COMPANY UPDATE

Ignitis

Buy

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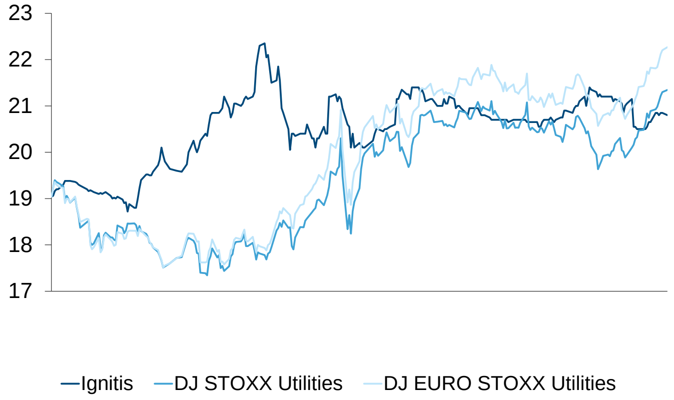
Share price (EUR) close as of 13/10/2025	20.8	Reuters	IGN1L.VL	Free float	25.0%
Number of shares (mn)	72.4	Bloomberg	IGN1L LH	Shareholders	
Market capitalization (EUR mn)	1 505.7	Div. Ex-date	23/09/25		Republic of Lithuania (75%)
Enterprise value (EUR mn)	3 587.9	**Target price**	**28.3**	Homepage:	ignitisgrupe.lt

Key figures Overview

EUR mn	2024	2025e	2026e	2027e
Net sales	2 307.0	2 468.1	2 404.6	2 414.2
EBITDA	532.7	480.0	568.2	594.1
EBIT	350.0	268.1	337.5	345.0
EBT	308.3	213.7	272.1	267.3
Net profit	276.2	190.2	236.7	229.9
EPS (EUR)	3.82	2.63	3.27	3.18
CEPS (EUR)	6.86	5.44	6.31	6.48
BVPS (EUR)	33.66	34.94	36.83	38.58
Dividend/Share (EUR)	1.33	1.37	1.41	1.45
EV/EBITDA (x)	5.69	7.48	6.91	7.13
P/E (x)	5.13	7.91	6.36	6.55
P/CE (x)	2.85	3.82	3.30	3.21
Dividend yield (%)	6.77	6.57	6.76	6.97
EBITDA margin (%)	23.09	19.45	23.63	24.61
Operating margin (%)	15.17	10.86	14.03	14.29
Net profit margin (%)	11.97	7.71	9.84	9.52

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	10 288	17 323	19 562
Trading value (EUR mn)	0.2	0.4	0.4



Price performance:	1M	3M	6M	12M
in EUR	**-1.7%**	**0.7%**	**3.5%**	**9.7%**

Financial Strength

	2024	2025e	2026e	2027e
ROE (%)	11.75	7.66	9.11	8.42
ROCE (%)	6.72	4.67	5.24	4.91
Equity ratio (%)	42.71	41.84	40.70	40.41
Net debt (EUR mn)	1 612.30	2 082.17	2 421.43	2 729.09
Gearing (%)	66.16	82.31	90.83	97.73

0.6 GW of RES projects delivered

We keep our Buy recommendation on Ignitis shares with a slightly reduced twelve-month target price to EUR 28.3/share (previously EUR 29.0/share), based on a DCF-FCFF model.

The 2Q25 results showed solid adj. EBITDA growth, on strong Networks and growing production, while coming in slightly lower than we expected, due to higher OPEX in Green Capacities and continued weakness in the supply segment. Ignitis confirmed FY25 adj. EBITDA guidance of EUR 500-540mn, and we still expect 2025 results above the high end of the guidance.

We lower our adj. EBITDA and net profit forecasts for 2025-26e by 2-3% and 4-6%, respectively, due to slightly reduced estimates for Green Capacities, on a slower production ramp-up and higher OPEX, offset partly with better electricity prices and higher margins in Reserve Capacities. Our mid-term estimates are unchanged.

The company finished 0.6 GW RES projects on time and on budget in 9M25 and its Green Capacities increased from 1.4 GW to 2.1 GW. We keep our forecast for 3.4 GW by 2029e. Lithuania sees high RES capacity additions, but also has a high target for BESS. We see Ignitis as a beneficiary of growing intraday electricity price volatility via its pump hydro and natural gas-fired sources. The stock is valued (at 6.4x P/E 2026e) significantly below its peers, while it offers a high DY. This is partly due to its growing leverage and temporary pressure on EPS caused mainly by RES D&A timing.

Offshore wind tender postponed

Lithuania called an auction for 0.7 GW offshore capacity for the beginning of October. It offered a 15-year two-way CfDs in a range of 75.45-125.74 EUR/MWh, indexed until the generation permit is obtained. Ignitis participated in the tender with the 0.7 GW Curonian Nord project, but the tender was cancelled, due to an insufficient number of bids (only Ignitis participated).

We believe that the tender was not successful due to timing. Offshore projects have recently faced fast growing costs and some developers have had financial difficulties, due in part to the end of support for offshore in the US. The tender conditions were in our view favorable and we would see it as positive if the tender is relaunched next year.

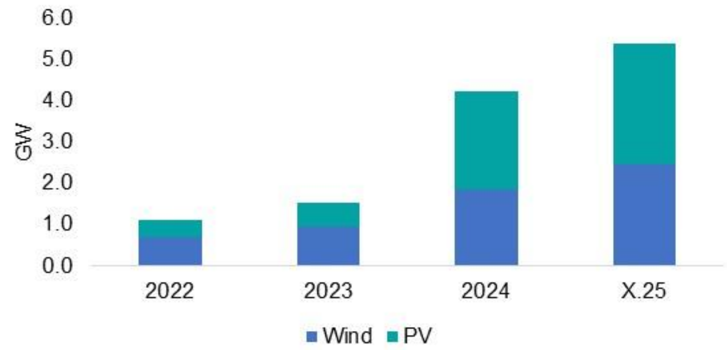
Separately, Ignitis increased its stake in Curonian Nord from 51% to 100% via the purchase of the minority stake from Ocean Winds. We guess that OW departed from the project due to the sector woes commented on above, not due to the project itself. The price paid for the 49% stake was reportedly insignificant. We do not include the project in our valuation for the time being.

Market development

The Lithuanian market continues with fast RES additions. Wind and PV capacities increased from 1.5 GW in YE23 and 4.2 GW in YE24 to 5.4 GW by 10/25. Both onshore wind (2.5 GW) and solar (2.9 GW) thus exceeded local peak load, which is approximately 2.2 GW in winter months.

In terms of consumption, Lithuania is still in a production deficit. Production grew by 39% y/y to 5.3TWh in 1H25, which covered 80% of local consumption, up from 59% in FY24 and 45% in FY23. The remaining consumption is covered by imports, mainly from Sweden and indirectly from Finland. Lithuanian consumption grew by 2% in 1H25, thanks to a recovery in most sectors of the economy.

Lithuania installed RES capacities



Source: Litgrid, Erste Group Research

The fast rise in installed capacity causes growing production curtailments on a commercial basis (due to zero/negative prices). Near-term, the issue will be partially softened by growing LT-PL capacity for export trade from 0.17 GW in 2025 to 0.35 GW in 2026 and 0.5 GW by 2027. Mid-term, Lithuania proceeds with investments in batteries with planned capacity of as much as 1.7 GW / 4 GWh (including Ignitis' 291 MW, by 2027). The LT-

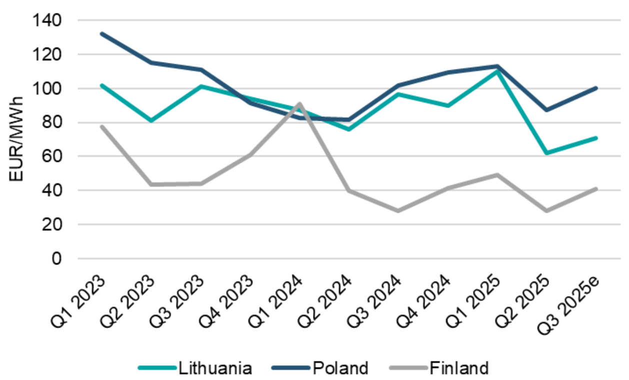
PL Harmony link, which was approved in 12/24, will then increase Lithuania's export capacity to a higher-priced Polish market by 0.7 GW by 4Q30.

This up to 2.7 GW additional storage/export capacity should prevent significant sharp discounts for RES in the mid term, while deepening of the discounts is likely in 2025-26, especially for PV.

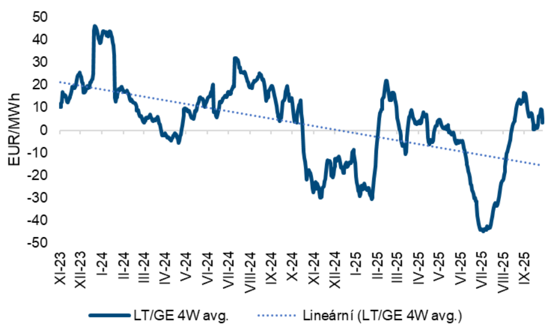
Electricity prices

Electricity prices in Lithuania recovered in 3Q25 to around EUR 71/MWh, from some EUR 60/MWh in 2Q25. The increase was driven partly by the failure of the EstLink 1 EE-FI connector in September, relatively low wind speeds in August and maintenance work on the nuclear fleet in Sweden.

Day-ahead electricity prices



LT/GE DAH price spread



Source: Ignitis, Erste Group Research

From a mid-term perspective, prices in the Baltics are driven by a mix of cost of production from (mostly Ignitis') natural gas-fired sources, Latvian run of river hydro and wind/PV weather conditions. While 2Q/3Q are impacted by high PV production, 1Q/4Q prices are more influenced by natural gas. Compared to Germany, prices are heading to a discount, though the development is irregular. The most notable feature in the market is the significantly growing intraday volatility, which supports margins on Ignitis' sizeable pump storage and CCGT capacities.

2Q25 results and 3Q25 preview

Ignitis reported 2Q25 adjusted EBITDA of EUR 112.5mn (+4% y/y), 3.4% below our estimates, due to higher than expected OPEX in Green Capacities, due in turn to expansion-related costs. Networks were marginally below our estimates only due to temporary factors, while the supply segment reported a worse than expected loss, likely due to NG inventory revaluation and the growing impact from prosumers (due to 'net metering'). This was partly offset with high production and a better than expected result in Reserve Capacities (CCGT).

Stable low-single digit y/y EBITDA growth was driven by Networks (growing RAB and WACC) and Reserve capacities, as expected. Green capacities were stable, as growing production from new assets offset high OPEX and declining hedged prices. The supply segment showed a larger than expected loss, but electricity and natural gas supply grew in double digits and was above our estimates. Reported installed RES capacities grew from 1.4 GW to 1.75 GW, as expected.

Adjusted net profit was at EUR 38.4mn (-26% y/y), some 22% below our estimates. Below the EBITDA line, D&A grew 16% y/y, due to new assets, in line with our expectations. Financial costs were higher and financial income lower than we expected, due to one-offs (revaluations).

Ignitis confirmed FY25 adj. EBITDA guidance of EUR 500-540mn (approx. stable y/y in the mid-point) and CAPEX guidance of EUR 0.7-0.9bn. The company declared a semi-annual DPS of EUR 0.683, in line with the dividend policy.

Green Capacities hedging showed higher hedged volumes at almost stable prices q/q: 2025 is hedged at EUR 112/MWh for 53% of production (EUR 112 for 49% reported in 1Q25). Prices hedged for 2026-28 are sequentially almost stable at EUR 84-86/MWh, while hedged volumes grew to 55-61%, from 55-56% in 1Q25.

				2Q25 exp.		2Q vs.	
P&L (EURmn)	**2Q25**	**2Q24**	**y/y**	**Erste**	**Cons.**	**Erste**	**Cons.**
Total revenue	525.2	438.8	20%	436.7	470.0	20%	12%
EBITDA	102.4	105.3	-3%	97.5	98.8	5%	4%
Adjustments	*9.9*	*2.7*	*n.m.*	*19.0*		*-48%*	
Adjusted EBITDA	**112.3**	**108.0**	**4%**	**116.5**	**115.8**	**-4%**	**-3%**
Green Capacities	*57.3*	*57.4*	*0%*	*60.8*		*-6%*	
Networks	*58.5*	*50.2*	*17%*	*61.5*		*-5%*	
Reserve Capacities	*11.7*	*5.2*	*125%*	*7.1*		*64%*	
Customers & Solutions	*-13.5*	*-5.6*	*141%*	*-10.9*		*24%*	
Adj. D&A and impairments	52.1	44.8	16%	52.8		-1%	
EBIT	50.3	60.4	-17%	44.6	49.0	13%	3%
Adjusted EBIT	**60.2**	**63.2**	**-5%**	**63.7**		**-5%**	
Net profit	27.5	49.7	-45%	33.4	32.0	-18%	-14%
Adjustments	*10.9*	*2.3*	*n.m.*	*16.0*		*-32%*	
Adjusted net profit	**38.4**	**52.0**	**-26%**	**49.3**		**-22%**	
BS&CF (EURmn)							
Investments	197	213	-8%	149		32%	
FCF	47	-110	n.m.	-58		-181%	
Net debt	1 610	1 411	14%	1 652		-3%	
Net debt / adjusted EBITDA LTM (x)	3.0	2.7	11%	3.0		-2%	
Operating data (GW, TWh)							
Installed green capacities	1.75	1.40	25%	1.72		2%	
Electricity production	1.05	0.55	91%	0.86		22%	
Green Capacities	*0.71*	*0.50*	*42%*	*0.70*		*1%*	
Reserve Capacities	*0.34*	*0.05*	*580%*	*0.16*		*114%*	
Heat production	0.40	0.37	8%	0.40		-1%	
Electricity sales	1.70	1.54	10%	1.61		5%	
Electricity distribution	2.31	2.27	2%	2.32		0%	
Natural gas sales	1.48	1.27	17%	1.37		8%	
Natural gas distribution	1.17	1.11	5%	1.08		9%	

Source: Ignitis, Bloomberg, Erste Group Research

Ignitis will report 3Q25 results on November 12. We expect y/y weaker results, due to this year's losses in the supply segment and lower income from Reserve Capacities (vs. high last year base). Growing RES capacities from 1.4 GW to 2.1 GW and an expected 35% y/y increase in Green Capacities production should be almost offset with rising OPEX related to new projects (incl. offshore) and lower realized prices. The company has hedged EUR 112/MWh for half of production in 2025, which is slightly lower y/y. Market prices were some 26% y/y lower, and we expect average realized price 16% y/y lower to around EUR 90/MWh. Ignitis benefits from revenues from the new balancing capacity market, which should add mid-single-digit EURmn to the 3Q25 result. We expect smooth adj. EBITDA growth in the Networks segment on growing RAB and WACC.

3Q25 preview

P&L (EURmn)	3Q25e	3Q24	y/y
EBITDA	92.4	103.6	-11%
Adjustments	*10.3*	*3.6*	*185%*
Adjusted EBITDA	**102.6**	**107.2**	**-4%**
Green Capacities	*48.1*	*46.4*	*4%*
Networks	*58.8*	*49.9*	*18%*
Reserve Capacities	*6.5*	*11.5*	*-43%*
Customers & Solutions	*-10.9*	*-0.7*	*n.m.*
Adj. D&A and impairments	56	47	19%
EBIT	37	57	-35%
Adjusted EBIT	**47**	**61**	**-22%**
Net profit	23	46	-50%
Adjustments	*9*	*3*	*178%*
Adjusted net profit	**31**	**49**	**-36%**

BS&CF (EURmn)	3Q25e	3Q24	y/y
Investments	163	161	1%
FCF	-123	-20	531%
Net debt	1 733	1 449	20%
Net debt / adjusted EBITDA LTM (x)	3.2	2.7	20%
Operating data (GW, TWh)			
Installed green capacities	2.1	1.4	47%
Electricity production	0.84	0.58	44%
Green Capacities	*0.64*	*0.47*	*35%*
Reserve Capacities	*0.20*	*0.11*	*84%*
Heat production	0.35	0.24	44%
Electricity sales	1.74	1.63	7%
Electricity distribution	2.26	2.30	-2%
Natural gas sales	2.13	1.83	16%
Natural gas distribution	0.94	0.89	5%

Source: Ignitis, Erste Group Research

The bottom line should be lower also due to different timing of D&A vs. production ramp-up in the Green Capacities segment. The company officially commissioned 0.6 GW of RES in 9M25, while the production increase is gradual. Financial costs and taxes should be almost stable y/y, on our estimates.

We expect that Ignitis will confirm its FY25 guidance for adj. EBITDA and CAPEX. We expect adj. EBITDA above the high end of the guidance range as 4Q25 should see full production from new RES assets and Reserve Capacities and supply will not face high y/y comparison. 2025 CAPEX should arrive close to the low end of the guidance, as the company has not launched new projects recently, apart from 291 MW / EUR 130mn BESS.

Changes in near-term estimates

We have made only minor downward changes in our 2025-26 P&L estimates following the 2Q25 results and keep our longer-term estimates almost unchanged. The company did not change its RES pipeline, and we keep our longer-term outlook for market prices almost unchanged for the time being. Main changes in our estimates:

- Slightly lower profits from balancing capacity market for 2025-26e. Reported EUR 66mn extra levies related to this market in 1H25 (after EUR 50mn in 1Q25) were somewhat below our estimates.
- Slightly lower production from RES in 2025-26e on unchanged capacity outlook (fine-tuning).
- Higher OPEX in Geen Capacities was the key negative surprise for us in 2Q25. We will watch its development closely in 3Q25 results.
- Estimated market electricity prices upped slightly for 2025-27e on our fine-tuned estimates (higher near-term natural gas prices, slower RES additions in the EU).
- Slightly higher margin in Reserve Capacities.
- Slightly higher loss in the supply segment.

- Slight change in distribution WACC, following the approval of 5.77% WACC for 2026 by the regulator (vs. 5.79% average WACC in 2025).

Change in short-term estimates

Consolidated, IFRS (EUR, mn)	2025e			2026e			2027e		
	Now	Before	*Change*	Now	Before	*Change*	Now	Before	*Change*
Total revenues	2468	2446	*1%*	2405	2379	*1%*	2414	2388	*1%*
Adj. EBITDA	**553**	**571**	***-3%***	**606**	**616**	***-2%***	**618**	**618**	***0%***
EBITDA	480	489	*-2%*	568	580	*-2%*	594	596	*0%*
EBIT	268	279	*-4%*	337	349	*-3%*	345	346	*0%*
Adj. net income	**252**	**268**	***-6%***	**268**	**279**	***-4%***	**250**	**251**	***-1%***
Net income	190	199	*-4%*	237	249	*-5%*	230	233	*-1%*
DPS* (EUR)	1.37	1.37	*0%*	1.41	1.41	*0%*	1.45	1.45	*0%*
CAPEX net	709	741	*-4%*	699	734	*-5%*	681	681	*0%*
Green Capacities production* (TWh)	3.1	3.3	*-6%*	3.9	4.0	*-2%*	4.0	4.1	*-2%*
Reserve Capacities production (TWh)	1.4	1.4	*0%*	1.0	1.0	*0%*	1.0	1.0	*0%*
Adj. EBITDA margin	22.4%	23.4%	*-4%*	25.2%	25.9%	*-3%*	25.6%	25.9%	*-1%*
Adj. Net margin	10.2%	10.9%	*-7%*	11.1%	11.7%	*-5%*	10.4%	10.5%	*-2%*

*Source: Erste Group Research; *excluding BESS*

Green capacities forecast

EUR mn	2024	2025e	2026e	2027e	2028e	2029e	2030e
Installed capacity (MW)	**1 421**	**2 135**	**2 418**	**2 709**	**3 119**	**3 404**	**3 404**
Pumped hydro	*900*	*900*	*1 010*	*1 010*	*1 010*	*1 010*	*1 010*
Run of river hydro	*101*	*101*	*101*	*101*	*101*	*101*	*101*
Waste and biomass	*115*	*115*	*115*	*115*	*115*	*115*	*115*
Wind	*283*	*734*	*734*	*734*	*1 048*	*1 248*	*1 248*
Solar	*22*	*285*	*459*	*459*	*555*	*620*	*620*
BESS	*0*	*0*	*0*	*291*	*291*	*311*	*311*
Production (GWh)	**2 300**	**3 128**	**3 894**	**4 015**	**4 556**	**5 386**	**5 701**
RES, waste and biomass	*1 763*	*2 639*	*3 324*	*3 408*	*3 949*	*4 779*	*5 094*
Pumping	*537*	*489*	*570*	*607*	*607*	*607*	*607*
RES hedged price (EUR/MWh)	136	112	86	84	85	87	89
RES hedged production	72%	53%	61%	60%	55%	20%	19%
RES unhedged price estimate (EUR/M\	74	68	62	62	63	62	62
RES average realized price estimat	**119**	**91**	**76**	**75**	**75**	**67**	**67**
Adj. EBITDA	**262**	**297**	**281**	**282**	**311**	**321**	**328**
EBITDA adjustments	11	0	0	0	0	0	0
EBITDA	**273**	**297**	**281**	**282**	**311**	**321**	**328**

Networks forecast

EUR mn	2024	2025e	2026e	2027e	2028e	2029e	2030e
RAB	1584	1795	1928	2053	2215	2368	2512
WACC	5.1%	5.8%	5.8%	5.7%	5.8%	5.8%	5.8%
Regulatory D&A	79	100	112	120	128	138	147
Net CAPEX	261	245	245	245	290	290	290
Regulatory return+D&A	160	203	223	237	257	276	293
Additional tariff and other differences	60	62	62	48	49	49	49
Adjusted EBITDA	**220**	**265**	**285**	**285**	**306**	**324**	**341**
EBITDA adjustments	-17	-68	-38	-24	-24	-24	-24
EBITDA	**203**	**197**	**247**	**261**	**282**	**300**	**317**

Reserve Capacities forecast

EUR mn	2024	2025e	2026e	2027e	2028e	2029e	2030e
Total capacity (MW)	1055	1055	1055	1055	1055	1055	1055
Electricity production (GWh)	520	1 424	1 025	1 025	1 025	1 025	1 025
Gross margin commercial (EUR/MWh)	51	32	30	30	30	30	30
Electricity margin	**30**	**36**	**50**	**30**	**30**	**30**	**30**
Regulated margin	**12**	**12**	**12**	**12**	**11**	**11**	**11**
Adjusted EBITDA	**42**	**48**	**61**	**41**	**41**	**41**	**41**
EBITDA adjustments	0	0	0	0	0	0	0
EBITDA	**42**	**48**	**61**	**41**	**41**	**41**	**41**

Supply segment forecast

EUR mn	2024	2025e	2026e	2027e	2028e	2029e	2030e
Total revenues	**1 216**	**1 120**	**1 044**	**1 008**	**1 038**	**1 056**	**1 077**
Gross margin (%)	4.2%	-1.1%	1.7%	4.9%	5.0%	5.0%	5.0%
OPEX	43	41	36	37	37	44	45
Adjusted EBITDA	**7**	**-53**	**-17**	**14**	**17**	**12**	**12**
Adjusted EBITDA margin	0.6%	-4.8%	-1.6%	1.4%	1.7%	1.1%	1.1%
EBITDA adjustments	11	-5	0	0	0	0	0
EBITDA	**18**	**-59**	**-17**	**14**	**17**	**12**	**12**

Source: Ignitis, Erste Group Research

Recommendation

We value Ignitis shares at a **EUR 28.3 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 36% upside compared to the current share price; we maintain a Buy recommendation for the stock. Our valuation implies 7.7x EV/adj. EBITDA and 8.2x adj. P/E for 2027e, when we project peak leverage. The implied dividend yield arrives at 4.8% for 2025e.

We see Ignitis as very well equipped to proceed with the realization of its large RES and storage pipeline, thanks to its large flexible capacities and large supply portfolio. Financials are supported by the high share of the stable grid business. 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. The company earlier reported 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 6.6% to 7.0% for the detailed period is some 30bp higher from previous valuation due to 35bp higher detailed period risk free rate. We have also adjusted the effective tax rate to reflect a 1pp increase in Lithuanian CIT from 16% to 17% from 2026 (to support defence spending).

Our DCF provides a EUR 28.3 per share twelve-month target price using a 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%, while sensitivity to the terminal growth rate assumption is similar.

WACC calculation

	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e (TV)
Risk free rate	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	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	**11.2%**	**11.2%**	**11.2%**	**11.2%**	**11.2%**	**11.2%**	**11.2%**	**11.2%**	**11.2%**	**11.2%**	**9.1%**
Cost of debt	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	3.5%
Effective tax rate	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	21.0%
After-tax cost of debt	**3.4%**	**3.4%**	**3.4%**	**3.4%**	**3.4%**	**3.4%**	**3.4%**	**3.4%**	**3.4%**	**3.4%**	**2.8%**
Equity w eight	46%	43%	41%	41%	41%	41%	42%	42%	44%	46%	60%
WACC	**7.0%**	**6.7%**	**6.6%**	**6.6%**	**6.6%**	**6.6%**	**6.6%**	**6.7%**	**6.8%**	**7.0%**	**6.6%**

DCF valuation

(EUR mn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e (TV)
Sales growth	*-2.6%*	*0.4%*	*6.3%*	*4.3%*	*4.0%*	*-2.1%*	*2.2%*	*3.1%*	*2.2%*	*2.5%*	*2.0%*
EBIT	337	345	382	392	409	383	388	396	378	360	368
EBIT margin	*14.0%*	*14.3%*	*14.9%*	*14.6%*	*14.7%*	*14.1%*	*13.9%*	*13.8%*	*12.9%*	*12.0%*	*12.0%*
Tax rate	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*21.0%*
Taxes on EBIT	-57	-59	-65	-67	-70	-65	-66	-67	-64	-61	-77
NOPLAT	**280**	**286**	**317**	**325**	**340**	**318**	**322**	**329**	**314**	**299**	**291**
+ Depreciation	231	249	265	277	284	288	292	296	295	291	296
Capital expenditures / Depreciation	*303%*	*273%*	*265%*	*175%*	*128%*	*125%*	*121%*	*121%*	*70%*	*71%*	*102%*
+/- Change in w orking capital	9.8	15.8	88.1	55.2	-19.3	5.8	-1.3	47.7	0.2	-0.4	-9.8
Chg. working capital / chg. Sales	*-15.5%*	*165.6%*	*58.0%*	*49.9%*	*-18.2%*	*-10.1%*	*-2.2%*	*55.2%*	*0.4%*	*-0.5%*	*-5.0%*
- Capital expenditures	-699	-681	-701	-486	-362	-361	-355	-360	-205	-207	-302
Free cash flow to the firm	**-179**	**-130**	**-31**	**171**	**242**	**251**	**258**	**313**	**404**	**382**	**275**
Terminal value growth											*2.0%*
Terminal value											6 161
Discounted free cash flow - Dec 31 2025e	-167	-114	-26	132	175	171	164	187	225	199	3 017
Enterprise value - Dec 31 2025e	**3 964**										
Minorities - Dec 31 2025e	0										
Non-operating assets - Dec 31 2025e	0										
Net debt and leases - Dec 31 2025e	2 082										
Equity value - Dec 31 2025e	**1 882**										
Number of shares outstanding (mn)	72.4										
Cost of equity	11.2%										
12m target price per share	**28.3**										
Current share price (EUR)	20.9										
Up/Downside	*36%*										

Enterprise value breakdown

Sensitivity (per share)

	Terminal EBIT margin				
WACC	**10.0%**	**11.0%**	**12.0%**	**13.0%**	**14.0%**
5.6%	31.2	36.4	41.6	46.7	51.9
6.1%	25.1	29.6	34.1	38.6	43.1
6.6%	20.3	24.3	**28.3**	32.3	36.2
7.1%	16.4	20.0	23.6	27.2	30.7
7.6%	13.3	16.5	19.8	23.0	26.2

	Terminal value growth				
WACC	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**
5.6%	28.2	34.1	41.6	51.5	65.3
6.1%	23.6	28.3	34.1	41.6	51.5
6.6%	19.7	23.6	**28.3**	34.1	41.6
7.1%	16.5	19.7	23.6	28.3	34.1
7.6%	13.8	16.6	19.8	23.6	28.3

Source: Erste Group Research

Peer group comparison

We use a comparison of Ignitis' near-term multiples with a broad peer group composed of EU integrated utilities as well as RES-focused names as a cross-check for our valuation. Importantly, the value of RES plays is often beyond the near-term horizon, i.e. in their pipelines and ability to execute projects. Integrated groups have more stable growth and risk profiles. We see e.g. Iberdrola (~10x EV/EBITDA, ~17x P/E 26e) as a good peer, though much bigger than Ignitis.

Near-term multiples suggest Ignitis' undervaluation, mainly on the P/B and P/E level, but also on the operating level. The company is traded at around 50-60% discounts to peers on P/E and more than 60% discounts on the P/BV ratio. The EV/adj. EBITDA ratio shows ~20% discounts for 2025-27e. The discounts are to some extent explained by Ignitis' higher forecasted leverage and, on the P/E level, by the expected EPS decline in 2025e, due to the phasing-in of D&A for new projects (plus one-time repayments of regulatory differences in the Networks segment). The market could be cautious in terms of Ignitis' low effective tax rate, which is a result of investment incentives in Lithuania.

The lower P/BV is somewhat explained by the roughly one-third lower estimated near-term ROE. The stock, however, offers generous dividends at the current share price, and has a substantial long-term RES pipeline (not reflected in the near-term numbers).

Peer group comparison

	Mcap	EV/EBITDA			P/E			Dividend yield			P/BV		
	EUR bn	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e
Renewable													
CORP ACCIONA ENERGIAS RENOVA	7.8	6.8	9.7	9.8	13.2	27.0	25.8	2.2%	1.8%	1.7%	1.2	1.2	1.2
AUDAX RENOVABLES SA	0.6	17.9	15.4	13.5	12.1	9.6	8.9	2.4%	2.4%	2.4%	2.6	2.3	1.9
EDP RENOVAVEIS SA	13.6	11.2	10.2	9.7	38.2	29.0	26.0	0.9%	1.3%	1.5%	1.2	1.2	1.2
ECOENER SA	0.3	16.9	13.9	11.4	21.1	23.2	14.7	1.2%	0.0%	0.0%	1.7	1.8	1.3
ERG SPA	3.3	9.3	8.6	8.6	17.7	15.3	15.3	4.7%	4.8%	4.7%	1.5	1.5	1.5
ORSTED A/S	21.1	7.3	7.2	6.9	13.9	13.3	12.8	0.0%	3.7%	4.4%	1.2	1.1	1.1
Hidroelectrica	11.0	9.8	8.1	8.2	15.0	12.1	12.3	6.6%	7.8%	7.8%	2.4	2.4	2.4
Integrated													
EDP SA	18.1	7.2	7.2	7.0	14.5	14.6	14.4	4.6%	4.7%	4.7%	1.5	1.5	1.4
CEZ AS	28.0	6.7	8.1	8.9	24.3	18.7	22.5	3.4%	4.1%	3.3%	2.9	2.7	2.7
VERBUND AG	22.0	8.6	10.5	10.5	14.8	19.0	20.2	3.4%	2.7%	2.6%	2.1	2.0	1.9
IBERDROLA SA	111.9	10.1	9.9	9.6	17.8	17.4	16.2	4.0%	4.2%	4.5%	2.0	2.0	1.8
ENDESA SA	30.5	7.5	7.4	7.3	14.9	14.6	14.5	4.8%	4.9%	5.0%	3.5	3.3	3.0
RWE AG	30.2	9.5	8.3	7.4	19.5	16.5	13.6	2.9%	3.1%	3.4%	0.9	0.9	0.9
ENEL SPA	85.9	6.2	6.1	6.1	12.4	12.0	11.6	5.7%	5.9%	6.0%	2.4	2.2	2.1
FORTUM OYJ	15.1	12.2	12.0	12.5	19.2	19.2	19.8	4.6%	5.0%	4.8%	1.7	1.7	1.7
Median	**14.3**	**9.3**	**8.6**	**8.9**	**15.0**	**16.5**	**14.7**	**3.4%**	**3.9%**	**3.8%**	**1.7**	**1.8**	**1.7**
AB IGNITIS GRUPE	**1.5**	**7.5**	**6.9**	**7.1**	**7.9**	**6.4**	**6.6**	**6.6%**	**6.7%**	**6.9%**	**0.6**	**0.6**	**0.5**
Premium/discount		*-20%*	*-19%*	*-20%*	*-47%*	*-61%*	*-55%*				*-66%*	*-69%*	*-69%*

	Mcap	ND/EBITDA			EBITDA margin			Net margin			2025-27e 2Y CAGR		
	EUR bn	2025e	2026e	2027e	2025e	2026e	2027e	2025e	2026e	2027e	Rev.	EBITDA	EPS
Renewable													
CORP ACCIONA ENERGIAS RENOVA	7.8	2.1	2.9	3.1	56.3%	40.1%	39.7%	24.1%	10.2%	10.8%	0.5%	-15.5%	-28.4%
AUDAX RENOVABLES SA	0.6	2.4	2.1	1.8	4.9%	5.5%	6.0%	2.1%	2.5%	2.6%	-1.7%	9.5%	16.1%
EDP RENOVAVEIS SA	13.6	4.2	3.7	3.5	73.1%	75.5%	76.1%	13.2%	17.0%	18.8%	4.2%	6.4%	21.1%
ECOENER SA	0.3	12.1	10.5	8.9	50.9%	58.6%	64.8%	4.3%	5.3%	9.3%	21.9%	37.6%	19.8%
ERG SPA	3.3	3.4	3.1	3.1	68.1%	69.9%	68.3%	22.0%	25.1%	23.7%	3.8%	4.0%	7.4%
ORSTED A/S	21.1	1.4	1.8	2.0	36.7%	36.7%	38.9%	12.6%	14.0%	13.9%	7.4%	10.6%	4.1%
Hidroelectrica	11.0	-0.9	-0.8	-0.7	52.7%	58.8%	58.1%	37.9%	43.7%	42.4%	4.8%	10.0%	10.7%
Integrated													
EDP SA	18.1	3.5	3.5	3.4	30.1%	30.9%	30.8%	7.7%	7.8%	7.8%	0.6%	1.9%	0.3%
CEZ AS	28.0	1.5	1.7	2.1	41.5%	35.2%	34.3%	8.9%	12.2%	10.6%	-3.9%	-12.7%	3.9%
VERBUND AG	22.0	0.9	1.5	1.6	32.9%	32.0%	33.5%	17.2%	15.4%	14.8%	-7.5%	-6.6%	-14.4%
IBERDROLA SA	111.9	3.2	3.3	3.3	34.4%	34.9%	34.9%	12.8%	13.4%	13.7%	3.3%	4.1%	4.9%
ENDESA SA	30.5	2.0	2.0	1.9	25.1%	25.7%	26.4%	9.2%	9.5%	9.7%	-1.0%	1.5%	1.1%
RWE AG	30.2	3.1	2.8	2.7	21.3%	23.7%	25.7%	6.9%	7.8%	8.3%	6.2%	16.8%	19.5%
ENEL SPA	85.9	2.5	2.5	2.5	27.0%	28.7%	29.8%	8.1%	8.6%	8.9%	-2.2%	2.8%	3.2%
FORTUM OYJ	15.1	0.7	0.8	0.9	25.9%	25.3%	24.6%	15.2%	14.7%	14.3%	2.1%	-0.6%	-1.5%
Median		**2.4**	**2.5**	**2.5**	**34.4%**	**34.9%**	**34.3%**	**12.6%**	**12.2%**	**10.8%**	**2.1%**	**4.0%**	**4.1%**
AB IGNITIS GRUPE	**1.51**	**4.3**	**4.3**	**4.6**	**19.4%**	**23.6%**	**24.6%**	**7.7%**	**9.8%**	**9.5%**	**-1.1%**	**11.3%**	**9.9%**
Difference (pp)		2.0	1.8	2.1	*-15%*	*-11%*	*-10%*	*-5%*	*-2%*	*-1%*	*-3.2%*	*7.2%*	*5.9%*

Source: Data provider, 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 verca	2 market maker or liquidity provider for issuer/instruments	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				

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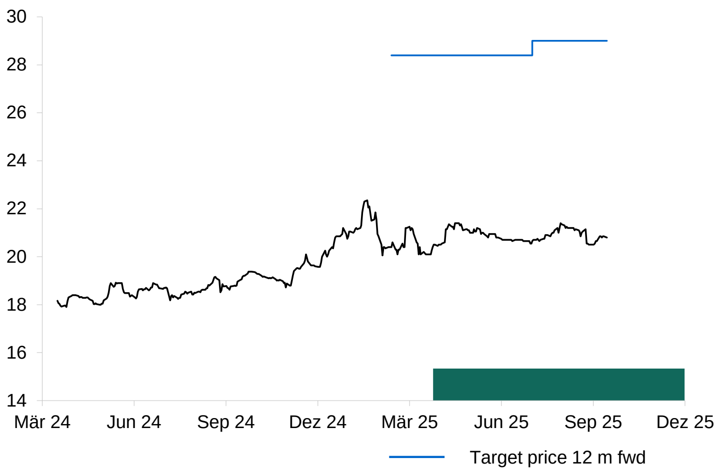
Ignitis



Rating history

Date	Rating	Price	Target Price	Action
14. Oct 25	Buy	20.85	28.30	
31. Jul 25	Buy	20.65	29.00	
13. Mar 25	Buy	20.40	28.40	

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, 0.9 GW RES and 1.1 GW natural gas fired capacities and a sizeable 6.4 GW pipeline of RES and storage development projects. Ignitis in also dominant Lithuanian electricity and natural gas distributor with EUR 1.8bn RAB as of

A history of all recommendations for covered issuers/financial instruments within the last 12 months is provided under the following link:
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