

Strong start to the year

Q1/24 adj. EBITDA surpassed our estimate and allowed Ignitis Group to achieve around 40% of its full-year 2024 guidance. The company is on track to fulfill its long-term strategy backed by a strong green generation pipeline and solid financial position.

Encouraging Q1/24 results and 2024 outlook

The Q1/24 adj. EBITDA of EUR 182m was EUR 32m or 21% above the Q1/23 result as the Customers & Solutions segment achieved better results in Latvia and Poland while the Green Capacities segment increased profits on the launch of new assets. As a significant amount of the 2024 Green Capacities Generation volume is hedged at 133 EUR/MWh (vs. 95-104 market price) and there are several new asset launches in 2024, we forecast an increase in 2024 Green Capacities adj. EBITDA compared to 2023.

On track to realize 2024-2027 strategy

In the long-term strategy, Ignitis Group aims to double the Green Capacities capacity from 1.3 GW to 2.4-2.6 GW and increase the Networks RAB by 50% from EUR 1.4b to EUR 2.0-2.1b. Based on its green generation pipeline and planned investments supported by solid credit rating, we believe the company will fulfill its strategy and estimate a 2027 adj. EBITDA at EUR 646m (inline w/ guid.).

Dividends balanced with long-term goals

We expect the dividends to continue to grow at the policy minimum of 3%. There might be room for higher payout once the substantial investments are done. Our Base case Fair value is unchanged at EUR 27.36 per share.

Key figures (MEUR)

	2022	2023	2024E	2025E	2026E
Net sales	4,387	2,549	2,290	2,277	2,480
Net sales growth	131.1%	-41.9%	-10.1%	-0.6%	8.9%
EBITDA adj.	469	485	490	499	565
EBITDA margin adj.	10.9%	19.2%	21.4%	21.9%	22.8%
EBIT	388	352	384	353	414
EBIT margin	8.8%	13.8%	16.8%	15.5%	16.7%
EV/Sales	0.5	1.1	1.3	1.4	1.3
EV/EBITDA adj.	5.0	5.7	6.4	6.5	5.7
EV/EBIT	6.1	7.9	8.2	9.2	7.8
P/E	4.4	4.1	4.7	5.3	4.4
P/BV	0.6	0.5	0.5	0.5	0.4
EPS adj.	4.04	4.42	3.99	3.56	4.25
EPS growth	87.3%	9.4%	-9.8%	-10.8%	19.5%
Div. per share	1.24	1.29	1.32	1.36	1.40
Dividend yield*	6.6%	6.9%	7.0%	7.2%	7.4%

Source: Company data, Enlight Research estimates

*Pre-tax yield on EUR 18.92 share price for estimated years

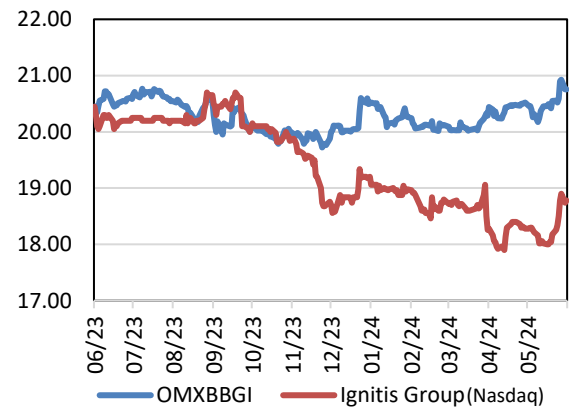
Fair value range (EUR)

Bull	32.83
Base	27.36
Bear	23.45

Key Data

Price (EUR)	18.92
Ticker	IGN1L
Country	Lithuania
Listed	Vilnius (Lithuania)
Market Cap (EURm)	1,370
Net debt* (EURm)	1,288
Shares (m)	72.4
Free float	25%

*Last Reported



Price range

52-week high	20.95
52-week low	17.90

Analyst

ResearchTeam@enlightresearch.net

Coverage frequency

4x per year

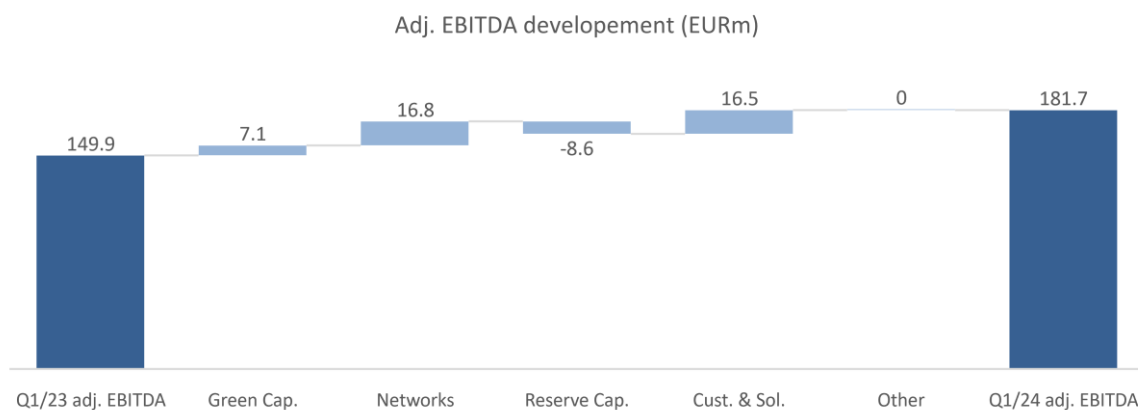
Key takeaways

Strong start to the year

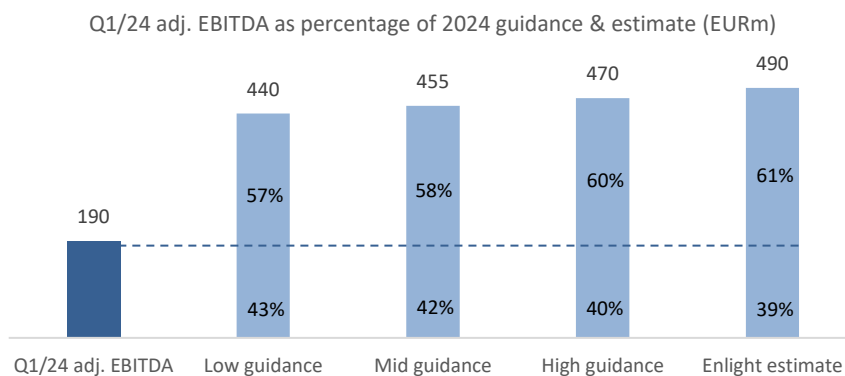
Ignitis Group Q1/24 adj. EBITDA of EUR 181.7m was EUR 31.8m or 21.2% higher compared to the Q1/23 adj. EBITDA of EUR 149.9m. The adj. EBITDA growth was mainly driven by the Networks, Customer & Solutions, and Green Capacities segments while the Reserve Capacities segment partly offset the growth. The Networks adj. EBITDA increase of EUR 16.8m was underpinned by a notable RAB (EUR 1,584m from EUR 1,429m) and WACC (5.08% from 4.14%) increase. The Customers & Solutions adj. EBITDA improvement of EUR 16.5m was due to lower electricity market prices that allowed for improved results from the B2C electricity business. The Green Capacities outperformed last year's adj. EBITDA result by EUR 7.1m or 10.1% mainly because of additional installed capacity, and successful electricity price hedging. The y-on-y decrease in Reserve Capacities adj. EBITDA can be explained by extraordinarily high results in Q1/23 rather than underperformance in Q1/24. The Group Q1/24 adj. EBITDA of EUR 181.7m makes up for 40% of the high-end (EUR 470m) company's full-year guidance and 39% of Enlight Research's 2024 estimate (EUR 490m). In our view, the Q1/24 result signals a strong start to the year and creates an opportunity to exceed the full-year company guidance and Enlight estimates.

Adj. EBITDA per segment	Q1/24	Q1/23	Diff	% Diff
Green Capacities	77.1	70.0	7.1	10.1%
Networks	65.5	48.7	16.8	34.5%
Reserve Capacities	20.0	28.6	-8.6	-30.1%
Customer & Solutions	17.4	0.9	16.5	1833.3%
Other	1.7	1.7	0.0	0.0%
Total	181.7	149.9	31.8	21.2%

Source: Enlight Research



Source: Company reports

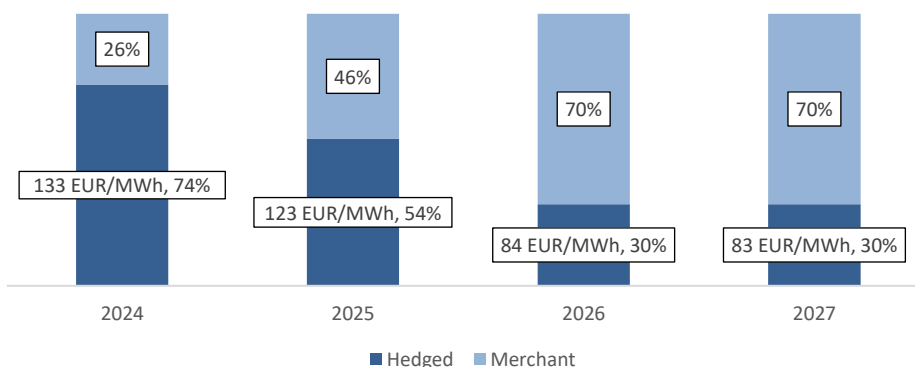


Source: Company reports (EBITDA, guidance), Enlight Research (estimate)

Green production hedged at above market prices

The electricity generated by the Green Capacities segment can be sold on the open market at the market price (merchant basis) or on a long-term fixed price Power Purchase Agreement (PPA). The merchant basis enables the sale of electricity at peak prices while PPAs provide stable predictable earnings. In 2024, 74% of the Green Capacities electricity production is secured at a price of 133 EUR/MWh, which is significantly higher than the Jan-May 2024 average electricity market price in Lithuania and Poland of 77 EUR/MWh and 86 EUR/MWh, respectively i.e., the hedged price level of 133 EUR/MWh is 72% above the average electricity market price in Lithuania and 55% above the average price in Poland (enables above market returns). Furthermore, 54% of the 2025 generation is hedged at 123 EUR/MWh which is above the expected long-term electricity market price in both regions (expected long-term electricity price in Baltics is 70-80 EUR/MWh).

Hedged vs merchant electricity volumes 2024-2027

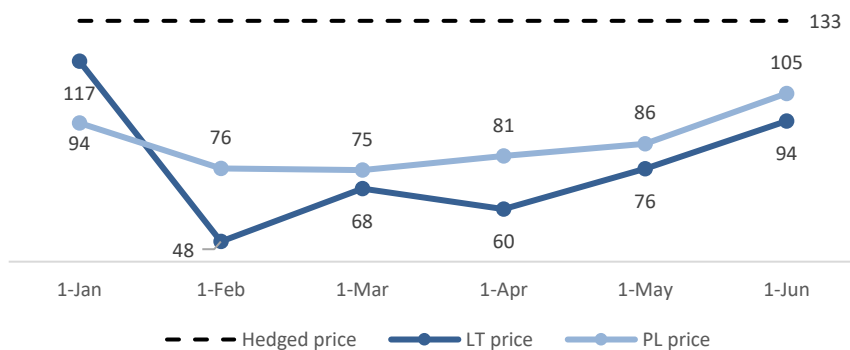


Source: Company reports

Electricity market price, EUR/MWh	24-Jan	24-Feb	24-Mar	24-Apr	24-May	24-Jun	Average
Hedged price	133	133	133	133	133	133	133
LT price	117	48	68	60	76	94	77
% diff to LT price	13%	178%	95%	121%	75%	41%	72%
PL price	94	76	75	81	86	105	86
% diff to PL price	42%	75%	76%	64%	55%	27%	55%

Source: Company reports, Nordpool

Hedged price vs LT & PL market price (EUR/MWh)



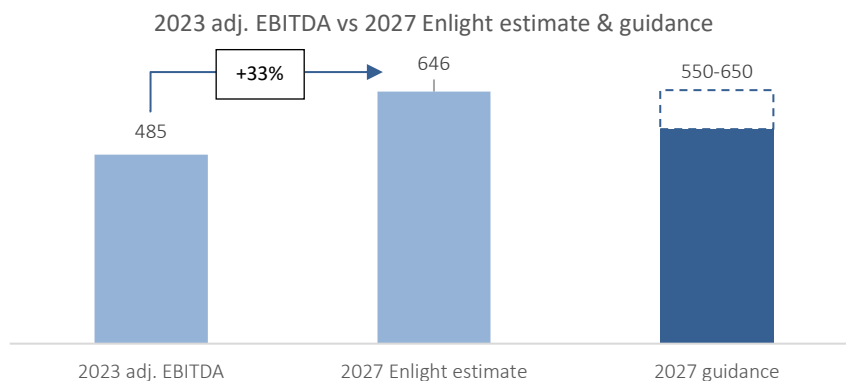
Source: Company reports, Nordpool

On track to fulfil long-term strategic plan

On 15 May 2024, Ignitis Group presented its long-term strategic plan for 2024-2027. The plan’s focus is on green generation and green flexibility capacities expansion, electricity network improvement, and realizing advantages of an integrated business model (generation, networks, and distribution). Between 2024-2027, Ignitis Group plans to invest EUR 1.8-2.4bn into new green generation and green flexibility capacity additions, increasing the capacity from 1.3 GW in 2023 to 2.4-2.6 GW. The company is also starting to look at battery technologies that could enable the storage of electricity and integration of renewables by facilitating demand management, helping improve grid reliability, and limiting output curtailment. The 2024-2027 Networks segment investments are planned at EUR 1.1-1.3b, which would increase RAB from EUR 1.4b in 2023 to EUR 2.0-2.1b by 2027. Given that the regulated allowed return for the Networks segment is based on the RAB, this implies an almost doubling of the allowed return by 2027 (all else equal). The strategic plan also aims to continue to realize the synergies between the Green Capacities and the Customer & Solutions segment, which enables the sale of produced electricity to its own Customer & Solutions (distribution) client base. All under-construction projects are expected to be completed by 2026. Hence, we forecast a 2027 adj. EBITDA of EUR 646m which is close to the high end of the company’s 2027 guidance of EUR 550-650m. Furthermore, the strategic plan implied 2024-2027 dividend yield of 7.3-8.0% is in line with our estimate of 7.3-7.9% for the same period.



Source: Company reports



Source: Company reports, Enlight Research

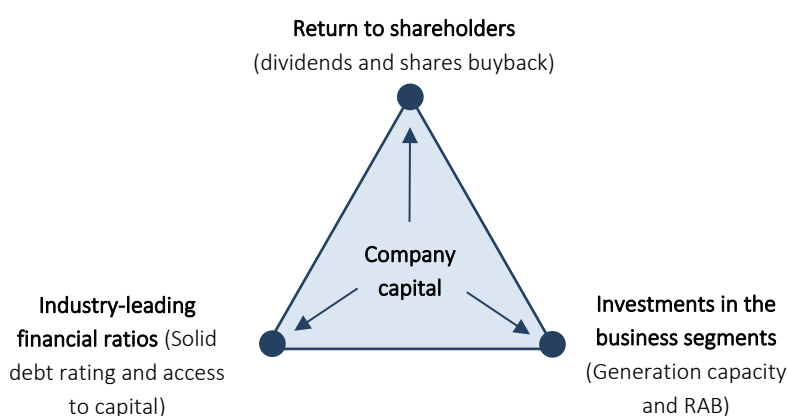
Long-term sustainable dividends

Ignitis Group continued to follow its dividend policy (3% annual dividend growth) and paid a full-year 2023 dividend of EUR 1.29 per share (in line with our forecast), which is equal to a 6.9% pre-tax dividend yield or 5.9% post-tax dividend yield. We believe the company will continue to live up to its dividend policy in the forecast period 2024-2026, indicating dividend yields of 7.3% (6.2% net) in 2024E, 7.5% (6.3% net) in 2025E, and 7.7% (6.5% net) in 2026E (based on a share price of EUR 18.26). In our opinion, there could be room for more than 3% dividend growth, but the company must strategically balance shareholder returns, substantial investments, and solid credit rating. At 3% dividend growth, Ignitis Group should be able to comfortably execute its long-term investment plan (securing increasing long-term returns) without jeopardizing its credit rating (see the illustration below). With this said, we believe there is room for more than 3% dividend growth once the Green Capacities assets portfolio reaches the company's targeted capacity size.

Dividend & yield	2022	2023	2024E	2025E	2026E
H1 dividend (EURm)	45.2	46.5	47.9	49.4	50.8
Growth y-on-y	3.2%	3.0%	2.9%	3.1%	3.0%
H2 dividend (EURm)	45.2	46.5	47.9	49.4	50.8
Growth y-on-y	3.1%	3.0%	2.9%	3.1%	3.0%
Total dividend paid (EURm)	90.3	93.1	95.8	98.7	101.7
Growth y-on-y	3.2%	3.0%	3.0%	3.0%	3.0%
H1 dividend per share (EUR)	0.62	0.64	0.66	0.68	0.70
H2 dividend per share (EUR)	0.62	0.64	0.66	0.68	0.70
Total dividend per share (EUR)	1.24	1.29	1.32	1.36	1.40
Dividend growth	5.0%	3.0%	3.0%	3.0%	3.0%
Pre-tax dividend yield	6.6%	6.9%	7.3%	7.5%	7.7%
Post-tax dividend yield	5.6%	5.9%	6.2%	6.3%	6.5%
Share price (EUR)	19.02	18.84	18.26	18.26	18.26

Source: Company (historic), Enlight Research (estimates)

Integrated utility companies' capital allocation options



Source: Enlight Research

Valuation

Base case Fair value reiterated at EUR 27.36

Our Base case Fair value per share of EUR 27.36 is reiterated, implying an upside of around 51% on the share price of EUR 18.26. Applying a motivated dividend yield of 6.00% on the long-term estimated Dividend per share of EUR 2.20 results in an undiscounted share price of EUR 36.67, which discounted by 5% for 6 years gives our Base case Fair value of EUR 27.36 per share. Our Bear case assumes a motivated yield of 7.00% and indicates a share price of EUR 23.45, while our Bull case assumes a yield of 5.00% which indicates a share price of EUR 32.83 (see next page for peer valuation).

Fair value/shr at different motivated div. yield based on 2030 dividend of EUR 2.20 per share

Motivated dividend yield	Discount rate	Discounted Fair value per share (EUR)
4.00%	5.0%	41.04
4.50%	5.0%	36.48
5.00%	5.0%	32.83
5.50%	5.0%	29.85
6.00%	5.0%	27.36
6.50%	5.0%	25.26
7.00%	5.0%	23.45
7.50%	5.0%	21.89
8.00%	5.0%	20.52

Source: Enlight Research

Peer valuation

We believe Integrated Utilities is the best peer sub-group for Ignitis Group as it consists of companies with generation, distribution, and supply business segments. Based on the estimated 2024 EV/EBITDA multiple, the Ignitis Group share is trading at a discount of around 19% to the Integrated utilities peer group (5.4x vs. 6.4x for peers), despite having an estimated dividend yield that is better than the peer average (7.3% vs. 5.3% for peers). Given Ignitis Group's strong focus on renewable energy (Green Capacities typically makes up 40-50% of the Group's total adjusted EBITDA), one could argue that Ignitis Group should trade more towards the Renewables peer group average, which has the highest EV/EBITDA multiple among our peer subgroups (11.4x vs 9.5x for Regulated utilities, and 6.4x for Integrated utilities). Compared to the regulated and renewable peer groups, Ignitis Group is trading at a discount of around 76%, and 111%, respectively, based on estimated EV/EBITDA 2024 (see peer table below).

Peer valuation										Div.	Div.	Div.	Div.
	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	yield 2023	yield 2024E	yield 2025E	yield 2026E
Ignitis Group	IGN1L	EUR	18.26	1,357	2,784	5.5	5.4	5.6	5.0	6.9%	7.3%	7.5%	7.7%
Integrated										Div.	Div.	Div.	Div.
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	yield 2023	yield 2024E	yield 2025E	yield 2026E
EDP	EDP	EUR	3.73	15,611	30,930	6.2	6.2	6.2	6.0	5.2%	5.4%	5.4%	5.5%
Endesa	ELE	EUR	18.30	19,375	30,163	8.0	6.1	5.9	5.7	5.5%	6.0%	6.6%	7.1%
Enel	ENEL	EUR	6.66	67,672	127,835	5.8	5.7	5.7	5.5	6.5%	6.8%	7.0%	7.2%
Engie	ENGI	EUR	15.54	37,844	67,337	4.5	4.7	4.8	4.9	9.2%	8.1%	7.3%	7.0%
E.ON	EOAN	EUR	12.28	32,435	70,126	7.5	7.9	7.7	7.4	4.3%	4.5%	4.7%	4.9%
Iberdrola	IBE	EUR	12.10	77,722	125,636	8.7	8.2	8.0	7.6	4.1%	4.7%	4.9%	5.2%
RWE	RWE	EUR	33.44	24,874	27,261	3.3	5.1	5.4	4.9	3.0%	3.3%	3.5%	3.7%
SSE	SSE	GBP	17.55	19,190	28,084	8.5	7.7	7.4	7.1	3.4%	3.7%	3.9%	4.0%
Average						6.6	6.4	6.4	6.1	5.2%	5.3%	5.4%	5.6%
Renewables										Div.	Div.	Div.	Div.
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	yield 2023	yield 2024E	yield 2025E	yield 2026E
EDP Renewables	EDPR	EUR	14.72	15,312	21,117	11.4	10.9	9.4	8.6	1.8%	1.2%	1.5%	1.7%
Neoen	NEOEN	EUR	37.86	5,759	9,563	20.1	17.6	13.4	11.3	0.4%	0.4%	0.5%	0.6%
Orsted	ORSTED	DKK	419	176,098	223,477	11.9	8.5	6.8	6.6	0.0%	3.7%	4.0%	3.2%
Enefit Green	EGR1T	EUR	3.06	808	1,225	11.6	10.5	7.4	6.0	3.4%	4.0%	5.1%	5.3%
Hidroelectrica	H2O	RON	133.50	60,049	64,383	7.8	9.6	9.9	9.9	9.4%	7.9%	7.7%	7.7%
Average						12.6	11.4	9.4	8.5	3.0%	3.5%	3.8%	3.7%
Regulated										Div.	Div.	Div.	Div.
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2023	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	yield 2023	yield 2024E	yield 2025E	yield 2026E
National grid	NG	GBP	8.82	35,017	78,624	10.5	10.5	9.7	8.6	6.6%	5.8%	6.1%	6.2%
Redeia Corp.	RED	EUR	16.54	8,949	13,924	9.2	10.4	9.9	9.0	6.0%	5.0%	5.0%	5.2%
REN	RENE	EUR	2.30	1,531	4,280	8.3	8.5	8.4	8.5	6.7%	6.6%	6.6%	6.7%
Italgas	IG	EUR	4.91	3,982	10,616	9.0	8.0	7.8	7.3	7.2%	7.7%	7.9%	8.6%
Terna	TRN	EUR	7.72	15,521	23,967	11.0	9.8	9.5	8.6	4.4%	4.7%	4.8%	5.0%
Average						9.6	9.5	9.1	8.4	6.2%	6.0%	6.1%	6.3%

Source: MarketScreener (consensus), Enlight Research (Ignitis Group)

Based on share prices on 3 June 2024

Estimate deviations

The most important reported line is the adjusted EBITDA as this is the main indicator for the dividends in our model. This is also the line where guidance is given. The Q1/24 Group adj. EBITDA of EUR 182m was 34% or EUR 46m above our forecast mainly due to the Reserve Capacities and the Customers & Solutions segments. The Reserve Capacities segment Q1/24 adj. EBITDA was EUR 15m above our EUR 5m forecast while the Customer & Solutions segment Q1/24 adj. EBITDA was EUR 14m above forecast (profit of EUR 17m vs. estimated profit of EUR 4m). The Green Capacities segment adj. EBITDA was EUR 11m above estimate while Networks segment EUR 7m above estimate.

Forecast deviation table by Segment

Revenue by Segment (EURm)	Q1/24	Q1/24	Deviation	
	Estimate	Outcome	EURm	%
Networks	153	199	46	30.0%
Green Capacities	95	114	19	19.6%
Reserve Capacities	29	45	16	54.6%
Customers and Solutions	526	353	-173	-32.9%
Revenue bef. Other segm./eliminations	803	710	-93	-11.6%
Other segments/eliminations	-20	-57	-36	180.3%
Revenue after Other segm./eliminations	783	654	-129	-16.5%

Revenue growth	Q1/24	Q1/24	Deviation	
	Estimate	Outcome	EURm	%-pts
Networks	-7.8%	19.9%	nm	27.7
Green Capacities	-4.2%	14.6%	nm	18.8
Reserve Capacities	99.0%	207.6%	nm	108.6
Customers and Solutions	-22.8%	-48.2%	nm	-25.4
Revenue bef. Other segm./eliminations	-16.5%	-26.1%	nm	-9.7
Revenue after Other segm./eliminations	-15.7%	-29.6%	nm	-13.9

Adjusted EBITDA by Segment	Q1/24	Q1/24	Deviation	
	Estimate	Outcome	EURm	%
Networks	59	66	7	11.7%
Green Capacities	66	77	11	16.3%
Reserve Capacities	5	20	15	273.8%
Customers and Solutions	4	17	14	353.4%
Total adj. EBITDA bef. Other/eliminations	134	180	46	34.2%
Other segments/eliminations	2	2	0	-6.4%
Total adjusted EBITDA after Other/eliminations	136	182	46	33.7%

Adjusted EBITDA margin by Segment*	Q1/24	Q1/24	Deviation	
	Estimate	Outcome	EURm	%-pts
Networks	38.4%	31.7%	nm	-6.6
Green Capacities	69.5%	67.6%	nm	na
Reserve Capacities	18.5%	44.8%	nm	26.3
Customers and Solutions	0.7%	5.1%	nm	4.4
Total adjusted EBITDA	16.7%	25.6%	nm	8.9
Total adjusted EBITDA after Other/eliminations	17.4%	28.1%	nm	10.7

Source: Company reports (historical), Enlight Research (estimates)

*Adjusted EBITDA divided by Adjusted Revenues (might differ from company reported Adjusted EBITDA margin calculated due to different calculation method used)

Estimate changes

Our 2024 Group adj. EBITDA estimate increased 2.5% or EUR 12m to EUR 490m, which is 4.2% above the high end of EUR 440-470m guidance provided by the company. The adj. EBITDA estimate increase is mainly due to the Reserve Capacities segment (raised EUR 10m) following the EUR 15m better than estimated Q1/24 result. Our 2025 Group adj. EBITDA is raised by 1.8% or EUR 9m to EUR 499m, while our 2026 adj. EBITDA is raised 2.2% or EUR 12m to EUR 565m. The higher expected long-term adj. EBITDA is mainly related to Green Capacities generation portfolio growth and the planned investments into the Networks segment that will grow the RAB (allowed returns).

Adjusted EBITDA per segment (EURm)

Networks	2024E	2025E	2026E
Old estimate	217	219	225
New estimate	217	222	231
Change	0	3	6
Change (pct)	0.0%	1.2%	2.6%

Green Capacities	2024E	2025E	2026E
Old estimate	225	229	279
New estimate	227	231	280
Change	2	2	1
Change (pct)	0.9%	0.8%	0.2%

Reserve Capacities	2024E	2025E	2026E
Old estimate	22	24	26
New estimate	31	28	30
Change	10	4	4
Change (pct)	45.1%	17.2%	15.6%

Customers & Solutions	2024E	2025E	2026E
Old estimate	13	16	21
New estimate	13	17	23
Change	0	1	2
Change (pct)	1.0%	3.4%	7.7%

Group Adjusted EBITDA	2024E	2025E	2026E
Old estimate	478	490	553
New estimate	490	499	565
Change	12	9	12
Change (pct)	2.5%	1.8%	2.2%

Adj. EBITDA Guidance	2024E
Adj. EBITDA high	470
Adj. EBITDA mid	455
Adj. EBITDA low	440
Forecast	490
Diff to high	4.2%
Diff to mid	7.7%
Diff to low	11.4%

Source: Company (Guidance), Enlight Research (Forecast)

Forecast

Adjusted EBITDA by Segment	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Networks	66	49	47	62	180	217	222	231
Green Capacities	77	43	47	59	223	227	231	280
Reserve Capacities	20	3	5	4	50	31	28	30
Customers and Solutions	17	0	0	-4	30	13	17	23
Total adjusted EBITDA bef. Other/eliminations	180	94	98	121	483	488	497	563
Other segments/eliminations	2	1	1	-1	2	2	2	2
Total adjusted EBITDA after Other/eliminations	182	95	100	120	485	490	499	565
Adjusted EBITDA margin by Segment	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Networks	31.7%	39.4%	36.9%	29.5%	37.5%	32.5%	34.7%	35.1%
Green Capacities	67.6%	61.1%	61.6%	66.1%	65.1%	64.6%	62.1%	60.6%
Reserve Capacities	44.8%	10.1%	16.2%	11.1%	38.9%	23.0%	20.8%	21.9%
Customers and Solutions	5.1%	-0.1%	0.0%	-0.9%	1.8%	1.0%	1.3%	1.7%
Total adjusted EBITDA	25.6%	21.8%	21.5%	15.3%	18.0%	20.4%	20.9%	21.9%
Total adjusted EBITDA after Other/eliminations	28.1%	23.7%	22.3%	15.1%	19.2%	21.4%	21.9%	22.8%
Income statement (EURm)	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Total Revenue & Other income	654	400	448	789	2,549	2,290	2,277	2,480
Purchase of electricity, gas for trade	-393	-248	-269	-510	-1,758	-1,420	-1,389	-1,488
Salaries and related expenses	-38	-28	-27	-56	-137	-149	-159	-174
Repair and maintenance expenses	-14	-12	-17	-22	-61	-64	-68	-74
Purchase of gas and heavy fuel oil	0	0	0	0	0	0	0	0
Other expenses	-19	-20	-17	-33	-86	-89	-91	-99
<i>Total expenses</i>	<i>-465</i>	<i>-308</i>	<i>-329</i>	<i>-620</i>	<i>-2,042</i>	<i>-1,722</i>	<i>-1,708</i>	<i>-1,835</i>
EBITDA	189	92	119	168	507	568	569	645
Adj. EBITDA	182	95	100	120	485	490	499	565
Depreciation and amortization	-41	-46	-47	-48	-153	-181	-213	-228
Write-offs, revaluations PP&E, Intang.	-1	-1	-1	-1	-2	-2	-2	-2
EBIT	148	45	71	120	352	384	353	414
<i>Financial net</i>	<i>-8</i>	<i>-12</i>	<i>-12</i>	<i>-12</i>	<i>2</i>	<i>-45</i>	<i>-50</i>	<i>-52</i>
Pre-tax profit	139	33	59	108	354	340	303	363
Current year income tax (expenses)/benefit	-21	-5	-9	-16	-34	-51	-46	-55
Deferred income tax (expenses)/benefit	0	0	0	0	0	0	0	0
Minority	0	0	0	0	0	0	0	0
Net profit (loss)	119	28	50	92	320	289	258	308
Segment revenue growth (IFRS reported)	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
y-on-y	-29.6%	-9.4%	-5.0%	11.5%	-41.9%	-10.1%	-0.6%	8.9%
Margins	Q1/24	Q2/24E	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
EBITDA	28.9%	23.0%	26.5%	21.3%	19.9%	24.8%	25.0%	26.0%
EBIT	22.6%	11.3%	15.9%	15.2%	13.8%	16.8%	15.5%	16.7%
Pre-tax profit	21.3%	8.3%	13.2%	13.7%	13.9%	14.8%	13.3%	14.6%
Net profit	18.2%	7.0%	11.2%	11.6%	12.6%	12.6%	11.3%	12.4%

Source: Company reports (historical), Enlight Research (estimates)

Risk factors

Below is a list of risk factors that we have chosen to highlight. It should not be regarded as an extensive list of all risk factors. For more risk factors, we recommend reading the Ignitis Group IPO prospectus, and annual/interim reports.

Regulatory risk

Tariffs for electricity and gas distribution that form one of Ignitis Group's core business areas are set by the Lithuanian regulator, NERC, based on regulated assets and reasonable rate of return (WACC). The regulated assets base (RAB) depends on approved investments while the allowed rate of return (WACC) depends on the approved calculation method. Both values are reconsidered on an annual basis.

Expansion risk

The group plans to expand its renewable generation capacity substantially in the coming years. The expansion projects are large in terms of capital expenditure which means delays or lower than planned generation could affect our forecast negatively.

Electricity price risk

The Green Capacities segment in partial sells its electricity production on the unregulated market, and hence, the electricity market price has a significant impact on the financial performance.

Commodities price risk

The Reserve Capacities segment's profitability is dependent on natural gas market price, moreover, commodity prices can influence power plants development costs. Higher commodity prices could result in lower Group's earnings and increased capital expenditures.

Dividend risk

If for whatever reason (large investments, weak financial performance, regulatory changes), the dividend growth is below our forecast, the forecast dividend yield will most likely be below our forecast.

Income Statement (EURm)	2022	2023	2024e	2025e	2026e
Total revenues	4,387	2,549	2,290	2,277	2,480
Total operating costs	-3,847	-2,042	-1,722	-1,708	-1,835
EBITDA	540	507	568	569	645
Depreciation	-138	-153	-181	-213	-228
Amortizations	0	0	1	2	3
Impairment charges	-14	-2	-2	-2	-2
EBIT	388	352	384	353	414
Associated companies'	0	0	0	0	0
Net financial items	-51	2	-45	-50	-52
Exchange rate differences	0	0	0	0	0
Pre-tax profit (PTP)	337	354	340	303	363
Net earnings	293	320	289	258	308
Balance Sheet	2022	2023	2024e	2025e	2026e
Assets (EURm)					
Cash and cash equivalent	694	205	184	183	200
Receivables	424	266	229	228	248
Inventories	570	275	284	282	307
Other current assets	333	282	282	282	282
Total current assets	2,022	1,028	979	975	1,037
Tangible assets	2,811	3,363	3,881	4,148	4,339
Goodwill & Other Intangibles	148	315	313	311	309
Long-term investments	6	6	6	6	6
Associated Companies	0	0	0	0	0
Other non-current assets	254	477	482	488	496
Total fixed assets	3,218	4,160	4,682	4,953	5,150
Deferred tax assets	31	57	57	57	57
Total assets	5,272	5,244	5,717	5,984	6,243
Liabilities					
Non-ib current liabilities	177	177	137	137	174
Short-term debt	213	70	84	88	89
Other current liabilities	692	414	414	414	414
Total current liabilities	1,082	661	635	639	677
Long-term IB debt	1,423	1,521	1,824	1,926	1,938
Convertibles & Lease liabilities	45	42	42	42	42
Other long-term liabilities	523	608	608	608	608
Total long-term liabilities	1,991	2,172	2,475	2,576	2,589
Total (liabilities)	3,146	2,981	3,258	3,363	3,413
Deferred tax liabilities	55	87	87	87	87
Provisions	18	61	61	61	61
Shareholders' equity	2,126	2,263	2,459	2,621	2,830
Minority interest (BS)	0	0	0	0	0
Total shareholders equity	2,126	2,263	2,459	2,621	2,830
Total equity & liabilities	5,272	5,244	5,717	5,984	6,243
DCF valuation					
WACC (%)	7.97%	Cash flow (EURm)			
				NPV FCF (2023-2025)	-159
				NPV FCF (2026-2032)	1,409
Assumptions 2022-2028 (%)				NPV FCF (2032-)	141
CAGR Sales growth	-6.0%			Non-operating assets	2,224
Average EBIT margin	13.9%			Interest-bearing debt	-1,633
				Fair value estimate	1,981
				Fair value per share (EUR)	27.36
				Share price (EUR)	18.92

Free Cash Flow (EURm)	2022	2023	2024e	2025e	2026e
Operating profit	293	320	384	353	414
Depreciation	138	153	184	216	231
Change in wc	-25	420	-12	2	-8
Other oper. CF items	158	-93	-58	-53	-62
Operating CF	564	801	498	518	574
CF from Investments	-456	-1081	-700	-480	-420
Other CF items	137	-209	0	0	0
Free Cash Flow	17	-212	-202	38	154
Capital structure	2022	2023	2024e	2025e	2026e
Equity ratio	40%	43%	43%	44%	45%
Debt/Equity	79%	72%	79%	78%	73%
Capital invested (EURm)	3,807	3,897	4,409	4,677	4,899
Profitability	2022	2023	2024e	2025e	2026e
ROE %	14.6%	12.2%	10.1%	11.3%	11.8%
EBITDA %	12.3%	19.9%	24.8%	25.0%	26.0%
EBIT %	8.8%	13.8%	16.8%	15.5%	16.7%
Net Margin	6.7%	12.6%	12.6%	11.3%	12.4%
Valuation (x)	2022	2023	2024e	2025e	2026e
P/E	4.4	4.3	4.7	5.3	4.4
P/E adjusted	4.8	4.3	4.7	5.3	4.4
P/Sales	0.5	0.6	0.6	0.6	0.5
EV/Sales*	0.5	1.1	1.4	1.4	1.3
EV/EBITDA*	5.5	5.5	5.7	5.0	4.1
EV/EBIT*	6.1	7.9	8.2	9.2	7.8
P/BV	0.6	0.6	0.5	0.5	0.4
*Estimated end of year Net debt used in EV calculation					
Per share measures	2022	2023	2024e	2025e	2026e
EPS	4.04	4.42	3.99	3.56	4.25
EPS adjusted	4.04	4.42	3.99	3.56	4.25
CEPS	7.79	11.06	6.88	7.16	7.93
EBITDA/share	7.46	7.01	7.85	7.86	8.91
Capital empl./share	52.6	53.8	60.9	64.6	67.7
Div. per share	1.24	1.29	1.32	1.36	1.40
Payout ratio	31%	29%	33%	38%	33%
Dividend yield (%)	6.6%	6.9%	7.0%	7.2%	7.4%
Shareholders					
Ministry of Finance					74.99%
Institutional investors - other					15.61%
Retail investors					9.40%
Key people					
CEO				Darius Maikštėnas	
CFO				Jonas Rimavičius	
Chief Organisational Development Officer				Dr. Živilė Skibarkienė	
Chief Commercial Officer				Vidmantas Salietis	
Head of Group Regulated Activities				Mantas Mikalajūnas	

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + Net debt + Minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest-bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	EAFF/Share	$\frac{\text{Pre-tax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest-bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest-bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest-free short-term debt} - \text{long-term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest-bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest-bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth rate per year

Disclaimer

Enlight Research OÜ's main valuation methods are discounted cash flow valuation and peer valuation with common multiples such as Price to Earnings, Enterprise Value to EBITDA, dividend yield etc. Aforementioned methods are used to estimate a company's fair value according to the following three scenarios: Bull (positive), Base (main scenario), and Bear (negative).

This report is commissioned by the company covered in this report which means Enlight Research OÜ receives compensation to write research on the company. The compensation is pre-determined and does not depend on the content in the report. This report is not to be considered investment research under MiFID regulations. Enlight Research OÜ does not issue investment recommendations or advice.

This report is for informational purposes only i.e. it should not be considered as an offer to sell or buy. Investors are encouraged to make their own research and not rely solely on this report when making their investment decisions. The decision to invest or not to invest is fully the responsibility of the investor i.e. Enlight Research OÜ takes no responsibility nor gives any guarantees with regards to investment decisions made by investors. Investing in equities entails risk e.g. the price of an equity decreases. Past performance is not a guarantee for future performance.

This report is based on information and sources that Enlight Research OÜ deemed to be reliable. However, Enlight Research OÜ cannot guarantee the accuracy or completeness of the information. All forward-looking statements and financial forecasts entail uncertainty and are subject to change without notice. Enlight Research OÜ accept no liability for any loss or damage resulting from the use of this report.

The analyst(s) writing this report own shares in the company in this report: Yes

The analyst(s) responsible for this report are not allowed to trade in any financial instruments of the company in this report until after the analyst report has been published, or if other conflict of interest exist e.g., advisory related.

Investors should assume that Enlight Research OÜ is seeking, or is performing, or have performed advisory services or other revenue generating services for the company in this report. An analyst's compensation is never directly related to advisory projects. An analyst working on advisory projects will be taken over the "Chinese wall" as soon as relevant regulations and/or guidelines require this.

The document may not be copied, reproduced, distributed, or published to physical or legal entities that are citizens of or domiciled in any country where relevant laws and/or regulations prohibit this.

This report may not be copied, reproduced, distributed, or published other than for personal reasons without written permission by Enlight Research OÜ. To apply for permission, send an email to below address:

ResearchTeam@enlightresearch.net

© Copyright 2019 Enlight Research OÜ



Follow us on:

Twitter X @ResearchEnlight

Instagram enlight_research

Contact information

ResearchTeam@EnlightResearch.net