	1 EGB/affiliates holdings exceed 5% of the share capital of issuer or vice versa	2 market maker or liquidity provider for issuer/instrumen ts	3 agreement for the provision of services of investment firms over the previous 12 months	4a Agreement with the covered company about the production of analyses	4b Agreement with a third party about the production of analyses	5 Managed or co- managed a public offering over the previous 12 months	6 Draft of report disclosed to issuer prior its publication	7 Analyst has a position in the issued share capital of the issuer
Ignitis	LT0000115768				Y				

The above specific disclosures (marked with "Y" if applicable), are valid at the time of publication of this report.
July 31 2025

For a more detailed and an up-to-date overview of conflicts of interests for all analysed companies and/or financial instruments by Erste Group, which are updated regularly upon changes, please follow below link:

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Ignitis



Rating history

Date	Rating	FX	Close Price *	Target Price **
31.07.2025	Buy	EUR	20.65	29
13.03.2025	Buy	EUR	20.4	28.4

* Close Price on the Publication Date, ** 12 Month Forward Target Price.

Company description

Ignitis is a Lithuanian renewable focused integrated utility active in Baltics, Poland and Finland with the aim to create a 100% green and secure energy ecosystem. The company focuses on green generation and green flexibility technologies, such as wind, batteries, pumped-storage hydro and power-to-X. Ignitis has 0.9 GW pump-storage, 0.5 GW RES and 1.1 GW natural gas fired capacities and a sizeable 6.6 GW pipeline of RES and storage development projects. Ignitis is also dominant Lithuanian electricity and natural gas distributor with EUR 1.8bn RAB as of 2025 and biggest regional energy supplier.

A history of all recommendations for covered issuers/financial instruments within the last 12 months is provided under the following link:
<https://produkte.erstegroup.com/Retail/en/ResearchCenter/Overview/Disclaimer/index.phtml>.

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