

Transcript.

**Investor presentation:
full-year 2024 results**

26 February 2025, 1 pm Vilnius / 11 am London

Earnings call transcript

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Disclaimer

In the event of any discrepancy between the Lithuanian and English versions, the English version shall prevail.

Corporate participants

Darius Maikštėnas, Chair of the Management Board, CEO

Jonas Rimavičius, Member of the Management Board, CFO

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Presentation

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

[Slide No 1]

Good afternoon, everyone, and welcome to Ignitis Group's full-year 2024 earnings call. Thank you, for joining us today. I'm Ainė Riffel-Grinkevičienė, Head of Investor Relations, and I will be moderating today's presentation. Our CEO and CFO will present strategic and financial performance of 2024, followed by a Q&A session.

Before we begin, please note that today's presentation contains forward-looking statements, subject to risks and uncertainties. These statements reflect management's current beliefs, expectations and assumptions, and actual results may differ materially. With that, I would like to hand over to Darius to start with the strategic highlights.

Darius Maikštėnas, Chair of the Management Board, CEO

[Slide No 5]

Good afternoon, all, welcome to our full-year 2024 results call.

In 2024, we once again delivered strong underlying results. Our Adjusted EBITDA reached a record high of EUR 527.9 million, representing an 8.9% YoY increase and exceeding the top of our guidance range communicated to the market.

Second, we have continued strategy delivery. Our Green Capacities portfolio increased by 0.8 GW, reaching 8.0 GW.

Despite implementing a heavy investment program, we maintained our balance sheet strength with a Net Debt/Adjusted EBITDA ratio of 3.05 times.

And in turn, we continue our dividend commitment. For 2024, we intend to pay EUR 1.33 per share, representing a 3.1% increase over the previous year.

Now, let me take you through the development of each business segment over 2024.

[Slide No 6]

First, the progress of our largest business segment, Green Capacities. As already mentioned, our total portfolio increased to 8 GW in 2024. This growth is attributed to greenfield capacity additions of around 0.5 GW and grid connection capacity secured for our first BESS projects with a capacity of 290 MW in Lithuania. Next, we expanded our Secured Capacity by around 200 MW, reaching a total of 3.1 GW. This includes Tume SF in Latvia, which has now reached the construction phase. Also, as we completed 3 projects, our Installed Capacity increased by around 100 MW to 1.4 GW as Silesia WF I in Poland, Vilnius CHP biomass unit and Tauragė SF (both in Lithuania) have reached the commercial operation date. Regarding the composition of our Portfolio, it remains dominated by wind projects with a share of 5.0 GW. Most of the projects are being developed in Lithuania, accounting for 4.5 GW. And flexibility part remains a sizeable part of our portfolio with a capacity of 1.4 GW.

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Next, an update on our project execution. Since the earnings call of our nine-month results, we have successfully completed the construction works at our 137 MW Silesia WF II in Poland both on time and within budget, with all turbines erected, installed and operational. As planned, the project supplied the first power to the grid, reached partial operation, with an operational cap of 70 MW, in Q4 2024 and has been generating revenue since then, limiting the financial impact. However, due to the delays in reinforcing the grid, which are beyond our control, we now expect the wind farm to reach full operation and capacity COD in H2 2025 (previously it was expected to have in Q1 2025).

Next, at our 300 MW Kelmė WF under construction in Lithuania, which is also the largest wind farm in the Baltics, we have supplied the first power to the grid. By now all, 44 turbines have been successfully erected.

Finally, let me provide an update on offshore wind development. First, regarding Lithuania's second 700 MW offshore wind project CfD tender. In October 2024, we took decisions to participate in Lithuania's second 700 MW offshore wind tender and seek partners. In January 2025, the tender has been temporarily suspended, with the tender expected to be relaunched in due course and the winner awarded in H2 2025. We will make the decision whether to participate in the relaunched tender when we will know the conditions of it.

Second, on 700 MW Curonian Nord project in Lithuania, the project has been developing according to the plan until now. We expect to make a Final Investment Decision after completion of the development and obtaining construction permit in 2027. However, as a result of large-scale electrolysis projects are being delayed across Europe, including the Baltics, possibilities to secure long-term power offtake have reduced. Combined with challenges in the current offshore wind supply chain environment, financing of the project may become challenging as we approach FID in 2027. As a result, there might be a need to delay the project's COD until there is more visibility on the electrolysis demand and/or the interconnector with Germany. We will continue to monitor the market developments and will update our plans accordingly.

And lastly, on 1 GW Liivi project in Estonia, we are exploring opportunities to participate in the potential CfD tender.

[Slide No 8]

Let me now move to our second largest business segment, Networks. There are three major updates. To begin, the regulator has approved our EUR 3.5 billion 10-year Investment Plan for distribution networks, extending up to 2033. This marks a 40% increase in investments compared to the previously submitted plan.

Next, the regulator has also set the 2025 tariffs, including the Regulated Asset Base (RAB) at EUR 1.8 billion, the Weighted Average Cost of Capital at 5.79%, and the additional tariff component at EUR 37.5 million.

Finally, we are successfully continuing the roll-out of smart meters. The total number of installed smart meters has exceeded 1 million, and we remain on track to complete the mass roll-out by 2026.

[Slide No 9]

With that, let me now turn to our Customers & Solutions business segment. Over 2024, we focused on building a leading fast charging EV network in the Baltics, successfully tripling the number of installed charging points to a total of 1,091 units.

Also, after the reporting period, the European Climate, Infrastructure and Environment Executive Agency announced the funding results of the first cut-off date for the Alternative Fuels Infrastructure Facility call for proposals. Over EUR 297 million will be allocated to major charging point operators across Europe. We are among the top 6 players for potential funding, with a receipt of EUR 16 million.

[Slide No 10]

Now let me cover the last business segment, Reserve Capacities. The key highlight of this segment is our successful contribution to regional energy security by participating in the synchronisation of the Baltic electricity grid with Continental Europe on 9 February.

[Slide No 11]

With our progress on business segments in 2024 covered, I would like now to highlight the progress we have made in driving our decarbonisation initiatives. In 2024, we increased our net Green Electricity Generated by 30.9% YoY to 2.3 TWh, driven by new Green Capacities assets, such as Mažeikiai WF and the Silesia WF I as well as Vilnius CHP biomass unit. On the other hand, our Green Share of Generation decreased by 3.5 pp to 81.5% due to proportionally higher electricity generation at our Reserve Capacities asset, Elektrėnai Complex.

Looking into our GHG emissions, our total GHG emissions, based on the updated accounting methodology, amounted to 4.05 million t CO₂-eq, marking a 7.2% decrease YoY. Notably, we achieved a significant 35.6% reduction in Scope 2 emissions and an 8.3% decrease in Scope 3 emissions. However, our Scope 1 emissions rose by 14.8% due to increased energy production.

Next, on the safety, in 2024, no fatal incidents were recorded. Employee and contractor total recordable injury rate stood at 1.12 and 0.84 respectively, both below the targeted level.

That concludes the strategic performance review. I will now pass it over to Jonas for the financial update.

Jonas Rimavičius, Member of the Management Board, CFO

[Slide No 13]

Thank you, Darius. Let me start with 2024 guidance achievement update. We have again delivered strong results. Our Adjusted EBITDA in 2024 reached EUR 527.9 million and exceeded the top range of our guidance. To remind you, our latest guidance was EUR 480–500 million, and we published it in November, last year. Guidance outperformance was driven by two segments: Green Capacities and Reserve Capacities. In Green Capacities segment we saw higher than expected volumes generated in our onshore wind farms, and in Reserve Capacities segment we managed to capture higher than expected electricity prices.

Regarding 2024 investments, they amounted to EUR 812.0 million and were in line with our guidance. Investments remained at a historically high level as we invested 42% more than the average investments of the last five years.

[Slide No 14]

Now, let's turn to further financial highlights of the year. Adjusted EBITDA grew by 8.9% YoY, and reached EUR 527.9 million, driven by better results in Green Capacities and Networks segments.

Adjusted Net Profit decreased by 3.2% to EUR 277.5 million, mainly due to higher interest expenses.

Investments remained at historically high levels, while Return on Capital Employed decreased by 0.8 pp to 9%, driven by the lag between the deployment of capital in Investments and the subsequent realization of returns.

Our Leverage metrics remained strong, with FFO/Net Debt at 29.7%, and Net Debt/Adjusted EBITDA at 3.1 times.

Additionally, S&P has reaffirmed the Group's BBB+ credit rating with the stable outlook, which is in line with our commitment to maintain a solid investment-grade credit rating of BBB or above over the four-year strategic period.

Finally, following our dividend commitment, for 2024 we intend to distribute a dividend of EUR 1.33 per share, which is 3% higher than last year, and indicates a dividend yield of above 6%.

[Slide No 15]

Let's now take a deeper dive into each of our main KPIs. Starting with Adjusted EBITDA, firstly, Green Capacities EBITDA grew by 17.9% to EUR 262.4 million as a result of new asset launches and higher captured electricity prices, due to flexibility of our assets.

Secondly, Networks EBITDA grew as well by 22.2% and reached EUR 219.9 million, mainly due to higher RAB as a result of continued Investments into our electricity network, and higher regulatory WACC, which reflects higher interest rate environment.

Thirdly, Reserve Capacities generated EUR 42.0 million of EBITDA, which is lower by EUR 7.9 million compared to last year. The decrease is related to extraordinary conditions during Q1 and Q4 in 2023.

Finally, on our Customers & Solutions segment. Its EBITDA was lower by EUR 23.3 million and fell to EUR 7.1 million. The decrease was driven by lower B2B natural gas supply results, which was partly offset by lower losses from B2C electricity supply activities and better B2B electricity results in Poland.

[Slide No 16]

Next, let's take a closer look at the EBITDA performance of each segment. Starting from Green Capacities, it remains the largest contributor to the Group's Adjusted EBITDA, contributing for almost 50% of the total. The main drivers behind 17.9% growth YoY were, firstly, the launch of new assets. We have launched 3 new assets in 2024: Silesia WF I, Tauragė SF and Vilnius CHP biomass unit. On top of that, Kelmė WF and Silesia WF II supplied first power to the grid. The second main reason for growth was higher captured electricity prices, mainly due to flexibility of our assets.

[Slide No 17]

Next, let's move to the Networks segment: The key drivers behind the growth in Networks Adjusted EBITDA were higher Regulated Asset Base, which grew by 10.8%, from EUR 1.4 to 1.6 billion, due to continued investments in electricity network, and an increase in WACC set by the regulator, rising

from 4.1% in 2023 to 5.1% in 2024, driven by the higher interest rate environment. It's important to note that the tariffs for 2025 are already set, and include a 13.3% increase in RAB, reaching EUR 1.8 billion, and a WACC increase to 5.8%.

[Slide No 18]

Next, Reserve Capacities segment. We achieved strong performance in both 2024 and 2023, however, the result fell by 15.8%, totalling EUR 42.0 million. This decline was due to lower market premium earned, which is related to extraordinary market conditions in Q1 and Q4 of 2023.

[Slide No 19]

Lastly, Customers & Solutions Adjusted EBITDA was lower by EUR 23.3 million YoY and amounted to EUR 7.1 million. The decrease was driven by lower B2B natural gas supply results, mainly due to inventory write down reversal in 2023. However, it was partly offset by lower loss from B2C electricity supply activities and better B2B electricity supply results in Poland.

[Slide No 20]

Next, let's take a look at our investments. Our investments amounted to EUR 812.0 million, maintaining historically high levels, which are 42% higher than the average over the last five years, even despite a YoY decrease of 13.3%.

53.5% of our investments were made in the Green Capacities segment, and 41.5% in the Networks segment. Green Capacities investments reached EUR 434.5 million, reflecting a 19.9% decrease. This decline is mainly due to the successful completion of several major projects, Silesia WF I and Silesia WF II, and Vilnius CHP biomass unit. In 2024, a major part of investments was dedicated to Kelmė WF in Lithuania and solar farms in Latvia.

In the Networks segment we invested EUR 337.0 million, primarily focused on the expansion and maintenance of the electricity network. YoY investments declined by 2.8%, mainly due to smart meter installation project approaching completion.

[Slide No 21]

Moving on to our Net Working Capital numbers, it has decreased by 41.4% since December of 2023 and by 11.7% since September 2024, and reached EUR 102.6 million by the end of the year. The main drivers behind the lower Net Working Capital, were higher trade payables, mainly due to increased balance of trade financing facilities used for purchasing natural gas, and lower inventories, due to lower volume of natural gas stored. However, it was partly offset by higher trade receivables.

[Slide No 22]

Adding it all together, our Free Cash Flow metric amounted to EUR -193.9 million, mainly as a result of Investments exceeding EBITDA.

[Slide No 23]

Regarding the leverage metrics, our Net Debt increased by 22.4% YoY and reached EUR 1.6 billion at the end 2024. Our main credit rating metric, FFO/Net Debt improved to 29.7%, significantly above 23% threshold required by S&P for a BBB+ credit rating. Net debt/Adjusted EBITDA increased from 2.7x to 3.1x.

[Slide No 25]

Finally, our guidance for this year. We expect our 2025 Adjusted EBITDA to be in the range of EUR 500–540 million. We anticipate growth in three of our four segments – Green Capacities, Networks, and Reserve Capacities.

In the Green Capacities segment, growth is expected to be driven by new projects, with more than 700 MW reaching COD in 2025. These projects include Kelmė WF, Silesia WF II, Stelpe SF, Varme SF, and the Polish solar portfolio.

In the Networks segment, we anticipate an increase in results due to a higher RAB, driven by continued investments, and approved higher WACC, reflecting higher market interest rates.

In the Reserve Capacities segment, we expect higher results due to anticipated increases in electricity generation volumes from new services provided.

And finally, we expect lower result in Customers & Solutions segment, driven by further negative result in B2C electricity supply, including adverse prosumer effects under the current net-metering scheme.

In terms of Investments guidance for 2025, we expect investments to be in the range of EUR 700–900 million. In Green Capacities segment the main Investments will be made in Kelmė WF and Kruonis PSHP expansion project in Lithuania as well as Varme SF and Tume SF in Latvia. In the Networks segment, Investments will be focused on electricity network, both maintenance and expansion.

With that, I will hand over to Darius to conclude our presentation.

Darius Maikštėnas, Chair of the Management Board, CEO

[Slide No 26]

Thank you, Jonas. Let me summarise Ignitis Group's performance for the full year of 2024. In 2024, we once again delivered strong underlying results.

Our Adjusted EBITDA reached a record high of EUR 527.9 million, representing an 8.9% YoY increase and exceeding the top of our guidance range communicated to the market.

Second, we have continued our strategy delivery. Our Green Capacities portfolio increased by 0.8 GW, reaching 8.0 GW.

Despite implementing a heavy investment program, we maintained our balance sheet strength with a Net Debt/Adjusted EBITDA ratio of 3.05 times.

And in turn, we continue our dividend commitments. For 2024, we intend to pay EUR 1.33 per share, representing a 3.1% increase over the previous year. And for 2025, we expect Adjusted EBITDA of EUR 500–540 million and Investments of EUR 700–900 million.

With that, I would like to thank you for your time and attention today.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

[Slide No 27]

Thank you to our speakers. We will now open the floor for questions. The first question is: "Can you enlighten more about Customers & Solutions' significantly worse result? Should this continue in 2025?"

Jonas Rimavičius, Member of the Management Board, CFO

So, YoY decline in Customers & Solutions is driven by multiple factors. Firstly, natural gas results have normalised from above the usual levels, which we earned over the last few years. And, secondly, B2C electricity remained loss-making, in part due to prosumers' negative effect under the current net-metering scheme. In terms of 2025, as provided in the guidance, we expect Customers & Solutions EBITDA to be lower than in 2024. And that is again mainly due to prosumers' impact and the higher-price purchase contracts, which will expire in 2025.

Ainé Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: "Do you see the Baltic states' synchronisation project as positive or negative indicator for Ignitis Group's future financial result?"

Jonas Rimavičius, Member of the Management Board, CFO

So, from our perspective and, in general, from the market perspective, synchronisation brings additional ancillary services to the market, which means it is a positive development for flexibility investments, such as batteries.

Ainé Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: "Silesia WF I project with 50 MW capacity produced only 30 GWh in Q4, while Pomerania WF with 94 MW capacity produced 95 GWh. Is Silesia WF I producing at full scale? Why is there such a difference in production from 1 MW installed?"

Jonas Rimavičius, Member of the Management Board, CFO

So, Pomerania and Silesia, these two projects have different capacity factors. Pomerania has substantially higher capacity factor due to its geographic location. Silesia, which is more in the southern part of Poland, has a lower capacity factor. So, that is one effect. And the second reason is that Silesia WF I is in the first year of operation, and, naturally, the availability factor is slightly lower than the wind farms which operate for multiple years. These two factors, capacity factors and availability due to the first year of operations, explain the difference.

Ainé Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

One more question: "Kelmė WF I and Kelmė WF II projects are already 100% built. Are all turbines already producing?"

Jonas Rimavičius, Member of the Management Board, CFO

So, not yet. Not all of the turbines are producing at the same time. It is still at the testing period in both Kelmė WF I and Kelmė WF II. COD hasn't been reached for either of them. It's a testing period, so it's not yet a full generation period for these two wind farms.

Ainé Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Let's address the following question: "Can you specify the challenges and financial difficulties, which may delay the Curonian Nord project's COD? Is it only delays in electrolysis projects or also difficulties in obtaining bank loans?"

Jonas Rimavičius, Member of the Management Board, CFO

So, I can just confirm that it is both, the delay in electrolysis projects, and the interrelated outcome of that is difficulties on financing side.

Ainé Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: “When should we expect the first electricity produced in Latvia solar farms?”

Jonas Rimavičius, Member of the Management Board, CFO

So, in terms of solar farms in Latvia, our Stelpe SF and Varme SF projects are expected to be completed this year, so to reach COD this year. So, depending on the amount of sun we will have towards the end of the year, we will see how much we generate this year, but the majority of solar generation will come already in 2026, not 2025.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The following question: “Do you anticipate to get State support (subsidy) for BESS projects or will you run it on market terms?”

Jonas Rimavičius, Member of the Management Board, CFO

So, we will be looking into the Lithuanian tenders, which have been announced for BESS. And we are also exploring BESS support schemes in other markets as well.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

The next question: “What are some of the key risks you see this year that could possibly derail your Adjusted EBITDA guidance and in which business division are these risks present?”

Jonas Rimavičius, Member of the Management Board, CFO

So, in terms of EBITDA guidance, the main sensitivity factors which we have are the same as usual, so captured power prices and generation volumes across our Green Capacities and Reserve Capacities segments. So, these two are the main ones. We think we are controlling them quite well with high hedging levels and proper maintenance in place for our operational projects. So, yes these are the two risks which could derail the guidance, but we are quite confident in the guidance range, which we have provided.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: “What is the key features you will increase to increase the overall performance?”

Jonas Rimavičius, Member of the Management Board, CFO

So, in terms of our overall performance, the key things for us are our two main segments, on the Networks side and on the Green Capacities side. So, on the Networks side, we will continue with our investment programme as planned, and on the Green Capacities side, as well the main drivers will be the new asset launches, which we will have this year, and in the base case scenario, we foresee 700 MW of new projects reaching COD this year. So, those two segments will be the key drivers for our results this year.

Ainė Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Here is another question: “In your strategic plan, investments into Green Capacities were planned in the range of EUR 1.8–2.4 billion in 2024–2027. Do you plan lower figures now, bearing in mind the delayed electrolysis projects in Europe?”

Jonas Rimavičius, Member of the Management Board, CFO

So, the short answer is no. We are still confident in the range we have provided. The projects which we already have in our pipeline should fall within the range, which was communicated in the latest strategic plan.

Ainé Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

Next question: “When you plan to sell the Moray West Offshore Wind investment?”

Jonas Rimavičius, Member of the Management Board, CFO

So, Moray West minority stake is a non-core asset for us. So, the most likely scenario is that when the majority shareholder of that project will decide to sell part of its stake or full stake, we would join them in that process.

Ainé Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

We have one more question: “Could you comment on wind discount in Q4 2024 compared to Q3 2024 and what have you forecasted for this year?”

Jonas Rimavičius, Member of the Management Board, CFO

So, in terms of wind discounts, the capture rate discounts for wind, it depends quite a bit on each individual wind farm and its location. So, what we see in our geographies, the range which we saw last year was 10–20% of the capture rate discount, and we expect similar levels for the next year. And that is what we included in our guidance numbers.

Ainé Riffel-Grinkevičienė, Chief of Staff to CFO and Head of Investor Relations

As we have no further questions, this concludes our full-year 2024 earnings call. For follow-up questions, please contact our Investor Relations team. Thank you for joining us today and we look forward to our next earnings call.