

COMPANY UPDATE

Ignitis

Buy

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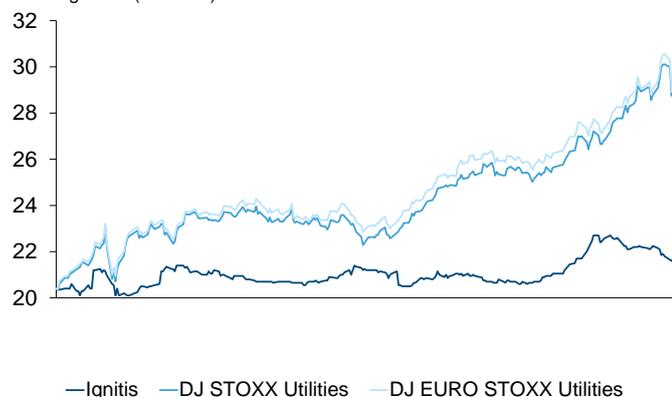
Share price (EUR) close as of 05/03/2026	21.6	Reuters	IGN1L.VL	Free float	25.0%
Number of shares (mn)	72.4	Bloomberg	IGN1L LH	Shareholders	
Market capitalization (EUR mn)	1 560.0	Div. Ex-date	23/09/25	Republic of Lithuania (75%)	
Enterprise value (EUR mn)	3 702.8	Target price	26.8	Homepage:	ignitisgrupe.lt

Key figures Overview

EUR mn	2025	2026e	2027e	2028e
Net sales	2 497.7	2 439.5	2 379.0	2 526.2
EBITDA	482.1	579.7	583.0	639.5
EBIT	251.4	329.3	312.5	354.3
EBT	190.1	269.4	267.5	279.6
Net profit	163.9	229.4	221.2	228.7
EPS (EUR)	2.26	3.17	3.06	3.16
CEPS (EUR)	6.80	5.99	6.56	6.90
BVPS (EUR)	34.46	36.24	37.87	39.56
Dividend/Share (EUR)	1.37	1.41	1.45	1.49
EV/EBITDA (x)	7.15	6.39	6.85	6.73
P/E (x)	9.36	6.80	7.05	6.82
P/CE (x)	3.12	3.60	3.28	3.12
Dividend yield (%)	6.44	6.53	6.72	6.93
EBITDA margin (%)	19.30	23.76	24.51	25.32
Operating margin (%)	10.07	13.50	13.13	14.03
Net profit margin (%)	6.56	9.61	9.67	9.41

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	12 679	23 258	21 208
Trading value (EUR mn)	0.3	0.5	0.4



Price performance:	1M	3M	6M	12M
in EUR	-2.5%	4.1%	1.7%	5.6%

Financial Strength

	2025	2026e	2027e	2028e
ROE (%)	6.65	8.96	8.25	8.16
ROCE (%)	4.24	5.20	4.57	4.75
Equity ratio (%)	39.73	39.15	41.75	41.00
Net debt (EUR mn)	1 912.10	2 022.82	2 315.67	2 626.01
Gearing (%)	76.65	73.73	80.92	88.01

Slower investments, but still nice value

We keep our Buy recommendation on Ignitis shares with a slightly reduced twelve-month target price to EUR 26.8/share (previously EUR 28.3/share) after model fine-tuning. IGN's generation may slightly benefit from higher energy prices caused by the Iranian conflict (29% of RES production is unhedged for 2026), but we do not have insight into its hedging in supply. We expect 4.7 TWh electricity production vs. 7.7 TWh end-customer supply (2.3 TWh B2C) in 2026e.

The company finished 0.7 GW RES projects in 2025 as planned and did not start new projects in the last quarter. Its CAPEX plan for 2026 is muted, we thus partly postpone the expected delivery of its ~1.0 GW advanced development pipeline from 2028 to 2029. The 0.6 GW under construction projects continue without delays.

4Q25 results showed 8% y/y adj. EBITDA growth thanks to strong Networks and better than expected supply, while production in Green Capacities was below our estimates. Overall, Ignitis delivered FY25 adj. EBITDA of EUR 546mn (+5% y/y), slightly above guidance. The company proposed 2H25 DPS in line with policy (at least +3% annually). Guidance for 2026 calls for 1-10% y/y adj. EBITDA growth thanks to Networks and supply. The numbers are marginally below our previous estimates, which we adjust accordingly.

Overall, we still like Ignitis due to its well-hedged assets, large RES pipeline, and low valuation vs. peers, with a 6.5% DY from 2026e profit and 6.8x P/E 2026e.

Our take from 4Q25 results

The 4Q25 results were somewhat below our estimates mainly due to lower than expected production in Green Capacities and lower Reserve Capacities margins. This was largely offset by better than expected prices, good distribution and supply volumes and lower than expected loss in the supply segment. For FY25 the company reached adjusted EBITDA of EUR 546mn (+3.4% y/y), which was slightly above the high end of its EUR 510-540mn guidance.

We underestimated the unfavorable weather conditions in 4Q25, while forced curtailments potentially also played a role. There were temporarily reduced interconnection capacities between Baltic states, and the fast growth of local installed RES could also be a factor. PV capacities jumped by 53% y/y and onshore wind capacities by 37% y/y in Baltics in 2025. Reserve Capacities had relatively low utilization partly due to CCGT overhaul, but also weak EUR 13/MWh gross margin.

Adjusted net profit was visibly below our estimate due to lower adj. EBITDA and higher than expected D&A resulting partly from EUR 7.8mn one-offs. Net debt grew to EUR 1.91bn (3.5x ND/adj. EBITDA), in line with our latest estimates as weaker EBITDA was offset with better WC development. Compared to our previous report, the level of net debt was nicely lower due to better WC changes and lower CAPEX.

Ignitis proposed full year dividend of EUR 1.366/share (+3.0% y/y, 6.3% DY), in line with its dividend policy and our estimate. This translates into a EUR 0.683/share dividend for 2H25, subject to AGM approval on March 25.

4Q25 results

P&L (EURmn)	4Q25	4Q24	y/y	4Q25e		4Q vs.	
				Erste	Cons.	Erste	Cons.
Total revenue	699.0	685.9	2%	667.2	678	5%	3%
EBITDA	127.6	134.9	-5%	126.5	127	1%	1%
Adjustments	13.4	-4.0	-439%	23.0		-42%	
Adjusted EBITDA	141.0	130.9	8%	149.5		-6%	
Green Capacities	76.1	81.5	-7%	88.3		-14%	
Networks	70.6	54.3	30%	68.2		4%	
Reserve Capacities	3.0	5.3	-43%	9.2		-67%	
Customers & Solutions	-5.5	-4.0	n.m.	-16.2		-66%	
Adj. D&A and impairments	70.7	49.7	42%	61.2		16%	
EBIT	56.9	85.2	-33%	65.3	65	-13%	-13%
Adjusted EBIT	70.3	81.2	-13%	88.3		-20%	
Net profit	31.5	62.2	-49%	43.9	45	-28%	-29%
Adjustments	16.6	1.9	777%	19.3		-14%	
Adjusted net profit	48.1	64.1	-25%	63.3		-24%	
BS&CF (EURmn)							
Investments	190	228	-17%	189		1%	
FCF	-69	-69	n.m.	-156		n.m.	
Net debt	1 912	1 612	19%	1 939		-1%	
Net debt / adjusted EBITDA LTM (x)	3.5	3.0	16%	3.5		0%	
Operating data (GW, TWh)							
Installed green capacities	2.1	1.4	52%	2.1		0%	
Electricity production	0.93	0.93	0%	1.18		-21%	
Green Capacities	0.78	0.72	8%	0.94		-17%	
Reserve Capacities	0.15	0.21	-29%	0.24		-36%	
Heat production	0.56	0.60	-7%	0.59		-5%	
Electricity sales	2.19	1.93	13%	2.21		-1%	
Electricity distribution	2.88	2.73	5%	2.80		3%	
Natural gas sales	2.59	2.77	-6%	2.63		-2%	
Natural gas distribution	2.33	2.22	5%	2.38		-2%	

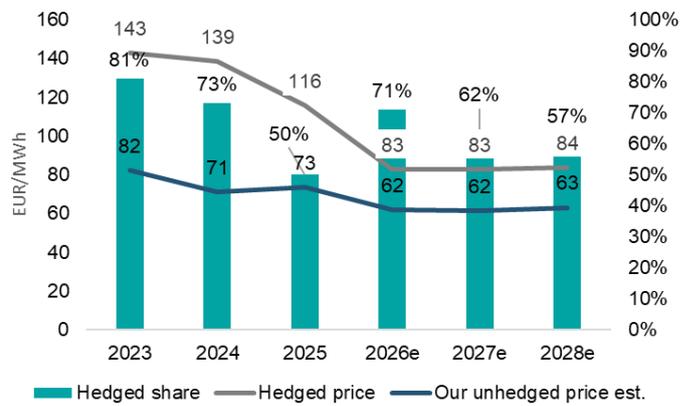
Source: Ignitis, Erste Group Research (cons.: avg. of 3 estimates, LSEG+Erste)

Hedged electricity prices and SPOT prices

Ignitis reported final hedged price for 2025 of EUR 116/MWh for 50% of production, above the EUR 111/MWh for 58% of production reported in 3Q25. Prices hedged for 2026-28 are sequentially almost stable at EUR 83-84/MWh, while hedged volumes grew by 4%/2% for 2027/28.

Day ahead prices in Lithuania reached EUR 100/MWh in 4Q25, up from EUR 90/MWh in 4Q24. The reason was the weaker weather conditions for all RES sources and reduced interconnection capacities between Latvia and Estonia. Average DAH prices for FY25 were with EUR 92/MWh slightly above EUR 87/MWh in FY24. This was probably somehow offset with widening wind discounts reported by some industry analysts (by approx. 1.3pp).

Ignitis hedged prices in Green Capacities

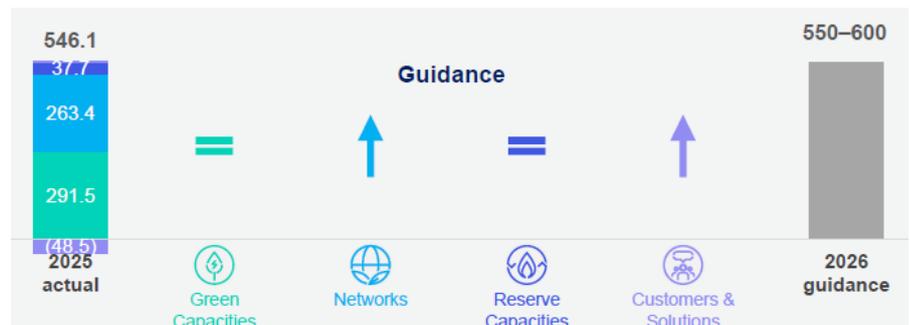


Source: Ignitis, Erste Group Research, excluding pump-hydro

2026 guidance for modest y/y growth

Ignitis provided FY26 adj. EBITDA guidance for EUR 550-600mn (+5% y/y in the mid-point) and CAPEX guidance of EUR 590-690mn (-12% y/y in the mid-point). The EBITDA guidance is below our forecast, but management is usually conservative at the beginning of the year.

2026 adj. EBITDA guidance



Source: Ignitis

Ignitis expects flat adj. EBITDA in Green Capacities as growing production should offset the drop in hedged electricity prices. Networks are expected to be higher thanks to 6% y/y higher RAB and 38% y/y higher additional tariff component. Among smaller segments, Reserve Capacities are expected stable as higher production is expected to offset declining revenues from the balancing market. The supply segment ('Customers & Solutions') is expected y/y higher as Ignitis expects positive changes in prosumer regulations. Lithuanian government adopted legislative amendments to the prosumer legislation in December and their approval in the parliament is pending. So far, we see the proposed legislation as a positive directionally, while it lacks details and its actual impact on Ignitis would depend on the decisions of energy watchdog NERC. Note that Ignitis prosumer related loss amounted to EUR 28.5mn in 2025, up from EUR 15.2mn in 2024.

Sale of 49% minority in Vilnius CHP for EUR 120mn

Ignitis announced the sale of its minority stake in Vilnius CHP for EUR 120mn, which is 4.6x above its original equity investment of EUR 26mn. Vilnius CHP generated EUR 27mn net profit in 2025 and we estimate EUR 21mn profit in 2026e, which translates into a reasonable valuation of 12x P/E 2026e. The sale of minority in the project was part of an agreement with the EC for the financing of the project.

Changes in estimates

We made some minor adjustments in our 2026-28e estimates as well as some model changes in the balance sheet and cash flows, which are on a net basis slightly negative for our valuation. Key P&L adjustments:

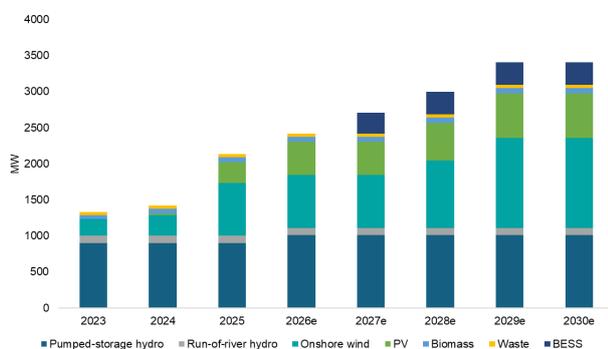
- Lower near-term production in Green Capacities to reflect the lower availability and load factors seen in recent results.
- Partly postponed delivery of the advanced development pipeline (~1.0 GW) from 2028e to 2029e. Still, we expect FIDs for several new RES projects in 2026.
- Reserve Capacities CDS lowered by EUR 2/MWh, plus slightly higher OPEX. Recently won Polish capacity auction revenues added in 2030.
- DAH electricity prices for Lithuania slightly increased (by EUR 5/MWh) due to the Iranian conflict. This is partly offset with higher estimated wind discounts for 2026-27e, i.e. before the sizeable Lithuanian BESS pipeline is delivered.
- Slightly faster supply volumes growth, following the good 4Q25 figure.
- Incorporation of the sale of 49% stake in Vilnius CHP (EUR 120mn FCF, minorities in P&L).
- D&A estimates increased by some EUR 15mn/y as a result of model fine tuning after 4Q25.

Change in short-term estimates

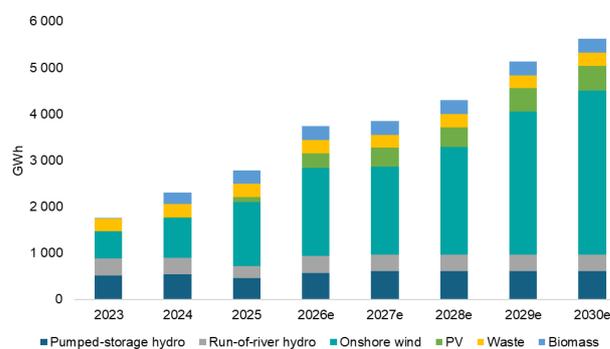
Consolidated, IFRS (EUR, mn)	2026e			2027e			2028e		
	Now	Before	Change	Now	Before	Change	Now	Before	Change
Total revenues	2439	2403	2%	2379	2389	0%	2526	2545	-1%
Adj. EBITDA	608	612	-1%	597	605	-1%	654	663	-1%
Green Capacities	282	280	1%	276	281	-2%	301	311	-3%
Networks	288	291	-1%	276	277	-1%	298	298	0%
Reserve Capacities	53	61	-13%	34	41	-19%	33	41	-19%
Customers and solutions	-17	-17	1%	9	10	-1%	19	18	8%
EBITDA	580	560	3%	583	581	0%	640	639	0%
EBIT	329	325	1%	312	327	-5%	354	370	-4%
Adj. net income	253	274	-8%	233	238	-2%	240	259	-7%
Net income	229	231	-1%	221	218	2%	229	239	-4%
DPS* (EUR)	1.41	1.41	0%	1.45	1.45	0%	1.49	1.49	0%
CAPEX	647	758	-15%	715	749	-5%	772	780	-1%
Green Capacities production* (TWh)	3.7	3.9	-4%	3.9	4.0	-4%	4.3	4.6	-6%
Reserve Capacities production (TWh)	1.0	1.0	2%	1.0	1.0	2%	1.0	1.0	2%
Adj. EBITDA margin	24.9%	25.5%	-2%	25.1%	25.3%	-1%	25.9%	26.1%	-1%
Adj. Net margin	10.4%	11.4%	-9%	9.8%	9.9%	-2%	9.5%	10.2%	-6%

Source: Erste Group Research; *excluding BESS

GC installed capacities forecast



GC production forecast



Source: Ignitis, Erste Group Research

Valuation

We did not make major changes in our DCF-FCFF model, which is our main valuation tool for Ignitis. The model reflects the estimated contribution from existing and under-construction assets and from the advanced development pipeline reported in the last strategy update. We do not include Ignitis's two offshore projects and sizable early-development pipeline in our estimates.

Our DCF provides a EUR 26.8 per share twelve-month target price, we thus confirm our Buy recommendation for Ignitis shares. Our cash flow assumptions reflect the high investment activity in both the Green Capacities (until 2028/29e) 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 about 20%, while sensitivity to the terminal growth rate assumption is about 15%.

Our WACC range of 6.6% to 7.2% for the detailed period is some 10-20bp increased from previous valuation due to higher weight of equity, following the slower CAPEX estimates. Our terminal value growth rate of 2.0% is unchanged; 2025A net debt of EUR 1.9bn is below our original estimate of EUR 2.1bn thanks to lower CAPEX and WC in 2025. We have also adjusted our model CAPEX and WC assumptions to better reflect company accounting, which had a slightly negative net impact on our FCF forecast.

WACC calculation

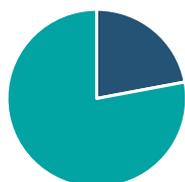
	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e (TV)
Risk free rate	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.0%
Equity risk premium	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.1%
Beta	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0
Cost of equity	11.1%	9.1%									
Cost of debt	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	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	3.3%	2.8%									
Equity weight	50%	47%	44%	43%	43%	43%	44%	44%	46%	47%	60%
WACC	7.2%	7.0%	6.7%	6.6%	6.7%	6.7%	6.7%	6.7%	6.9%	7.0%	6.6%

DCF valuation

(EUR mn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e (TV)
Sales growth	-2.3%	-2.5%	6.2%	4.8%	4.7%	-2.2%	2.3%	3.3%	2.3%	2.6%	2.0%
EBIT	329	312	354	359	395	348	350	357	339	320	338
EBIT margin	13.5%	13.1%	14.0%	13.6%	14.3%	12.8%	12.6%	12.4%	11.6%	10.6%	11.0%
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	-56	-53	-60	-61	-67	-59	-60	-61	-58	-54	-71
NOPLAT	273	259	294	298	328	289	291	296	282	265	267
+ Depreciation	250	271	285	302	312	319	325	331	332	328	331
Capital expenditures / Depreciation	258%	264%	271%	203%	134%	131%	127%	127%	69%	70%	102%
+/- Change in working capital	52.7	50.1	72.3	81.8	16.2	31.9	42.2	48.3	1.5	1.6	0.0
Chg. working capital / chg. Sales	-90.6%	-82.9%	49.1%	67.6%	13.0%	-53.3%	66.5%	52.7%	2.2%	2.1%	0.0%
- Capital expenditures	-647	-715	-772	-612	-420	-418	-412	-420	-229	-230	-338
Free cash flow to the firm	-70	-135	-121	69	237	222	246	255	386	365	260
Terminal value growth											2.0%
Terminal value											5 828
Discounted free cash flow - Dec 31 2025	-66	-117	-98	53	170	149	155	151	214	188	2 827
Enterprise value - Dec 31 2025	3 626										
Minorities - Dec 31 2025	0										
Non-operating assets - Dec 31 2025	0										
Net debt and leases - Dec 31 2025	1 912										
Equity value - Dec 31 2025	1 714										
Number of shares outstanding (mn)	72.4										
Cost of equity	11.1%										
12m target price per share	26.8										
Current share price (EUR)	21.6										
Up/Downside	24%										

Enterprise value breakdown

Sensitivity (per share)



- PV of detailed period
- PV of terminal value

Source: Erste Group Research

		Terminal EBIT margin				
		9.0%	10.0%	11.0%	12.0%	13.0%
WACC	5.6%	29.1	34.4	39.8	45.1	50.4
	6.1%	23.2	27.8	32.5	37.1	41.8
	6.6%	18.6	22.7	26.8	30.9	35.0
	7.1%	14.8	18.5	22.2	25.9	29.6
	7.6%	11.8	15.2	18.5	21.9	25.2
		Terminal value growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	5.6%	26.8	32.5	39.8	49.5	62.9
	6.1%	22.2	26.8	32.5	39.8	49.5
	6.6%	18.5	22.2	26.8	32.5	39.8
	7.1%	15.4	18.5	22.2	26.8	32.5
	7.6%	12.7	15.4	18.5	22.3	26.8

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):

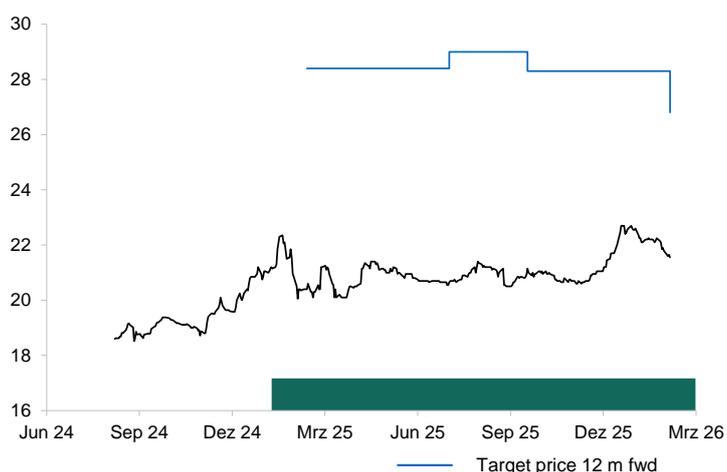
Company	ISIN	1 EGB/affiliates holdings exceed 5% of the share capital of issuer or vice versa	2 market maker or liquidity provider for issuer/instrumen ts	3 agreement for the provision of services of investment firms over the previous 12 months	4a Agreement with the covered company about the production 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.
March 09 2026

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	Price	Target Price	Action
16. Oct 25	Buy	21.15	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, 1.2 GW RES and 1.1 GW natural gas fired capacities and a sizeable pipeline of RES and storage development projects. Ignitis is also dominant Lithuanian electricity and natural gas distributor with EUR 1.9bn RAB as of 2026 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:
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