COMPANY UPDATE

Ignitis

from Buy to Accumulate

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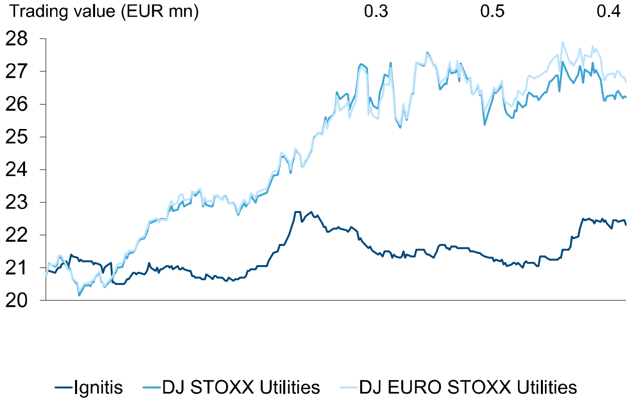
Share price (EUR) close as of 12/08/2026	22.3	Reuters	IGN1L.VL	Free float	25.0%
Number of shares (mn)	72.4	Bloomberg	IGN1L LH	Shareholders	
Market capitalization (EUR mn)	1 614.3	Div. Ex-date	22/09/26		Republic of Lithuania (75%)
Enterprise value (EUR mn)	3 797.0	**Target price**	**26.5**	Homepage:	ignitisgrupe.lt

Key figures Overview

EUR mn	2025	2026e	2027e	2028e
Net sales	2 497.7	2 638.3	2 674.4	2 609.3
EBITDA	482.1	563.6	627.7	648.4
EBIT	251.4	303.2	350.7	371.8
EBT	190.1	233.9	293.0	307.5
Net profit	163.9	191.8	237.4	252.1
EPS (EUR)	2.26	2.65	3.28	3.48
CEPS (EUR)	6.80	5.64	6.89	7.07
BVPS (EUR)	34.46	35.73	37.58	39.59
Dividend/Share (EUR)	1.37	1.41	1.45	1.49
EV/EBITDA (x)	7.15	6.74	6.35	6.48
P/E (x)	9.36	8.41	6.80	6.40
P/CE (x)	3.12	3.95	3.24	3.15
Dividend yield (%)	6.44	6.32	6.50	6.70
EBITDA margin (%)	19.30	21.36	23.47	24.85
Operating margin (%)	10.07	11.49	13.11	14.25
Net profit margin (%)	6.56	7.54	9.31	10.02

Trading data & Statistics

Daily averages	5 days	30 days	last year
Volume	13 389	23 819	19 275
Trading value (EUR mn)	0.3	0.5	0.4



Price performance:	1M	3M	6M	12M
in EUR	1.8%	4.0%	0.2%	7.5%

Financial Strength

	2025	2026e	2027e	2028e
ROE (%)	6.65	7.55	8.95	9.03
ROCE (%)	4.24	4.66	5.08	5.07
Equity ratio (%)	39.73	40.34	42.00	41.38
Net debt (EUR mn)	1 912.10	2 062.72	2 251.58	2 467.55
Gearing (%)	76.65	76.22	79.28	82.65

2Q26: Prosumer regulation approved

We reduce our recommendation on Ignitis shares to Accumulate, from Buy, following its share price increase and a slight reduction in our 2026 estimates. We have slightly reduced our twelve-month target price to EUR 26.5/share (EUR 27.1/share previously). We still like Ignitis' balanced assets, potential upside from datacenters, the supportive grid regulation and its relatively low valuation, with a 6.3% DY from 2026e profit and 8.4 P/E 2026e.

Ignitis reported a 2% y/y increase in adj. EBITDA in 2Q26, as growing Networks (thanks to higher RAB) and Green Capacities (OPEX savings) outweighed low wind speeds, lower balancing capacity market revenues and the continued negative prosumer impact in supply. Ignitis reported a stable hedging position for 2027-29, confirmed FY26 guidance calling for 1-10% higher EBITDA and proposed a 3.1% y/y higher semiannual DPS.

The Lithuanian parliament approved the long-awaited update of their prosumer regulation. While the net-metering system remains in place, the regulation introduced a contribution for prosumers and other consumers, which will cover costs of the system starting from 1/2027. Ignitis estimates that 60-70% of its loss on prosumers would be covered by the new regulation, depending on final methodology. This is in line with our previous forecast, though the regulation will be effective six months later than originally expected.

Erste Group Research – Company Update finalized and released August 14, 2026, 07:30, CET, reviewed by Henning Esskuchen (supervising analyst)

2Q26 results

Ignitis reported a 2% y/y increase in adjusted EBITDA, mainly thanks to the growing Networks segment, which benefits from 6% y/y higher RAB of EUR 1.9bn and an increased additional tariff component (a component ensuring segment leverage below 5.5x ND/EBITDA). Distribution volumes grew by 3%/5% in electricity/natural gas thanks to the cold weather.

The second driver was – surprisingly - the Green Capacities segment, which showed a significant y/y reduction in project-related costs as part of the announced cost savings program in its mid-term strategy. This offsets a drop in load factor and weak production from wind farms caused by low windiness and maintenance on one of the older wind farms. Wind farms commissioned in 2025 still seem to be producing below potential. Hedged prices fell by 37% y/y to EUR 82/MWh in 1H26, as expected, which was partly offset with y/y higher DAH prices. We estimate that the average realized price (excluding pumping) declined by 5% y/y, less than we forecasted.

A slightly negative surprise came from the low production in Reserve Capacities (natural gas units), which resulted from the declining balancing capacity services market. Moreover, the improvement in the supply business was slower than we estimated. Management said that losses on prosumers were still increasing. Volumes sold grew quickly in electricity (+17% y/y), thanks to the expansion in Poland, while natural gas volumes declined by 2% y/y, due to lower sales to Finland. We saw some underlying weakness, as domestic and B2C volumes underperformed. Overall, adjusted EBITDA was 2% below our estimates, due to lower Reserve Capacities and slower improvement in supply, mostly offset with cost savings in Green Capacities. As reported, 2Q26 EBITDA grew +25% y/y, thanks to a one-off gain of EUR 15.9mn in Reserve Capacities (carbon credit sales). Adj. net profit declined by 24%, due to 25% y/y higher D&A, as we expected. The financial result was stable and basically in line with our estimates.

Net debt was sequentially almost stable at EUR 1.93bn (3.5x ND/adj. EBITDA) and better than we expected, on significantly lowered WC and lower than expected CAPEX.

Dividend: The company will pay a DPS of EUR 0.704 (3.1% DY, +3.1% y/y) from 1H26 profit, in line with its DVD policy (subject to GM approval).

2026 guidance: Ignitis confirmed 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). By segment, the company also confirmed the directional guidance and left expected drivers unchanged.

Hedged prices for Green Capacities declined by EUR 1/MWh for 2026-27, with the hedged price for 2026 at EUR 83/MWh for 86% of volumes (volume +11pp q/q). 2027-29 shows EUR 83//83/82 for 63%/62%/61% of volumes (unchanged volumes q/q).

2Q26 results

P&L (EURmn)	2Q26	2Q25	y/y	2Q26e Erste	2Q26e Cons.	2Q vs. Erste	2Q vs. Cons.
Total revenue	558.5	525.2	6%	612.2	591.0	-9%	-5%
EBITDA	128.1	102.4	25%	106.8	116.0	20%	10%
Adjustments	*-13.7*	*9.9*	*-238%*	*9.3*		*-247%*	
Adjusted EBITDA	**114.4**	**112.3**	**2%**	**116.2**		**-2%**	
Green Capacities	*62.9*	*57.3*	*10%*	*52.7*		*19%*	
Networks	*66.6*	*58.5*	*14%*	*65.4*		*2%*	
Reserve Capacities	*2.7*	*11.7*	*-77%*	*7.7*		*-65%*	
Customers & Solutions	*-12.9*	*-13.5*	*n.m.*	*-9.7*		*33%*	
EBIT	63.0	50.3	25%	43.7	56.0	44%	13%
Adjusted EBIT	**49.3**	**60.2**	**-18%**	**53.1**		**-7%**	
Net profit	40.4	27.5	47%	21.6		87%	
Adjustments	*-11.3*	*10.9*	*-204%*	*7.7*		*-246%*	
Adjusted net profit	**29.1**	**38.4**	**-24%**	**29.3**	**25.5**	**-1%**	**14%**
BS&CF (EURmn)							
Investments	149	197	-24%	177		-16%	
FCF	80	47	n.m.	-86		n.m.	
Net debt	1 925	1 610	20%	1 979		-3%	
Net debt / adjusted EBITDA LTM (x)	3.5	3.2	9%	3.6		-2%	
Operating data (GW, TWh)							
Installed green capacities	2.1	1.8	22%	2.1		0%	
Electricity production	0.71	1.05	-32%	0.99		-28%	
Green Capacities	0.68	0.71	*-4%*	0.75		-9%	
Reserve Capacities	*0.03*	*0.34*	*-91%*	*0.24*		*-87%*	
Heat production	0.46	0.40	15%	0.41		14%	
Electricity sales	1.97	1.70	17%	1.92		3%	
Electricity distribution	2.39	2.31	3%	2.43		-2%	
Natural gas sales	1.46	1.48	-2%	1.68		-13%	
Natural gas distribution	1.23	1.17	5%	1.25		-2%	

Source: Ignitis, Erste Group Research, Bloomberg

Prosumer regulation approved

Ignitis said that the Lithuanian parliament has finally approved the long-awaited update of prosumer regulation. While policymakers kept the net metering system as a service of public interest, the update introduces a modest prosumer grid contribution of EUR 0.01/kWh for the volumes produced, and for other consumers a contribution of up to EUR 0.003/kWh. Additionally, the adopted law codifies a market-rate compensation for accumulated but unused electricity. Ignitis management said it expects a roughly 60-70% reduction of losses related to prosumers, depending on the exact methodology and 'VIAP' tariff established by energy watchdog NERC. The law will be effective from 1/2027.

Ignitis reported losses on prosumers of EUR 15.2mn/28.5mn in 2024/25 and said that prosumer volumes and thus losses are still growing in 2026. The approval of the regulation as well as the expected positive impact on Ignitis is in line with our original estimates, though it comes a half-year later than we modelled. We thus have adjusted our estimates for the supply segment accordingly for 2026e.

Changes in short-term forecast

We did some minor changes in our forecasts following the 2Q26 results:

- 107 MW / 215 MWh BESS added to the project pipeline after Ignitis announced its FID in 7/26.
- Supply segment estimates slightly lowered due to the later approval of prosumer regulation and the somewhat slower than expected volume growth in 2Q26.

- Reserve Capacities slightly lowered near-term, mainly due to technical model changes, which at the same time increase estimates for Green Capacities.
- Some 0.5pp lower load factor for onshore wind (both short- and mid-term) plus a ~90 GWh impact from the weak 2Q26 in 2026e. This is partly offset with ~5% lower estimated wind O&M costs.
- One-offs from 2Q26 reflected in forecast (gain on EUA sales, etc.).
- Slight increase in 3M EURIBOR, thus Ignitis interest costs.

Change in short-term estimates

Consolidated, IFRS	**2026e**			**2027e**			**2028e**		
(EUR, mn)	**Now**	**Before**	*Change*	**Now**	**Before**	*Change*	**Now**	**Before**	*Change*
Total revenues	2638	2664	*-1%*	2674	2690	*-1%*	2609	2628	*-1%*
Adj. EBITDA	**584**	**604**	***-3%***	**642**	**641**	***0%***	**663**	**655**	***1%***
Green Capacities	*268*	*258*	*4%*	*281*	*268*	*5%*	*276*	*272*	*2%*
Networks	*292*	*292*	*0%*	*303*	*300*	*1%*	*320*	*317*	*1%*
Reserve Capacities	*36*	*42*	*-15%*	*33*	*46*	*-27%*	*33*	*29*	*12%*
Customers and solutions	*-14*	*10*	*n.m.*	*22*	*26*	*-15%*	*31*	*34*	*-10%*
EBITDA	564	568	*-1%*	628	627	*0%*	648	641	*1%*
EBIT	303	313	*-3%*	351	354	*-1%*	372	365	*2%*
Adj. net income	**211**	**235**	***-10%***	**249**	**253**	***-2%***	**264**	**260**	***1%***
Net income	192	203	*-5%*	237	242	*-2%*	252	249	*1%*
DPS* (EUR)	1.41	1.41	*0%*	1.45	1.45	*0%*	1.49	1.49	*0%*
CAPEX	647	644	*1%*	614	598	*3%*	708	692	*2%*
Green Capacities production* (TWh)	3.3	3.5	*-5%*	3.7	3.7	*-1%*	3.9	3.9	*-1%*
Reserve Capacities production (TWh)	0.5	0.5	*0%*	0.5	0.5	*0%*	0.5	0.5	*0%*
Adj. EBITDA margin	22.1%	22.7%	*-2%*	24.0%	23.8%	*1%*	25.4%	24.9%	*2%*
Adj. Net margin	8.0%	8.8%	*-9%*	9.3%	9.4%	*-1%*	10.1%	9.9%	*2%*

*Source: Erste Group Research; *excluding BESS*

Overall, our EBITDA forecast has moved in low single digits for 2026-28e, with the most visible change being a bit less optimistic estimates for the supply business, offset with marginal improvements in Green Capacities costs (in 2028e thanks also to the new 107 MW BESS).

DCF valuation

A DCF-FCFF model remains our main valuation tool for Ignitis. **Our DCF provides a EUR 26.5 per share twelve-month target price; we thus reduce our recommendation for Ignitis to Accumulate, from Buy**. The model reflects the estimated contribution from existing and under-construction assets and 0.5 GW from its advanced development pipeline. We do not include Ignitis' two offshore projects and sizable early-development pipeline in our estimates. We have rolled over our model by one year, with the fair value calculated as of YE26e, from YE25A previously. We did not make any parametric changes to our DCF model with this update. Our WACC range is 6.1% to 7.1% (for the terminal WACC). A 50bp change in the terminal WACC changes our DCF valuation by 15-20%, with a similar sensitivity to the terminal growth rate.

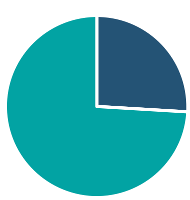
WACC calculation

	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%
Equity risk premium	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	1.0
Cost of equity	**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%	4.0%
Effective tax rate	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%**	**3.3%**
Equity w eight	48%	45%	43%	43%	43%	44%	44%	46%	47%	60%
WACC	**6.5%**	**6.3%**	**6.2%**	**6.1%**	**6.2%**	**6.2%**	**6.3%**	**6.4%**	**6.5%**	**7.1%**

DCF valuation

(EUR mn)	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e (TV)
Sales growth	*1.4%*	*-2.4%*	*3.5%*	*4.5%*	*-2.0%*	*2.2%*	*2.9%*	*2.2%*	*1.6%*	*2.0%*
EBIT	351	372	411	412	382	381	379	359	328	339
EBIT margin	*13.1%*	*14.2%*	*15.2%*	*14.6%*	*13.8%*	*13.5%*	*13.0%*	*12.1%*	*10.9%*	*11.0%*
Tax rate	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*17.0%*	*18.0%*
Taxes on EBIT	-60	-63	-70	-70	-65	-65	-64	-61	-56	-61
NOPLAT	**291**	**309**	**341**	**342**	**317**	**316**	**315**	**298**	**272**	**278**
+ Depreciation	277	277	286	296	304	309	314	315	313	313
Capital expenditures / Depreciation	*222%*	*256%*	*247%*	*171%*	*130%*	*126%*	*126%*	*79%*	*80%*	*102%*
+/- Change in w orking capital	31.5	78.3	78.2	22.4	25.9	32.2	37.1	-4.5	7.7	0.0
Chg. working capital / chg. Sales	*87.2%*	*-120.2%*	*86.6%*	*18.5%*	*-46.7%*	*52.6%*	*44.6%*	*-7.2%*	*16.3%*	*0.0%*
- Capital expenditures, M&A	-614	-708	-707	-507	-394	-388	-397	-249	-250	-319
Free cash flow to the firm	**-14**	**-45**	**-2**	**153**	**252**	**269**	**269**	**360**	**343**	**272**
Terminal value growth										*2.0%*
Terminal value										5 474
Discounted free cash flow - Dec 31 2026e	-14	-39	-1	120	186	187	176	221	198	2 953
Enterprise value - Dec 31 2026e	**3 987**									
Minorities - Vilnius CHP	120									
Non-operating assets - Dec 31 2026e	0									
Net debt and leases - Dec 31 2026e	2 063									
Equity value - Dec 31 2026e	**1 804**									
Number of shares outstanding (mn)	72.4									
Cost of equity	10.5%									
12m target price per share	**26.5**									
Current share price (EUR)	22.3									
Up/Downside	*19%*									

Enterprise value breakdown



Sensitivity (per share)

Terminal EBIT margin

WACC	9.0%	10.0%	11.0%	12.0%	13.0%
6.1%	27.5	32.6	37.7	42.8	47.8
6.6%	22.5	27.0	31.5	36.0	40.5
7.1%	18.4	22.5	**26.5**	30.5	34.6
7.6%	15.1	18.8	22.4	26.1	29.7
8.1%	12.3	15.7	19.0	22.3	25.7

Terminal value growth

WACC	1.0%	1.5%	2.0%	2.5%	3.0%
6.1%	26.5	31.5	37.7	45.7	56.2
6.6%	22.4	26.5	31.5	37.7	45.7
7.1%	19.0	22.4	**26.5**	31.5	37.7
7.6%	16.1	19.0	22.4	26.5	31.5
8.1%	13.6	16.1	19.0	22.4	26.5

Source: Erste Group Research

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

Company	ISIN	1 EGB/affiliates holdings exceed 5% of the share capital of issuer or vice 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				

The above specific disclosures (marked with "Y" if applicable), are valid at the time of publication of this report. August 14 2026

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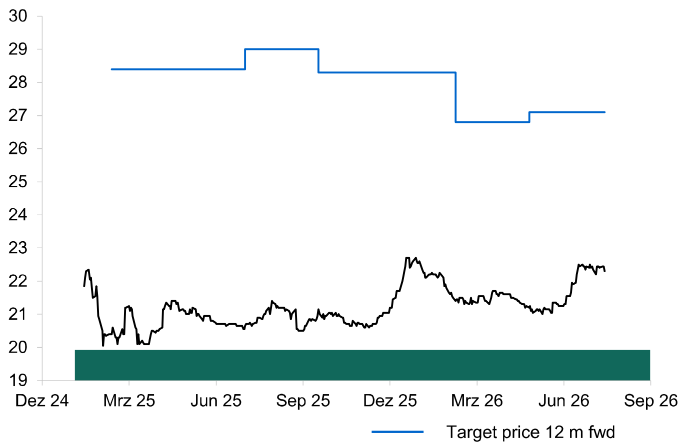
Ignitis



Rating history

Date	Rating	Price	Target Price	Action
25. May 26	Buy	89.73	114.70	
09. Mar 26	Buy	91.46	114.54	
16. Oct 25	Buy	89.81	120.18	
31. Jul 25	Buy	88.25	123.94	
13. Mar 25	Buy	85.42	118.92	

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 in 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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