

Outperformance continues

Once again, the quarterly adj. EBITDA was above our forecast and grew vs. last year. The 2024 guidance was raised on the back of the strong Green Capacities performance. The mix of regulated and unregulated operations enable earnings growth despite lower electricity prices and higher interest rates.

Guidance raised (again)

The Q3/24 adj. EBITDA grew 16.8% y-on-y to EUR 107m, 11.1% above our estimate. The Company's 2024 adj. EBITDA guidance was raised to EUR 480-500m from EUR 450-480m (+5% at mid-point). Accordingly, we raise our 2024 adj. EBITDA estimate by 5% to EUR 515m (prev. 490m) i.e., we are 3% above the high-end of the guidance, which implies EUR 118m Q4/24 adj. EBITDA.

Regulated and unregulated operations drive growth

In 2025, positive RAB and WACC changes makes Networks the main earnings growth contributor with an estimated 20% or EUR 42m growth in adj. EBITDA to EUR 259m. In 2026, green capacity expansion makes the Green Capacities segment the main earnings driver with an estimated 13% or EUR 32m growth in adj. EBITDA to EUR 280m.

6% Net yield according to policy

We increase our Base case Fair value slightly to EUR 28.16/shr. (prev. 27.36). We reiterate our 2024E dividend forecast of EUR 1.32/shr. indicating a yield of 7.0% (net 6.0%). Our dividend 2024-26 forecast is in-line with the company policy to increase dividends by 3% annually.

Key figures (MEUR)

	2022	2023	2024E	2025E	2026E
Revenue	4,387	2,549	2,342	2,383	2,531
Revenue growth	131.1%	-41.9%	-8.1%	1.8%	6.2%
Adj. EBITDA	469	485	515	561	595
Adj. EBITDA margin	10.9%	19.2%	22.2%	23.5%	23.5%
EBIT	388	352	400	417	434
EBIT margin	8.8%	13.8%	17.1%	17.5%	17.2%
EV/Sales	0.5	1.1	1.3	1.3	1.2
EV/adj. EBITDA	5.0	5.7	6.0	5.7	5.3
EV/EBIT	6.1	7.9	7.8	7.7	7.3
P/E adj.	4.4	4.3	4.3	4.2	4.0
P/BV	0.6	0.5	0.5	0.5	0.4
EPS	4.04	4.42	4.40	4.46	4.67
EPS growth	87.3%	9.4%	-0.6%	1.5%	4.6%
Div. per share	1.24	1.29	1.32	1.36	1.40
Dividend yield*	6.6%	6.9%	7.0%	7.3%	7.5%

Source: Company data, Enlight Research estimates

*Pre-tax yield on EUR 18.80 share price for estimated years

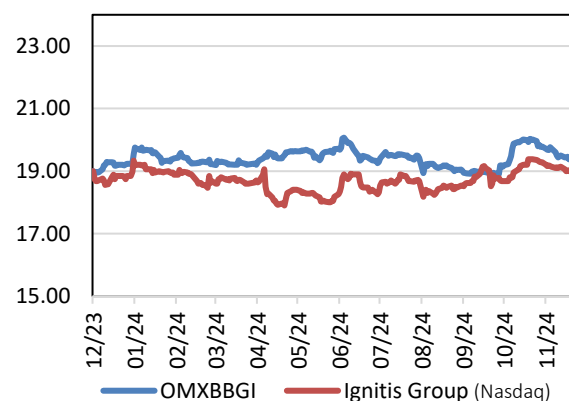
Fair value range (EUR)

Bull	33.79
Base	28.16
Bear	24.13

Key Data

Price (EUR)	18.80
Ticker	IGN1L
Country	Lithuania
Listed	Vilnius (Lithuania)
Market Cap (EURm)	1,361
Net debt (EURm)	1,449
Shares (m)	72.4
Free float	25%

*End of 2024 estimate



Price range

52-week high	20.70
52-week low	17.90

Analyst

ResearchTeam@enlightresearch.net

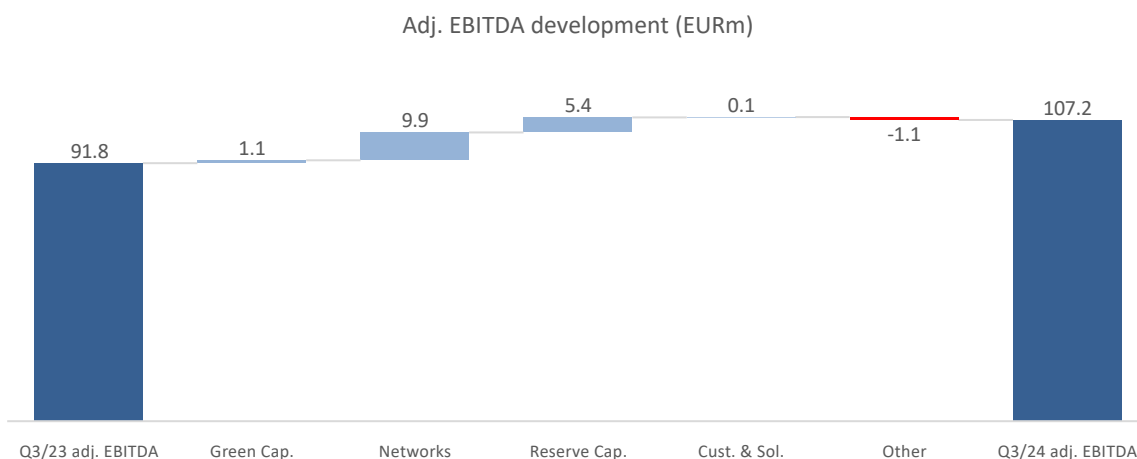
Coverage frequency

4x per year

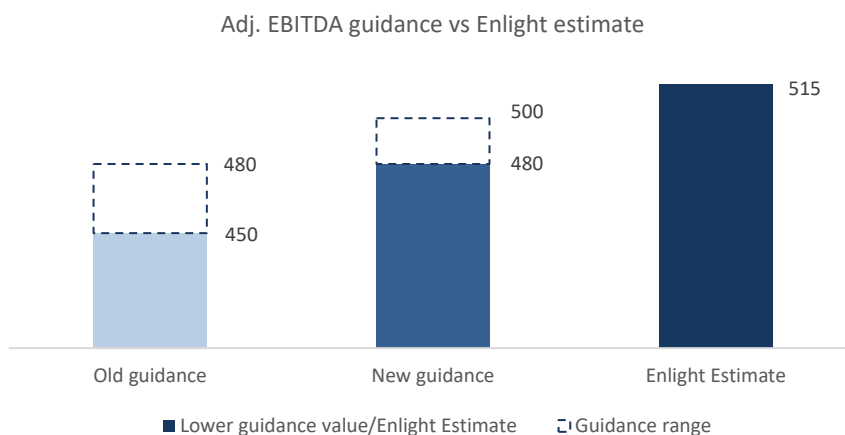
Key takeaways

Q3/24 growth driven by all business segments

The Q3/24 adj. EBITDA of EUR 107.2m was 16.8% or EUR 15.4m higher than the Q3/23 adj. EBITDA of EUR 91.8m. All segments contributed to the improvement. The Green Capacities Q3/24 adj. EBITDA y-on-y increase of 2.4% or EUR 1.1m, was mainly due to increased installed capacity (Silesia wind farm I – 50 MW, and Vilnius CHP biomass unit – 73 MW) and assets flexibility that enabled the sale of electricity when prices were favorable – both these factors helped offset lower electricity prices. The Networks Q3/24 adj. EBITDA y-on-y increase of 24.7% or EUR 9.9m was underpinned by a notable increase in RAB (EUR 1,584m from EUR 1,429m) and WACC (5.08% from 4.14%). The Reserve Capacities Q3/24 adj. EBITDA y-on-y increase of 88.5% or EUR 5.4m was due to favorable market conditions where electricity could be generated and sold profitably at market price (positive “spark spread”). The Customers & Solutions Q3/24 adj. EBITDA y-on-y improvement was minor at EUR 0.1m. The solid Q3/24 combined with a positive outlook for Q4/24 prompted Ignitis Group to raise the 2024 adj. EBITDA guidance by 5% at mid-point to EUR 480-500m from EUR 450-480m. Accordingly, we raise our 2024 adj. EBITDA estimate by 5% to EUR 515m (previous EUR 490m) which is 3% above the high-end of the guidance (EUR 500m) and implies a Q4/24 adj. EBITDA of EUR 118m.



Source: Company reports



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

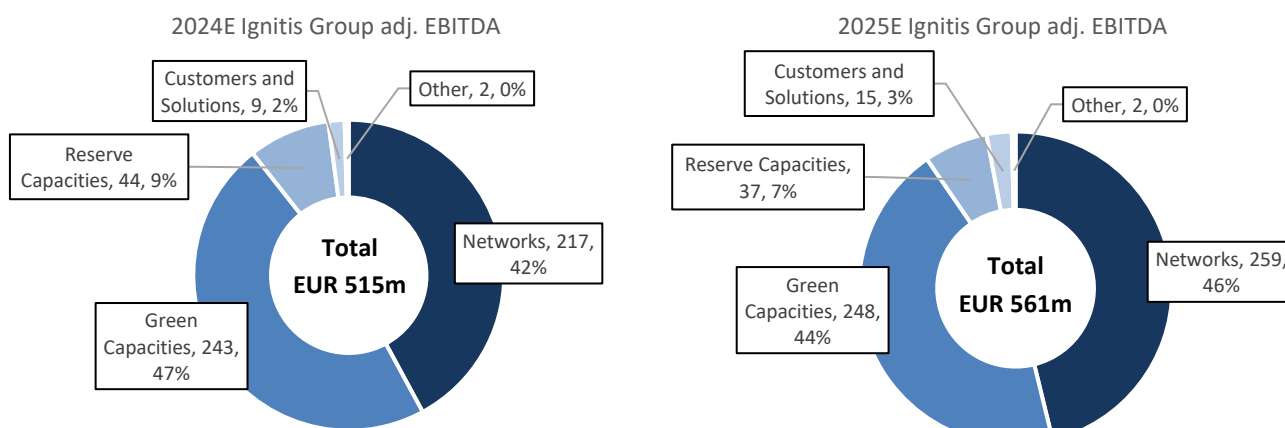
Networks drive growth in 2025...

On 17 October 2024, the Lithuanian National Energy Regulatory Council (NERC) set the regulatory components for the Networks segment for 2025. The main components are RAB, WACC, D&A (depreciation & amortization), and an additional adjustment component. The most material changes were made to the electricity distribution regulatory components where RAB increased from EUR 1,332m to EUR 1,541m (+15.7%), WACC increased from 5.09% to 5.82%, D&A regulatory increased from EUR 67.6m to 88.6m (+31.1%), and the additional component decreased from EUR 40.0m to EUR 37.5m (-6.3%). These changes resulted in an estimated electricity grid-related adj. EBITDA growth from an estimated EUR 175m in 2024 to EUR 216m in 2025 (+23% or EUR 40m). The gas distribution regulatory components were also increased, but the impact on 2025 estimated adj. EBITDA is minimal (EUR +1m) due to a significantly lower RAB base. Based on the set regulatory components and estimated fees from new connections, we forecast the 2025 Networks segment adj. EBITDA to increase by 19.5% or EUR 42.0m to EUR 259m from an estimated EUR 217m in 2024. Our 2025 Group adj. EBITDA is forecast to grow 9% to EUR 561m (from an estimated EUR 515m in 2024) whereof 46% comes from the Networks segment and 44% from Green Capacities segment.

Networks adj. EBITDA	2024E	2025E	Diff	% Diff
Electricity				
RAB (EURm)	1,332	1,541	209	15.7%
WACC	5.09%	5.82%	0.73%	na
Allowed return (RAB x WACC)	67.8	89.7	22	32.3%
D&A regulatory	67.6	88.6	21	31.1%
Additional component	40.0	37.5	-3	-6.3%
Electricity adj. EBITDA	175.4	215.8	40	23.0%
Gas				
RAB (EURm)	252	254	2	0.8%
WACC	5.03%	5.64%	0.61%	na
Allowed return (RAB x WACC)	12.7	14.3	2	13.0%
D&A regulatory	11.7	11.0	-1	-6.0%
Gas adj. EBITDA	24.4	25.3	1	3.9%
New connection fees	17.0	18.0	1	5.9%
Networks adj. EBITDA	216.8	259.1	42	19.5%

Assumed values

Source: Company reports, Enlight Research (estimations)

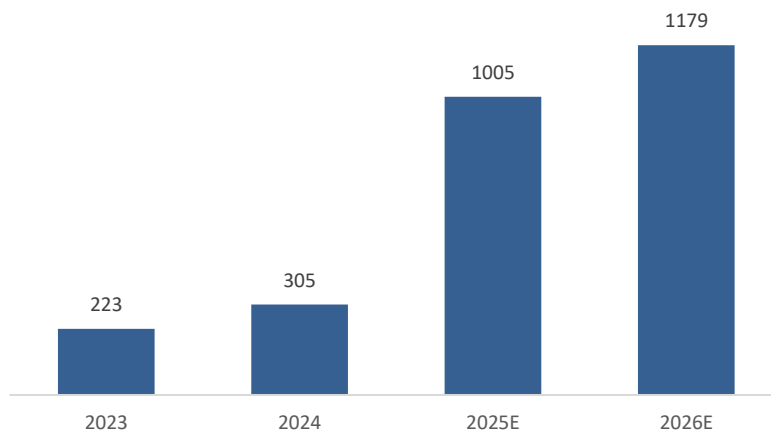


Source: Enlight Research

...while Green Capacities drive growth in 2026

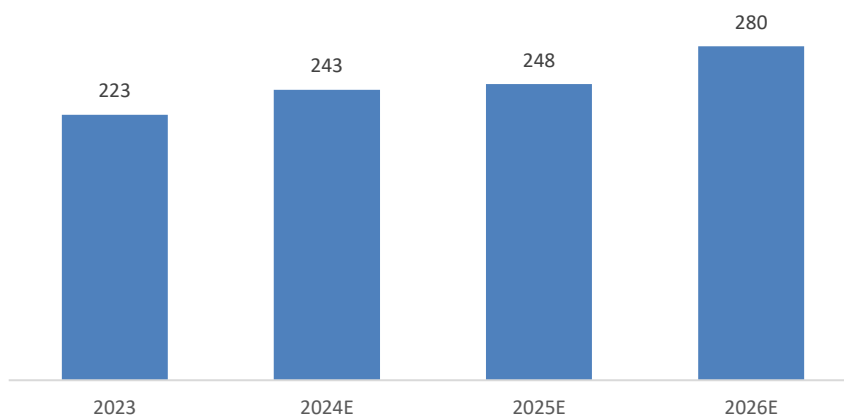
In 2026, we expect the Green Capacities segment to be the main contributor to Ignitis Group’s adj. EBITDA growth. Based on Q3/24 reported green capacities under construction, the 2025 green capacity increase could be 700 MW (wind and solar), which would increase the total wind & solar capacity 3.3x from 305 MW at the end of 2024 to 1,005 MW at the end of 2025. Increased capacity is the main reason for our estimated adj. EBITDA increase of 9% this year, 2% in 2025, and 13% in 2026. One could argue our adj. EBITDA should increase even more given the +3x higher installed capacity in 2025; however, our forecast assumes lower electricity prices as well as lower share of hedged electricity volumes, which partly offset the increase from increased capacity. Furthermore, we have factored in a safety margin for project delays.

Historical and to be installed Wind & Solar capacity (MW)



Source: Company reports

Green Capacities adj. EBITDA



Source: Company reports, Enlight Research (estimations)

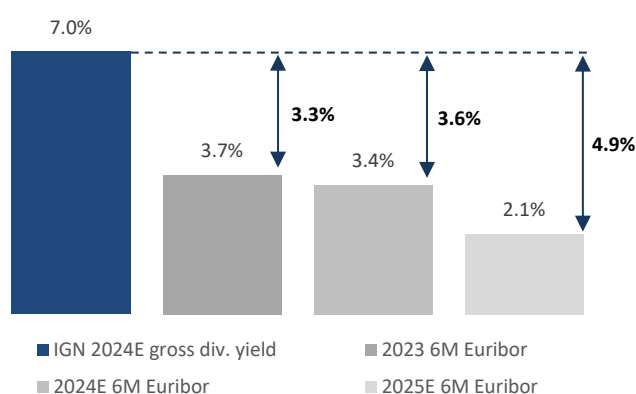
Solid dividends in a changing environment

Ignitis Group continues to follow its dividend policy (min. 3% annual dividend growth paid semi-annually) and distributed a dividend of EUR 0.663 per share for H1/24. The proposed dividend implies a full-year 2024 dividend of EUR 1.32 per share (in line with our forecast), which is equal to a 7.0% pre-tax dividend yield (6.0% post-tax) based on the share price of EUR 18.80. 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 2025E, and 7.5% (6.4% net) in 2026E. In our opinion, Ignitis Group's steadily growing dividends become increasingly attractive in the changing interest rate environment. The estimated 2024 gross dividend yield of 7.0% is 3.6 percentage points higher than the expected 2024 6M Euribor rate of 3.4% and 4.9 percentage points higher than the expected 2025 6M Euribor rate of 2.1% (Chatham Euribor forward curve). We regard Ignitis Group as a stable long-term Baltic dividend stock.

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 (EURm)	0.62	0.64	0.66	0.68	0.70
Total dividend per share (EUR)	1.25	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%	7.0%	7.3%	7.5%
Post-tax dividend yield	5.6%	5.9%	6.0%	6.2%	6.4%
Share price (EUR)	19.02	18.84	18.80	18.80	18.80

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

IGN div. yield vs 6m Euribor



Source: Chatham (6M Euribor), Enlight Research (estimates)

Ignitis could cover your electricity bill

According to the Lithuanian Statistics Center, the 3-year annual average electricity consumption per household is around 2,200 kWh. Assuming an electricity price of 0.215 EUR/kWh, the average annual electricity bill for a Lithuanian household is around EUR 473. Based on Ignitis Group's stock price of around EUR 18.8 and the estimated 2024 net dividend per share of EUR 1.16, 409 Ignitis stocks should yield enough dividend income to cover the electricity bill. An investment of EUR 7,700, EUR 5,800, EUR 3,900, and EUR 2,000, respectively, is needed to cover the annual average electricity bill by 100%, 75%, 50%, and 25%. As Ignitis Group's earnings are highly related to electricity prices, an investment in Ignitis stock could be a creative way to cover future electricity bills. This is not investment advice but rather a "fun" simulation based on past and expected data.

Lithuania electricity consumption	2023	2022	2021
Number of households (thousands)	1557.0	1471.1	1395.7
Total electricity consumption (GWh)	3147.3	3289.1	3410.1
Average electricity consumption per household (kWh)	2,021	2,236	2,443
Average 3-year electricity consumption per household	2233.5		

Source: Lithuanian Statistics Center

Metric	Value
Annual average household electricity consumption (kWh)	2200
Retail consumer final electricity price (EUR/kWh)	0.215
Annual average household electricity bill (EUR)	473
Ignitis Group stock price (EUR)	18.8
2025E gross dividend per share (EUR)	1.36
2025E net dividend per share (EUR)	1.16
Number of shares needed to cover the annual electricity bill	409
Investment needed to 100% cover annual electricity bill (EUR)	7,692
Investment needed to 75% cover annual electricity bill (EUR)	5,769
Investment needed to 50% cover annual electricity bill (EUR)	3,846
Investment needed to 25% cover annual electricity bill (EUR)	1,923

Source: Enlight Research, Lithuanian Statistics Center (electricity consumption)

Valuation

Base case Fair value increased to EUR 28.16

Our Base case Fair value per share is raised slightly to EUR 28.16 (prev. 27.36), implying an upside of around 50% based on the share price of EUR 18.80. 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 4.5% for 6 years gives our Base case Fair value of EUR 28.16 per share. Our Bear case assumes a motivated yield of 7.00% and indicates a share price of EUR 24.13, while our Bull case assumes a yield of 5.00% which indicates a share price of EUR 33.79.

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%	4.5%	42.23
4.50%	4.5%	37.54
5.00%	4.5%	33.79
5.50%	4.5%	30.72
6.00%	4.5%	28.16
6.50%	4.5%	25.99
7.00%	4.5%	24.13
7.50%	4.5%	22.52
8.00%	4.5%	21.12

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 2025 EV/EBITDA multiple, the Ignitis Group share is trading at a discount of around 17% to the Integrated utilities peer group (5.3x vs. 6.4x for peers), despite having an estimated dividend yield that is better than the peer average (7.3% vs. 5.5% for peers). Given Ignitis Group's strong focus on renewable energy (Green Capacities typically make 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 second-highest 2025 EV/EBITDA multiple among our peer subgroups (9.0x vs 9.2x 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 42%, and 41%, respectively, based on estimated EV/EBITDA 2024 (see peer table on next page).

Peer valuation										Div.	Div.	Div.	Div.
			Price	Mcap (m)	EV (m)	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBITDA	yield	yield	yield	yield
	Ticker	Ccy	(last)	(last)	(last)	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E
Ignitis Group										6.9%	7.0%	7.3%	7.5%
Integrated										Div.	Div.	Div.	Div.
			Price	Mcap (m)	EV (m)	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBITDA	yield	yield	yield	yield
Company	Ticker	Ccy	(last)	(last)	(last)	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E
EDP	EDP	EUR	3.37	14,108	29,427	5.9	5.9	6.0	5.9	5.8%	6.0%	6.0%	6.0%
Endesa	ELE	EUR	21.24	22,488	33,276	8.8	6.4	6.3	6.1	4.7%	5.5%	5.9%	6.2%
Enel	ENEL	EUR	6.83	69,451	129,614	5.9	5.6	5.7	5.5	6.3%	6.6%	6.9%	7.2%
Engie	ENGI	EUR	14.96	36,432	65,925	4.4	4.3	4.6	4.7	9.6%	9.6%	8.2%	7.8%
E.ON	EOAN	EUR	12.29	32,462	70,153	7.5	7.9	7.6	7.3	4.3%	4.5%	4.6%	4.9%
Iberdrola	IBE	EUR	13.51	86,779	134,693	9.3	8.5	8.3	7.9	3.7%	4.5%	4.7%	4.9%
RWE	RWE	EUR	31.83	23,676	26,063	3.1	4.8	5.2	4.7	3.1%	3.4%	3.7%	3.9%
SSE	SSE	GBP	17.76	19,414	28,308	8.6	8.3	7.7	6.8	3.4%	3.6%	3.9%	4.1%
Average						6.7	6.5	6.4	6.1	5.1%	5.5%	5.5%	5.6%
Renewables										Div.	Div.	Div.	Div.
			Price	Mcap (m)	EV (m)	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBITDA	yield	yield	yield	yield
Company	Ticker	Ccy	(last)	(last)	(last)	2023	2024E	2025E	2026E	2023	2024E	2025E	2026E
EDP Renewables	EDPR	EUR	10.80	11,234	17,039	9.2	9.5	8.0	7.4	2.5%	1.3%	1.7%	2.1%
Neoen	NEOEN	EUR	39.36	5,988	9,792	20.6	18.1	13.7	11.7	0.4%	0.4%	0.5%	0.6%
Orsted	ORSTED	DKK	381	160,333	207,712	11.1	6.3	6.6	6.2	0.0%	0.0%	0.0%	2.5%
Enefit Green	EGR1T	EUR	2.74	725	1,141	10.8	8.8	6.9	5.6	3.8%	4.4%	5.7%	5.9%
Hidroelectrica	H2O	RON	119.50	53,751	58,085	7.1	9.1	9.6	9.9	10.5%	8.0%	8.0%	7.5%
Average						11.8	10.4	9.0	8.2	3.4%	2.8%	3.2%	3.7%
Regulated										Div.	Div.	Div.	Div.
			Price	Mcap (m)	EV (m)	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBITDA	yield	yield	yield	yield
Company	Ticker	Ccy	(last)	(last)	(last)	2023	2024E	2025E	2025E	2023	2024E	2025E	2026E
National grid	NG	GBP	9.96	39,541	83,148	11.1	11.2	10.3	9.1	5.9%	4.7%	4.8%	4.9%
Redeia Corp.	RED	EUR	16.92	9,155	14,130	9.4	10.6	10.1	9.0	5.9%	4.8%	4.9%	5.1%
REN	RENE	EUR	2.41	1,608	4,357	8.5	8.6	8.5	8.5	6.4%	6.2%	6.4%	6.4%
Italgas	IG	EUR	5.56	4,506	11,140	9.4	8.3	7.4	6.5	6.3%	6.9%	7.2%	8.0%
Terna	TRN	EUR	7.96	16,004	24,450	11.3	9.8	9.6	8.7	4.3%	4.8%	4.7%	4.9%
Average						9.9	9.7	9.2	8.3	5.8%	5.5%	5.6%	5.9%

Source: MarketScreener (consensus), Enlight Research (Ignitis Group)
Based on share prices on 3 December 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 Q3/24 Group adj. EBITDA of EUR 107.2m was 11.1% or EUR 10.7m above our forecast mainly due to the Reserve Capacities and Networks segments. The Reserve Capacities segment Q3/24 adj. EBITDA was EUR 8.2m above our EUR 3.3m forecast while the Networks segment Q3/24 adj. EBITDA was EUR 3.3m above forecast (EUR 49.9m vs. estimate of EUR 46.6m). The Customers & Solutions segment adj. EBITDA was EUR 1.4m above estimate while the Green Capacities segment was EUR 0.9m below estimate.

Forecast deviation table by Segment

Revenue by Segment (EURm)	Q3/24	Q3/24	Deviation	
	Estimate	Outcome	EURm	%
Networks	126.2	157.3	31.1	24.6%
Green Capacities	76.8	84.0	7.2	9.3%
Reserve Capacities	26.9	32.9	6.0	22.2%
Customers and Solutions	226.6	289.2	62.6	27.6%
Revenue bef. Other segm./eliminations	456.5	563.4	106.9	23.4%
Other segments/eliminations	-10.0	-34.6	-24.6	244.5%
Revenue after Other segm./eliminations	446.5	528.8	82.3	18.4%

Revenue growth	Q3/24	Q3/24	Deviation	
	Estimate	Outcome	EURm	%-pts
Networks	-2.9%	21.1%	nm	23.9
Green Capacities	4.0%	13.7%	nm	9.7
Reserve Capacities	9.9%	34.3%	nm	24.4
Customers and Solutions	-16.3%	6.8%	nm	23.1
Revenue bef. Other segm./eliminations	-8.5%	12.9%	nm	21.4
Revenue after Other segm./eliminations	-5.2%	12.2%	nm	17.5

Adjusted EBITDA by Segment	Q3/24	Q3/24	Deviation	
	Estimate	Outcome	EURm	%
Networks	46.6	49.9	3.3	7.1%
Green Capacities	47.3	46.4	-0.9	-1.9%
Reserve Capacities	3.3	11.5	8.2	247.0%
Customers and Solutions	-2.1	-0.7	1.4	-65.9%
Total adj. EBITDA bef. Other/eliminations	95.2	107.1	11.9	12.5%
Other segments/eliminations	1.3	0.1	-1.2	-92.3%
Total adjusted EBITDA after Other/eliminations	96.5	107.2	10.7	11.1%

Adjusted EBITDA margin by Segment*	Q3/24	Q3/24	Deviation	
	Estimate	Outcome	EURm	%-pts
Networks	36.9%	30.3%	nm	-6.6
Green Generation	61.6%	55.2%	nm	na
Reserve Capacities	12.3%	35.0%	nm	22.6
Customers and Solutions	-0.9%	-0.2%	nm	0.7
Total adjusted EBITDA	20.8%	18.9%	nm	-2.0
Total adjusted EBITDA after Other/eliminations	21.6%	20.1%	nm	-1.5

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 is raised to EUR 515m (prev. 490m), which is 3% above the high-end of EUR 480-500m guidance. Our Networks adj. EBITDA estimate is unchanged for this year and raised by 17% next year, and 14% in 2026 mainly due to higher RAB and WACC. Our Green Capacities adj. EBITDA is raised by around 7.5% in 2024-25 due to higher capacities, and unchanged in 2026. Our Reserve Capacities adj. EBITDA is raised by around 30% this and next year, and 16% in 2026. Our Customer & Solutions adj. EBITDA is lowered by EUR 2m in 2024, and 2025, followed by a EUR 7m decrease in 2026.

Adjusted EBITDA per segment (EURm)			
Networks	2024E	2025E	2026E
Old estimate	217	222	231
New estimate	217	259	263
Change	0	38	32
Change (pct)	0.0%	17.0%	13.7%
Green Capacities	2024E	2025E	2026E
Old estimate	227	231	280
New estimate	243	248	280
Change	17	17	0
Change (pct)	7.4%	7.5%	0.0%
Reserve Capacities	2024E	2025E	2026E
Old estimate	34	28	30
New estimate	44	37	35
Change	10	9	5
Change (pct)	30.0%	31.2%	15.6%
Customers & Solutions	2024E	2025E	2026E
Old estimate	11	17	23
New estimate	9	15	16
Change	-2	-2	-7
Change (pct)	-20.1%	-12.1%	-30.3%
Group Adjusted EBITDA	2024E	2025E	2026E
Old estimate	490	500	566
New estimate	515	561	595
Change	25	62	29
Change (pct)	5.0%	12.3%	5.2%
Adj. EBITDA Guidance	2024E	2025E	2026E
Adj. EBITDA high	500		
Adj. EBITDA mid	490		
Adj. EBITDA low	480		
Forecast	515		
Diff to high	3.0%		
Diff to mid	5.1%		
Diff to low	7.3%		

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

Forecast

Revenue per segment (IFRS reported)	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
Networks	199	156	157	158	592	670	706	704
Green Capacities	114	87	84	123	343	408	425	487
Reserve Capacities	45	19	33	51	129	148	141	139
Customers and Solutions	353	219	289	396	1,647	1,257	1,280	1,370
Total Revenues bef. Other/elimin.	710	481	563	728	2,710	2,482	2,552	2,700
Other segments/eliminations	-57	-42	-35	-7	-161	-140	-169	-169
Revenue after Other segm./eliminations	654	439	529	721	2,549	2,342	2,383	2,531
Segment revenue growth (IFRS reported)	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
Networks	19.9%	20.0%	21.1%	-5.1%	-13.1%	13.1%	5.5%	-0.3%
Green Capacities	14.6%	36.1%	13.7%	16.6%	-25.3%	19.0%	4.3%	14.6%
Reserve Capacities	207.6%	-58.8%	34.3%	19.1%	-46.6%	15.0%	-4.6%	-1.5%
Customers and Solutions	-48.2%	-13.2%	6.8%	-10.4%	-46.6%	-23.7%	1.8%	7.0%
Total Revenues bef. Other/elimin.	-26.1%	-2.4%	12.9%	-3.8%	-39.3%	-8.4%	2.8%	5.8%
Revenue after Other segm./eliminations	-29.6%	-0.7%	12.2%	1.9%	-41.9%	-8.1%	1.8%	6.2%
Adjusted EBITDA by Segment	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
Networks	66	50	50	51	180	217	259	263
Green Capacities	77	58	46	62	223	243	248	280
Reserve Capacities	20	5	12	7	50	44	37	35
Customers and Solutions	17	-6	-1	-2	30	9	15	16
Total adjusted EBITDA bef. Other/eliminations	180	108	107	118	483	513	559	593
Other segments/eliminations	2	0	0	0	2	2	2	2
Total adjusted EBITDA after Other/eliminations	182	108	107	118	485	515	561	595
Adjusted EBITDA margin by Segment	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
Networks	31.7%	31.2%	30.3%	37.1%	37.5%	32.4%	36.7%	37.3%
Green Capacities	67.6%	66.2%	55.2%	50.8%	65.1%	59.7%	58.4%	57.5%
Reserve Capacities	44.8%	27.6%	35.0%	13.7%	38.9%	29.6%	26.2%	25.1%
Customers and Solutions	5.1%	-2.5%	-0.2%	-0.6%	1.8%	0.7%	1.1%	1.2%
Total adjusted EBITDA	25.6%	22.2%	18.9%	16.8%	18.0%	20.9%	21.9%	22.0%
Total adjusted EBITDA after Other/eliminations	28.1%	24.5%	20.1%	16.9%	19.2%	22.2%	23.5%	23.5%
Income statement (EURm)	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
Total Revenue & Other income	654	439	529	721	2,549	2,342	2,383	2,531
Purchase of electricity, gas for trade	-393	-253	-337	-469	-1,758	-1,452	-1,454	-1,519
Salaries and related expenses	-38	-42	-40	-32	-137	-152	-160	-177
Repair and maintenance expenses	-14	-17	-23	-11	-61	-66	-69	-76
Purchase of gas and heavy fuel oil	0	0	0	0	0	0	0	0
Other expenses	-19	-22	-25	-25	-86	-91	-95	-101
Total expenses	-465	-334	-425	-538	-2,042	-1,761	-1,778	-1,873
EBITDA	189	105	104	183	507	581	605	658
Adj. EBITDA	182	108	107	118	485	515	561	595
Depreciation and amortization	-41	-45	-47	-48	-153	-179	-186	-221
Write-offs, revaluations PP&E, Intang.	-1	0	0	-1	-2	-2	-2	-2
EBIT	148	60	57	135	352	400	417	434
<i>Financial net</i>	-8	-9	-9	-12	2	-38	-49	-50
Pre-tax profit	139	52	48	123	354	361	367	384
Current year income tax (expenses)/benefit	-21	-2	-2	-18	-34	-43	-44	-46
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	50	46	104	320	318	323	338
Segment revenue growth (IFRS reported)	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
y-on-y	-29.6%	-0.7%	12.2%	1.9%	-41.9%	-8.1%	1.8%	6.2%
Margins	Q1/24	Q2/24	Q3/24	Q4/24E	2023	2024E	2025E	2026E
EBITDA	28.9%	24.0%	19.6%	25.4%	19.9%	24.8%	25.4%	26.0%
EBIT	22.6%	13.8%	10.8%	18.7%	13.8%	17.1%	17.5%	17.2%
Pre-tax profit	21.3%	11.8%	9.0%	17.0%	13.9%	15.4%	15.4%	15.2%
Net profit	18.2%	11.3%	8.6%	14.4%	12.6%	13.6%	13.5%	13.3%

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.

Financing risk

To execute expansion plans the Company is using external financing sources such as bonds and bank loans. Changes in the financing environment (base interest rate or finance rating) could negatively impact the Company's financial performance.

Operational risk

Ignitis Group is operating complex energy generation and transmission assets that can be affected by various external forces (e.g. weather conditions). Disturbed assets could result in unplanned downtime or additional expenses.

Electricity price risk

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

Political risk

Lithuania Ministry of Finance is the main Ignitis Group's shareholder (~75%). A change in the ruling political party can affect the government's vision towards the energy sector and potentially influence Ignitis Group's short-term and long-term financials.

Income Statement (EURm)	2022	2023	2024e	2025e	2026e
Total revenues	4,387	2,549	2,342	2,383	2,531
Total operating costs	-3,847	-2,042	-1,761	-1,778	-1,873
EBITDA	540	507	581	605	658
Depreciation	-138	-153	-179	-186	-221
Amortizations	0	0	1	2	3
Impairment charges	-14	-2	-2	-2	-2
EBIT	388	352	400	417	434
Associated companies'	0	0	0	0	0
Net financial items	-51	2	-38	-49	-50
Exchange rate differences	0	0	0	0	0
Pre-tax profit (PTP)	337	354	361	367	384
Net earnings	293	320	318	323	338

Balance Sheet	2022	2023	2024e	2025e	2026e
Assets (EURm)					
Cash and cash equivalent	694	205	189	192	204
Receivables	424	266	234	238	253
Inventories	570	275	290	296	314
Other current assets	333	282	282	282	282
Total current assets	2,022	1,028	995	1,007	1,052
Tangible assets	2,811	3,363	3,883	4,177	4,375
Goodwill & Other Intangibles	148	315	314	311	309
Long-term investments	6	6	6	6	6
Associated Companies	0	0	0	0	0
Other non-current assets	254	477	483	491	498
Total fixed assets	3,218	4,160	4,686	4,985	5,188
Deferred tax assets	31	57	57	57	57
Total assets	5,272	5,244	5,737	6,049	6,297
Liabilities					
Non-ib current liabilities	177	177	141	143	177
Short-term debt	213	70	83	87	86
Other current liabilities	692	414	414	414	414
Total current liabilities	1,082	661	638	644	677
Long-term IB debt	1,423	1,521	1,812	1,891	1,866
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	2,462	2,541	2,517
Total (liabilities)	3,146	2,981	3,248	3,333	3,342
Deferred tax liabilities	55	87	87	87	87
Provisions	18	61	61	61	61
Shareholders' equity	2,126	2,263	2,488	2,716	2,955
Minority interest (BS)	0	0	0	0	0
Total shareholders equity	2,126	2,263	2,488	2,716	2,955
Total equity & liabilities	5,272	5,244	5,737	6,049	6,297

DCF valuation		Cash flow (EURm)	
WACC (%)	8.51%	NPV FCF (2023-2025)	-124
		NPV FCF (2026-2032)	1,698
Assumptions 2022-2028 (%)		NPV FCF (2032-)	137
CAGR Sales growth	-7.4%	Non-operating assets	1,960
Average EBIT margin	14.8%	Interest-bearing debt	-1,633
		Fair value estimate	2,038
		Fair value per share (EUR)	28.16
		Share price (EUR)	18.80

Free Cash Flow (EURm)	2022	2023	2024e	2025e	2026e
Operating profit	293	320	400	417	434
Depreciation	138	153	181	189	224
Change in wc	-25	420	-21	-7	1
Other oper. CF items	158	-93	-48	-50	-52
Operating CF	564	801	512	548	607
CF from Investments	-456	-1081	-700	-480	-420
Other CF items	137	-209	0	0	0
Free Cash Flow	17	-212	-188	68	187

Capital structure	2022	2023	2024e	2025e	2026e
Equity ratio	40%	43%	43%	45%	47%
Debt/Equity	79%	72%	78%	74%	67%
Capital invested (EURm)	3,807	3,897	4,426	4,735	4,949

Profitability	2022	2023	2024e	2025e	2026e
ROE %	14.6%	13.4%	12.4%	11.9%	11.5%
EBITDA %	12.3%	19.9%	24.8%	25.4%	26.0%
EBIT %	8.8%	13.8%	17.1%	17.5%	17.2%
Net Margin	6.7%	12.6%	13.6%	13.5%	13.3%

Valuation (x)	2022	2023	2024e	2025e	2026e
P/E	4.4	4.3	4.3	4.2	4.0
P/E adjusted	4.8	4.3	4.3	4.2	4.0
P/Sales	0.5	0.6	0.6	0.5	0.5
EV/Sales*	0.5	1.1	1.3	1.3	1.2
EV/EBITDA*	5.5	5.4	5.3	4.8	4.6
EV/EBIT*	6.1	7.9	7.8	7.7	7.3
P/BV	0.6	0.5	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	4.40	4.46	4.67
EPS adjusted	4.04	4.42	4.40	4.46	4.67
CEPS	7.79	11.06	7.08	7.58	8.38
EBITDA/share	7.46	7.01	8.02	8.36	9.09
Capital empl./share	52.6	53.8	61.1	65.4	68.4
Div. per share	1.25	1.29	1.32	1.36	1.40
Payout ratio	31%	29%	30%	31%	30%
Dividend yield (%)	6.6%	6.9%	7.0%	7.3%	7.5%

Shareholders

Ministry of Finance	74.99%
Institutional investors - other	15.07%
Retail investors	9.94%

Key people

CEO	Darius Maikštėnas
CFO	Jonas Rimavičius
Chief Organisational Development Officer	Dr. Živilė Skibarkienė
Chief Commercial Officer	Vidmantas Saliėtis
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

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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).

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Contact information

ResearchTeam@EnlightResearch.net