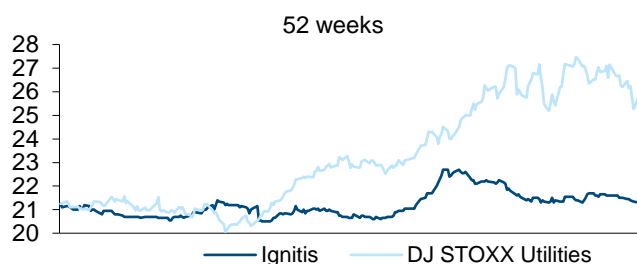


COMPANY REPORT

Ignitis

Buy

EUR mn	2025	2026e	2027e	2028e
Net sales	2 497.7	2 664.1	2 689.8	2 627.8
EBITDA	482.1	568.5	627.3	640.9
EBIT	251.4	313.0	354.0	364.8
Net result after min.	163.9	202.6	241.7	248.8
EPS (EUR)	2.26	2.80	3.34	3.44
CEPS (EUR)	6.80	5.73	6.90	7.02
BVPS (EUR)	34.46	35.87	37.79	39.75
Div./share (EUR)	1.37	1.41	1.45	1.49
EV/EBITDA (x)	7.1	6.5	6.2	6.4
P/E (x)	9.4	7.6	6.4	6.2
P/CE (x)	3.1	3.7	3.1	3.0
Dividend Yield	6.4%	6.6%	6.8%	7.0%
Share price (EUR) close as of 22/05/2026				21.3
Number of shares (mn)				72.4
Market capitalization (EUR mn)				1 538.3
Enterprise value (EUR mn)				3 711.4



Performance	12M	6M	3M	1M
in EUR	0.0%	2.2%	-4.5%	-1.6%
Reuters	IGN1L.VL	Free float		25.0%
Bloomberg	IGN1L.LH	Shareholders		
Div. Ex-date	08/04/26		Republic of Lithuania (75%)	
Target price	27.1	Homepage:		ignitisgrupe.lt

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Focus on value, networks and datacenters

We keep our Buy rating on Ignitis shares with a slightly increased twelve-month target price to EUR 27.1/share (previously EUR 26.8/share), as we incorporate improving supply segment results, planned cost savings and a focus on grid investments from the new strategy. Our DCF valuation is supported by a peer group comparison. IGN targets EUR 640-700mn adj. EBITDA (4-6% 4Y CAGR) and EUR 250-290mn adj. net profit (3-7% 4Y CAGR) for 2029, as value focus replaces capacities expansion. Short-term, higher energy prices due to the Iran war slightly support our 2026-27e forecast, what is offset with weaker wind volumes.

Strategy for 2026-29: Ignitis will focus on 'value-over-volume'. The 4-5 GW Green Capacities target is now a 'strategic goal' instead of 2030 target. IGN plans to add only 0.1-0.5 GW to the 2.7 GW finished and under construction portfolio by 2029. The 3Y CAPEX plan of EUR 2.5-3.0bn is 20% below the previous plan and >50% of it goes to grids. The DPS policy for at least 3% p.a. growth is intact, for an attractive ~7.0% average DY from 2026-30e profits. We appreciate the focus on proper returns over expansion as RES penetration in the Baltics approaches mature levels.

We believe that one of the reasons for the IGN share underperformance in the recent past was the declining adjusted net profit caused by timing production from new RES capacities vs. their D&A. The updated strategy addresses this via the announced net profit target for 2029. Also, hedged prices for 2026-29 are already at market levels and should not be a significant drag on results going forward. We like Ignitis' balanced assets with RES, energy storage, CCGT, large grids and large supply portfolio. The company enjoys supportive grid regulation and has a low valuation, with a 6.6% DY from 2026e profit and 7.6 P/E 2026e.

SWOT

Strengths and opportunities

- Fully integrated business model, with focus on RES, flexibility and strong share of stable network business.
- Wind parks in Baltics have high wind speeds.
- Baltic region still in deep production deficit on annual basis, opportunity for continued RES expansion combined with BESS.
- Baltic region has long-term potential to become electricity exporter to Poland/Germany or datacenter hub.
- Experience and capabilities to operate and develop RES assets.
- RES/energy storage pipeline with 0.6 GW under construction, 0.7 GW offshore wind license and further approx. 1 GW advanced pipeline.
- Large end-customer supply business and group ~4 TWh 'short' position in generation supports long-term expansion in RES.
- No 'merchant' fossil fuel assets, apart from natural gas plants used for balancing and services to TSO.
- 48% of adj. EBITDA coming from networks (in 2025); strong outlook for networks via EUR 3.5bn approved 10Y investment plan.
- Recently started asset rotation program will support ROE.
- Clear investment criteria (WACC + 100bp return for RES), prudent FID requirements, plausible hedging policies.
- High dividend yield and policy to grow DPS by at least 3% p.a.
- Track record of delivering results above guidance, projects at budget and with minimal delays.
- Very low trading multiples vs. peers.
- High share of regulated revenues or contracted via PPAs.
- Experienced management and strong governance with six out of nine supervisory board members being independent.
- Strong focus on sustainability resulting in excellent ESG ratings.
- Largest publicly traded company in Baltics, providing stock with certain liquidity.

Threats and weaknesses

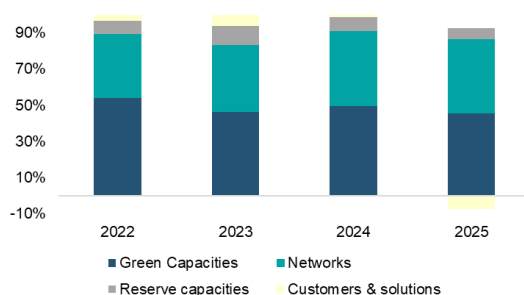
- Production from RES depends on weather conditions; changes in climate might have impact on electricity generation.
- Sensitivity to electricity prices, declining hedged prices.
- Ancillary revenues declining from extraordinary level in 2025
- RES capacities growing quickly in Baltics, already impacting onshore wind profile discounts and production curtailments; Ignitis is well 'hedged' via large energy storage.
- Proximity to low-priced Nordic markets represent long-term risk (but import capacities are fully utilized).
- Ambitious investment program means gradually growing leverage; need to refinance two bonds in 2027/28.
- Internal PPAs (between RES and supply segments) may pose duration risk in supply business.
- Outright regulatory risk: substantial part of Ignitis business is regulated, including networks.
- Project execution risk, in particular for large-scale projects.
- Regulation risk, e.g. unfavourable prosumer regulations, special levies on profits in Reserve Capacities.
- Baltics could be more strongly exposed to geopolitical risks.

Investment case

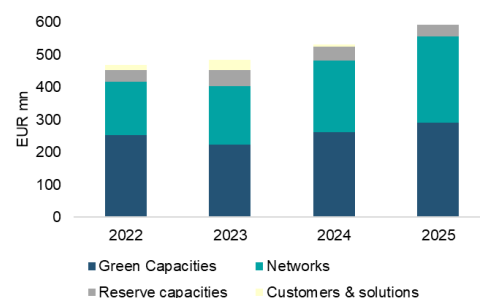
Ignitis is the incumbent integrated Lithuanian power utility and the biggest listed stock in the Baltics by mcap. Its core businesses are Green Capacities (2.1 GW capacities, 3.5 TWh production 2026e) and Networks (EUR 1.9bn RAB in Lithuania). The two segments respectively generated 54% and 48% of group adjusted EBITDA in 2025. The company is one of the biggest electricity and natural gas suppliers in the Baltics with 7.4 TWh and 8.2 TWh in sales, respectively. The supply segment was loss-making in 2025, partly due to unfavorable prosumer regulation, which is set to be fixed. The partly regulated Reserve Capacities (natural gas power plants) accounted for a 7% adj. EBITDA share.

Ignitis' adjusted EBITDA grew at a 5.2% 3Y CAGR in 2022-25, as Green Capacities (GC) increased installed capacity from 1.2 GW to 2.1 GW. This was partly offset by declining prices from energy-crisis levels. The Networks segment showed a 17% 3Y adj. EBITDA CAGR in 2022-25, due to high investments and increased WACC. The supply segment was under pressure, due mostly to prosumer regulations. Reserve Capacities earn a regulated margin and benefit from short-term market volatility. Adjusted net profit showed a -4.1% 3Y CAGR, due mostly to the different timing between production and D&A at new RES capacities.

Adj. EBITDA structure by segment



Adj. EBITDA development by segment



Source: Ignitis, Erste Group Research

We keep our Buy recommendation on Ignitis shares with a slightly increased twelve-month target price to EUR 27.1/share (previously EUR 26.8/share), as we incorporate improving supply segment results, planned cost savings and focus on grid investments from the new mid-term strategy. IGN targets **EUR 640-700mn adj. EBITDA (4-6% 4Y CAGR) and EUR 250-290mn adj. net profit (3-7% 4Y CAGR) for 2029**, while keeping stable leverage, as value focus replaces capacities expansion. Higher energy prices due to the Iran war slightly support our 2026-27e forecast, what is offset with weaker near-term wind load factors.

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 more than a 60% discount to peers on P/E and more than 70% discounts on the P/BV ratio. The EV/EBITDA ratio shows >30% discounts for 2026-28e. The discounts are to some extent explained by Ignitis' higher near-term leverage; on the P/BV, the company has slightly below-median ROE. The bigger reason for the discount is in our view the recently declining net profit and liquidity of its shares.

Ignitis has changed its focus from RES expansion to grids and operational efficiency with its recent 2026-29 strategy update, and now emphasizes a 'value-over-volume' approach. This is due to the maturing market in the Baltics, where fast RES growth resulted in production curtailments in certain situations and to a slowly increasing number of hours with negative prices, though the market is on an annual basis still in a large production

deficit and imports electricity from Sweden and Finland. The problem is more on the side of PV than wind and is by far not as big as in WE. Still, there is a need to strengthen grids and interconnections within the Baltics and add energy storage, before the next wave of RES takes place. IGN also plans to attract datacenter investments, as Lithuania has favorable conditions to serve AI needs.

IGN's 4-5 GW Green Capacities target is now a 'strategic goal' instead of 2030 target. IGN plans 2.8-3.2 GW GC capacities by 2029, from the current 2.1 GW finished plus 0.6 GW under construction portfolio. This means relatively modest additional investments. The 3Y CAPEX plan of EUR 2.5-3.0bn is 20% below the previous plan and >50% of it goes to grids. The leverage policy is down from <5x to 3-4x. The **DPS policy for at least 3% p.a. growth is intact, which means an attractive ~7.0% average DY from 2026-30e profits.**

We have increased our 2027-28e P&L estimates. Strong improvement in the supply result in 1Q26 prompted us to increase mid-term estimates for the segment. Estimates for Networks were increased thanks to refined estimates for CAPEX after the strategy update. The low 1Q26 load factor in Green Capacities prompted a cut in the production outlook for 2026-27e and we have postponed and lowered by 0.2 GW our estimates for new RES capacities. This offsets the positive impact of increased estimates for prices due to the Iran war. Lower RES CAPEX reduces expected leverage and financial costs, while reducing production estimates.

We have adjusted our EBITDA estimates for **Networks** to reflect the higher risk-free rates, increased mid-term CAPEX plan, and higher additional tariff component. This results in higher estimates in high-single digits for the segment in 2027-30e. We forecast a 6% 5Y adj. EBITDA CAGR in Networks in 2025-30e and there is still an upside from the current almost 4% risk-free rate (vs. 3.5% in 2026 WACC).

Green Capacities are projected to grow from 2.1 GW in 2025 to 3.2 GW by 2030e. Ignitis' hedged prices drop by EUR 32/MWh (to EUR 84/MWh) in 2026e, as old favorable PPAs expire. Going forward, the company has hedged basically stable prices until 2029 for slightly more than 60% of production. For unhedged volumes, we expect stable high DAH prices 'thanks' to the Iran war in 2026-27e and assume a stable 15-20% wind discount to DAH. The Lithuanian BESS program aiming for 1.7 GW / 4 GWh storage capacities by 2028 will smooth out prices. In total, we estimate virtually stable adj. EBITDA in Green Capacities by 2030e.

The supply segment was under pressure in 2025, mostly due to unfavorable prosumer regulation and partly due to weaker margins. The company is, however, expanding sales in Poland and Latvia and its 1Q26 showed a strong rebound. An update to the prosumer regulation is pending in parliament and should be approved this year. We increase our supply margin estimates to a low, but solid 2-3% for the mid term.

Overall, we forecast an 11% y/y adj. EBITDA increase in 2026e, thanks to growing Networks and the recovering supply segment. We estimate a ~6% adj. EBITDA 5Y CAGR for 2025-30e. Networks will be the growth driver for Ignitis, supported by the recovery in supply. We also expect restarted adj. net profit growth, with a projected 5Y CAGR at ~4% in 2025-30e. In terms of dividends, **we stick to the company policy to grow DPS by 3% annually.** This results in a high **average dividend yield of 7.0% from 2025-30e profits** (paid semi-annually, in 2H25-1H30e).

New 2026-29 strategy calls for value-over-volume

Ignitis has officially adjusted its strategy direction with its recent annual update. The company will focus on profitability of projects instead of outright capacity growth and will put more emphasis on investments in networks to handle aging assets, increasing loads and new connections.

The company budgets for roughly 20% lower overall CAPEX than in the previous 3Y plan and plans broadly stable leverage going forward. While networks CAPEX is budgeted EUR 0.2-0.3bn higher, Green Capacities CAPEX is EUR 0.7-1.2bn lower (after finalization of major projects in 2025). The strategy is thus more 'defensive' but still assumes long-term RES growth and mid-single-digit growth in profits:

- EUR 640-700mn adj. EBITDA by 2029 (4-6% 4Y CAGR)
- **EUR 250-290mn adj. net profit by 2029** (3-7% 4Y CAGR)

The net profit target for 2029 is 18% above our original estimate in the mid-point, as value focus replaces capacities expansion. This includes more CAPEX in regulated grids, an OPEX savings program (approx. 3% of adj. EBITDA – our calculation) and likely higher implied returns for new capacities.

Target DPS growth of at least 3% p.a. is intact, which means an attractive 6.6% DY from 2026e profit, growing to a 7.0% DY from 2028e profit.

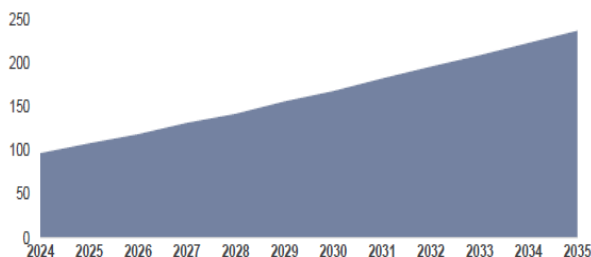
Updated and previous mid-term strategy in numbers

	2025-28 targets	2026-29 targets
Green Capacities (final year)	2.6-3.0 GW	2.8-3.2 GW
Green Capacities (long-term)	4-5 GW in 2030	4-5 GW goal
Networks RAB	EUR 2.1-2.2bn	EUR ~2.4bn
CAPEX	EUR 3-4bn	EUR 2.5-3.0bn
<i>Networks</i>	<i>EUR 1.1-1.3bn</i>	<i>EUR 1.4-1.6bn</i>
IRR (ex-regulated)	≥ WACC + 100bp	≥ WACC + 100bp
Leverage	<5x	3-4x
Addressable costs	N/A	10% reduction
Adj. EBITDA (final year)	EUR 600-680mn	EUR 640-700mn
Adj. net profit (final year)	N/A	EUR 250-290mn
Adj. EPS (final year)	N/A	EUR 3.5-4.0
DPS	≥ +3% p.a.	≥ +3% p.a.

Source: Ignitis, Erste Group Research

New element in the strategy is datacenters. The company set up a subsidiary to attract partners who would build a 100 MW+ datacenter. This direction is in our view much more 'tangible' than the previous idea to grow via (expensive) green hydrogen exports. Ignitis would provide the utility/local expertise, while the datacenter operator would do its own job:

Datacenter el. consumption +115 TWh in 10Ye



Source: Ignitis (left: ICIS forecast)

How it may work

Role	Ignitis Group	Partner
Land plot	✓	✗
Grid connection	✓	✗
Power supply	✓	✗
Design & permitting	✓/✗	✓/✗
Construction	✗	✓
Maintenance	✗	✓
Commercialisation	✗	✓

The key advantage of Ignitis/Lithuania is available near-term grid capacity for large-scale consumers, a cool climate (higher DC efficiency), good conditions for wind parks to provide RES energy, etc.

Key managers re-elected

Ignitis' SB elected a new company management board in March 2026. Four members from the previous MB, including the CEO and CFO, were re-elected. One new member is Commercial Director Vytenis Koryzna. MB composition:

- Darius Maikštėnas (Chair of the Management Board and CEO)
- Jonas Rimavičius (CFO)
- Dr. Živilė Skibarkienė (People & Business Support)
- Vytenis Koryzna (Chief Commercial Officer)
- Mantas Mikalajūnas (CRO)

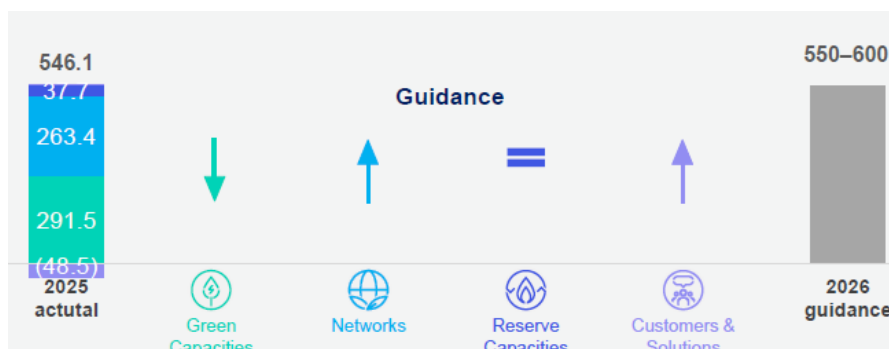
The MB is elected for a four-year term.

1Q26 results slower, due to weather, supply recovered

Ignitis reported 1Q26 adjusted EBITDA of EUR 192mn (+2% y/y), some 4% below our estimates, due to a low load factor of onshore wind farms resulting from very low windiness and freezing temperatures, which also contributed to lower productivity as well as balancing curtailments. Hedged prices for RES declined y/y, as expected, to EUR 83/MWh, from EUR 131/MWh (for 53% of volumes). Reserve capacities did not benefit from Polish capacity revenues as we expected, due to lower income from the balancing capacity market and continued overhaul of one unit. Still, group adj. EBITDA grew, thanks to strong networks and improving supply from last year's losses. Networks benefit from 6% higher RAB and supportive regulation, and high distribution volumes due to harsh weather in 1-2M26. The supply segment saw high volume growth thanks to the weather, but also thanks to expansion in the region. Ignitis said that margins improved and flagged profitable one-off wholesale transactions in natural gas.

Ignitis confirmed FY26 adj. EBITDA guidance of EUR 550-600mn (+5% y/y in the mid-point) and CAPEX guidance of EUR 590-690mn (-12% y/y in the mid-point). By segment, the company lowered its expectation for Green Capacities from stable to declining, due to the weak 1Q26 wind production. It still expects a higher result in Networks and in the supply business.

2026 guidance

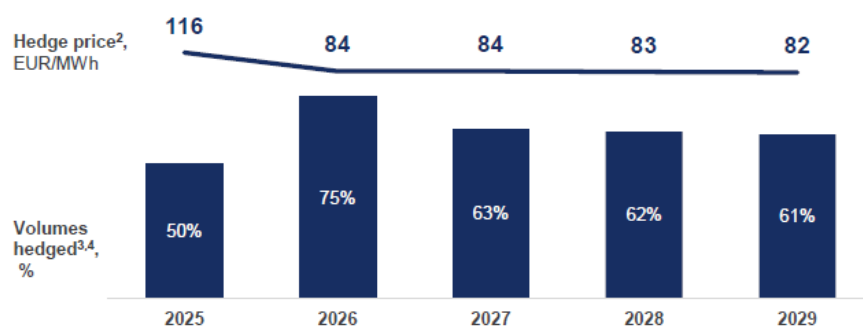


Source: Ignitis

Net debt was sequentially stable at EUR 1.9bn (3.4x ND/adj. EBITDA), driven by the completed transaction for the sale of 49% in Vilnius CHP, which was partly offset with higher WC.

Hedged prices for Green Capacities for 2026-28 stayed almost flat q/q, with the hedged price for 2026 at EUR 84/MWh for 75% of volumes (up EUR 1/MWh, volume +4pp q/q). 2027-28 shows EUR 84/83 for 63%/62% of volumes (+1pp and +5pp). Ignitis disclosed hedged volumes for 2029 for the first time, which surprised positively – the company has already hedged 61% of volumes at a solid EUR 82/MWh price.

Hedged prices and volumes for RES



Source: Ignitis; Hedging excludes pumped hydro and Reserve Capacities

Change in short-term estimates

- Strong 1Q26 result prompted higher mid-term estimates in supply.
- Increased estimates for realized prices in GC by EUR 3-4/MWh for 2026-27e due to Iran war.
- Increased estimates for Networks, following refined estimates for CAPEX and higher mid-term risk free rate, thus higher WACC and additional tariff component.
- Low 1Q26 load factor in Green Capacities prompts 0.2TWh / 0.1 TWh cut in production outlook for 2026/27e. Still, we expect that Lithuanian electricity system will see notable decrease of balancing curtailments once large BESS program is implemented in 2026-28, with overall slightly positive effect on Ignitis (via GC and supply results).
- Weaker 1Q26 Reserve Capacities production/higher competition in balancing capacity market reflected in estimates.
- Postponed by 1-2 years and lowered by 0.2 GW, estimates for new RES projects reduce estimated leverage and financial costs, while reducing production estimates from 2028e.

- Gradual 10% addressable cost savings included in model GC segment outlook (2-3% EBITDA impact by 2029e).
- **Overall slight increase in adj. EBITDA estimates, and high-single digit increase in adj. net profit for 2027-28e. 2026e estimates are lower mainly due to the weak 1Q26 wind production.**

Change in short-term estimates

Consolidated, IFRS (EUR, mn)	2026e			2027e			2028e		
	Now	Before	Change	Now	Before	Change	Now	Before	Change
Total revenues	2664	2439	9%	2690	2379	13%	2628	2526	4%
Adj. EBITDA	604	608	-1%	641	597	7%	655	654	0%
Green Capacities	258	282	-8%	268	276	-3%	272	301	-10%
Networks	292	288	1%	300	276	9%	317	298	7%
Reserve Capacities	42	53	-21%	46	34	36%	29	33	-12%
Customers and solutions	10	-17	n.m.	26	9	175%	34	19	79%
EBITDA	568	580	-2%	627	583	8%	641	640	0%
EBIT	313	329	-5%	354	312	13%	365	354	3%
Adj. net income	235	253	-7%	253	233	9%	260	240	8%
Net income	203	229	-12%	242	221	9%	249	229	9%
DPS* (EUR)	1.41	1.41	0%	1.45	1.45	0%	1.49	1.49	0%
CAPEX	644	647	0%	598	715	-16%	692	772	-10%
Green Capacities production* (TWh)	3.5	3.7	-6%	3.7	3.9	-3%	3.9	4.3	-8%
Reserve Capacities production (TWh)	0.5	1.0	-48%	0.5	1.0	-48%	0.5	1.0	-48%
Adj. EBITDA margin	22.7%	24.9%	-9%	23.8%	25.1%	-5%	24.9%	25.9%	-4%
Adj. Net margin	8.8%	10.4%	-15%	9.4%	9.8%	-4%	9.9%	9.5%	4%

Source: Erste Group Research; *excluding BESS

DCF valuation

A DCF-FCFF model remains our main valuation tool for Ignitis. **Our DCF provides a EUR 27.1 per share twelve-month target price; we thus confirm our Buy recommendation for Ignitis shares.** The model reflects the estimated contribution from existing and under-construction assets and 0.5 GW from its advanced development pipeline (down from 0.7 GW previously). We do not include Ignitis' two offshore projects and sizable early-development pipeline in our estimates.

Our cash flow assumptions reflect the postponed and slightly reduced delivery of the advanced development pipeline, and our higher mid-term profit estimates. We now expect small positive free cash flow in the next two years (supported by the sale of a stake in Vilnius CHP in 2026e) vs. the visibly negative figure expected previously for 2026-28e. This also leads to a slightly lower share of the terminal value in our valuation.

We have made several parametric changes to our model, with an almost neutral combined impact: Terminal RfR increased by 50bp to 3.50%, due to geopolitics; COD in the forecast period lowered by 50bp to 3.50% and beta reduced from 1.2 to 1.1 to reflect the lower leverage outlook; reduced terminal tax rate from 21% to 18% to reflect Ignitis' lower focus on expansion (in higher-tax countries). Our WACC range of 6.2% to 6.7% for the detailed period is some 40-50bp down from our previous valuation, while the terminal WACC of 7.1% is 50bp higher. A 50bp change in the terminal WACC changes our DCF valuation by 15-20%, with a similar sensitivity to the terminal growth rate.

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%	3.5%
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	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0
Cost of equity	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	9.6%
Cost of debt	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	4.0%
Effective tax rate	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	18.0%
After-tax cost of debt	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	3.3%
Equity weight	50%	48%	46%	44%	44%	44%	44%	45%	46%	48%	60%
WACC	6.7%	6.6%	6.4%	6.2%	6.2%	6.2%	6.3%	6.3%	6.4%	6.5%	7.1%

DCF valuation

(EUR mn)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e (TV)
Sales growth	6.7%	1.0%	-2.3%	2.7%	4.7%	-1.5%	2.2%	2.9%	2.1%	1.6%	2.0%
EBIT	313	354	365	387	412	374	372	370	350	319	341
EBIT margin	11.7%	13.2%	13.9%	14.3%	14.6%	13.4%	13.1%	12.7%	11.7%	10.5%	11.0%
Tax rate	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	18.0%
Taxes on EBIT	-53	-60	-62	-66	-70	-64	-63	-63	-60	-54	-61
NOPLAT	260	294	303	321	342	310	309	307	291	265	279
+ Depreciation	253	273	276	286	296	303	308	314	315	313	314
Capital expenditures / Depreciation	207%	219%	251%	247%	171%	130%	126%	126%	79%	80%	102%
+/- Change in working capital	41.7	31.3	67.9	78.2	25.7	25.3	31.8	36.7	-4.9	7.3	0.0
Chg. working capital / chg. Sales	25.0%	12.1.5%	-109.5%	110.8%	20.2%	-58.0%	52.1%	44.4%	-7.8%	15.5%	0.0%
- Capital expenditures, M&A	-524	-598	-692	-706	-507	-394	-388	-396	-248	-250	-320
Free cash flow to the firm	31	1	-46	-21	157	245	261	261	352	335	273
Terminal value growth											2.0%
Terminal value											5 504
Discounted free cash flow - Dec 31 2025	29	1	-38	-16	115	169	170	160	202	180	2 770
Enterprise value - Dec 31 2025	3 741										
Minorities - Vilnius CHP	120										
Non-operating assets - Dec 31 2025	0										
Net debt and leases - Dec 31 2025	1 912										
Equity value - Dec 31 2025	1 708										
Number of shares outstanding (mn)	72.4										
Cost of equity	10.5%										
12m target price per share	27.1										
Current share price (EUR)	21.3										
Up/Downside	28%										

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	6.1%	28.2	33.3	38.4	43.6	48.7
	6.6%	23.0	27.6	32.2	36.7	41.3
	7.1%	18.9	23.0	27.1	31.2	35.3
	7.6%	15.6	19.3	23.0	26.7	30.4
	8.1%	12.8	16.1	19.5	22.9	26.3
		Terminal value growth				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	6.1%	27.1	32.1	38.4	46.5	57.2
	6.6%	22.9	27.1	32.2	38.5	46.5
	7.1%	19.5	23.0	27.1	32.2	38.5
	7.6%	16.6	19.5	23.0	27.1	32.2
	8.1%	14.1	16.6	19.5	23.0	27.1

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.

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 more than a 60% discount to peers on P/E and more than 70% discounts on the P/BV ratio. The EV/EBITDA ratio shows >30% discounts for 2026-28e.

In terms of financials, the discounts are to some extent explained by Ignitis' higher near-term leverage and still high CAPEX. On the P/BV, the company has slightly below-median ROE. A bigger reason for the discount is in our view the recently declining net profit and liquidity of its shares. Also, the declining hedged electricity prices from high level could weigh on the sentiment. 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) and favorable regulation and RAB outlook in the Networks segment. Overall, peer comparison supports our positive view on the company.

Peer group comparison

	Mcap EUR bn	Ec. EV/EBITDA			P/E			Dividend yield			Ec. EV/EBIT			P/BV		
		2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e	2026e	2027e	2028e
Renewable																
CORP ACCIONA ENERGIAS RENOVA	7.7	9.8	10.7	10.5	28.0	35.6	30.1	0.9%	0.8%	0.9%	18.9	22.0	20.2	1.2	1.2	1.2
AUDAX RENOVABLES SA	0.6	7.6	6.8	6.4	13.1	11.7	11.1	2.2%	2.2%	2.3%	9.7	8.8	7.7	2.7	2.2	1.9
EDP RENOVABLES SA	15.3	11.7	11.2	10.7	35.3	32.2	28.2	1.1%	1.3%	1.5%	21.5	20.5	19.3	1.4	1.4	1.3
ECOENER SA	0.3	15.7	15.2	11.4	57.7	69.2	8.5	0.0%	0.0%	0.0%	28.3	24.3	16.7	2.0	3.3	2.5
ERG SPA	3.4	9.8	9.8	9.2	20.0	19.6	18.4	4.5%	4.5%	4.5%				1.7	1.7	1.6
ORSTED A/S	29.7	9.6	9.1	7.3	20.3	17.7	16.1	2.1%	2.3%	2.6%	15.5	15.0	11.8	1.7	1.6	1.5
Hidroelectrica	15.7	12.8	13.3	15.0	18.9	20.0	22.5	5.3%	5.0%	4.4%	15.3	16.5	18.8	3.5	3.5	3.6
Integrated																
EDP SA	18.7	7.9	7.8	7.5	14.3	15.3	14.3	4.6%	4.6%	4.7%	13.1	13.0	12.4	1.5	1.5	1.4
CEZ AS	28.8	9.4	10.0	10.1	20.7	22.7	23.5	3.5%	3.3%	3.1%	18.6	20.3	21.5	2.8	2.7	2.7
VERBUND AG	20.8	11.7	9.9	10.5	19.2	16.0	18.4	2.8%	3.2%	2.8%	16.2	13.6	15.7	2.0	1.9	1.8
IBERDROLA SA	133.0	12.1	11.8	11.4	19.8	18.6	17.4	3.7%	3.9%	4.1%	18.9	18.4	17.6	2.3	2.2	2.1
ENDESA SA	38.0	8.4	8.6	8.4	16.0	15.7	15.0	4.5%	4.7%	4.8%	13.8	14.2	13.8	4.4	4.3	3.9
RWE AG	42.3	11.3	10.0	9.4	20.9	17.7	16.7	2.3%	2.5%	2.8%	20.2	17.2	16.4	1.1	1.1	1.1
ENEL SPA	98.7	7.5	7.5	7.3	13.5	13.0	12.3	5.3%	5.6%	5.9%	11.5	11.6	11.3	2.8	2.7	2.5
FORTUM OYJ	18.7	13.3	15.0	14.5	19.6	22.3	21.8	4.5%	3.9%	4.0%	16.9	19.5	19.1	2.1	2.1	2.1
Median	18.7	9.8	10.0	10.1	19.8	18.6	17.4	3.5%	3.3%	3.1%	16.5	16.9	16.6	2.0	2.1	1.9
AB IGNITIS GRUPE	1.54	6.6	6.3	6.5	7.6	6.4	6.2	6.6%	6.8%	7.0%	12.0	11.1	11.4	0.6	0.6	0.5
<i>Premium/discount</i>		-33%	-37%	-36%	-62%	-66%	-64%				-27%	-34%	-31%	-71%	-74%	-72%
	Mcap EUR bn	EBITDA margin			Net margin			2025-28e 3Y CAGR			Ec. ND/EBITDA			ROE		
		2026e	2027e	2028e	2026e	2027e	2028e	Rev.	EBITDA	EPS	2026e	2027e	2028e	2026e	2027e	2028e
Renewable																
CORP ACCIONA ENERGIAS RENOVA	7.7	42.9%	39.1%	37.8%	11.0%	8.5%	8.5%	-0.6%	-11.0%	-26.8%	2.9	3.1	3.1	4.6%	3.5%	4.0%
AUDAX RENOVABLES SA	0.6	6.5%	6.9%	6.9%	2.8%	3.0%	3.0%	2.2%	11.7%	43.5%	2.5	2.1	1.7	21.8%	20.8%	18.7%
EDP RENOVABLES SA	15.3	77.6%	76.9%	76.9%	16.4%	17.4%	19.3%	2.9%	5.9%	34.9%	3.7	3.4	3.1	4.1%	4.4%	4.8%
ECOENER SA	0.3	57.4%	58.9%	63.8%	6.2%	10.6%	19.7%	22.9%	33.4%	74.4%	11.5	11.4	8.7	3.5%	3.6%	33.7%
ERG SPA	3.4	69.6%	69.4%	70.2%	20.7%	20.5%	20.3%	5.5%	5.2%	40.7%	3.7	3.8	3.5	8.5%	8.6%	9.0%
ORSTED A/S	29.7	36.3%	37.8%	39.7%	14.3%	14.7%	16.2%	8.1%	24.8%	73.4%	1.8	2.0	1.0	8.6%	9.1%	9.3%
Hidroelectrica	15.7	56.2%	56.0%	51.6%	40.2%	39.8%	36.1%	1.5%	4.1%	2.6%	-0.7	-0.7	-0.7	19.1%	17.6%	15.8%
Integrated																
EDP SA	18.7	32.5%	32.7%	33.4%	8.4%	8.1%	8.4%	0.3%	2.7%	4.0%	3.2	3.1	3.0	10.8%	9.8%	10.0%
CEZ AS	28.8	36.0%	35.1%	34.5%	11.1%	10.0%	9.3%	-3.1%	-9.7%	1.9%	3.0	3.2	3.3	13.4%	12.1%	11.6%
VERBUND AG	20.8	31.4%	36.4%	35.2%	14.9%	16.5%	15.2%	-2.8%	-1.8%	-8.9%	1.9	1.9	2.1	10.4%	12.1%	10.0%
IBERDROLA SA	133.0	35.9%	36.3%	37.1%	14.4%	14.9%	15.5%	4.1%	5.9%	7.0%	3.3	3.4	3.4	12.6%	12.2%	12.5%
ENDESA SA	38.0	28.1%	28.5%	29.2%	11.2%	11.3%	11.5%	0.3%	3.1%	4.9%	1.9	2.1	2.2	27.5%	27.6%	27.0%
RWE AG	42.3	28.1%	30.7%	31.9%	9.1%	10.5%	10.7%	9.1%	40.7%	-7.4%	2.6	2.5	2.6	5.5%	6.4%	6.5%
ENEL SPA	98.7	28.2%	27.2%	27.5%	8.6%	8.3%	8.4%	6.2%	6.9%	23.6%	2.7	2.9	2.9	24.1%	21.2%	21.0%
FORTUM OYJ	18.7	28.0%	26.2%	26.5%	17.3%	15.7%	15.5%	2.3%	4.1%	4.0%	1.1	1.3	1.2	11.2%	9.5%	9.7%
Median	18.7	35.9%	36.3%	35.2%	11.2%	11.3%	15.2%	2.3%	5.2%	4.9%	2.7	2.9	2.9	10.8%	9.8%	10.0%
AB IGNITIS GRUPE	1.54	21.3%	23.3%	24.4%	7.6%	9.0%	9.5%	-0.7%	6.2%	10.8%	3.9	3.8	4.1	8.0%	9.1%	8.9%
<i>Difference (pp)</i>		-15%	-13%	-11%	-4%	-2%	-6%	-3.0%	1.0%	5.9%	1.2	1.0	1.2	-2.9%	-0.7%	-1.1%

Source: Data provider, Erste Group Research; Note: Ec. ND includes relevant provisions, Ec. EV includes relevant provisions and minorities

Financial forecast

Green Capacities

Ignitis has increased its Green Capacities portfolio from 1.2 GW in 2022 to 2.1 GW by YE25. The company finished 0.7 GW in 2025 alone, while it started 0.3 GW of BESS projects. 110MW pumped-storage capacity and 174 MW PV capacity are also under construction. The finished and under construction projects have overall capacity of 2.7 GW.

The company targets 2.8-3.2 GW by 2029 and has a long-term plan to have 4-5 GW installed, including its 0.7 GW Curonian Nord offshore project (with a license and connection agreement). The plans imply that IGN starts 0.1-0.5 GW new projects this or next year and would add another 0.1-1.5 GW in the long run.

Assets in operation and under construction, as of 1Q26

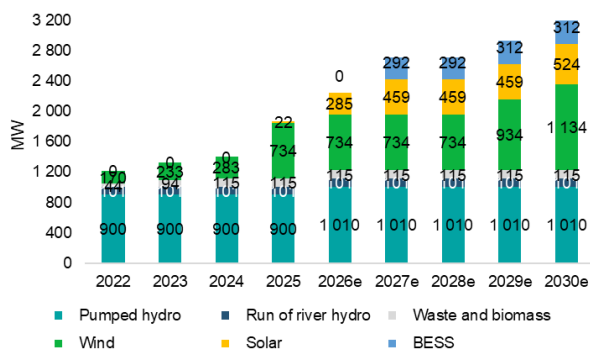
	Energy source	Ignitis grupe ownership share, %	Financial consolidation	Country	COD / Expected COD	Installed capacity, MW
Vėjo gūsis (Liepynė)	Onshore Wind	100%	Full	Lithuania	2010	9
Vėjo gūsis (Kreivėnai)	Onshore Wind	100%	Full	Lithuania	2010	10
Vėjo Vatas	Onshore Wind	100%	Full	Lithuania	2011	15
Tuuleenergia	Onshore Wind	100%	Full	Estonia	2013-2014	18
Eurakras	Onshore Wind	100%	Full	Lithuania	2016	24
Pomerania	Onshore Wind	100%	Full	Poland	2021	94
Mažeikiai	Onshore Wind	100%	Full	Lithuania	2023	63
Silesia I	Onshore Wind	100%	Full	Poland	2024	50
Tauragė solar project I	Solar farm	100%	Full	Lithuania	2024	22
Kelmė WF I	Onshore Wind	100%	Full	Lithuania	2025	114
Kelmė WF II	Onshore Wind	100%	Full	Lithuania	2025	200
Silesia II	Onshore Wind	100%	Full	Poland	2025	137
Polish solar portfolio	Solar farm	100%	Full	Poland	2025	24
Stelpe SF	Solar farm	100%	Full	Latvia	2025	145
Varne SF	Solar farm	100%	Full	Latvia	2025	94
Total operating wind and solar farms						1 019
Tume SF	Solar farm	100%	Full	Latvia	2026	174
Total wind and solar farms under construction						174
Kruonis PSHP	Iro Pumped-Stor.	100%	Full	Lithuania	1992-1998 ¹	900
Kaunas HPP	Hydro	100%	Full	Lithuania	1959	101
Total operating hydro units	Hydro					1 001
Kruonis PSHP expansion	Iro Pumped-Stor.	100%	Full	Lithuania	2026	110
Total hydro units under construction						110

¹ Completion of the first turbine in 1992; full completion in 1998.

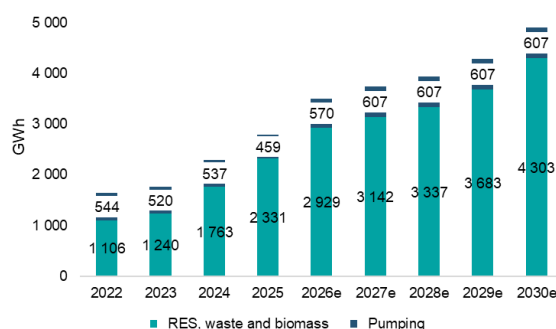
Source: Ignitis

We have slightly reduced our model assumption for final installed capacity by 0.2 GW to 3.2 GW, with delivery postponed by a year to 2030e, due to Ignitis' more value-oriented new mid-term strategy. This capacity is covered by advanced development projects with secured connection agreements (as per earlier company information) and we assume one hybrid wind/PV/BESS project to be delivered.

Green Capacities installed capacities forecast



Green Capacities production forecast (ex-BESS)



Source: Ignitis, Erste Group Research

Ignitis has a large early development pipeline including the 0.7 GW offshore project, which we do not include in our projections for the time being. Offshore projects are highly capital-intensive and need backing in the form of government CfD or at least a very long-term cPPA with an external corporate customer with an investment grade rating. Lithuania's second offshore auction with a CfD scheme was not successful in 2025 and there is no timing for the next round.

Still, we see Ignitis as well-positioned for long-term RES additions, thanks to its ownership of flexible generation and vertical integration in supply. This should allow better net capture prices and lower the cost of debt vs. pure RES developers.

Production in Green Capacities grew from 1.7 TWh in 2022 to 2.8 TWh in 2025. Excluding pump-hydro, production doubled in the period from 1.1 TWh to 2.3 TWh. While the increase is impressive, 2025 showed low load factors for onshore wind (-8.5pp y/y), partly due to the weather and partly due to other factors.

Assuming normalized wind conditions in 2-4Q (after very weak 1Q), we expect a 26% y/y increase in production from RES (ex-pumping) to 2.9 GWh in 2030e, and an **overall 13% 5Y CAGR to 4.3 GWh in 2030e**.

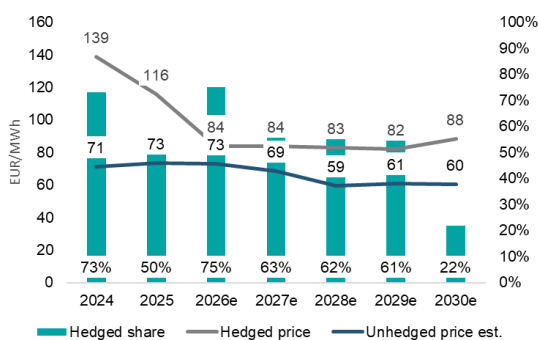
Including pumping, we forecast a 12% 5Y CAGR to 4.9 TWh in 2030e, on the back of growing installed capacities from 2.1 GW to 3.2 GW. Generation from pumped hydro is forecast to increase slightly thanks to 110 MW new capacity, and we assume the addition of 290 MW BESS. BESS could produce some 0.2 TWh, but this volume is not shown in the chart above (we use a simplified assets x ROI approach to BESS economics).

Prices >60% hedged mid-term

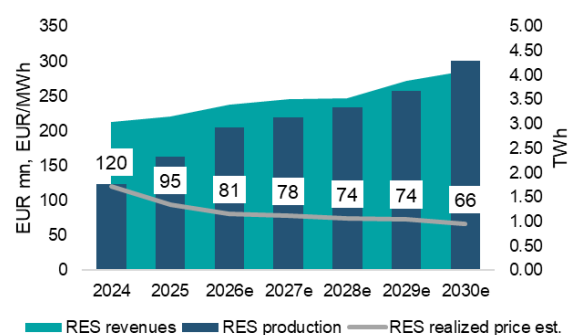
Ignitis is hedging production from RES using mid- to long-term PPAs and CfDs, while the majority of PPAs are internal with the supply segment. The company aims to hedge up to 60-70% of production mid-term.

Ignitis sees significantly declining hedged prices from EUR 116/MWh in 2025 to EUR 84/MWh in 2026. Going forward, the company has hedged basically stable prices until 2029 for slightly more than 60% of production. The company also hedged about one fifth of production at levels that we estimate at EUR 85-90/MWh in the long term.

Prices and hedged share of production forecast (actual hedging disclosed for 2026-29)



RES average realized price and revenue forecast



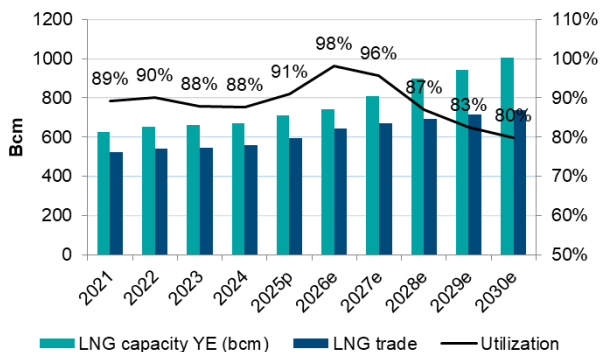
Source: Ignitis, Erste Group Research, excluding energy storage

For unhedged volumes, we forecast capture prices at a 20% discount to day-ahead market prices in 2026e and later at a 15% discount, as the massive Lithuanian BESS program, aiming for 1.7 GW / 4 GWh storage capacities by 2028 (including Ignitis' 291 MW BESS), will smooth out prices.

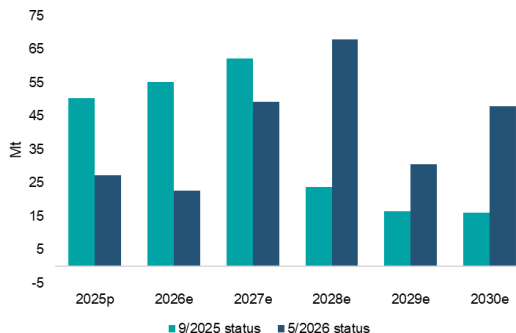
We expect that DAH prices will stay at EUR 80-90/MWh in the Baltics in 2026-27e, driven by the impact from the Iran war on natural gas. The outlook for global export LNG capacities is already severely hit by the halted exports and postponed capacity additions in Qatar. The originally

expected oversupply in the global LNG market now seems effectively postponed from 2026 to 2H27, or more likely to 2028.

Global LNG market outlook



Expected LNG export capacity additions (U.C. + FID)



Source: Erste Group Research, IGU, IEA, LSEG

Mid-term, we forecast DAH prices declining to slightly above EUR 70/MWh, due to fast-growing regional RES production combined with the Lithuanian BESS pipeline. The global LNG market should also move from tight to soft by the end of the decade. Our forecast for Ignitis' average realized price is thus declining from the estimated EUR ~95/MWh in 2025 to EUR 81/MWh in 2026e and to below EUR 70/MWh by 2030e. Please note that the company does not disclose average realized prices, but only prices for hedged volumes.

The Green Capacities segment earns a good part of EBITDA from other sources. A key contributor is pumped hydro, while other contributors are heat and waste incineration revenues and revenues from system services. We estimate the pumping margin at around EUR 70-80mn. The company earned high profits on the newly established balancing capacity market in 2025. Part of this was, however, taxed with special taxes. Revenues from the balancing market are declining in 2026 due to more competition, which is offset with the expiration of special taxes. In total, we estimate moderate growth of adj. EBITDA in the Green Capacities segment at a 1-2% 5Y CAGR in 2025-30e, as additional capacities and modelled profitability of BESS outweigh the projected 7% negative CAGR in realized RES prices.

Green Capacities P&L forecast

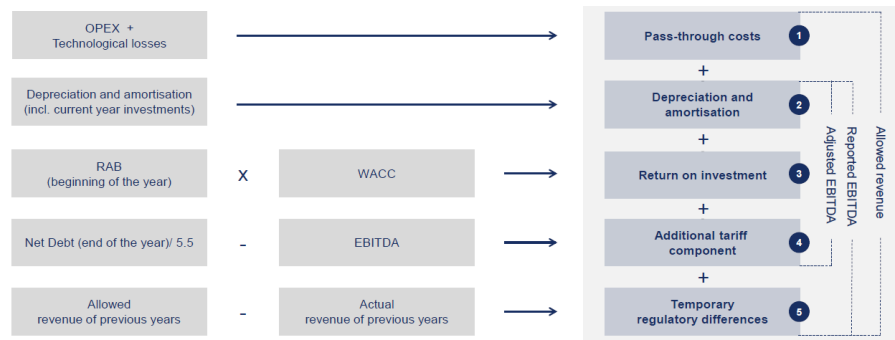
EUR mn	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Installed capacity (MW)	1 215	1 328	1 421	2 135	2 418	2 710	2 710	2 995	3 195
Pumped hydro	900	900	900	900	1 010	1 010	1 010	1 010	1 010
Run of river hydro	101	101	101	101	101	101	101	101	101
Waste and biomass	44	94	115	115	115	115	115	115	115
Wind	170	233	283	734	734	734	734	934	1 134
Solar	0	0	22	285	459	459	459	524	524
BESS	0	0	0	0	0	292	292	312	312
Production (GWh)	1 650	1 760	2 300	2 790	3 498	3 749	3 944	4 290	4 910
RES, waste and biomass	1 106	1 240	1 763	2 331	2 929	3 142	3 337	3 683	4 303
Pumping	544	520	537	459	570	607	607	607	607
RES hedged price (EUR/MWh)	105	143	139	116	84	84	83	82	88
RES hedged production	54%	81%	73%	50%	75%	63%	62%	61%	22%
RES unhedged price estimate (EUR/MWh)	196	82	71	73	73	69	59	61	60
RES average realized price estimate (EUR/MWh)	147	131	120	95	81	78	74	74	66
Adj. EBITDA	252	223	262	292	258	268	272	292	294
EBITDA adjustments	1	0	11	15	10	10	10	10	10
EBITDA	253	223	273	306	268	278	282	302	304

Source: Erste Group Research, Ignitis; Lines below 'RES hedged production' and above 'Adj. EBITDA' are Erste estimates also for 2022-25

Networks

The networks segment (“ESO” subsidiary) operates electricity and gas distribution networks in Lithuania, where it has a natural monopoly position (99.5% market share). The segment earns fully regulated income based on the regulated assets base (RAB) and regulated return (WACC), with five-year regulatory periods. ESO also acts as a supplier of last resort.

Distribution allowed revenue regulation



Source: Ignitis, Erste Group Research

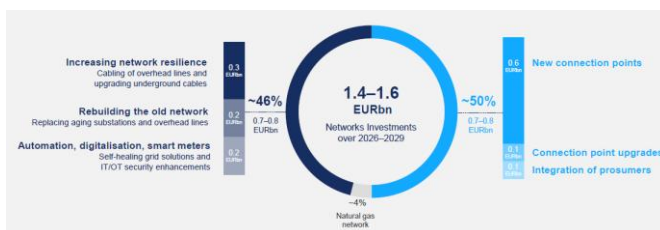
Distribution parameters y/y change for 2026

EUR mn	RAB	WACC	Additional tariff component	Regulatory D&A	Regulatory period
2025	1795	5.79%	37.5	99.5	2022-26
2026	1906	5.74%	51.8	109.5	2024-28
Change		6.2%	14.3	10.0	

Source: Ignitis, Erste Group Research

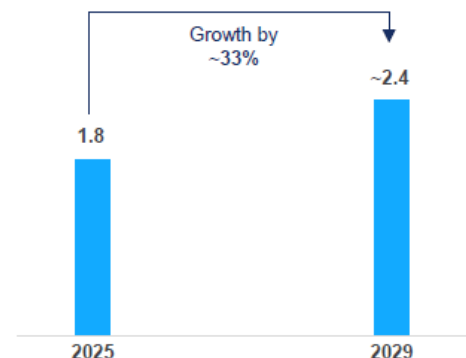
Investments follow the 10Y investment plan approved by the regulator, which calls for EUR 3.5bn for 2024-33. The company indicated certain frontloading of the plan with its recent strategy update, as it wants to spend EUR 1.4-1.6bn CAPEX in 2026-29, i.e. EUR ~0.38bn annually. This is above the 10Y average of EUR 0.35bn and above Ignitis’ previous mid-term plan of EUR ~0.3bn. Investments are well above depreciation (of EUR 0.1bn) and will lead to **about a 7% 5Y CAGR in RAB** on our estimates. The company expects EUR ~2.4bn RAB by 2029e, in-line with our estimates.

3Y networks CAPEX plan



Source: Ignitis

RAB outlook 2025-29 (EUR bn)



Regulatory return (WACC) was lowered marginally for 2026, due to the 0.24pp lower risk-free rate. While the RfR is creeping upwards in recent months (is close to 4.0%), we run it stable at 3.5% for WACC for the time being. This is still a 50bp increase from our previous estimates. Overall, we

project slightly growing WACC due to an increase in the average cost of debt at Ignitis (due to maturing 2% bonds in 2027-30):

Regulated WACC calculation (electricity)

	2024	2025	2026	2027e	2028e	2029e	2030e
Risk free rate	2.9%	3.8%	3.5%	3.5%	3.5%	3.5%	3.5%
Equity beta	0.77	0.78	0.75	0.75	0.75	0.75	0.75
Equity risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of equity	6.7%	7.7%	7.3%	7.3%	7.3%	7.3%	7.3%
Cost of debt	2.3%	2.5%	2.7%	2.9%	3.0%	3.0%	3.5%
CIT	15%	16%	17%	17%	17%	17%	17%
After-tax cost of debt	2.0%	2.1%	2.3%	2.4%	2.5%	2.5%	2.9%
Debt weight	50%	50%	50%	50%	50%	50%	50%
Post-tax WACC	4.3%	4.9%	4.8%	4.8%	4.9%	4.9%	5.1%
Pre-tax WACC	5.1%	5.8%	5.8%	5.8%	5.9%	5.9%	6.1%

Source: Ignitis, Erste Group Research

The regulated return includes an “additional tariff component”, which adjusts tariff to keep leverage of the ESO subsidiary below 5.5x ND/EBITDA if needed. This provides Ignitis with high visibility in terms of its capacity to invest. ESO has reached the leverage limit for 2026, with a correspondingly increased tariff.

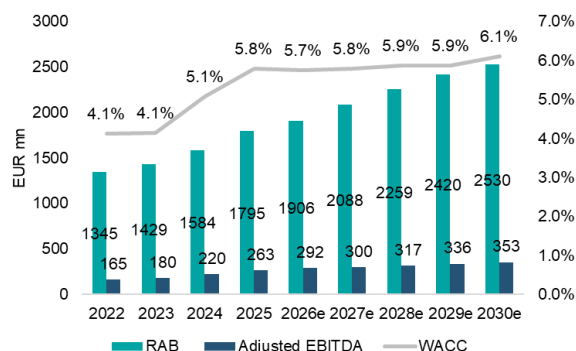
We have adjusted our EBITDA estimates for Networks upwards in high-single digits in 2027-30e due to a 50bp increase in mid-term risk free rate, increased mid-term CAPEX plan, and higher ESO leverage, thus higher additional tariff component. Overall, we forecast a **6% 5Y adj. EBITDA CAGR in 2025-30e**. Note, that temporary fluctuations from the approved regulated return result from changes in distributed volumes and technological losses and are excluded from adj. EBITDA. They are visible in reported EBITDA (and in reported net profit).

Networks P&L forecast

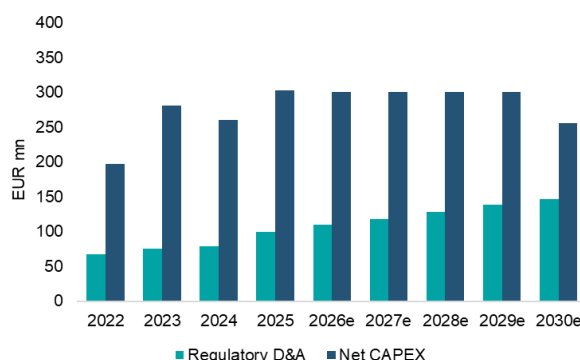
EUR mn	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
RAB	1345	1429	1584	1795	1906	2088	2259	2420	2530
WACC	4.1%	4.1%	5.1%	5.8%	5.7%	5.8%	5.9%	5.9%	6.1%
Regulatory D&A	68	75	79	100	110	118	129	139	147
Net CAPEX	197	282	261	303	300	300	300	300	256
Regulatory return+D&A	123	134	160	203	219	239	261	281	301
Additional tariff and other differences	41	46	60	60	73	61	56	56	52
Adjusted EBITDA	165	180	220	263	292	300	317	336	353
EBITDA adjustments	-17	112	-17	-75	-52	-24	-24	-24	-24
EBITDA	148	292	203	189	239	276	293	312	329

Source: Ignitis, Erste Group Research

Networks RAB and adj. EBITDA forecast



Networks CAPEX and D&A forecast



Source: Ignitis, Erste Group Research

Other segments

While the **Reserve Capacities (gas-fired PP)** and **Customers & Solutions (supply)** segments are important for Ignitis in terms of stabilization/vertical integration of the business, they are in terms of “business as usual” only small EBITDA contributors.

Reserve Capacities consist of 2 x 300 MW older natural gas/oil-fired units (one refurbished, the second refurbished by 2Q26) and one modern 455 MW CCGT. Some 0.9 GW is provided for isolated system operation services to the TSO and the remuneration basically covers D&A plus a small profit. The CCGT also provides balancing capacity services, sells electricity in short-term markets and has won several capacity contracts with Polish TSO for years 2026, 2027 and 2030.

Unit commercial gross margin was relatively high during the energy crisis, but declined to a standard level in 2025, and we model it flat going forward. This was offset with high volumes in the balancing market in 2025, but volumes are forecast to drop due to growing competition. We thus forecast lower commercial EBITDA in the mid term. Ignitis’ guidance calls for flat Reserves Capacities EBITDA in 2026, which we attribute to EUR 13mn Polish capacity payments, followed by EUR 16mn in 2027 and EUR 15mn in 2030.

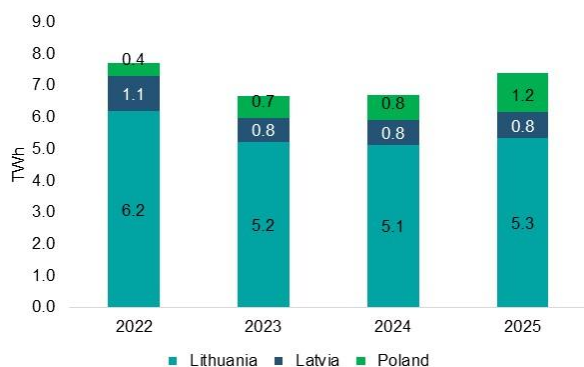
Reserve Capacities P&L forecast

EUR mn	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Total capacity (MW)	1055	1055	1055	1055	1055	1055	1055	1055	1055
Electricity production (GWh)	270	310	520	1 190	543	543	543	543	543
Gross margin commercial (EUR/MWh)	83	40	51	28	28	28	28	28	28
Electricity, balancing and capacity margin	21	39	30	31	36	33	17	17	31
Reserve and isolated regime capacity (MW)	891	891	891	891	891	891	891	891	891
Regulatory D&A	13	11	11	11	12	12	12	11	11
Regulated margin	14	11	12	7	6	13	13	12	12
Adjusted EBITDA	35	50	42	38	42	46	29	29	43
EBITDA adjustments	3	0	0	-2	0	0	0	0	0
EBITDA	38	50	42	36	42	46	29	29	43

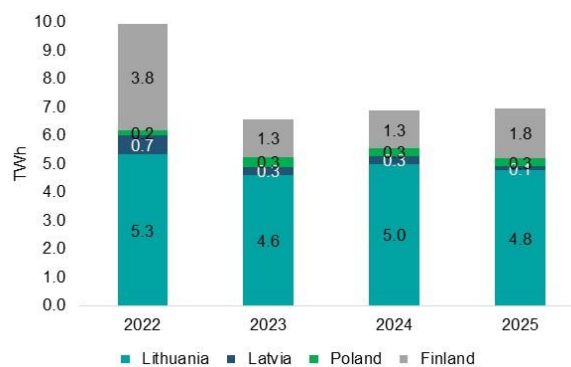
Source: Ignitis, Erste Group Research

The supply segment (Customers & Solutions) sells 7.4 TWh of electricity and 7.0 TWh of natural gas to end customers in Lithuania and in the Baltics, Finland and Poland. It also trades in Baltic power exchanges and sells production from company RES sources. A small part of Lithuanian households (below 1.0 MWh/y consumption) is regulated and served by Ignitis until 2029.

Electricity supply by country



Natural gas supply by country



Source: Ignitis, Erste Group Research

The company recorded 10% electricity volume growth in 2025 after several years of decline, as it expands in Poland and in the B2B segment. 1Q26 was again very strong (+20% y/y) thanks to harsh weather in the Baltics and expansion in Poland and Latvia.

The supply segment recorded sizeable EBITDA loss in 2025, which was from two-thirds attributable to prosumer regulations (net metering). The company recorded EUR 15mn and EUR 29mn losses on prosumers in 2024 and 2025 as installed PV capacity via distribution grids reached 2.5 GW by YE25, up from 0.6 GW in 2023. The company also cited y/y lower margins on wholesale natural gas contracts. An update to the prosumer regulation is pending in parliament, which should reduce the losses on prosumers by some 70%, according to management.

1Q26 EBITDA was positive and the segment returned to black numbers mainly thanks to strong volumes (due to harsh weather). We also believe that Ignitis is finally past some old unprofitable contracts from the energy crisis. Overall, we are encouraged by the good 1Q26 result and increase our estimates substantially.

Still, our forecast EBITDA margin of 2-3% is below industry standards. This is partly due to costs related to the rollout of EV charging points in the Baltics. We model approx. 2,600 charging points by 2030e, up from 1,800 in YE25. Overall, we expect that the segment returns to **about EUR 20-30mn EBITDA in the mid-term, with positive EBITDA already in 2026e**. We see the value of the segment more in customer relations than in outright profit generation.

Customers & Solutions P&L forecast

EUR mn	2022	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Electricity retail volume (TWh)	7.7	6.7	6.7	7.4	8.0	8.4	8.7	9.1	9.6
Natural gas retail volume (TWh)	9.9	6.6	6.8	7.0	7.8	7.7	7.5	7.3	7.2
Total revenues	3 001	1 737	1 216	1 215	1 360	1 333	1 230	1 198	1 236
Gross margin (%)	1.8%	4.5%	4.2%	0.5%	4.0%	5.4%	6.7%	6.4%	6.5%
OPEX	38	48	43	55	45	46	49	50	51
Adjusted EBITDA	16	30	7	-49	10	26	34	27	30
Adjusted EBITDA margin	0.5%	1.8%	0.6%	-4.0%	0.7%	1.9%	2.8%	2.3%	2.4%
EBITDA adjustments	83	-90	11	-2	7	0	0	0	0
EBITDA	98	-60	18	-51	16	26	34	27	30

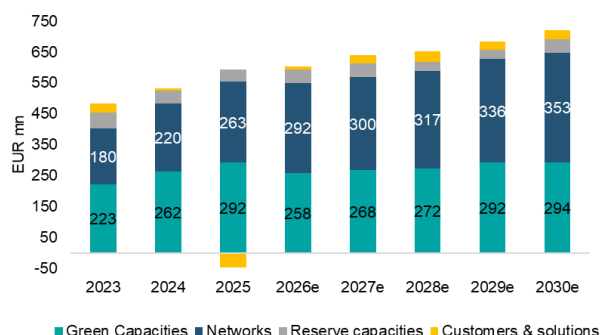
Source: Ignitis, Erste Group Research

~6% 5Y group adjusted EBITDA CAGR forecasted

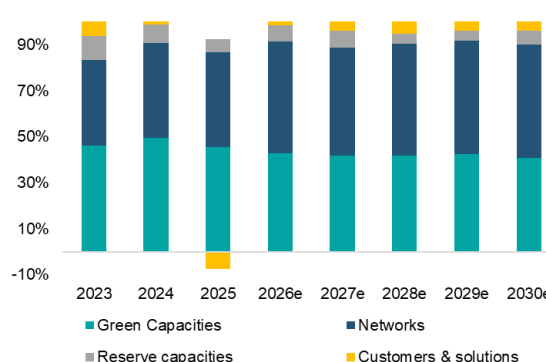
We forecast a 11% y/y adj. EBITDA increase in 2026e, mainly thanks to the expected recovery of the supply segment from last year's losses. This is partly dependent on the timely approval of updated prosumer regulations. We also expect a more than 10% y/y increase in Networks on the good tariff approved for this year.

We have reduced estimates for Green Capacities, mainly due to the weak load factor for onshore wind in 1Q26. Growing production from new assets and hydro thus should not offset declining hedged prices. Electricity prices in the Baltics should stay relatively high this and next year, due to the Iran war, which somewhat supports the segment. Our 2026 adj. EBITDA forecast is marginally above the top end of company guidance.

Adj. EBITDA forecast by segment



Adj. EBITDA forecast share by segment



Source: Ignitis, Erste Group Research

Overall, we estimate a ~6% 5Y adj. EBITDA CAGR for 2025-30e. Ignitis will finish its 0.6 GW energy storage and PV pipeline in 2026-27e, and we model an addition of another 0.5 GW of RES. This offsets the expected gradual easing of prices in Green Capacities (54% adj. EBITDA share) in the mid-term, with resulting stable forecasted segment EBITDA. We assume that Networks (48% adj. EBITDA share) will be the growth driver for Ignitis, thanks mainly to a 7% CAGR in RAB in 2025-30e, as grids need to be adapted and modernized. This is supported by projected stabilization of the supply result at a modest but positive margin.

Restart of net profit growth

On the adjusted net profit level, we expect restarted growth in 2026e and in the mid-term, after the weaker period in 2024-25 caused predominantly by different timing of production and D&A for new RES capacities. As the Green Capacities additions near completion and leverage stabilizes, the adjusted net profit should grow approximately in-line with adj. EBITDA.

The average interest rate should gradually increase as Ignitis' cheap EUR 900mn bonds mature in 2027-30. We also model that its effective tax rate will gradually approach the Lithuanian nominal tax rate due to the expiration of tax investment incentives. We reduce the expected long-term tax rate from 21% to 18%, as we do not expect a high share of foreign operations in Ignitis' results, after the reduction of its RES plans. **Overall, we expect a ~4% 5Y CAGR of adjusted net profit in 2025-30e.** For 2029 (end of current mid-term strategy window) we expect adjusted profit close to the lower end of the company's EUR 250-300mn guidance.

Average dividend yield of ~7% for 2026-30e

In terms of dividends, **we stick to the company policy to grow DPS by at least 3% annually** and see the company as fully capable of keeping the policy long-term. This results in a high **average dividend yield of 7.0%** (on a EUR 21.25 share price) **from 2026-30e profits** (paid semi-annually, in 2H26-1H31e) and a dividend PoR at an undemanding 42% for 2030e.

Dividend forecast

	2 024	2 025	2026e	2027e	2028e	2029e	2030e
DPS (paid semi-annually)*	1.33	1.37	1.41	1.45	1.49	1.54	1.58
Dividend PoR from adj. net profit	35%	44%	43%	41%	41%	43%	42%
Dividend yield			6.6%	6.8%	7.0%	7.2%	7.5%

Source: Ignitis, Erste Group Research; * DPS in relation to net profit, not to timing of payment

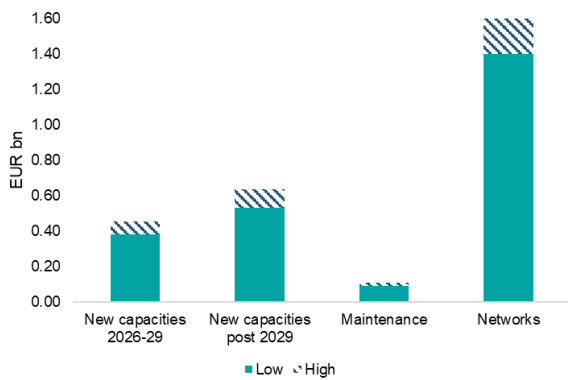
CAPEX and leverage outlook

Ignitis finished the majority of ongoing Green Capacities projects in 2025 and we estimate only about EUR 0.2bn remaining for 2026-27e.

Ignitis plans a total EUR 1.0-1.1bn CAPEX in Green Capacities in 2026-29, as it assumes about EUR 0.4bn to reach the 2.8-3.2 GW capacity target for 2029, allocates EUR 0.1bn for repairs and maintenance and EUR 0.6bn for assets to be finished after 2029. This amount is obviously conditional on finding projects with sufficient ROI (WACC + ≥100bp). A major potential project would be the 0.7 GW offshore park, which would require a government decision to go in the offshore direction (instead of e.g. SMRs).

The company has increased its CAPEX plan in Networks to EUR 1.4-1.6bn, where one half should go to grid expansion, mainly new connections. Part of the story here is Lithuania’s large BESS program and Ignitis’ plan to attract datacenter investments. In total, Ignitis’ 4Y CAPEX plan of EUR 2.5-3.0bn is down some 20% from the previous one, but still ~3.5x above the current D&A level.

2026-29 investment plan



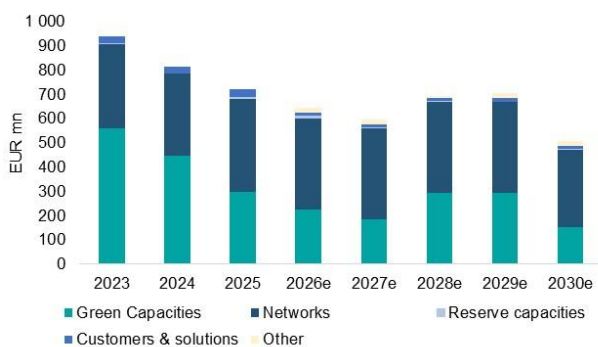
Source: Ignitis, Erste Group Research

Progress in investment plan in RES



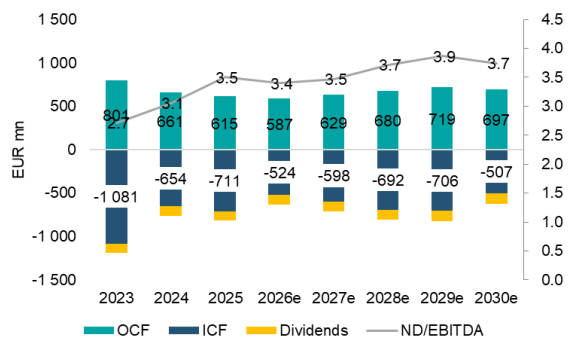
We forecast EUR 3.2bn CAPEX in the 2026-30e period, i.e. about EUR 0.6bn annually. Our forecast is in line with the company plan for networks and assumes the addition of all under-construction projects (0.7 GW) and 0.4 GW of RES projects from the advanced pipeline. Installed capacities thus reach 3.2 GW by 2030e. We will add more projects to our model only once we see them as ‘tangible’ enough.

CAPEX forecast by segment



Source: Ignitis, Erste Group Research

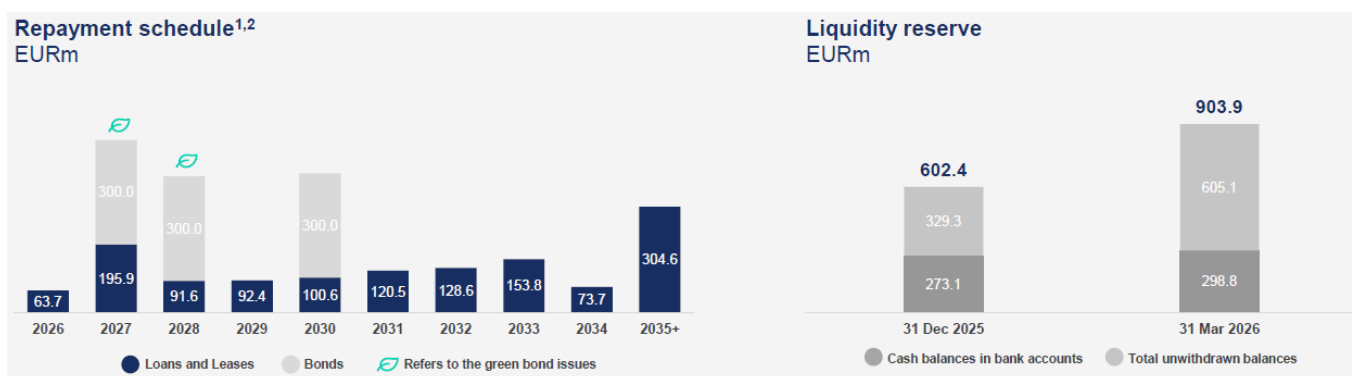
CF and ND/adj. EBITDA forecast



Ignitis' leverage increased from 2x to 3.5x ND/EBITDA by 2025e but should be stable or slightly growing on our model assumptions. This is in-line with Ignitis' new leverage policy of 3-4x ND/adj. EBITDA in 2026-29. Our projections include the stable 3% annual growth in dividends.

Financing and debt structure

The company currently has three bonds outstanding, in a total amount of EUR 3x300mn, and an average fixed effective rate of 1.96%. Some EUR 1.2bn comes from long-term loans and EUR 0.14bn in overdrafts, short-term loans and leases. For RES projects, the company usually uses standard project financing with a 60-75% share of debt, which is either fixed-rate or hedged for the long term. Major maturing debts include the 3x300mn bonds in 2027/28/30. The company had EUR 0.9bn in undrawn credit and cash as of 1Q26.



Source: Ignitis

The company currently has an investment grade rating of BBB+ with a stable outlook, which was in 1Q26 supported by the sale of a 49% stake in Vilnius CHP for EUR 120mn (including an expected EUR 10mn earn-out). Financing requirements will be relatively high in 2027-28e, with planned investments of over EUR 0.5bn and bond debt repayments as depicted above. There is a good liquidity reserve, so we have no concerns in this regard.

Income Statement	2023	2024	2025	2026e	2027e	2028e
(IAS, EUR mn, 31/12)	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028
Net sales	2 549.10	2 307.00	2 497.70	2 664.08	2 689.83	2 627.82
Invent. changes + capitalized costs	0.00	0.00	0.00	0.00	0.00	0.00
Total revenues	2 549.10	2 307.00	2 497.70	2 664.08	2 689.83	2 627.82
Other operating revenues	0.00	0.00	0.00	0.00	0.00	0.00
Material costs	-1 757.70	-1 444.70	-1 625.10	-1 479.76	-1 421.55	-1 280.60
Personnel costs	-136.70	-163.10	-239.10	-224.24	-237.17	-244.62
Other operating expenses	-147.30	-166.50	-151.40	-391.59	-403.81	-461.67
EBITDA	507.40	532.70	482.10	568.50	627.30	640.94
Depreciation/amortization	-155.20	-182.70	-230.70	-255.54	-273.33	-276.17
EBIT	352.20	350.00	251.40	312.95	353.97	364.77
Financial result	1.70	-41.70	-61.30	-66.48	-55.92	-61.24
Extraordinary result	0.00	0.00	0.00	0.00	0.00	0.00
EBT	353.90	308.30	190.10	246.47	298.05	303.53
Income taxes	-33.70	-32.10	-26.20	-36.97	-44.71	-45.53
Result from discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00
Minorities and cost of hybrid capital	0.00	0.00	0.00	-6.95	-11.61	-9.24
Net result after minorities	320.20	276.20	163.90	202.56	241.73	248.76
Balance Sheet	2023	2024	2025	2026e	2027e	2028e
(IAS, EUR mn, 31/12)						
Intangible assets	365.30	383.40	416.70	436.60	456.64	462.67
Tangible assets	3 362.50	4 027.40	4 699.20	5 050.67	5 339.23	5 734.75
Financial assets	489.10	341.20	164.50	163.03	169.09	169.43
Total fixed assets	4 216.90	4 752.00	5 280.40	5 650.30	5 964.96	6 366.85
Inventories	274.80	247.70	240.00	255.99	258.46	252.50
Receivables and other current assets	547.40	471.80	462.20	426.94	431.25	395.41
Other assets	0.00	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalents	205.30	234.50	296.30	389.05	99.38	163.00
Total current assets	1 027.50	954.00	998.50	1 071.98	789.09	810.92
TOTAL ASSETS	5 244.40	5 706.00	6 278.90	6 722.28	6 754.05	7 177.77
Shareholders'equity	2 263.40	2 436.80	2 494.70	2 596.89	2 735.24	2 877.53
Minorities	0.00	0.00	0.00	120.00	120.00	120.00
Hybrid capital and other reserves	0.00	0.00	0.00	0.00	0.00	0.00
Pension and other LT personnel accruals	0.00	0.00	0.00	0.00	0.00	0.00
LT provisions	88.30	129.00	220.70	177.18	161.47	144.67
Interest-bearing LT debts	1 521.20	1 711.60	1 888.10	1 397.63	1 710.76	2 216.50
Other LT liabilities	695.70	680.30	729.60	763.61	782.80	823.88
Total long-term liabilities	2 216.90	2 391.90	2 617.70	2 161.23	2 493.56	3 040.38
Interest-bearing ST debts	112.00	135.20	320.30	1 044.60	613.41	380.33
Other ST liabilities	563.80	613.10	625.50	622.39	630.37	614.86
Total short-term liabilities	675.80	748.30	945.80	1 666.98	1 243.77	995.18
TOTAL LIAB., EQUITY	5 244.40	5 706.00	6 278.90	6 722.28	6 754.05	7 177.77
Cash Flow Statement	2023	2024	2025	2026e	2027e	2028e
(IAS, EUR mn, 31/12)						
Cash flow from operating activities	800.80	661.20	615.10	586.63	629.02	679.52
Cash flow from investing activities	-1 081.10	-654.30	-710.80	-523.50	-597.50	-692.35
Cash flow from financing activities	-208.50	22.30	157.50	29.63	-321.19	76.45
CHANGE IN CASH, CASH EQU.	-488.80	29.20	61.80	92.75	-289.68	63.62
Margins & Ratios	2023	2024	2025	2026e	2027e	2028e
Sales growth	-41.9%	-9.5%	8.3%	6.7%	1.0%	-2.3%
EBITDA margin	19.9%	23.1%	19.3%	21.3%	23.3%	24.4%
EBIT margin	13.8%	15.2%	10.1%	11.7%	13.2%	13.9%
Net profit margin	12.6%	12.0%	6.6%	7.9%	9.4%	9.8%
ROE	14.6%	11.8%	6.6%	8.0%	9.1%	8.9%
ROCE	7.8%	6.7%	4.2%	4.8%	5.1%	5.0%
Equity ratio	43.2%	42.7%	39.7%	40.4%	42.3%	41.8%
Net debt	1 427.9	1 612.3	1 912.1	2 053.2	2 224.8	2 433.8
Working capital	258.4	106.4	76.7	60.5	59.3	33.1
Capital employed	4 475.3	4 858.4	5 357.1	5 710.8	6 024.3	6 399.9
Inventory turnover	4.2	5.5	6.7	6.0	5.5	5.0

Source: Company data, Erste Group estimates

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):

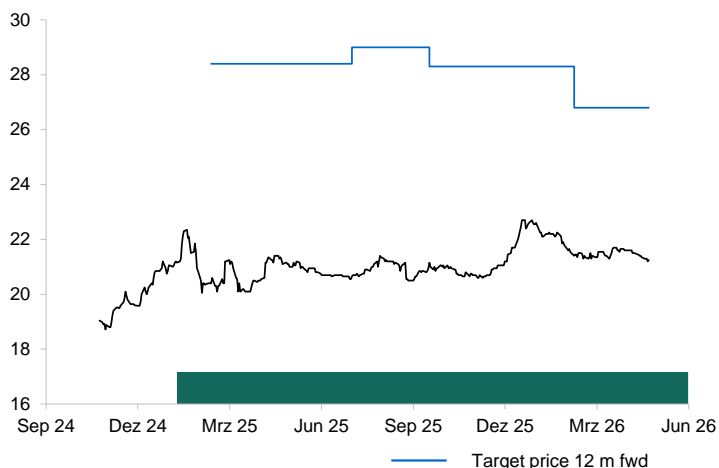
Company	ISIN	1 EGB/affiliates holdings exceed 5% of the share capital of issuer or vice versa	2 market maker or liquidity provider for issuer/instruments	3 agreement for the provision of services of investment firms over the previous 12 months	4a Agreement with the covered company about the production 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	8 Net Long Position exceeding 0.5% of the issued share capital of issuer	9 Net Short Position exceeding 0.5% of the issued share capital of issuer
Ignitis	LT0000115768				Y						

The above specific disclosures (marked with “Y” if applicable), are valid at the time of publication of this report. May 25 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:

[Disclosure | Erste Group Bank AG](#)

Ignitis



Rating history

Date	Rating	Price	Target Price	Action
09. Mar 26	Buy	21.40	26.80	
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 2025.

A history of all recommendations for covered issuers/financial instruments within the last 12 months is provided under the following link:
[Research Disclaimer | Erste Group Bank AG.](#)

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