

Dividend growth not priced in

We believe the market underestimate Ignitis Group's Green Generation pipeline and its ability to generate dividend growth. The proposed European Climate Law could ignite an investment boom into renewable energy and Ignitis Group is positioned to benefit.

The European Climate Law

The vision of zero-emission by 2050 could become law. The EU Commission plans to present proposals for the law already this summer. If passed by the Parliament and the Council, EU countries are likely to boost their already existing renewable programs.

Ignitis Group positioned to benefit

Ignitis Group's Green Generation segment stands to benefit from a potential step-up in renewable programs, especially in Poland. According research firm, Wood Mackenzie, Poland is expected to increase its renewable capacity by 20 GW by 2030. Ignitis Group is well-positioned in Poland opening its first wind farm Pomerania in spring this year and having an agreement for up to 170 MW solar portfolio.

Dividend growth not priced in

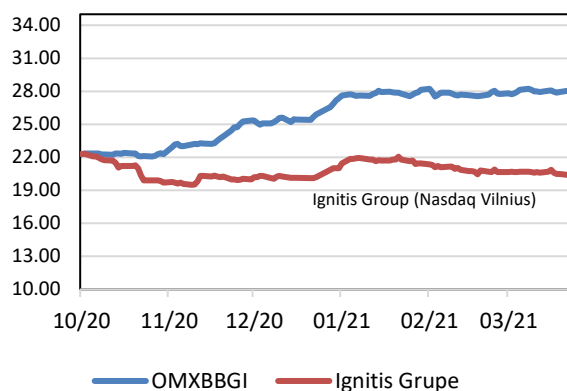
We estimate the market has priced in around 1-1.25% dividend growth in 2021-23 (below 3% minimum div. policy growth), while we forecast Base case dividends to grow 4-5% in 2021-23, and 2.5% in 2024 and beyond. The main driver behind our estimated dividend growth is a doubling of the renewable capacity this year and then again in 2024. We initiate Ignitis Group coverage with a Base case Fair value per share of EUR 27.13.

Key figures (MEUR)

	2019	2020	2021E	2022E	2023E
Total revenues	1,099	1,223	1,270	1,309	1,370
Total revenue growth	2.7%	11.3%	3.8%	3.1%	4.7%
EBITDA adj.	260	292	310	321	346
EBITDA margin adj.	22.6%	24.8%	24.4%	24.5%	25.3%
EBIT adj.	135	169	186	195	209
EBIT margin adj.	12.3%	13.8%	14.6%	14.9%	15.2%
EV/Sales	1.9	1.5	1.9	1.9	1.9
EV/EBITDA adj.	8.1	7.2	6.8	6.6	6.1
EV/EBIT adj.	15.6	12.5	11.4	10.8	10.1
PE adj.	14.3	11.9	11.7	11.0	10.2
P/BV	1.2	0.8	0.8	0.8	0.8
EPS adj.	1.43	1.71	1.73	1.85	1.99
EPS growth	nm	19.5%	1.6%	6.7%	7.7%
Div. per share	0.52	1.14*	1.20	1.26	1.31
Dividend yield	2.5%	5.6%*	5.9%	6.2%	6.4%

Source: Company data, Enlight Research, *EUR 0.58 to minority shareholders (2.8% yield)

Fair value range (EUR)	
Bull (3.0% div. growth)	30.59
Base (2.5% div. growth)	27.13
Bear (1.0% div. growth)	20.27
Key Data	
Price (EUR)	20.30
Ticker	IGN1L
Country	Lithuania
Listed	Vilnius (Lithuania)
Market Cap (EURm)	1508
Net debt (EURm)	600
Shares (m)	74.3
Free float	26.92 %



Price range	
52-week high	22.32
52-week low	19.50
Analyst	
ResearchTeam@enlightresearch.net	

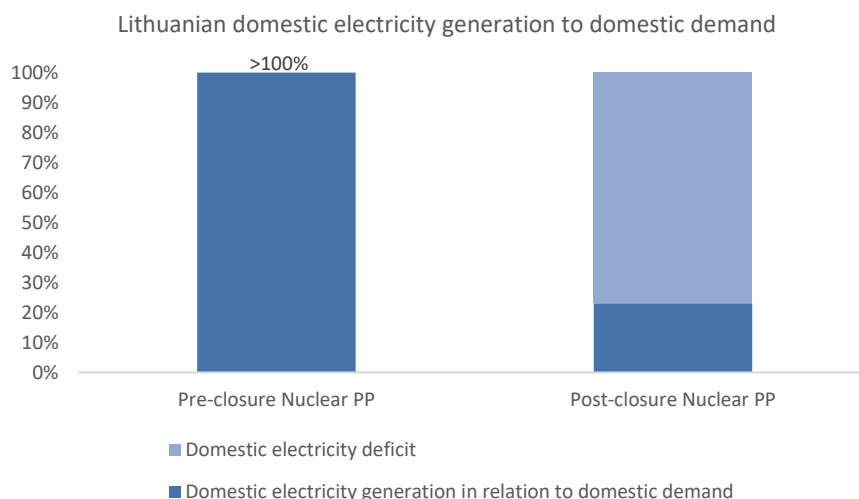
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Key investment factors

Understanding Lithuania and green energy

To understand why Lithuania could become one of the leading sustainable energy countries in the EU, it is important to look at its history. In December 2009, Lithuania closed its nuclear power plant despite knowing it would turn the country from an energy exporter into one of the most energy dependent countries in the EU, having to import 70-80% of its primary energy, according to Eurostat. The decision to decommission the nuclear plant appear even more brave by the fact that almost half of the energy imports would come from Russia and Belarus. However, the political decision had support from the Lithuanian people. In an advisory referendum on the construction of a new nuclear power plant held in 2012 (3 years after making the country one of the most import dependent in the EU when it comes energy), 65% of the Lithuanian people voted “no’ to a new nuclear power plant. Today, this might not be so surprising but in 2012, it was an outcome that shows Lithuania was ahead of its times when it comes to sustainable green energy. Perhaps the memory and proximity to the Chernobyl power plant is one reason for Lithuanian’s positive attitude to sustainable energy. We believe Lithuanian politicians with the support of its people will create a benchmark green energy society and Ignitis Group plays the lead role in this initiative.

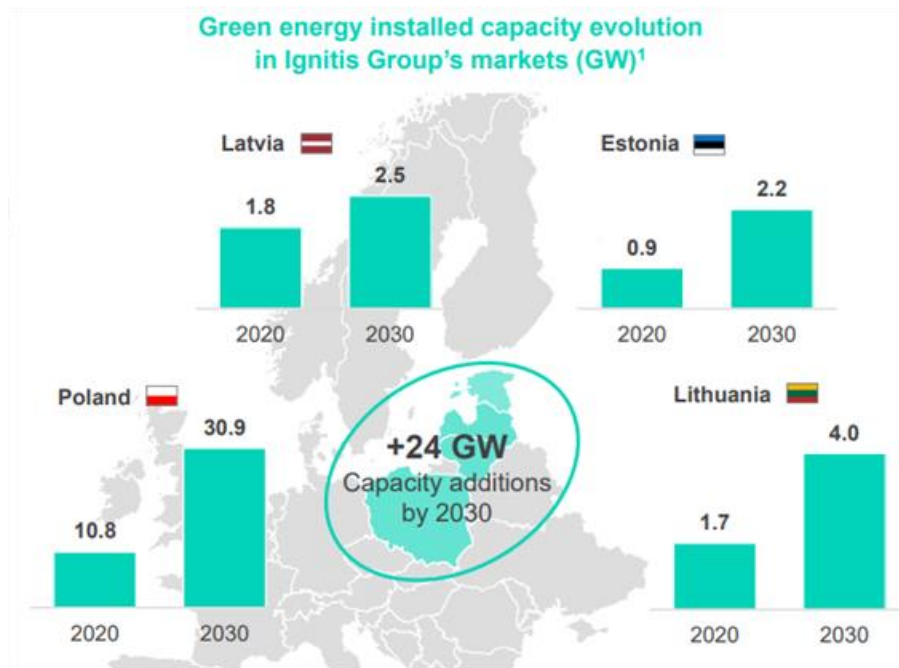


Source: OECD

Understanding the proposed European Climate Law

The proposed European Climate Law is part of the Green Deal that has a goal for Europe to become climate neutral by 2050. The Commission plans to present the first proposals for the law in the summer of this year, and if passed by the Parliament and the Council, there will be a law to reduce green-house emissions by at least 55% by 2030 compared to 1990 and to be fully emission neutral by 2050. In our view, the only way to meet these goals, that could become law, is to replace fossil fuel sourced energy with renewable energy sources, which implies a significant expansion of renewable generation capacity. This is especially true for Ignitis Group’s home markets Poland and Estonia. In Poland, coal represented over 80% of the generation mix in 2020 while oil shale represented over half of Estonia’s electricity production in 2019. Because of EU’s goal to become climate neutral (regardless of it becomes a law or not), the Green energy installed capacity is expected to increase by around 3x in Poland and 2x in Estonia between 2020 to 2030. In absolute numbers, Poland has the largest expected increase with 20 GW. During the same period (2020-2030), the

expected green energy installed capacity in Lithuania is expected to more than double from 1.7 GW to 4.0 GW. In addition to the EU initiatives, Lithuania’s National Energy Independence Strategy is a main driver for the capacity expansion. The strategy states that by 2030, 70% of Lithuania’s electricity consumption should come from domestic generation, which should increase to 100% by 2050 (from today’s 20-30%). These targets must be reached under the commitment to cover 100% of total final electricity consumption from green generation. As Lithuania’s biggest green energy producer, Ignitis Group plays a vital role in meeting both the European and the Lithuanian green generation targets.



Sources: Company information, Litgrid, Arena, European Commission, Ministry of Assets of Poland, Wood Mackenzie, Statistics Estonia.

1. Includes onshore wind, offshore wind, hydro (incl. pumped storage assets) and other renewable sources; Full year metrics.

Understanding Ignitis Group market position and expansion potential

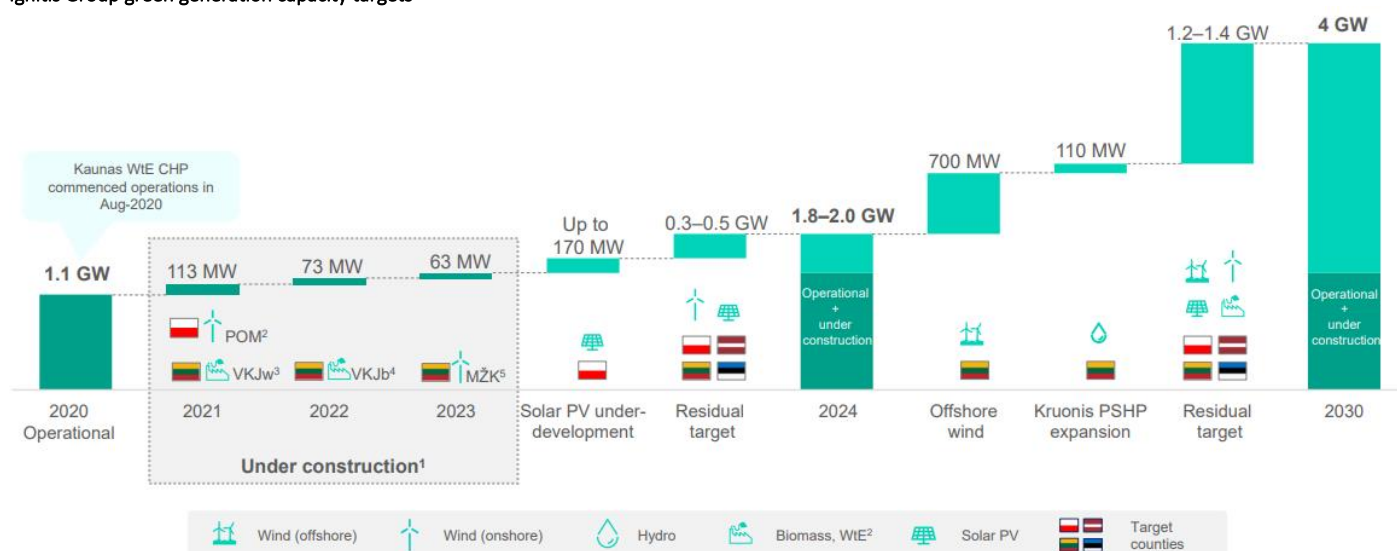
Ignitis Group is well positioned to benefit from an increased demand for renewable energy, especially in Poland. The total expected increase in renewable installed capacity by 2030 in all of Ignitis Group’s home markets (Lithuania, Poland, Estonia, Latvia) is 24 GW, whereof Poland makes up 20 GW. Ignitis Group’s installed wind farm capacity is expected to more than double this year when the 94 MW Polish wind farm is commissioned (expected in Q1/21). The wind & solar capacity could double again within 3 years when the Polish up to 170 MW solar project is commissioned (agreement has been signed). We believe Ignitis Group’s total Green Generation pipeline of 2 GW is underappreciated by investors, especially if the European Climate Law is passed. Furthermore, we believe Ignitis Groups’ green generation capacity targets of 1.8-2.0 GW (we forecast 1.9 GW) by 2024 and 4 GW by 2030 are achievable, which is supported by the expected upcoming auctions totalling 11.2 GW until 2024.

Green Generation pipeline

Project	Country	Technology	MW	Estimated COD
<i>Under construction</i>				
Pomerania wind farm	Poland	Wind - onshore	94	Q1/21
Vilnius CHP	Lithuania	CHP	92	Q1/21 (waste-to-energy), Q4/22 (biomass)
Mazeikiai wind farm	Lithuania	Wind - onshore	63	2023
Total under construction			249	
<i>Agreements signed</i>				
Polish solar portfolio I	Poland	Solar	Up to 170	2021-2023
Moray West offshore wind*	Scotland	Wind - offshore	800-950 (40-48*)	2025
Lithuania offshore wind farm project**	Lithuania	Wind - offshore	700 (357**)	2028
Total agreements signed			1670-1820 (567-575)***	
<i>Other</i>				
Kruonis PSHP expansion****	Lithuania	Hydro	110	2025
Total Other			110	
Total pipeline			2029-2179 (926-934)***	

Source: *Ignitis Group ownership 5% (875 MW mid-range capacity), **Ignitis Group ownership 51%, ***Adjusted for Ignitis Group ownership, ****Procurement planning stage

Ignitis Group green generation capacity targets



Source: Ignitis Group presentation, 1. Dates refer to COD 2. Pomerania wind form 3. Vilnius CHP/Waste-to-energy plant 4. Vilnius CHP/Biomass plant 5. Mazeikiai wind farm

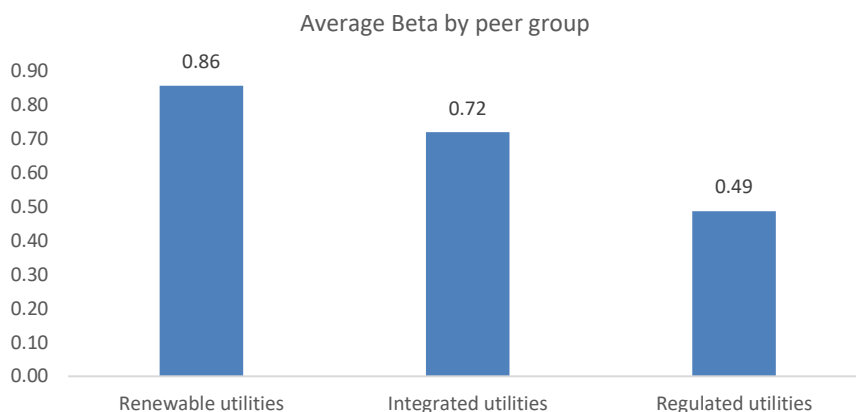
Expected auctions by 2024

Country	Auction date	Technology	Capacity	Status	Support scheme	Support period	Group project relevance
Poland	2021	Neutral	2.7 GW ¹	Approved	Indexed CfD	15 years	Polish solar portfolio I
Poland	2021	Offshore	5.9 GW	Planned	Indexed CfD	25 years	TBD
Poland	2022-2024	Neutral	TBD	Planned	Indexed CfD	15 years	Polish solar portfolio I
Lithuania	2021-2022	Neutral	0.5 GW ¹	Approved	FiP	12 years	TBD
Lithuania	2023	Offshore	0.7 GW	Planned	Fixed CfD	15 years	Lithuanian offshore wind farm project
Estonia	2021-2023	Neutral	0.4 GW ¹	Planned	Fixed CfD	12 years	TBD
Estonia & Latvia joint	TBD	Offshore	1.0 GW	Planned	TBD	TBD	TBD
Total:			11.2 GW				

Source: Ignitis Group presentation. Information provided based on publicly available information, Wood Mackenzie and might be changed by the relevant regulatory bodies. 1. Capacity calculated based on the following assumptions: auctions technology neutral, wind capacity factor equal to 35%, solar – 11.5%. In Polish auction proportion between wind and solar project, win equal to 50:50, whereas in the remaining countries all auctions are won by wind projects.

Understanding Beta

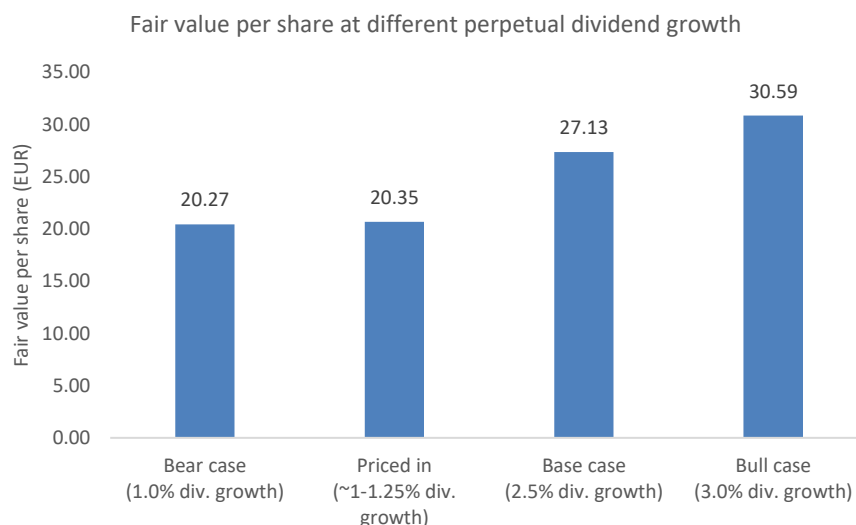
Beta is a measure of the volatility (risk) of a stock compared to the market as a whole. A beta of 1.0 implies that the stock will move in-line with the market e.g., if the market goes up 1%, the stock is expected to go up 1% and vice versa. A beta of 1.2 implies a market gain of 10% will result in a stock gain of 12% (and vice versa), while a beta of 0.8 implies a market decline of 10% will result in a stock decline of 8% (and vice versa). Utilities such as Ignitis Group usually have a beta below 1, which might be attractive when added to a portfolio of stocks with a combined beta above 1 since it lowers the risk (volatility) of the portfolio. In our DDM and DCF models, we assume a beta of 0.80 for Ignitis Group. This is higher than the Lithuanian regulator’s assumed beta for electricity distribution (0.74), and gas distribution (0.72). We believe a higher beta is motivated for Ignitis Group compared to its main peer group (integrated utilities) as renewable companies tend to have higher betas (0.86 for our peer group) and the company’s goal is to expand renewable capacity. Note that the Ignitis Group share does not have a long history to base a beta calculation upon i.e., our beta assumption must be regarded as unscientific.



Source: Yahoo finance, Investing.com, Infront analytics

Understanding Dividend growth assumption

In the forecast period 2021-23, we estimate dividends to grow 5% in 2021, and 2022, and 4% in 2023 (2.5% in 2024 and beyond). We believe our estimated 2021-23 dividend growth of 4-5% is higher than what the market is expecting. In the longer-term, we use the Gordon Growth Model variation of the Dividend Discount Model (DDM) to calculate our Fair values. The DDM is highly sensitive to the assumed eternal dividend growth. For example, raising the assumed dividend growth rate by half a percentage point from 1.5% to 2.0% increases the Fair value by 10%. According to our DDM valuation, the market is pricing in a long-term (perpetual) dividend growth of 1.00-1.25% for the Ignitis Group share, which is below the company’s 2021-23 dividend growth target of at least 3%. Our Base case assume a perpetual dividend growth of 2.5% which implies a motivated share price of EUR 27.13, corresponding to a ~30% upside. Our Bear case assume a dividend growth of 1.0% and indicates a Fair value of EUR 20.27, equal to a ~1% downside, while our Bull case assume 3.0% perpetual dividend growth, which indicates a Fair value per share of EUR 30.59, equal to an upside of ~49%. See our valuation section for Fair values at different dividend growth.



Source: Enlight Research

Understanding Ignitis Group Strategic Plan

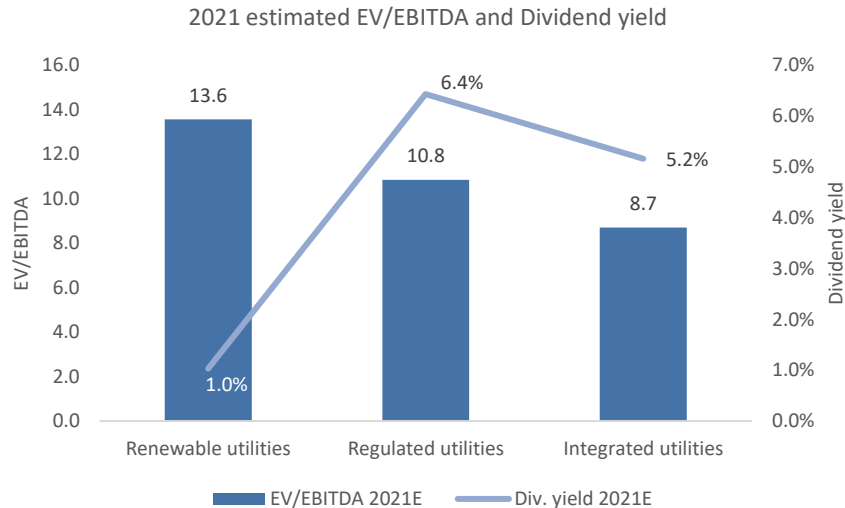
In February 2021, Ignitis Group approved its Strategic Plan 2021-24 that maps out the path to reach the 2024 targets. In addition to financial targets, the Strategic Plan also sets clear ESG targets, which in our view is quite unique among Ignitis Group’s peers in the region. Examples of targets are to become CO2 neutral by 2050 and continuously improve key ESG metrics such as risk indices from MSCI and Sustainalytics. We believe the Strategic Plan clarify that the targets are achievable, and we align our forecast accordingly. The recently announced incentive plan for executives is also well aligned with the strategic plan, which we regard as a positive as it assures that top level managers will work to achieve the targets. See below table for a selection of Strategic Plan targets and our forecast.

Area	Target	Enlight Research forecast
ESG	Increase Green Generation capacity from 1.1 GW in 2020 to 1.8-2.0 in 2024	1.9 GW in 2024 i.e., in the middle of the strategic 2024 target range
Financial	Net debt/adjusted EBITDA < 4x	Between 1.9x to 3.5x in 2021-23
Financial	Increase adjusted EBTIDA from EUR 292m in 2020 to EUR 350-390m in 2024	EUR 346m in 2023 implying that 2024 target will be reached
Financial	Average ROCE 5.5-6.5% in 2021-2024	Average of 5-6% in 2021-23, implying target will be reached
Financial	Grow dividends by at least 3% per annum in 2021-24. Dividends in euro: 2021: >= 1.18 2022: >= 1.21 2023: >= 1.25 2024: >= 1.29	Dividend growth 4-5% in 2021-23 implying target will be reached. Dividends in euro: 2021e: 1.20 2022e: 1.26 2023e: 1.31 2024e: n/a

Source: Strategic Plan 2021-24, Enlight Research (forecast), See strategic plan document: https://ignitisgrupe.lt/sites/default/files/inline-files/Ignitis%20Group_Strategic%20plan%202021-2024.pdf

Valuation

Peer valuation by sub-group



Source: MarketScreener, Based on share prices on 11 April 2021

Regulated utilities. This group consists of Distribution System Operators (DSO) and Transmission System Operators (TSO) with fully regulated revenues and earnings. The growth prospects are often limited but on the other hand, the dividends are stable with high visibility. This group fits the so called “YieldCo” (yielding companies) definition. The estimated 2021 dividend yield for this group is 6.4%, which is the highest among our three sub-groups. The 2021 estimated EV/EBITDA of 10.8x, is 25% higher than the Integrated utilities sub-group, but 20% lower than the Renewables sub-group.

Renewable utilities. This group consist of companies focused on renewable generation (hydro, wind, sun etc.). It can be a stand-alone company or part of a bigger group such as an Integrated utility that has listed its renewable operation separately to enhance its visibility (e.g. EDP and EDP renewables). The growth prospects for this group are substantial driven by the vision of a zero-emission world. The investment needs are also substantial, and the near-term average dividend yield of 1.0% is low compared to the other sub-groups. The 2021 estimated EV/EBITDA of 13.6x is 25% higher than the Regulated sub-group and 56% higher than the Integrated utilities sub-group.

Integrated utilities. This group consists of companies active in distribution, supply, and generation of electricity and/or gas. The renewable generation entities are sometimes listed separately. The distribution operations are regulated while the generation operations are mainly unregulated. The growth prospects within distribution as well as conventional generation are limited while it is substantial within renewable generation. The estimated 2021 dividend yield of 5.2% is somewhat lower compared to the Regulated utilities sub-group but substantially higher compared to the Renewables sub-group. The estimated 2021 EV/EBITDA of 8.7x is 20% lower vs. the Regulated peers and 36% lower vs. the Renewables peers.

Peer valuation conclusion. We believe the lower valuation multiple for Integrated utilities is due the conventional (fossil-fuel) based generation still present in many of the companies. As such, Ignitis Group is undeservedly suffering from being part of this

sub-group as it has very limited conventional operations (basically limited to reserve capacity that will only be used in an emergency). In 2021, we estimate around 14% of Ignitis Group's EBITDA from generation will be from conventional generation (predicted to decrease even more in coming years as the Renewable pipeline materializes). Given our thesis, we believe the Integrated utilities group should be divided into Green and Conventional Integrated utilities, with the Green sub-group deserving a higher multiple. However, we do not base our Fair value on the EV/EBITDA multiple nor the split of Green vs. Conventional Integrated utilities thesis but use the Dividend Discount Model (DDM) to set our Fair value (see the DDM part of the valuation section below).

Peer valuation

Regulated										Div.	Div.	Div.	Div.
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2019	EV/EBITDA 2020	EV/EBITDA 2021E	EV/EBITDA 2022E	yield 2019	yield 2020	yield 2021E	yield 2022E
Enagas	ENG	EUR	18.63	4,872	9,154	9.0	9.6	10.1	10.7	8.6%	9.0%	9.1%	9.2%
Nationalgrid	NG	GBP	9.00	31,684	63,006	12.5	12.7	12.4	11.3	5.2%	5.4%	5.6%	5.6%
Red Electrica	REE	EUR	15.09	8,130	14,639	9.3	9.2	9.2	9.0	7.0%	6.8%	6.7%	6.8%
REN	RENE	EUR	2.45	1,622	4,390	9.0	9.5	9.4	9.3	7.0%	7.0%	7.0%	7.0%
Snam	SRG	EUR	4.67	15,119	27,770	12.8	12.8	12.4	12.1	5.1%	5.3%	5.6%	6.0%
Terna	TRN	EUR	6.14	12,325	21,309	12.2	11.9	11.6	11.5	4.1%	4.4%	4.7%	5.1%
Average						10.8	11.0	10.8	10.6	6.2%	6.3%	6.4%	6.6%
Renewables										Div.	Div.	Div.	Div.
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2019	EV/EBITDA 2020	EV/EBITDA 2021E	EV/EBITDA 2022E	yield 2019	yield 2020	yield 2021E	yield 2022E
Arise	ARISE	SEK	55.00	2,004	2,475	11.4	15.3	10.8	5.2	0.0%	0.0%	0.8%	2.6%
EDP Renewables	EDPR	EUR	18.90	16,487	20,333	12.3	12.7	12.7	12.0	0.4%	0.5%	0.5%	0.6%
Eolus	EOLU B	SEK	234.40	5,838	5,437	44.2	24.1	14.5	23.3	0.6%	0.7%	0.9%	0.9%
Falck Renewables	FKR	EUR	6.05	1,748	2,487	12.2	13.0	11.6	10.7	1.2%	1.2%	1.2%	1.2%
Neoen	NEOEN	EUR	42.22	3,598	5,996	27.8	21.3	16.9	14.0	0.0%	0.0%	0.1%	0.6%
Orsted Energy	ORSTED	DKK	1,050	441,069	460,791	26.4	25.9	20.1	19.1	1.0%	1.1%	1.2%	1.2%
RWE	RWE	EUR	34.51	23,325	27,435	11.0	9.3	8.5	8.3	2.3%	2.5%	2.6%	2.8%
Average						20.8	17.4	13.6	13.2	0.8%	0.8%	1.0%	1.4%
Integrated										Div.	Div.	Div.	Div.
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2019	EV/EBITDA 2020	EV/EBITDA 2021E	EV/EBITDA 2022E	yield 2019	yield 2020	yield 2021E	yield 2022E
EDP	EDP	EUR	5.18	20,433	33,537	9.0	9.3	9.0	8.7	3.7%	3.7%	3.9%	4.1%
Endesa	ELE	EUR	22.69	24,023	31,237	8.1	7.8	7.8	7.6	6.5%	7.9%	5.8%	5.2%
Enel	ENEL	EUR	8.59	87,344	136,282	7.6	7.6	7.3	7.0	3.7%	4.1%	4.4%	4.7%
Engie	ENGI	EUR	12.33	29,754	53,925	5.2	6.0	5.2	5.1	6.5%	4.5%	6.0%	6.5%
E.ON	EOAN	EUR	9.90	25,816	61,516	11.1	8.9	8.6	8.0	4.6%	4.8%	5.0%	5.2%
Iberdrola	IBE	EUR	11.53	70,661	110,693	11.0	10.6	9.9	9.1	3.1%	3.6%	3.7%	4.0%
Naturgy	NTGY	EUR	20.91	20,093	35,554	7.6	9.0	8.3	8.3	6.6%	6.9%	7.2%	7.5%
SSE	SSE	GBP	15.41	15,940	26,406	13.1	11.6	13.3	12.6	6.4%	5.2%	5.3%	5.4%
Italgas	IG	EUR	5.40	4,369	9,040	10.0	9.2	9.0	8.8	4.8%	5.0%	5.2%	5.4%
Average						9.2	8.9	8.7	8.4	5.1%	5.1%	5.2%	5.3%
Ignitis	IGN1L	EUR	20.35	1,512	2,424	8.1	7.2	6.8	6.6	2.5%	5.5%*	5.9%	6.2%

Source: MarketScreener, Based on share prices on 11 April 2021, *EUR 0.58 to minority investors, yield 2.8%

Dividend Discount Model

In our view, the Ignitis Group share is a dividend case and hence, the Dividend Discount Model (DDM) is the most relevant valuation method. Given the company's dividend policy of minimum 3% dividend growth starting from 2020 dividends, our most important assumptions are the assumed dividend growth in the forecast period 2021-23 and the perpetual period. In all our scenarios, we assume the 2021 dividend to be EUR 1.20 corresponding to a dividend growth of 5% i.e., higher than the 3% minimum dividend policy growth. For our Base case, we assume the perpetual dividend growth to be 2.5%, which indicate a Fair value per share of EUR 27.13. In our

Bull case, we assume a perpetual dividend growth of 3.0% which indicates a Fair value per share of EUR 30.59, while our Bear case assumes a perpetual dividend growth of 1.00% indicating a Fair value per share of EUR 20.27. All scenarios assume a cost of equity of 6.9%. See below table for the Fair value at different scenarios. Interesting to note is that the market seems to price in a dividend growth of around 1.00-1.25%, which is quite conservative in our view.

		Dividend growth																
		1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%
1.52		25.67	26.80	28.03	29.38	30.87	32.52	34.36	36.42	38.73	41.37	44.38	47.88	51.96	56.81	62.66	69.86	78.91
1.50		25.33	26.44	27.66	29.00	30.47	32.10	33.91	35.94	38.22	40.82	43.80	47.25	51.28	56.07	61.84	68.94	77.88
1.48		24.99	26.09	27.29	28.61	30.06	31.67	33.46	35.46	37.72	40.28	43.22	46.62	50.60	55.32	61.02	68.02	76.84
1.46		24.65	25.74	26.92	28.22	29.66	31.24	33.01	34.98	37.21	39.74	42.63	45.99	49.91	54.57	60.19	67.10	75.80
1.44		24.32	25.39	26.56	27.84	29.25	30.81	32.55	34.50	36.70	39.19	42.05	45.36	49.23	53.83	59.37	66.18	74.77
1.42		23.98	25.03	26.19	27.45	28.84	30.39	32.10	34.02	36.19	38.65	41.47	44.73	48.55	53.08	58.55	65.27	73.73
1.40		23.64	24.68	25.82	27.07	28.44	29.96	31.65	33.54	35.68	38.10	40.88	44.10	47.86	52.33	57.72	64.35	72.69
1.38		23.30	24.33	25.45	26.68	28.03	29.53	31.20	33.07	35.17	37.56	40.30	43.47	47.18	51.59	56.90	63.43	71.65
1.36		22.97	23.98	25.08	26.29	27.63	29.10	30.75	32.59	34.66	37.02	39.72	42.84	46.50	50.84	56.07	62.51	70.62
1.34		22.63	23.63	24.71	25.91	27.22	28.68	30.30	32.11	34.15	36.47	39.13	42.21	45.82	50.09	55.25	61.59	69.58
1.32		22.29	23.27	24.35	25.52	26.82	28.25	29.84	31.63	33.64	35.93	38.55	41.58	45.13	49.35	54.43	60.67	68.54
1.30		21.95	22.92	23.98	25.13	26.41	27.82	29.39	31.15	33.13	35.39	37.97	40.95	44.45	48.60	53.60	59.76	67.50
1.28		21.62	22.57	23.61	24.75	26.00	27.39	28.94	30.67	32.62	34.84	37.38	40.32	43.77	47.85	52.78	58.84	66.47
1.26		21.28	22.22	23.24	24.36	25.60	26.97	28.49	30.19	32.11	34.30	36.80	39.69	43.08	47.11	51.96	57.92	65.43
1.24		20.94	21.86	22.87	23.98	25.19	26.54	28.04	29.71	31.61	33.75	36.22	39.06	42.40	46.36	51.13	57.00	64.39
1.22		20.61	21.51	22.50	23.59	24.79	26.11	27.59	29.24	31.10	33.21	35.63	38.44	41.72	45.61	50.31	56.08	63.35
Div. 2021E	1.20	20.27	21.16	22.13	23.20	24.38	25.68	27.13	28.76	30.59	32.67	35.05	37.81	41.03	44.86	49.48	55.16	62.32
1.18		19.93	20.81	21.77	22.82	23.97	25.26	26.68	28.28	30.08	32.12	34.47	37.18	40.35	44.12	48.66	54.25	61.28
1.16		19.59	20.46	21.40	22.43	23.57	24.83	26.23	27.80	29.57	31.58	33.88	36.55	39.67	43.37	47.84	53.33	60.24
1.14		19.26	20.10	21.03	22.04	23.16	24.40	25.78	27.32	29.06	31.04	33.30	35.92	38.98	42.62	47.01	52.41	59.21
1.12		18.92	19.75	20.66	21.66	22.76	23.97	25.33	26.84	28.55	30.49	32.72	35.29	38.30	41.88	46.19	51.49	58.17
1.10		18.58	19.40	20.29	21.27	22.35	23.55	24.88	26.36	28.04	29.95	32.13	34.66	37.62	41.13	45.37	50.57	57.13
1.08		18.24	19.05	19.92	20.89	21.95	23.12	24.42	25.88	27.53	29.40	31.55	34.03	36.94	40.38	44.54	49.65	56.09
1.06		17.91	18.69	19.56	20.50	21.54	22.69	23.97	25.41	27.02	28.86	30.96	33.40	36.25	39.64	43.72	48.74	55.06
1.04		17.57	18.34	19.19	20.11	21.13	22.26	23.52	24.93	26.51	28.32	30.38	32.77	35.57	38.89	42.89	47.82	54.02
1.02		17.23	17.99	18.82	19.73	20.73	21.84	23.07	24.45	26.00	27.77	29.80	32.14	34.89	38.14	42.07	46.90	52.98
1.00		16.89	17.64	18.45	19.34	20.32	21.41	22.62	23.97	25.50	27.23	29.21	31.51	34.20	37.40	41.25	45.98	51.94
0.98		16.56	17.29	18.08	18.95	19.92	20.98	22.17	23.49	24.99	26.68	28.63	30.88	33.52	36.65	40.42	45.06	50.91
0.96		16.22	16.93	17.71	18.57	19.51	20.55	21.71	23.01	24.48	26.14	28.05	30.25	32.84	35.90	39.60	44.14	49.87
0.94		15.88	16.58	17.34	18.18	19.10	20.13	21.26	22.53	23.97	25.60	27.46	29.62	32.15	35.16	38.78	43.23	48.83
0.92		15.54	16.23	16.98	17.80	18.70	19.70	20.81	22.06	23.46	25.05	26.88	29.00	31.47	34.41	37.95	42.31	47.79
0.90		15.21	15.88	16.61	17.41	18.29	19.27	20.36	21.58	22.95	24.51	26.30	28.37	30.79	33.66	37.13	41.39	46.76
0.88		14.87	15.52	16.24	17.02	17.89	18.84	19.91	21.10	22.44	23.97	25.71	27.74	30.10	32.92	36.30	40.47	45.72

Source: Enlight Research

DCF valuation

We use our DCF valuation as a back-check to our DDM valuation. Our DCF valuation indicate a Fair value per share of EUR 27.35, applying the same assumptions as in our DDM (Risk-free interest rate = 2.5%, beta = 0.80). Our DCF Base case Fair value is very close our DDM Base case Fair value which we believe is logical as we have the same underlying assumptions. Interesting to note is the sensitivity to the assumed beta value (see below table), and the fact that the beta for many of the utilities is below one, which implies that the Ignitis Group share could be an attractive asset in a typical equity portfolio as it could lower the volatility.

Sensitivity parameters	Current	Step	Assumptions & Fair values										
Equity beta	0.80	0.04	0.60	0.64	0.68	0.72	0.76	0.80	0.84	0.88	0.92	0.96	1.00
Fair value (DCF)	27.35		37.66	35.22	33.00	30.96	29.08	27.35	25.75	24.26	22.87	21.58	20.38
Target debt ratio (D/D+E)	50.0 %	2.0 %	40%	42%	44%	46%	48%	50%	52%	54%	56%	58%	60%
Fair value (DCF)	27.35		17.28	18.90	20.69	22.67	24.87	27.35	30.15	33.33	37.00	41.26	46.26
Riskfree interest rate	2.5 %	0.2 %	1.5 %	1.7 %	1.9 %	2.1 %	2.3 %	2.5 %	2.7 %	2.9 %	3.1 %	3.3 %	3.5 %
Fair value (DCF)	27.35		38.35	35.72	33.33	31.16	29.17	27.35	25.67	24.11	22.67	21.32	20.07

Source: Enlight Research

Market overview

Market players

There are six main roles on the European electricity and gas market. It is possible for a company to have many roles e.g., an integrated utility can be a producer, a distribution system operator, and a supplier. However, some roles cannot be combined due to EU regulation, e.g. a company cannot be both the transmission operator and the distribution system operator. The six roles in are:

The Producer generate electricity (and/or heat) or produce/extract gas. Electricity producers are often categorized into renewable (wind, solar, hydro) or fossil fuel (coal, gas) energy source producers (many companies do both). Ignitis Group's Green Generation and Flexible Generation segments generate/produce electricity and heat.

The Transmission System Operator (TSO) transports electricity on the high-voltage long-distance power line from producers to the distribution system operator's substations near the customers. The gas TSO transports gas over the national pipeline system from gas producers to the gas distributors. Transmission networks are natural monopolies (due to cost of construction) and subject to regulations. In Lithuania, LitGrid is the electricity TSO and Amber Grid is the gas TSO.

The Distribution System Operator (DSO) converts the high-voltage electricity from the transmission network to mid/low- voltage electricity in substations and transports it to the final customers (industries, households etc.). The gas DSO withdraws gas from the TSO's pipeline, lowers the pressure, and distributes the gas to the end-clients via smaller pipelines. Like TSOs, the DSOs are often regulated natural monopolies as it does not make economic sense to have two distribution networks in a country. Ignitis Group's Network segment is the electricity and gas DSO in Lithuania.

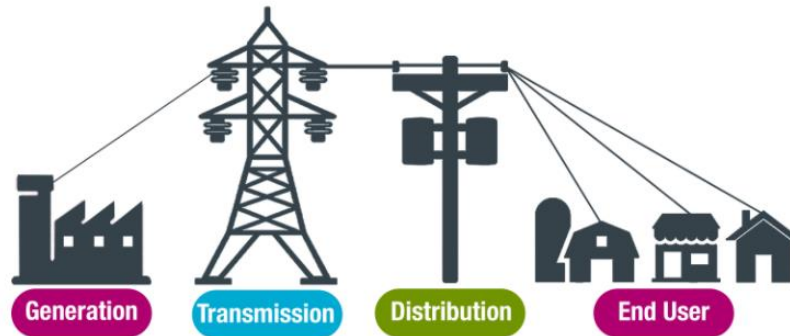
The Supplier buys electricity from a producer either directly or via a power exchange and sell it to end customers i.e. the supplier has the agreement with and invoice the end customer. The supplier market is often de-regulated i.e. customers are free to choose from who they want to buy the electricity from. Ignitis Group's Customer and Solutions segment is one of many suppliers on the Lithuanian electricity and gas market.

The Exchange organize a marketplace for buyers/sellers of electricity and gas. Nordpool is the leading Baltic electricity exchange, while TGE is the leading exchange in Poland. GET Baltic exchange is the market leader in the Baltics for gas. Private individuals are usually not active on an electricity or gas exchange.

The Consumer is an individual who receives energy from the grid, and a **Prosumer** (not applicable for gas consumers) is an individual who both receive and supply energy to the grid e.g. via solar panels.

See below picture for an overview of the electricity market (the gas market is very similar)

Electricity from producer to consumer

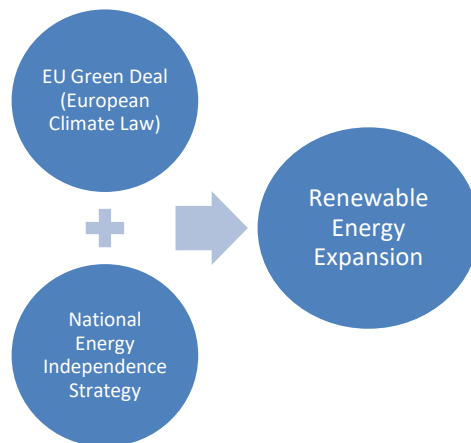


Source: Utilities consumer advocate

Market drivers

The main drivers for the energy industry are the political initiatives to achieve a zero-emission world, which can only be achieved through a substantial expansion of renewable energy capacity and concurrent reduction of conventional (fossil-fuel) capacities.

Political drivers behind energy sector



Source: Enlight Research

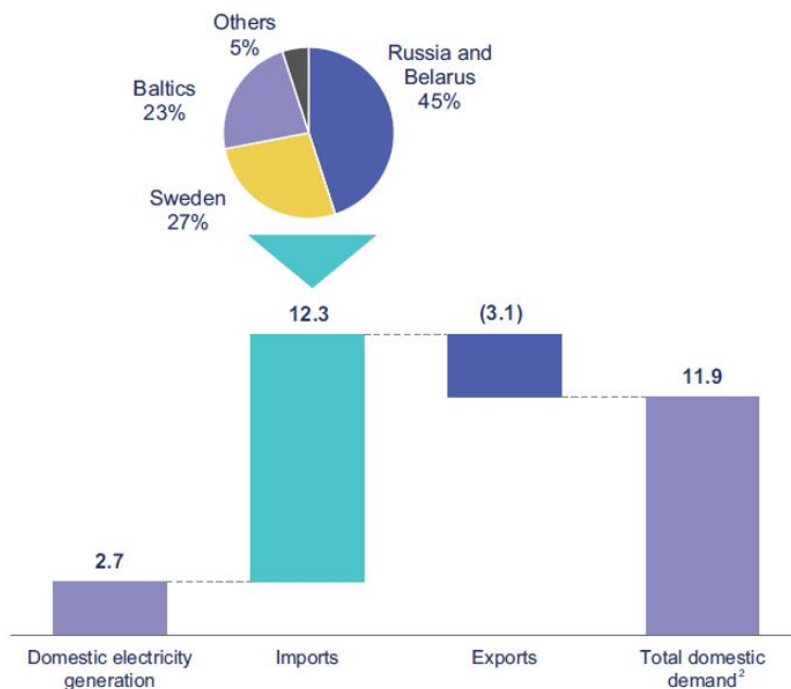
Green Deal and the European Climate Law

The European Commission’s proposal for the European Climate Law aims to make EU’s Green Deal target to become climate neutral by 2050 made into a law. The European Commission plans to present proposals for the European Climate Law by June 2021. If the European Parliament and Council agree to the proposals, the law will be passed (the European Parliament has already endorsed net-zero greenhouse gas emissions by 2050 in a resolution). If passed, there will be a law to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990, and to be fully emission neutral by 2050. The only way to adhere to the law is to replace carbon-based energy with electricity-based energy, which requires substantial expansion of renewable energy capacity/generation. Most countries in the EU are already starting to prepare for the European Climate Law by incorporating its points into their national energy strategy (all countries in Ignitis Group’s key markets have integrated several key points in the proposed European Climate Law into their national energy strategy).

Lithuanian National Energy Independence Strategy

In addition to securing compliance with international climate targets, the National Energy Independence Strategy’s objective to make Lithuania independent from Russian and Belarussian energy imports is equally important. Following the closure of its nuclear power plant in 2009, Lithuania went from an energy exporter to one of the most energy dependent countries in the EU, importing 70-80% of its primary energy according to Eurostat. According to Wood Mackenzie statistics, Lithuania’s total domestic demand for electricity was 11.9 TWh on average in 2017-19 while its domestic generation was just 2.7 TWh, equal to just 23% of the total demand i.e. almost 80% of its electricity consumption had to be imported. Given that almost half of the imports come from Russia and Belarus, the need for energy independence is compelling. The target is to produce 70% of its electricity consumption domestically by 2030, and 100% by 2050. In the near-term, the path to energy independence means both increasing local renewable energy sources (RES) generation and synchronizing the electricity grid with the European grid. In 2025, full synchronization with EU is expected through the completion of the LitPol Harmony Link (disconnection with the Russian and the Belarussian electricity grid is also planned in 2025). Like the European Climate Law, the National Energy Independence Strategy also call for substantial investments in renewable generation capacity.

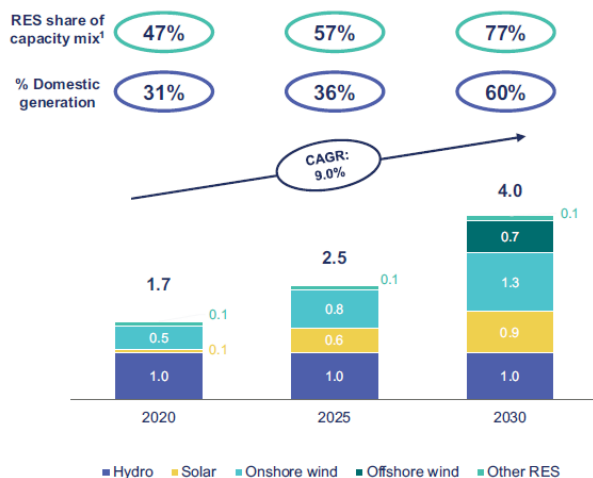
Electricity generation deficit in Lithuania (TWh, 2017-2019 average)



Source: Wood Mackenzie

Lithuania’s National Energy Independence Strategy is very much aligned with the UN Agenda for Sustainable Development, the objectives of the Paris Agreement, and the upcoming proposed European Climate Law. The target of Lithuania’s National Independence Strategy is that renewable energy sources (RES) make up 45% of the final electricity consumption by 2030 and 100% by 2050 (currently about 30%). This would mean RES share of installed capacity and domestic generation would be 77%, and 60%, respectively by 2030, implying a compounded annual growth of 9%.

Renewable capacity evolution in Lithuania (GW)



Source: Wood Mackenzie, RES includes hydro, solar, wind, and other renewable energy sources

Market drivers create Renewable expansion

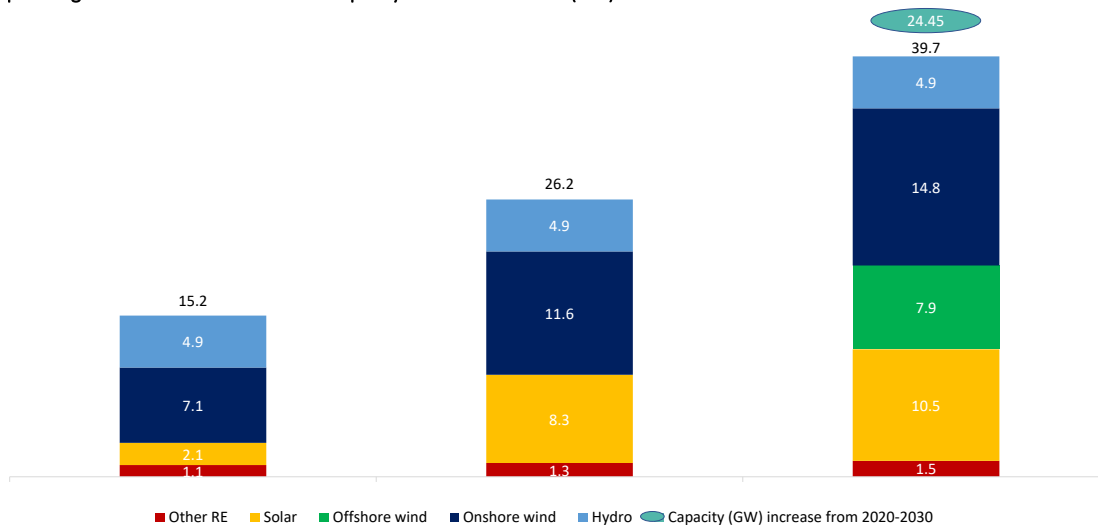
The situation in the Group’s core markets (Lithuania, Poland, Latvia, Estonia) is very similar in the way that their energy strategies calls for a large expansion of renewable capacity. This is especially true for Poland that has a large dependence on coal, which made up 86% of TWh generated in 2020. In 2019, the Polish Ministry of Energy published a revised draft of the “Polish Energy Policy 2040” in which one of the targets is to reduce coal’s share of the generation mix from current 86% to 60% by 2030. The total budget of the plan is EUR 140bn. The expected 2020-30 growth in renewable installed capacity for the Group’s core markets is 24.4 GW whereof Poland represents 20.1 GW. Considering this, Ignitis Group’s Green Generation electricity pipeline of 2 GW seems almost conservative (equal to around 8% of expected capacity increase in its core markets).

Expected growth in renewable installed capacity (GW)	2030
Poland	20.1
Lithuania	2.3
Estonia	1.3
Latvia	0.7
Total	24.4
Ignitis Green Generation pipeline	2.0
Ignitis Green Generation pipeline share of expected growth	8%

Green Generation pipeline			Capacity	
Project	Country	Technology	MW	Estimated COD
<i>Under construction</i>				
Pomerania wind farm	Poland	Wind - onshore	94	Q1/21
Vilnius CHP	Lithuania	CHP	92	Q1/21 (waste-to-energy), Q4/22 (biomass)
Mazeikiai wind farm	Lithuania	Wind - onshore	63	2023
Total under construction			249	
<i>Agreements signed</i>				
Polish solar portfolio I	Poland	Solar	Up to 170	2021-2023
Moray West offshore wind*	Scotland	Wind - offshore	800-950 (40-48*)	2025
Lithuania offshore wind farm project**	Lithuania	Wind - offshore	700 (357**)	2028
Total agreements signed			1670-1820 (567-575)***	
<i>Other</i>				
Kruonis PSHP expansion****	Lithuania	Hydro	110	2025
Total Other			110	
Total pipeline			2029-2179 (926-934)***	

Source: Wood Mackenzie (Expected growth in renewable installed capacity in IPO prospectus), IPO prospectus (Green Generation pipeline), *Ignitis Group ownership 5% (875 MW mid-range capacity), **Ignitis Group ownership 51%, ***Adjusted for Ignitis Group ownership, **** Procurement planning stage

Expected growth in renewable installed capacity in Baltics & Poland (GW)



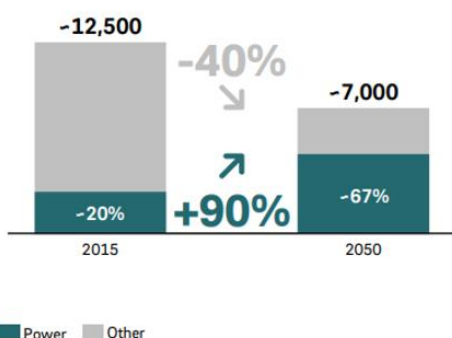
Source: Wood Mackenzie (IPO prospectus), years 2020, 2025, 2030

Market growth

EU’s 2050 zero-emission target means decarbonization which in turn means deep electrification where renewable energy sources and efficiency improvements replace fossil fuel energy sources. This means the overall European energy demand will decrease until 2050. According to the European Environment Agency (EEA), the total energy demand in Europe will decline by 40% between 2015 and 2050 from 12,500 to 7,000 TWh. However, the demand for electricity will increase by 90% during the same period as green electricity substitute fossil fuel-based energy. In our view, Ignitis Group’s focus on electricity distribution and renewable generation as well as minimal fossil fuel based generation means it is operating in the high-growth space of the energy sector.

Decarbonization means deep electrification

European¹ energy demand 2015 vs. 2050... TWh



1. Considering EU27. Source: <https://www.eea.europa.eu/data-and-maps/figures/primary-and-final-energy-consumption> (energy demand)/ <http://inrestruct.com/wp-content/uploads/2015/04/Practical-guide-to-a-low-carbon-Europe-2050.pdf> (power demand)

Source: EON

... with huge impact on energy infrastructure

Increase of electricity demand (+90%)

- Deep electrification of different sectors and decentral generation creates the need for substantial grid investments
- Substitution of fossil fuel consumption through green electricity

Reduction of total energy demand (-40%)

- Major decarbonization goals provide business opportunities for energy efficiency products and services

Market Regulator

In Lithuania, tariffs for electricity and gas distribution are regulated by the National Energy Regulatory Council (NERC) who sets the upper limits (tariff price caps) for distribution services. Based on the set upper limits, the company calculates the specific prices for the different types of customers which is sent to NERC for approval. The price caps are set by NERC on the principle of reasonable return on the regulated assets base (RAB). The price mechanism for electricity and gas distribution is the same except that for gas, the RAB value is based solely on the historical cost approach while the electricity RAB is based on both replacement cost (LRAIC) and historical cost.

Market shares

As the distribution market is a natural monopoly and the electricity supply market is in the process of being de-regulated, the most relevant segment to look at with regards to market shares is the renewable generation market. Based on renewable capacity (biomass, biogas, wind, large hydro, solar), Ignitis Group is the largest player in Lithuania with 57% market share, and the fourth largest player in Estonia (2.8%), according to Wood Mackenzie. The state-owned incumbent energy company is the market leader in all of Ignitis Group's core markets. The Polish market is different from the other markets in that the leading player has a lower market share i.e., the market is more fragmented. This might be due to Polish companies' large share of conventional generation assets, which makes them less keen to promote renewables – at least up until now.

Market shares 2019: Renewable energy capacity

No.	Lithuania	Latvia	Estonia	Poland
1	Ignitis Group (57%)	Latvenergo (84.8%)	Enefit/Estonian Energy (40.1%)	PGE (23%)
2	Enefit/Estonian Energy (7.3%)	Fortum (1.3%)	Utilitas (7.3%)	Tauron (6.0%)
3	Stemma (3.9%)	Energy Ventures (1.1%)	Fortum (6.0%)	Orlen (5.6%)
4	Renega (3.9%)	Veju Parks (1.1%)	Ignitis Group (2.8%)	Enea (5.0%)
5	Veju Spektras (2.7%)	Clear Energy (0.4%)	Skinest Energia (1.9%)	Invenergy (2.7%)
	Top 5 (75%)	Top 5 (89%)	Top 5 (58%)	Top 5 (42%)

Source: Wood Mackenzie, Company websites, based on total biomass, biogas, wind, large hydro, and solar capacity

Forecast

Networks Forecast

The Networks segment income and earnings are regulated by the Lithuanian regulator, NERC. The most important factors set by the regulator is the regulated asset base (RAB) and the return (WACC) that is allowed on the RAB. In December 2020, NERC approved the updated methodology on rate of return on investments with the following main changes:

- Equity risk premium is fixed at 5.00% (previously this measurement was alternating and according to latest data by NERC on 1 August 2020, it was 3.93%).
- Optimal capital structure set at 50/50 debt/equity (previously 60/40 debt/equity)
- Possibility to receive additional stimulus for investments that contribute to the goals of climate change

The updated methodology will be applied for the upcoming new regulatory period, which means 2022 for electricity and 2024 for gas. For 2021, the regulator has set the electricity RAB to EUR 1.414m (growth 0.9%) and the electricity WACC to 5.34% (up from 5.28% in 2020), which corresponds to a Reasonable return (RAB x WACC) of EUR 76m, equal to a growth of 2%. The year 2022 is the start of a new 5-yr regulatory period for electricity distribution (2022-26) and we forecast the WACC to be lowered to 4.25%, which is in-line with management's expectations of 4.0-4.5%. Based on our assumed RAB growth of 3-4% and WACC of 4.25%, our forecast Reasonable return for 2022 is expected to decline to EUR 63m from EUR 76m due to the lower WACC, while we see an increase of 3% in 2023 due to higher RAB.

Networks					
RAB: Electricity	2019	2020	2021E	2022E	2023E
Electricity RAB (LRAIC)	576	706	671	698	719
Electricity RAB (Historical cost)	651	695	743	773	796
Total Electricity RAB	1,228	1,401	1,414	1,471	1,515
Electricity RAB (LRAIC) share	47%	50%	47%	47%	47%
Electricity RAB (Historical cost) share	53%	50%	53%	53%	53%
Electricity RAB (LRAIC) growth	30%	22%	-5%	4%	3%
Electricity RAB (Historical cost) growth	10%	7%	7%	4%	3%
Total Electricity RAB growth	18%	14%	0.9%	4.0%	3.0%

Networks					
WACC: Electricity	2019	2020	2021E	2022E	2023E
WACC: Electricity (LRAIC)	5.04%	5.28%	5.34%	4.25%	4.25%
WACC: Electricity (Historical costs)	5.04%	5.28%	5.34%	4.25%	4.25%
Reasonable return: Electricity (LRAIC)	29.1	37.3	35.8	29.7	30.5
Reasonable return: Electricity (Historical cost)	32.8	36.7	39.7	32.8	33.8
Reasonable return: Electricity total	61.9	74.0	75.5	62.5	64.4
Growth	22%	20%	2%	-17%	3%

Source: Company reports (historic), Enlight Research (forecast)

The current 5-yr regulatory period for gas ends 2023. For 2021, the regulator has set the gas RAB to EUR 249m (growth 10%) and the gas WACC to 3.90% (up from 3.84% in 2020), which implies a Reasonable return (RAB x WACC) of EUR 9.7m, equal to a

growth of 11%. In 2022, and 2023, we assume unchanged WACC of 3.90% which means our Reasonable return grows in-line with the RAB growth of 4% in 2022 to EUR 10.1m, and 2% in 2023 to EUR 10.4m.

Networks					
RAB: Gas	2019	2020	2021E	2022E	2023E
Gas RAB (Historical cost)	189	227	249	259	265
Total Gas RAB	189	227	249	259	265
Total Gas RAB growth	31%	20%	10%	4%	2%

Networks					
WACC: Gas	2019	2020	2021E	2022E	2023E
WACC: Gas (Historical costs)	3.59%	3.84%	3.90%	3.90%	3.90%
Reasonable return: Gas (Historical cost)	6.8	8.7	9.7	10.1	10.4
Reasonable return: Gas total	6.8	8.7	9.7	10.1	10.4
Growth	-34%	28%	11%	4%	2%

Source: Company reports (historic), Enlight Research (forecast)

With above electricity and gas RAB and WACC forecasts, our Networks segment RAB growth is 2.1% for 2021, and 3-4% for 2022, and 2023. For 2021, the weighed RAB set by the regulator is 5.12%, which we forecast to decline to 4.20% in 2022 and subsequent years (due to lower electricity RAB).

Our forecast Reasonable return (RAB x WACC) is expected to increase by 3% this year and decline 15% next year due to the lower electricity WACC. The negative WACC effect in 2022 is offset by higher Other income (compensation for operating expenses, compensation for technological losses, supply of last resort & reactive power income, adjustments from prior periods) resulting in a slight decrease (decline 0.4%) of Total revenues excluding TSO revenues and an increase in Total revenues including TSO revenues (+4%). In the forecast period 2021-23, Total revenues including TSO pass-through revenues are expected to grow by 1-4%. The adjusted EBITDA margin is estimated to be stable around 2020's level of 40%.

Networks Total revenues					
Key figures	2019	2020	2021E	2022E	2023E
Electricity RAB	1,228	1,401	1,414	1,471	1,515
Gas RAB	189	227	249	259	265
Total RAB	1,417	1,628	1,663	1,730	1,780
Total RAB chg %	20.0%	14.9%	2.1%	4.0%	2.9%
Electricity WACC	5.04%	5.28%	5.34%	4.25%	4.25%
Gas WACC	3.59%	3.84%	3.90%	3.90%	3.90%
Networks weighted WACC	4.85%	5.08%	5.12%	4.20%	4.20%
Electricity reasonable return	62	74	76	62	64
Gas reasonable return	7	9	10	10	10
Networks reasonable return	69	83	85	73	75
Growth	12.8%	20.4%	3.1%	-14.8%	2.9%
Other income/costs	179	204	208	219	228
Total revenues excl. TSO revenues	247	287	293	292	303
Growth	11.3%	15.8%	2.2%	-0.4%	3.8%
TSO pass-through revenues	168	196	194	215	216
Total revenues incl. TSO revenues	415	482	487	507	519
Growth	5.8%	16.2%	1.0%	4.0%	2.5%
Adjusted EBITDA	181	199	200	202	207
Adjusted EBITDA margin	38.8%	39.8%	41.1%	40.0%	39.9%

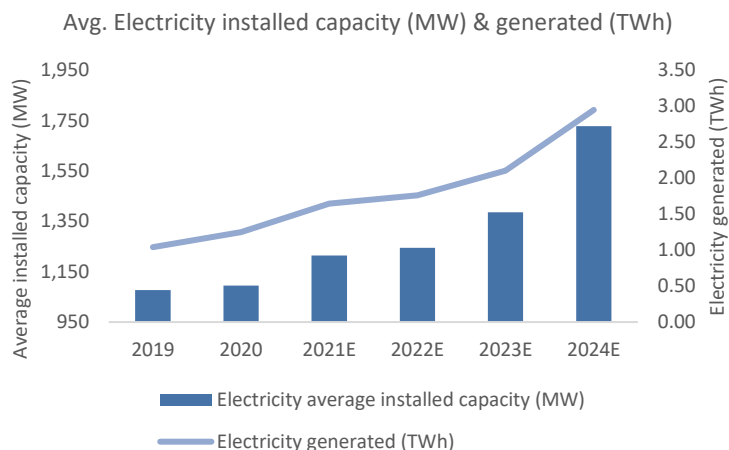
Source: Company reports (historic), Enlight Research (forecast)

Green Generation Forecast

The Green Generation segment’s electricity selling price is set by the free market i.e. it is unregulated, while the heat price in Lithuania is capped at the rate calculated by the national regulator (NERC). Our forecast is based on below parameters:

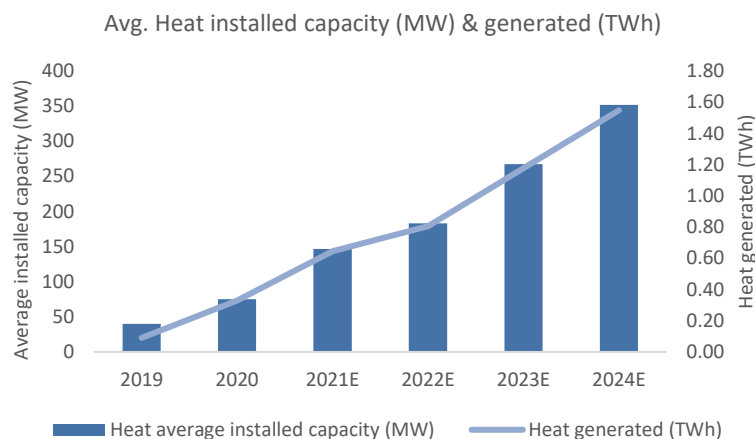
- Average installed capacity in MW in for electricity and heat
- Electricity and heat generated in TWh per average installed capacity in MW
- Combined electricity and heat Revenues per MWh generated
- Combined electricity and heat Operating expense per average MW installed

We forecast the average electricity installed capacity to increase by 11% y-on-y in 2021 to 1,214MW, while the electricity generated is expected to increase by 32% (+20% in 2020) to 1.64 TWh. The substantial increase in capacity and generation in 2021 is due to the commissioning of the Pomerania wind farm in Poland as well as the Kaunas and Vilnius CHP plants. For the Pomerania wind farm, we forecast 47 MW to be operating in Q1/21 and the full capacity 94 MW to be operating by Q2/21. The Polish inflation adjusted subsidy of PLN 214.98 (about EUR 47.29) per MWh until 2035 secures stable long-term cash flows. Although, given that the Polish electricity price next year is expected to be higher than the subsidy price, the subsidy can be regarded as a price floor protecting against a decrease in the Polish electricity price. Most likely, the actual electricity price in Poland will be higher than the subsidy price. However, even at the subsidy price, the Polish wind farm is expected show profitability. In 2022, we foresee the average installed electricity capacity to increase by 3% y-on-y to 1,244 MW, and the electricity generated to increase by 7% y-on-y to 1.76 TWh. For 2021, we include 19 MW of the Vilnius CHP capacity and planned electricity generation (waste to energy unit) with the remaining 73 MW coming in 2022 when the biomass unit is expected to be commissioned. In 2023, we forecast the average electricity capacity to increase by 11% with an electricity generation growth of 20%, mainly due to the commissioning of the Mazeikiiai wind farm, and the Vilnius CHP’s biomass unit but also due to 80 MW added wind and solar capacity where the projects have yet to be signed. Our forecast electricity installed capacity of 1.9 GW in 2024 is in the middle of company’s Strategic plan target of 1.8-2.0 GW (the average 2024 capacity is lower as some capacity is commissioned during 2024).



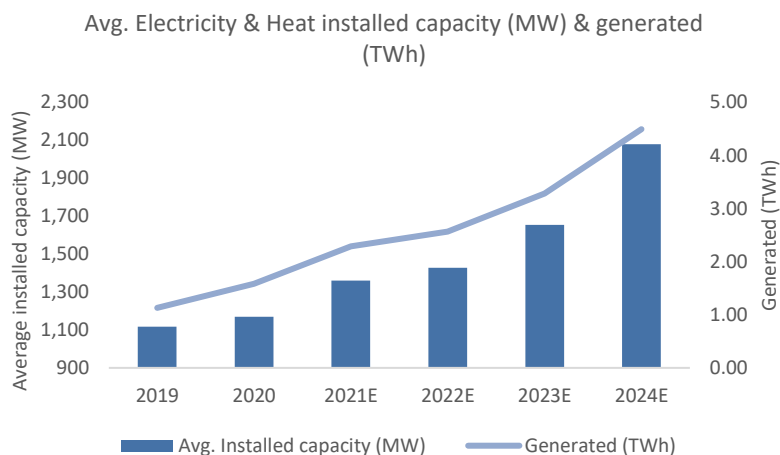
Source: Company reports (historical), Enlight Research (forecast)

We forecast the average heat installed capacity to increase by 95% y-on-y in 2021 to 147 MW (increase from Vilnius CHP waste-to-energy plant), with a matching increase (+95%) in heat generated from 0.33 to 0.64 TWh. The strong growth in 2021 is an effect of the Kaunas CHP operating for the full-year (commissioned in August 2020), and the Vilnius CHP waste-to-energy plant being commissioned in Q1/21. In 2022, and 2023, we forecast a growth in average installed heat capacity, and heat generated of 25% (driven by Vilnius CHP waste-to-energy unit included for the whole year), and 46% (driven by Vilnius CHP biomass unit included for the whole year), respectively.



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

We simplify our forecasting for the Green Generation segment by combining electricity and heat capacity as well as the energy generated, which is a bit rudimentary, but it makes quarterly performance tracking easier as revenues and profits are not split between heat and electricity. For 2021, the average installed capacity for both electricity and heat is expected to increase by 16% y-on-y to 1,361 MW, and the energy generated (electricity & heat) is expected to increase by 45% y-on-y to 2.29 TWh. In 2022, we forecast an average capacity increase of 5% and an energy generation increase of 12%. In 2023, the corresponding growth figures are 16% (avg. capacity), and 28% (generation), respectively. See above electricity and heat sections for main drivers behind our forecast capacity and generation increases.



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

Our revenue forecast is calculated by multiplying the energy generated (TWh) by the selling price per MWh generated in euro to get the generation revenues (including the Gate fees which are not reported separately). For 2021, we forecast total Green Generation revenues to increase by 44% y-on-y to EUR 128m from EUR 89m in 2020. The increase is driven by an increase in energy generated (+45%), and a +6x increase in waste Gate fees. In 2022, and 2023, we forecast Total revenues to increase by 12%, and 28%, respectively, both in-line with the forecast energy generation increases (assumes unchanged selling price). The improved adjusted EBITDA margin in the forecast period vs. 2020 (from 57% to 60%) is driven by increased efficiency.

Green Generation: Electricity & Heat							
	2017	2018	2019	2020	2021E	2022E	2023E
Installed capacity (MW)	116	116	1,117	1,211	1,397	1,457	1,919
<i>Growth</i>		0.0%	862.9%	8.4%	15.4%	4.3%	31.7%
Installed capacity (MW) - average	116	116	1,117	1,170	1,361	1,427	1,653
<i>Growth</i>		0.0%	862.9%	4.7%	16.3%	4.9%	15.8%
Energy generated (TWh)	1.14	1.04	1.13	1.58	2.29	2.57	3.28
<i>Growth</i>		-8.8%	8.7%	39.8%	44.9%	12.1%	27.8%
Selling price per MWh generated (EUR)	54.65	75.29	73.45	56.33	56.00	56.00	56.00
<i>Growth</i>		38%	-2%	-23%	-1%	0%	0%
Total Revenues (EURm)	62	78	83	89	128	144	184
<i>Growth</i>		26%	6.0%	7.2%	44.0%	12.1%	27.8%
Whereof estimated Gate fee revenues (EURm)	0.0	0.0	0.0	2.2	14.0	14.0	14.0
Total Revenues excl. Gate fees	62	78	83	87	114	130	170
<i>Growth</i>		26%	6.0%	4.5%	31.5%	13.6%	30.8%
Adjusted EBITDA	36.1	38.1	43.4	50.7	76.9	86.2	110.2
Adjusted EBITDA margin	57.9%	48.7%	51.9%	56.6%	60.0%	60.0%	60.0%

Source: Company reports (historic), Enlight Research (forecast)

Flexible Generation Forecast

The Flexible Generation forecast is mainly based on the reserved capacity under agreement with the Transmission Operator (LitGrid). In addition, as of January 2020, revenues and earnings could come from the sale of electricity on the free market as the capacity reserved under the Isolated Regime Services agreement (415 MW) can also be used to generate electricity and sell on the free market (this also means the regulated agreement price do not include a reasonable return on RAB).

For the full-year 2021, we forecast Total revenues for the Flexible Generation segment to decrease by 4% y-on-y to EUR 107m (down from EUR 112m in 2020). The declining sales growth and margins in 2021 vs. 2020 is due to favourable market conditions for the CCGT operations (+45m) which was partly offset by EUR 14m in one-off effects in 2019 that boosted revenues (we expect none of these to repeat in 2021). For 2022, and 2023, we forecast modest 1% annual sales growth. We forecast the adjusted EBITDA margin to be stable at around 27% in the forecast period 2021-23 as we expect more normal market conditions for the CCGT operations. Given the preliminary data (Ignitis Group Jan-Feb adj. EBITDA +22%) published on 30 March 2021 in which the company reported favourable market conditions for the CCGT unit, our adjusted Flexible Generation EBITDA forecast might be considered conservative (see table below for detailed Flexible Generation forecast).

Flexible Generation

Regulated

Reserved MW	2019	2020	2021E	2022E	2023E
Tertiary Power Reserve Services (MW)	260	475	482	482	482
Strategic Power Reserve Services (MW)					
Isolated Regime Services (MW)		415	409	409	409
Total Reserve & Other services (MW)	260	890	891	891	891
Income statement	2019	2020	2021E	2022E	2023E
Revenue per MW reserved est.	0.311	0.095	0.095	0.096	0.097
Revenue from reserved MW (EURm) est.	80.8	84.6	84.6	85.7	86.8
Electricity generated (TWh) reported	0.02	1.20	1.00	1.00	1.00
Revenue per MWh generated (EUR) est.	0.0	22.6	22.6	22.6	22.6
Revenue from electricity sales (EURm) est.	0.0	27.2	22.6	22.6	22.6
Total Revenue (EURm) reported	80.8	111.7	107.2	108.3	109.4
Adjusted EBITDA	22.0	31.8	22.9	23.1	23.2
Adjusted EBITDA margin	33.5%	28.7%	27.1%	26.9%	26.8%
Growth	2019	2020	2021E	2022E	2023E
Revenue from reserved MW (EURm)	18.8%	4.6%	0.1%	1.3%	1.2%
Revenue from electricity sales (EURm)	nm	nm	-16.8%	0.0%	0.0%
Total Revenue (EURm)	18.8%	38.2%	-4.0%	1.0%	1.0%

Source: Company reports (historic), Enlight Research (forecast)

Customers & Solutions Forecast

Our Customers & Solutions forecast is based on the number of electricity and gas customers. Due to the ongoing deregulation of the electricity market, we forecast the number of electricity customers to decline by around 3% annually in the forecast period 2021-23. Note that we do not expect the deregulation to affect the profits negatively, but rather forecast slightly improved margins as the company will be able to sell electricity at market prices (instead of the regulated lower tariff).

Electricity and Gas supplied	2019	2020	2021E	2022E	2023E
Electricity Supplied (TWh)	5.40	6.37	6.14	5.95	5.76
Electricity (TWh)/Customer (m)	3.27	3.83	3.84	3.84	3.84
Gas Supplied (TWh)	9.83	14.77	15.26	15.60	16.08
Gas supplied (TWh)/Customer (m)	16.38	24.21	24.23	24.00	24.00
Total TWh supplied	15.23	21.14	21.41	21.55	21.84
Revenues and EBITDA	2019	2020	2021E	2022E	2023E
Revenues (EURm)	522	549	556	559	567
Growth	-11.9%	5.0%	1.3%	0.7%	1.3%
Adjusted EBITDA	10.9	11.0	11.4	11.5	11.6
Adjusted EBITDA margin	2.0%	2.3%	2.1%	2.1%	2.0%

Source: Company reports (historic), Enlight Research (forecast)

Revenue and EBITDA forecast by Segment

Adding our segment forecasts plus Other segments/eliminations, we arrive at our full-year 2021 Total revenue forecast of EUR 1,270m, equal to a growth of 3.8%. Our estimated 2021 Group adjusted EBITDA is EUR 310m, which is at the upper range of the adjusted EBITDA guidance of EUR 300-310m (given in the Q4/20 report). For 2022, and 2023, we forecast annual revenue growth of 3%, and 5%, respectively. Our forecast 2023 adjusted EBITDA margin is estimated to improve to 25.5% from 24.5% in 2022, due to increased efficiency.

Revenue per segment	2019	2020	2021E	2022E	2023E
Networks	415.0	482.2	487.0	506.5	519.2
Green Generation	83.0	89.0	128.2	143.7	183.7
Flexible Generation	80.8	111.7	107.2	108.3	109.4
Customers and Solutions	522.2	548.5	555.6	559.3	566.7
Revenue bef. Other segm./eliminations	1,101.0	1,231.4	1,278.0	1,317.8	1,379.0
Other segments/eliminations	-1.7	-8.3	-8.4	-8.5	-8.6
Revenue after Other segm./eliminations	1,099.3	1,223.1	1,269.6	1,309.3	1,370.4
Segment revenue growth	2019	2020	2021E	2022E	2023E
Networks	8.9%	16.2%	1.0%	4.0%	2.5%
Green Generation	6.0%	7.2%	44.0%	12.1%	27.8%
Flexible Generation	18.8%	38.2%	-4.0%	1.0%	1.0%
Customers and Solutions	-0.6%	5.0%	1.3%	0.7%	1.3%
Revenue bef. Other segm. & eliminations	4.6%	11.8%	3.8%	3.1%	4.6%
Other segments/eliminations	-110%	388%	1.3%	0.7%	1.3%
Revenue after Other segments/eliminations	2.7%	11.3%	3.8%	3.1%	4.7%
Share of segment Revenue	2019	2020	2021E	2022E	2023E
Networks	38%	39%	38%	39%	38%
Green Generation	8%	7%	10%	11%	13%
Flexible Generation	7%	9%	8%	8%	8%
Customers and Solutions	48%	45%	44%	43%	41%
Other segments/eliminations	0%	-1%	-1%	-1%	-1%
Total Revenue	100%	100%	100%	100%	100%
Adjusted EBITDA by Segment	2019	2020	2021E	2022E	2023E
Networks	180.5	199.0	200.1	202.5	207.3
Green Generation	43.4	50.7	76.9	86.2	110.2
Flexible Generation	22.0	31.8	22.9	23.1	23.2
Customers and Solutions	10.9	11.0	11.4	11.5	11.6
Total adjusted EBITDA bef. Other/eliminations	256.8	292.5	311.3	323.2	352.3
Other segments/eliminations	3.1	-0.9	-1.3	-2.0	-6.0
Total adjusted EBITDA after Other/eliminations	259.9	291.6	310.0	321.2	346.3
Adjusted EBITDA margin by Segment	2019	2020	2021E	2022E	2023E
Networks	38.8%	39.8%	41.1%	40.0%	39.9%
Green Generation	51.9%	56.6%	60.0%	60.0%	60.0%
Flexible Generation	33.5%	28.7%	21.4%	21.3%	21.2%
Customers and Solutions	2.0%	2.3%	2.1%	2.1%	2.0%
Total adjusted EBITDA	22.6%	24.8%	24.4%	24.5%	25.5%

Source: IPO prospectus (historical), Company reports, Enlight Research (forecast)

Group forecast

Below is our Income statement forecast according to reported profit lines (as opposed to adjusted). See segment forecast for adjusted EBITDA estimates. The biggest difference between reported and adjusted figures is that the adjusted figures reveal an underlying positive earnings trend, while reported figures depicts an earnings decline in 2021 vs. 2020 (due to one-offs). We believe adjusted figures are most important as the dividend pay-out is more dependent on adjusted than reported figures.

Income statement (EURm)	2019	2020	2021E	2022E	2023E
Total Revenue & Other income	1,099	1,223	1,270	1,309	1,370
Purchase of electricity, gas for trade	-727	-703	-768	-783	-818
Salaries and related expenses	-87	-93	-105	-112	-117
Repair and maintenance expenses	-30	-34	-38	-40	-41
Other expenses	-49	-56	-64	-66	-69
Total expenses	-892	-886	-975	-1,000	-1,045
EBITDA	207	337	294	309	325
Depreciation and amortization	-110	-113	-121	-126	-130
Write-offs, revaluations PP&E, Intang.	-14	-6	-10	-8	-6
Revaluation of emission allowances	0	-3	-3.0	-3	-3
EBIT	83	215	160	172	186
<i>Financial net</i>	-17	-20	-20	-22	-25
Pre-tax profit	66	195	140	150	161
Current year income tax (expenses)/benefit	-7	-11	-13	-12	-13
Deferred income tax (expenses)/benefit	0	-14			
Minority	-2	1	1	0	0
Net profit (loss)	57	170	129	137	148
Sales growth	2019	2020	2021E	2022E	2023E
Total revenue growth Y-on-Y	2.7%	11.3%	3.8%	3.1%	4.7%
Margins (on Net sales)	2019	2020	2021E	2022E	2023E
EBITDA margin	18.8%	27.6%	23.0%	23.5%	23.6%
EBIT margin	7.6%	17.6%	12.5%	13.0%	13.5%
Pre-tax margin	6.1%	16.0%	11.0%	11.4%	11.7%
Net profit margin	5.2%	14.0%	10.1%	10.4%	10.7%
Reported vs. adjusted	2019	2020	2021E	2022E	2023E
EBITDA reported	207	337	294	309	325
EBITDA adjusted	260	292	310	321	346
EBIT reported	83	215	160	172	186
EBIT adjusted	135	169	186	195	209

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

Dividend forecast

Ignitis Group dividend policy states the following:

- Fixed starting dividend for the year 2020 will be EUR 85m (1.14 per share). Out of this EUR 42m (0.57 per share) was paid to the main shareholder (Lithuanian state) before the IPO, leaving EUR 43m (0.58 per share) to be declared for the second half of 2020 (paid out in spring 2021).
- Starting from 2021, the minimum annual dividend growth rate shall be 3% based on the EUR 85m (1.14 per share) declared in 2020.

We assume the targeted dividend of EUR 0.58 per share will be declared for H2/20 implying a dividend yield to IPO investors of 2.8%. Note that Ignitis Group was listed on 7 October so the annualized dividend is more than the simple 2.8% calculated yield (pay-out date is not set yet). We forecast the dividend growth rate to be 5% in 2021, and 2022, and 4% in 2023, resulting in a yield of 5.9-6.4% in the forecast period, or 5.0-5.4% adjusted for Lithuanian dividend withholding tax.

Dividend per share & yield (EUR)	2019	2020	2021E	2022E	2023E
Pre-IPO dividend per share	0.52	0.57	na	na	na
Post-IPO dividend per share	0.00	0.58	1.20	1.26	1.31
Total dividend per share	0.52	1.14	1.20	1.26	1.31
Total dividend per share growth	115.4%	121.8%	5.0%	5.0%	4.0%
Post-IPO dividend yield	0.0%	2.8%	5.9%	6.2%	6.4%
Total dividend yield	2.5%	5.6%	5.9%	6.2%	6.4%

Source: IPO prospectus (historic, forecast for 2020), Enlight Research (forecast), dividend yield is based on share price of EUR 20.35.

Investment forecast

Our investment forecast of EUR 1.7bn for 2021-24 is in the lower range of the investment plan given in the Strategic Plan 2021-24 (EUR 1.7-2.0bn). In addition to the EUR 450m raised in the IPO, we expect the investments to be financed by different sources including own cash flow, bank loans, bonds, and sell-down of assets.

Investment forecast (EURm)	2019	2020	2021E	2022E	2023E	2024E	Total 2021-24E
Networks	179	141	224	230	200	179	833
Green Generation	254	197	210	220	203	200	833
Flexible Generation	1	2	2	4	5	6	17
Customers and Solutions	3	2	2	2	2	2	8
Other	17	6	6	6	5	5	22
Total investments	453	347	444	462	415	392	1,713

Source: Company reports, Strategic Plan 2021-24, Enlight Research (forecast)

Company description

History

In 1995, AB Lietuvos Energija was established. This Company owned Lithuania's electricity transmission and distribution networks as well as the country's major electricity and heat generation assets.

In 2010, the Lithuanian government approved the energy sector reorganisation plan that will implement the provisions of EU's "Third Energy Package" requiring e.g. the separation of distribution and transmission assets. In the following years (2011-14), the electricity distribution network is put into the company Lesto, the electricity generation assets is put into the company Lietuvos Energija Gamyba (not to be confused with the holding company Lietuvos Energija UAB), the electricity transmission network is put into the company LitGrid, and the gas distribution network and supply is put into Lietuvos Dujos. Both Lesto and Lietuvos Dujos were listed on the Nasdaq Vilnius Stock Exchange as part of privatization programs from the time when Lithuania became independent from the USSR (free float was minimal at around 5%).

In 2016, the electricity (Lesto) and gas distribution (Lietuvos Dujos) companies are merged into newly established ESO, resulting in the current structure of the Networks segment. The newly formed electricity & gas distribution company, ESO, and the electricity & heat generation company, Lietuvos Energija Gamyba (GEN), were listed on the Vilnius stock exchange (with minimum free float around 3-5%). The State-owned holding company Lietuvos Energija UAB was the principal owner of both ESO and Lietuvos Energija Gamyba.

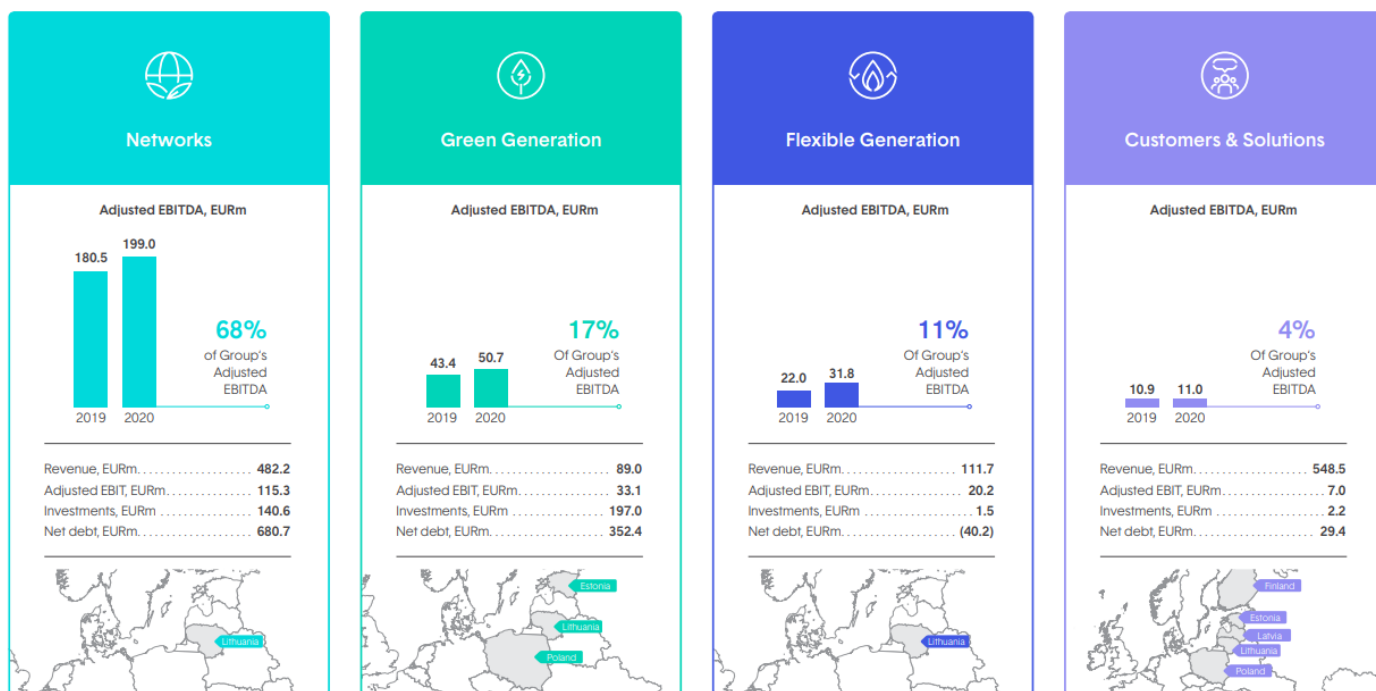
In 2018, the Company adopts its strategy for 2030 with the aim to increase green generation capacity, expand operations in international markets, and develop and introduce innovations in the energy sector. Consequently, the Group acquires two additional wind farms (in addition to the two wind farms acquired in 2016) and as a wind farm development project in Lithuania.

In 2019, the Lithuanian Ministry of Finance set up a working group to assess the Group's long-term financing alternatives including both equity and debt financing, taking into consideration the Group's growth strategy, the National Energy Independence Strategy, shareholders, as well as local capital market development. The legal name of the Company is changed from Lietuvos Energija UAB to UAB Ignitis Group. The process of delisting the shares of the subsidiaries ESO and Lietuvos Energija Gamyba (Ignitis Gamyba) is initiated.

In 2020, the recommendation of the working group formed in 2019 was that an IPO of the holding company (Ignitis Group) would best support the company's growth strategy. Consequently, the Group starts preparing for the IPO of the holding company UAB Ignitis Grupe. The delisting of ESO and Lietuvos Energija Gamyba (Ignitis Gamyba) was completed in July 2020. In October 2020, the biggest ever IPO in the Baltic region was completed raising EUR 450m for Ignitis Group, resulting in a free float of 26.9% spread over more than six thousand retail and institutional investors.

Business segments

To align the reporting segments with the long-term 2030 strategy, the company formed the following segments in 2020: Networks, Green Generation, Flexible Generation, and Customers & Solutions. The key performance and financial indicators are reported by segment on a quarterly basis.



Source: Company 2020 Annual report

Networks segment

The Networks segment is the electricity and gas Distribution System Operator (DSO) in Lithuania. Electricity distribution entails converting high-voltage electricity from the Transmission Operator’s (TSO) – LitGrid’s network – to low-voltage electricity and distribute to end-users through its medium/low-voltage distribution power line network. The Network’s segment has a natural monopoly of the electricity and gas distribution market in Lithuania i.e., there are no other national competing networks. As such, the segment’s operations are fully regulated with tariffs set by the national regulator, NERC (National Energy Regulatory Council).

Networks KPIs

Given that the allowed return is based on the regulated asset base (RAB), the most important Key performance indicator (KPI) for the Networks segment is approved investments by the regulator as this will increase the RAB on which the allowed return (WACC) is based on. In the long-term (5-6 years), RAB should increase according to investments minus depreciation. The second most important KPI for the segment is approved operating expenses as this is part of the allowed income. When determining the allowed operating expenses, the regulator focus is on efficiency (according to the LRAIC model commonly used by regulators). This means that if e.g. a substation is underused (compared to a benchmark), the approved operating expenses will be

lower. In December 2020, NERC approved the updated methodology on rate of return on investments with the following main changes:

- Equity risk premium is fixed at 5.00% (previously this measurement was alternating and according to latest data by NERC on 1 August 2020, it was 3.93%).
- Optimal capital structure set at 50/50 debt/equity (previously 60/40 debt/equity)
- Provided possibility to receive additional stimulus for investments that contribute to the goals of climate change

The updated methodology will be applied for the upcoming new regulatory period, which means 2022 for electricity and 2024 for gas. For 2021, the approved WACC for electricity and gas are 5.34% (2020 5.28%), and 3.90% (2020 3.84%), respectively. Post 2021, the expected weighted WACC is 4.0-4.5%, according to the new methodology.

Implied long-term RAB increase (EURm)	2017	2018	2019	2020
Investments	227	270	179	141
Depreciation & Amortization	72	78	85	90
Implied long-term RAB increase (Investments less Depr. & Amort.)	154	193	94	51

Source: Company IPO prospectus, Company reports

Approved WACC and regulatory periods



Source: Company Strategic Plan 2021-24

Networks Business model

The Networks segment’s business model is based on a reasonable return (WACC) on the regulatory asset base (RAB). The RAB and the WACC is set by the regulator at the beginning of each year. In 2021, the set RAB increase is 2.1% y-on-y to EUR 1.7bn, while the weighted WACC increased to 5.14% from 5.08%.

In addition to a reasonable return on RAB, the Total allowed income should cover the following costs: Depreciation & amortisation, Operating expenses, and Technological losses. For electricity distribution, the allowed income level is reduced by the revenue earned from Supply of last resort & reactive power. As the allowed income is set by

the regulator, the Network segment has no volume risk i.e., if volumes are lower than planned, the segment is compensated in future periods and vice versa.

For investors, the adjusted EBITDA is more important than the Total income level as it better reflects the cash flow available to shareholders i.e., it does not include significant cost compensation lines such as Compensation for operating expenses and Compensation for technological losses that are part of the Total allowed income. Adjusted EBITDA is calculated as follows:

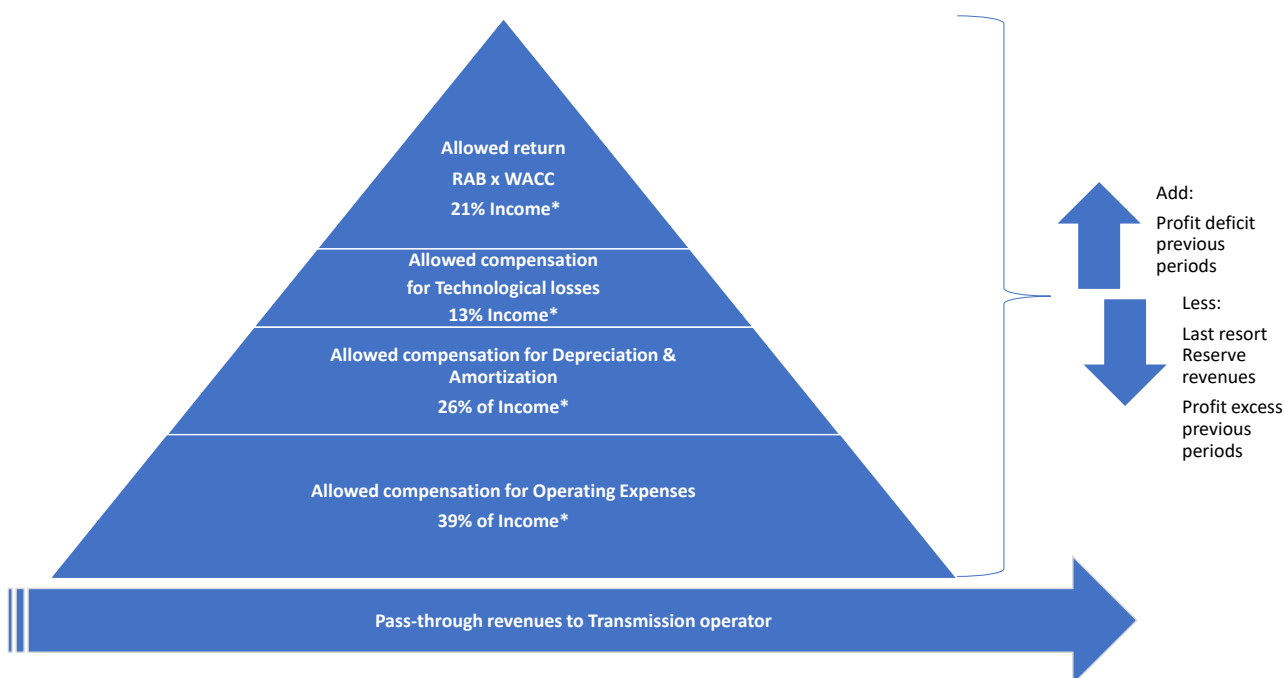
Adjusted EBITDA = Investment/Allowed return (RAB*WACC) + Depreciation & Amortization + Fees for new connections and upgrades and electricity equipment removal covered by clients

Networks adjusted EBITDA	2017	2018	2019	2020
Investment return (RAB*WACC)	52.6	60.8	68.6	82.7
Depreciation & amortization	74.4	81.6	89.1	89.5
Fees covered by clients*	19.8	23.5	26.6	26.3
Other	4.1	2.9	-3.8	0.5
Adjusted EBITDA	150.9	168.8	180.5	199.0
EBIT adjustments	-50.2	-57.3	-89.7	-83.7
Adjusted EBIT	100.7	111.5	90.8	115.3

Source: Company IPO prospectus

The Networks segment also collect the tariffs for Transmission Network services that it forwards to the TSO (LitGrid) at zero margin. Therefore, the total reported sales are significantly higher than the regulated sales (Total allowed income level). However, given that TSO revenues are only pass-through revenues, the sales of the Networks segment can be regarded as fully regulated, which means the visibility and stability of the segment is high.

Networks Business model



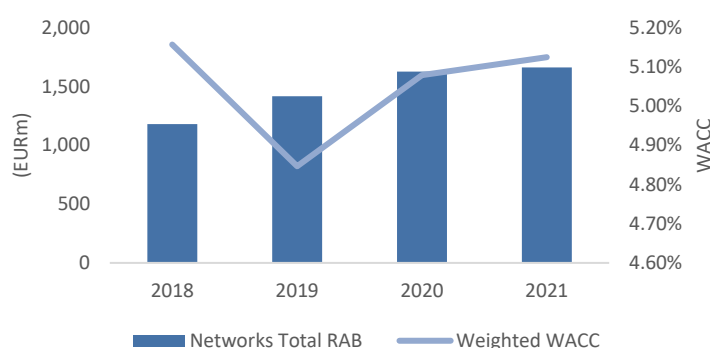
Source: Enlight Research, Company reports, *Share of Total allowed income before adjustments for Last resort supply services, excess profits, and pass-through TSO revenues

Networks Total income components

(EURm)	Electricity 2020	Gas 2020	Total 2020
Reasonable return (RAB x WACC)	74	9	83
Depreciation & amortization	80	10	90
Operating expenses	107	24	131
Technological losses	42	4	47
Supply of last resort & reactive power income	-14	0	-14
Excess profits/compensation for loss, prior periods	-40	-10	-50
Total allowed income level	250	37	287
Pass-through revenues to the TSO			196
Total revenues			482

Source: Company IPO prospectus

Networks Total RAB & Weighted WACC



Source:

Company IPO prospectus, *weighted electricity & gas WACC

Networks Assets

The main assets of the Network Segment are the electricity and the gas distribution network. The company’s electricity distribution network spans 126,105 km and covers almost all consumers in Lithuania. The company’s gas distribution network spans approximately 9,690 km and has about 611 thousand connection points.

Network Segment main assets	2019	2020
Electricity distribution network (thous. km)	125.50	126.11
Gas distribution network (thous. km)	9.48	9.69

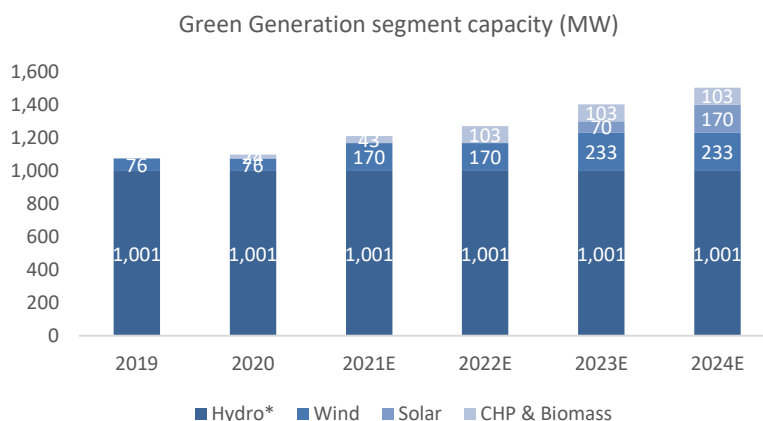
Source: IPO prospectus

Green Generation segment

The Green Generation segment operate and develop the Group’s electricity and heat generation assets (wind, hydro, waste-to-energy, biomass, solar). Today, the portfolio consists of eight operating assets and three development assets that are expected to increase the capacity by one third from 651 MW by the end of 2020 to 1,070 MW by the end of 2024 (our estimate excluding 900 MW Kruonis capacity reserved for TSO secondary power reserve). The main contributors to the increased capacity are the Pomerania wind farm in Poland and the Vilnius CHP (Combined Heat and Power) plant that are expected to add 94 MW, and 92 MW, respectively during 2021-22.

Green Generation KPIs

The main Key Performance Indicators (KPIs) for the Green Generation segment are installed capacity, capacity under development (pipeline), and the energy sold as measured in TWh (depends on the efficiency of the installed capacity).



Source: Company IPO prospectus, Enlight Research, *Kruonis capacity is 900 MW whereof half is reserved for TSO secondary power reserve

The energy generated (both electricity and heat) in TWh increased by 41% in 2020 which was mainly due to higher generation within the hydro portfolio where the Kruonis PSHP increased its electricity generation by one third. The commissioning of the Kaunas CHP as well as higher load factor in the existing wind farm portfolio also contributed to the increase in generated electricity in 2020. The 18% decline in TWh generated in 2018 was due to repair works and unfavourable weather (2018 capacity increase of 3% is a bit misleading as the capacity was added at the end of the year).

Green Generation segment KPIs

	2017	2018	2019	2020
Total capacity (MW)	1,083	1,117	1,117	1,211
chg %	na	3.1%	0.0%	8.4%
Energy generated (TWh) - year-to-date	1.25	1.05	1.13	1.58
chg %	na	-7.9%	7.6%	39.8%

Source: Company IPO prospectus, Company 2020 Annual report

Green Generation Business model

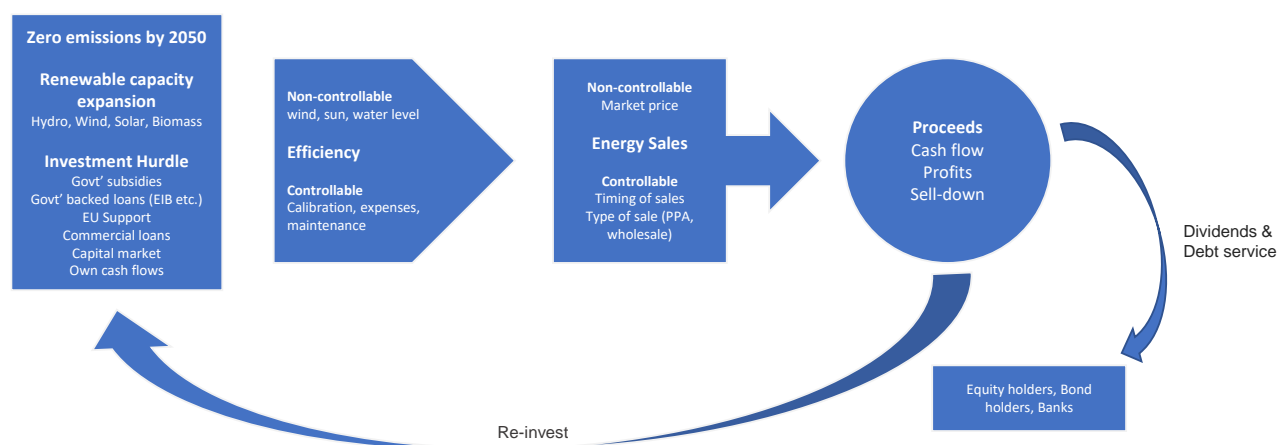
The Green Generation Business model is built to address the following challenges:

- Overcome the **initial investment hurdle** to expand the renewable capacity. This is done with the help of government subsidies, government backed loans, EU support, commercial loans, capital markets (equity, bonds), and own cash flows from regulated activities.
- **Maximize efficiency** by producing as much electricity and heat as possible given the installed capacity, at minimum costs. This is done by calibrating the energy generation plants, minimizing expenses, and optimizing the maintenance investments. Note that there are also efficiency parameters that are out of the company’s control like e.g. the weather.
- **Maximize energy selling price.** While the market price of e.g. electricity is out of the company’s control (set freely by market participants), the timing (when during the day, week, to sell) and the type of sale (direct agreement with larger client, on exchange) is within the company’s control.
- **Enable renewable capacity expansion** to meet the 2050 target of zero emission (renewable electricity capacity currently under construction correspond to a capacity expansion of 36%).

- **Optimize distribution of Proceeds.** This means distributing the proceeds from energy sales and partial divestments (sell-down) of a plant between re-investments, and financial stakeholders (equity & bond holders, banks).

The Customer & Solutions segment plays a key part in the expansion part of the business model as it can ensure that the electricity generated from the newly developed projects is sold through Power Purchase Agreements (PPAs). This is even more evident given that the Customer & Solutions segment consistently sells more electricity than the Green Generation segment generates. In 2020, the Customer & Solutions segment had an electricity deficit of 5.9 TWh excluding opportunistic assets Elektrenai which accounted for half of the total generated volume, and Kruonis with one third of total generation in 2020. This deficit can be compared to the Green Generation segment’s near-term expected generation from new projects of 1.09 TWh meaning the expected generation from developments under construction covers only about one fifth of the deficit. See Customer & Solutions segment for more details on electricity deficit.

Green Generation Business Model



Source: Enlight Research

Green Generation assets (MW)	2019	2020
Kruonis PSHP*	900	900
Kaunas HPP	101	101
Total Hydro	1,001	1,001
chg %	0%	0%
Eurakras	24	24
Vejo gusis	19	19
Tuuleenergia	18	18
Vejo vatas	15	15
Pomerania WP	0	0
Mazeikiai WP	0	0
Total Wind	76	76
chg %	0%	0%
Polish solar portfolio I	0	0
Total Solar	0	0
chg %	n.a.	n.a.
Kaunas CHP	0	24
Vilnius CHP	0	0
Total CHP & Biomass	0	24
chg %	n.a.	n.a.
Total electricity capacity	1,077	1,101
chg %	0%	2%

Source: Company IPO prospectus, Company Strategic Plan 2021-24, *Kruonis capacity is 900 MW whereof half is reserved for TSO secondary power reserve

Hydroelectric plants. Currently, the Green Generation segment operates two hydroelectric power plants with a total capacity of 551 MW representing around 80% of the segment's total capacity. **The Kruonis PSHP** (Pumped Storage Hydroelectric Power Plant) has a capacity of 900 MW whereof half is reserved for the Transmission Operator's (LitGrid) secondary power reserve (in case of system failures etc.) meaning it cannot be used to produce electricity to sell on the market. **The Kaunas HPP** (Hydroelectric Power Plant) has a capacity of 101 MW and produce 40% of all renewable energy generated in Lithuania.

Wind farms. The segment operates four wind farms (3 in Lithuania, 1 in Estonia) with a combined capacity of 76 MW representing around 10% of the Green Generation segment's total capacity. In Q1 this year, the 92 MW **Pomerania wind farm** in Poland is expected to be commissioned, which will more than double the wind capacity from 76 MW to up to 170 MW. The Pomerania wind farm will be under the Polish subsidy program that guarantees an inflation adjusted electricity selling price of PLN 214.98 (approx. EUR 48.46) per MWh until the end of 2035. In 2023, the 63 MW **Mazeikiai wind farm** is expected to be commissioned. There is no subsidy program for the Mazeikiai wind farm, but it is expected to operate profitably from start.

Combined Heat and Power plants. In August 2020, the segment commenced operations in its newly built **Kaunas CHP** (Combined Heat and Power) plant with 24 MW electrical capacity and 70 MW heat capacity. The plant is a joint project with Fortum whereby Ignitis Group owns 51% and Fortum 49%. It is expected that the Kaunas CHP plant will generate approximately 40% of the heat needed in the Kaunas district and produce electricity for 100,000 households. The **Vilnius CHP** plant's waste-to-energy unit is expected to commence according to plan in Q1/21, while the biomass unit is delayed one year until Q4/22. The waste-to-energy unit represent more than half of the capacity. When operating at full capacity (expected in end of 2022/beginning of 2023), the Vilnius CHP plant has 92 MW electrical, and 229 MW heat capacity, which will supply nearly half of the district heat in the main capital, Vilnius, and electricity to approximately 230,000 households. The group intends to sell down up to 49% of the Vilnius CHP following completion, which is a requirement due to EU support for the project.

Biomass boiler house. The Biomass boiler unit produce heat (40 MWth capacity) through the combustion of wood chip, straw, and pellets. It is part of the Elektrenai Complex that also hosts the Flexible Generation assets (see Flexible Generation segment below).

Flexible Generation segment

The Flexible Generation segment with its Elektrenai Complex provide reserve power to the Transmission Operator (LitGrid) to ensure the stability and security of Lithuania's electricity system. The reserve services can be divided into Tertiary Power Reserve Services, and Isolated Regime Services. Currently, the Company provides the full capacity (482 MW) of Tertiary Power Reserve Services that the Transmission Service Operator (LitGrid) needs. Given the number of potential suppliers, at least half of the Tertiary Power Reserve Services needed, will have to be bought from Ignitis Group. With regards to Isolated Regime Services, the capacity provided by the Company is equal to 67% of the total Isolated Regime Service market.

Flexible Generation services are largely regulated in the sense that most of the revenues and earnings are based on the reserve capacity provided. After Lithuania's power grid is synchronized with the European electricity network, the reserve services program will be phased out (expected to happen by 2026). The Company does not expect a significant decline in revenues and EBITDA due to the phase out as it may potentially lead to the new market opportunities.

Flexible Generation KPIs

For **Tertiary Reserve Services**, the main Key Performance Indicator (KPI) is the amount of reserve power that can be provided for service (in MW) and the ability to offer this reserve power at an attractive price to win the Transmission Service Operator's (LitGrid) public procurement auctions (held annually). In practice, this means keeping the Flexible Generation's Elektrenai Complex in good enough shape to win the auction. The price cap set by the regulator (NERC) is based on a reasonable return on RAB, however, there is no direct link between the Flexible Generation's regulated asset base and the allowed return (like it is for the Networks segment). Therefore, there is no direct incentive nor need to increase the regulated assets base of the Elektrenai complex.

For **Isolated Regime Services**, the main KPI is efficiency in terms of keeping operating expenses at a level where it can keep the service agreement with the Transmission Service Operator (LitGrid). A reasonable return on the regulated asset is not part of the Isolated Regime Services' price cap i.e., the reasonable return must be earned from the market by generating and selling electricity. Hence, the ability to sell electricity at the highest price possible and buy gas at the lowest price possible is an important KPI.

Flexible Generation KPIs					
(MW)	2017	2018	2019	2020	2021
Tertiary Power Reserve capacity under Agreement	484	260	260	475	482
Estimated market share	100%	55%	55%	100%	100%
Isolated Regime Services capacity under Agreement*	371	212	0	415	409
Estimated market share	60%	34%	0%	67%	67%
Total capacity under Agreement	855	472	260	890	891
Estimated market share	78%	43%	24%	81%	81%

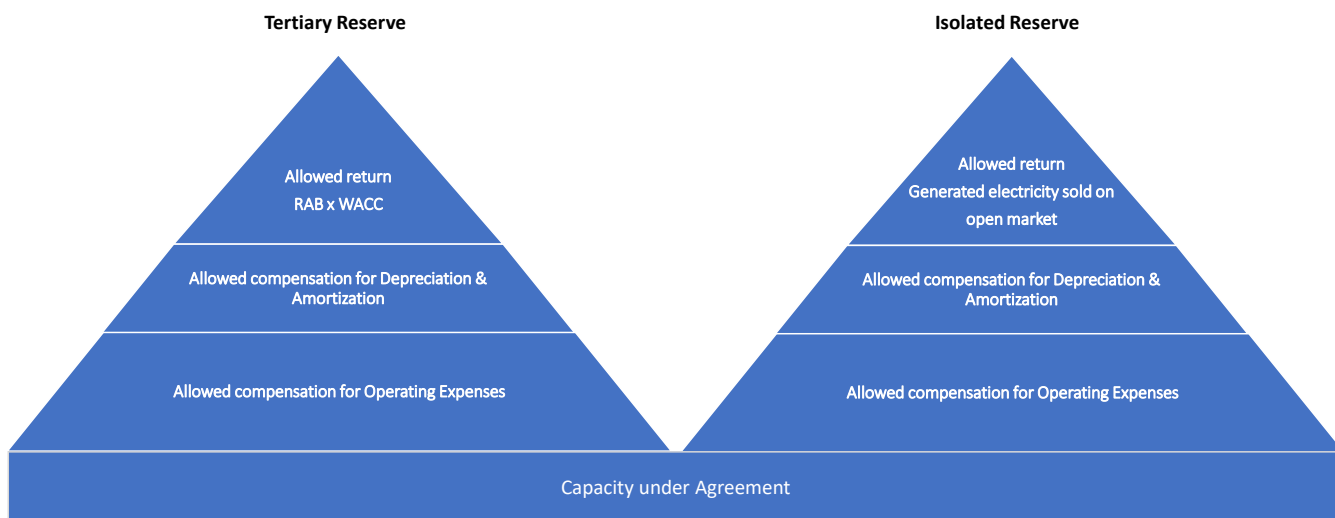
Source: IPO prospectus, Enlight Research (estimated market share), *For years 2017 and 2018, the Isolated Regime Services figures represent Strategic Power Reserve.

Flexible Generation Business model

For **Tertiary Reserve Services**, the price cap set by the regulator (NERC) generally covers all expenses related to the provision of the service including depreciation, amortization plus a reasonable return on RAB. As such the revenue for Tertiary Reserve Services is based on reserved capacity rather than the actual amount of electricity generated. The Tertiary Reserve service has no exposure to gas prices as this cost is passed on to the Transmission System Operator (LitGrid).

For **Isolated Reserve Services**, the price cap set by the regulator (NERC) generally covers all expenses related to the provision of the service including depreciation, amortization, while the return on investment must be earned in the market (difference to Tertiary Reserve Services). This means all the CCGT’s capacity (370 MW) is available to produce electricity to be sold at market prices. Electricity in the CCGT will only be produced if it is deemed profitable which depends on the price of electricity (output), gas (input), and emission rights (as gas produced electricity is not CO2 neutral). Hence, the Isolated Reserve service is exposed to gas prices. In general, higher electricity prices and lower gas prices will be favourable for electricity production.

Flexible Generation Business Model



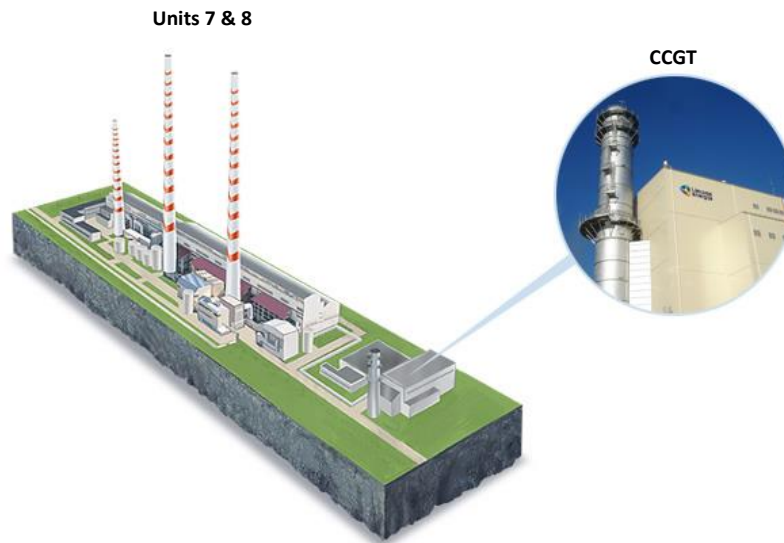
Source: Enlight Research

Flexible Generation Assets

The units 7 and 8 of the Elektrenai Complex are two gas-fired reserve power units with an installed capacity of 300 MW each. Together, they form the tertiary power reserves. The tertiary power reserve must be capable of activation within 12 hours upon request from the Transmission Operator (LitGrid).

Combined Cycle and Gas Turbine (CCGT) unit of the Elektrenai Complex has a capacity of 455 MW whereof 370 MW was allocated to Isolated Regime Services in 2020 together with 45 MW from unit 8 that was not reserved for tertiary power reserve services in 2020.

Elektrenai complex



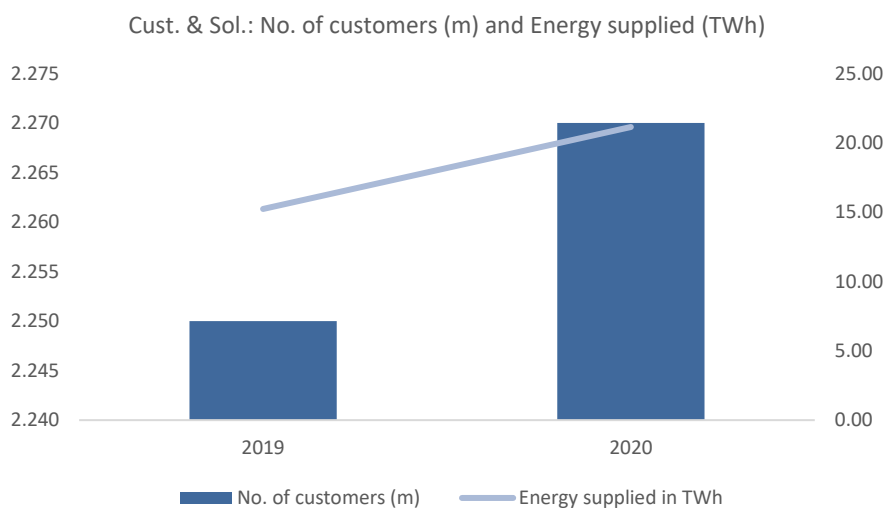
Source: Company website

Customer and Solutions segment

The main activity of the Customer and Solutions segment is to purchase and sell (supply) electricity and gas to households (B2C) and businesses (B2B). The segment also conducts trading activities to e.g., to hedge sold electricity, and trade to make a profit on its own account (the proprietary trading book is minimal with maximum value at risk of EUR 2.5m). The Customer and Solutions segment is also responsible for the Group’s innovation portfolio which include solar park solutions to consumers, charging solutions for vehicles and houses, as well as payment platforms for clients.

Customer and Solutions KPIs

The main Key Performance Indicators (KPIs) for the Customer and Solutions segment are the number of customers, and the energy supplied in TWh. The electricity and gas prices are also important, but it is outside of the Group’s control.



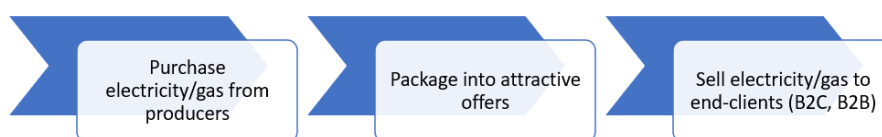
Source: Company IPO Prospectus

Customer & Solutions Business model

The Customer & Solutions segment buys electricity or gas from producers and package it into attractive offers (pricing, invoicing) that are sold to end clients (B2C, B2B). Purchasing can be done directly with a producer through private purchasing agreement (PPA) or on an electricity or gas exchange.

The key for the Customer and Solutions segment is to retain and/or increase the number of electricity and gas customers as this should increase the volume of energy sold. The ongoing gradual de-regulation of the electricity market will most likely lead to a decrease in the number of clients i.e., the challenge will be to minimize the decrease in number of clients when customers are free to choose supplier and the regulated electricity price is phased out.

Customer & Solutions Business Model



Source: Enlight Research

The Customers and Solutions segment is a key component in the Green Generation segment's business model and vice versa. The Customer and Solutions electricity supplied (sold to clients) is significantly more than what the Green Generation segment generates leaving a deficit that must be bought/hedged in the market. For example, in the last two years, the deficit has been around 4.3-4.4 TWh. The Customer and Solutions segment would become more competitive if in-house generation capacity increased. Also, the risk in the new Green Generation pipeline is decreased by the assurance of in-house demand. The expected annual electricity generation of the near-term Green Generation pipeline is 1.09 TWh, which covers around one fifth of the current deficit i.e., there is room for further electricity generation development.

Customer & Solutions electricity deficit (TWh)	2018	2019	2020
Electricity supplied	5.40	5.40	6.37
Electricity generated	1.01	1.06	0.53*
Electricity deficit sourced externally	4.39	4.34	5.84
Expected generation of Pomerania wind farm		0.33	0.33
Expected generation of Mazeikiai wind farm		0.17	0.17
Expected generation of Kaunas CHP		0.17	0.17
Expected generation of Vilnius CHP		0.43	0.43
Total near-term (2020-23) pipeline generation		1.09	1.09
Electricity deficit after near-term pipeline generation		3.25	4.74

Source: Company IPO Prospectus, Company 2020 Annual report, *excluding opportunistic assets Elektrenai, and Kruonis PSHP

Management and Supervision

Management Board

The Management Board consist of five members who serve for period of four years. The Management Board members elects the chairperson of the Management Board who is also the CEO. The Management Board members are:

Darius Maikstenas, Chairman of the Board, CEO. Education: Harvard Business School, General Management Program; Baltic Management Institute, Executive MBA degree; Kaunas University of Technology, Bachelor's degree in Business Administration. Place of employment, position: AB Energijos skirstymo operatorius, Chairman of the Supervisory board, Eurelectric, member of the Board.

Dr. Zivile Skibarkiene, Member of the Board, Organisational Development Director. Education: Mykolas Romeris University, Faculty of Law, Doctoral degree in Social Sciences Field of Law; Vilnius University, Faculty of Law, Master's degree in Law; University of Oxford, Oxford Executive Leadership Programme. Place of employment, position: UAB Ignitis grupės paslaugų centras, Chairwoman and member of the Board; UAB Elektroninių mokėjimų agentūra, Member of the Board; AB Ignitis Gamyba, Member of the Supervisory Board.

Darius Kasauskas, Member of the Board, Finance and Treasury Director. Education: ISM University of Management and Economics, Doctoral studies in the field of Economics; ISM University of management and Economics, Master's degree in Management; Vilnius University, Master's degree in Economics. Place of employment, position: Support Fund, member of the board; AB Energijos skirstymo operatorius, Member of the Supervisory board.

Vidmantas Salietis, Member of the Board, Commerce and Services Director. Education: Stockholm School of Economics in Riga (SSE Riga), Bachelor's degree in Economics and Business administration. Place of employment, position: UAB Ignitis, Chairman and member of the Supervisory Board; UAB and UAB Elektroninių mokėjimų agentūra, Member of the Board; NT Valdos, UAB, Chairman of the Board; UAB Gamybos optimizavimas, Member of the Board.

Dominykas Tuckus, Member of the Board, Infrastructure and Development director. Education: L. Bocconi University (Italy), Master's degree in Finance; L. Bocconi University (Italy), Bachelor's degree in Business Management and Administration. Place of employment, position: AB Ignitis Gamyba, Chairman and member of the Supervisory board; UAB Ignitis, Member of the Supervisory Board; UAB Vilniaus kogeneracinė jėgainė, Chairman and member of the Board; UAB Ignitis Renewables, Member of the Board; Smart Energy Fund KŪB, powered by Ignitis Group, Member of the Advisory Committee.

Supervisory Board

The Supervisory Board consist of seven non-executive members whereof five are independent and two are nominated by the principal shareholder (Lithuanian Ministry of Finance). All Supervisory Board members are elected for a period of four years by the General Meeting. The Supervisory Board members are:

Darius Daubaras, Chairman, independent member (since 30/08/2017). Education: University of Cambridge, Master's degree in International Relations; University of Pennsylvania, USA, Business Administration Master's Degree in the field of finance and business management; University of Denver, USA, Bachelor's Degree in Business Administration; Place of employment, position: Senior Executive in Strategic Finance & Development Department (part of Treasury) in Financial Advisory Division, and Project manager of strategic and M&A at Saudi Aramco;

Daiva Lubinskaite-Trainauskiene, independent member (since 30/08/2017). Education: ISM University of Management and Economics, Master's Degree; Public Relations Professional Studies at Vilnius University; Vilnius University, Diploma of a Specialist in Philology. Place of employment, position: Thermo Fisher Scientific Baltics UAB, Director of Personnel;

Andrius Pranckevicius, independent member (since 22/12/2017). Education: Kaunas University of Technology, Bachelor's degree in Business Administration and Masters' degree in Marketing Management; Harvard Business School, Leadership Development. Place of employment, position: Linas Agro Group AB, Deputy Chief Executive Officer, Member of the Board; Kekava PF, Chief Executive Officer and Chairman of the Board; Lielzeltini SIA; Broileks SIA, Cerova SIA, Chairman of the Board;

Ausra Vickackiene, member (since 30/08/2017). Education: Vilnius University, Master's degree in Management and Business Administration; Vilnius University, Bachelor's degree in Management and Business Administration. Place of employment, position: Ministry of Finances, Vilnius, Assets Management Department of the Ministry of Finance, Director; Būsto paskolų draudimas UAB, Member of the Board.

Daiva Kamarauskiene, member (since 1/2/2019). Education: Vilnius University Faculty of Economics, master's degree. Place of employment, position: Ministry of Finance, Budget Department of the Ministry of Finance, Director.

Bent Christensen, independent member (since 12/11/2020). Education: University of Denmark, Bachelor of Electronics Engineering, University of Horsen, degree in Engineering Business Administration Place of employment, position: senior positions at Siemens and Orsted. Has worked in energy sector for more than 35 years.

Judith Buss, independent member (since 12/11/2020). Education: Masters degree, Business Administration. Place of employment, position: E.ON., various positions from 2000-2019. Has held senior positions in global energy companies for more than 20 years.

Main owners

A detailed list of the largest shareholders has not been published following the listing on 7 October 2020. However, based on the IPO press release, we know that institutional investors acquired 18.1m shares or 24.4% of the total share capital, and Baltics retail investors acquired 1.9m shares or 2.5% of the total shares outstanding. We also know that EBRD acquired 3m shares equal 4% of total shares, which makes them the largest shareholder after the Lithuanian government (Ministry of Finance) who holds 73.1% of the shares following the IPO.

Ignitis shareholders		
Owner	No. of shares	% of shares
Ministry of Finance, Lithuania	54.3	73.1%
Institutional investors	18.1	24.4%
<i>whereof EBRD</i>	3.0	4.0%
Retail investors	1.9	2.5%
Total shares	74.3	100.0%
<i>whereof Free float</i>	20.0	26.9%

Source: IPO press release

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, see Ignitis Group IPO prospectus.

Regulatory risk

Tariffs for electricity and gas distribution that form Ignitis Group largest business area is set by the Lithuanian regulator, NERC, based on regulated assets and reasonable rate of return (WACC). Significantly lower allowed return (WACC) could mean that our forecast is too optimistic under all scenarios. Also, lower approved investments could result in lower RAB, which could also affect our forecast negatively.

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.

Weather risk

The Green Generation segment is exposed to weather conditions. For example, the water level affects the hydro plants, and the wind level affects the wind farms.

Price risk

The Green Generation segment sells its electricity production on the unregulated market, and hence, the electricity market price has a significant impact on the financial performance. We have assumed unchanged prices compared to our estimated 2020 level.

Deregulation risk

The electricity supply market will be fully deregulated in the years to come, which will most likely result in a decrease in the number of electricity customers. We forecast a decline of 10% over 3 years. If the decline is larger than this, our Customer & Supply segment forecast is most likely too optimistic.

Dividend risk

Our Base case scenario assume 4-6% dividend growth in the forecast period. If for whatever reason (large investments, weak financial performance), the dividend growth is below our forecast, the dividend yield will most likely be below our forecast.

COVID-19 risk

The Company's direct exposure to COVID-19 is rather limited. However, there is an indirect risk that a COVID-19 induced recession could affect people's ability to pay their electricity and heating bills. Furthermore, the business client demand could fall significantly in the event of a prolonged recession.

Income Statement	2019	2020	2021e	2022e	2023e
Total revenues	1,099	1,223	1,270	1,309	1,370
Total operating costs	-892	-886	-975	-1,001	-1,045
EBITDA	207	337	294	309	325
Depreciation	-110	-113	-121	-137	-139
Amortizations	0	0	0	0	0
Impairment charges	-14	-9	-13	0	0
EBIT	83	215	160	172	186
Associated companies' profit/loss	0	0	0	0	0
Net financial items	-17	-20	-20	-22	-25
Exchange rate differences	0	0	0	0	0
Pre-tax profit (PTP)	66	195	140	150	161
Net earnings	57	170	129	137	148
Balance Sheet	2019	2020	2021e	2022e	2023e
Assets					
Cash and cash equivalent	132	659	317	157	164
Receivables	118	128	152	164	178
Inventories	47	33	38	39	41
Other current assets	131	166	166	166	166
Total current assets	427	987	674	526	550
Tangible assets	2,348	2,560	2,882	3,208	3,484
Goodwill & Other Intangibles	143	176	163	163	163
Long-term investments	9	12	12	12	12
Associated Companies	0	0	0	0	0
Other non-current assets	259	228	241	243	247
Total fixed assets	2,759	2,976	3,299	3,626	3,906
Deferred tax assets	12	6	6	6	6
Total assets	3,198	3,969	3,979	4,159	4,462
Liabilities					
Non-ib current liabilities	79	52	76	79	82
Short-term debt	243	29	27	30	35
Other current liabilities	158	229	229	229	229
Total current liabilities	479	309	332	337	346
Long-term IB debt	856	1,275	1,201	1,327	1,568
Convertibles & Lease liabilities	0	0	0	0	0
Other long-term liabilities	421	448	448	448	448
Total long-term liabilities	1,276	1,723	1,649	1,775	2,016
Total (liabilities)	1,849	2,125	2,074	2,206	2,455
Deferred tax liabilities	38	52	52	52	52
Provisions	55	41	41	41	41
Shareholders' equity	1,300	1,842	1,904	1,952	2,006
Minority interest (BS)	49	1	1	1	1
Total shareholders equity	1,349	1,844	1,905	1,953	2,007
Total equity & liabilities	3,198	3,969	3,979	4,159	4,462
DCF valuation	Cash flow (EURm)				
WACC (%)	5.85%	NPV FCF (2021-2023)	-424		
		NPV FCF (2024-2030)	812		
Assumptions 2020-2025 (%)		NPV FCF (2031-)	2,289		
CAGR Sales growth	4.90%	Non-operating assets	659		
Average EBIT margin	13.70%	Interest-bearing debt	1,304		
		Fair value estimate	2,033		
		Fair value per share (EUR)	27.35		
		Share price (EUR)	20.35		

Free Cash Flow	2019	2020	2021e	2022e	2023e
Operating profit	83	215	160	172	186
Depreciation	124	122	134	137	139
Change in wc	-6	12	-4	-10	-13
Other oper. CF items	-23	-67	-14	-14	-15
Operating CF	177	283	276	284	297
CF from Investments	-347	-260	-444	-462	-415
Other CF items	0	0	0	0	0
Free Cash Flow	-170	22	-168	-178	-118
Capital structure	2019	2020	2021e	2022e	2023e
Equity ratio	42%	46%	48%	47%	45%
Debt/Equity	81%	71%	64%	69%	80%
Capital invested	2,398	3,146	3,132	3,309	3,609
Capital turnover	0.3	0.3	0.3	0.3	0.3
Profitability	2019	2020	2021e	2022e	2023e
ROE %	4.4%	10.6%	6.9%	7.1%	7.5%
ROCE%	3.8%	9.0%	5.1%	5.3%	5.4%
ROC%	3.7%	8.1%	5.9%	5.6%	5.4%
EBITDA %	18.8%	27.6%	23.0%	23.5%	23.6%
EBIT %	7.6%	17.6%	12.5%	13.0%	13.5%
Net Margin	5.4%	13.8%	10.1%	10.4%	10.7%
Valuation	2019	2020	2021e	2022e	2023e
P/E	19.5	7.3	11.7	11.0	10.2
P/E adjusted	14.3	11.9	11.7	11.0	10.2
P/Sales	1.0	1.0	1.2	1.2	1.1
EV/Sales	1.9	1.5	1.9	2.1	2.2
EV/EBITDA	10.2	5.6	8.2	8.8	9.1
EV/EBIT	25.4	8.7	15.1	15.8	15.8
P/BV	0.8	0.7	0.8	0.8	0.8
Per share measures	2019	2020	2021e	2022e	2023e
EPS	1.04	2.88	1.73	1.85	1.99
EPS, adjusted	1.43	1.71	1.73	1.85	1.99
CEPS	2.39	3.80	3.71	3.83	4.00
EBITDA/share	2.79	4.54	3.96	4.15	4.37
Capital empl./share	32.94	42.38	42.18	44.56	48.60
BV/share	17.50	24.80	25.63	26.27	27.00
Div. per share	0.52	1.14	1.20	1.26	1.31
Payout	50%	40%	69%	68%	66%
Dividend yield	2.5%	5.6%	5.9%	6.2%	6.4%
Shareholders	Capital		Votes		
Ministry of Finance		1,105			73.10%
EBRD		17			1.10%
Key people					
CEO	Darius Maikstenas				
CFO	Darius Kasauskas				
IR	Aine Riffel				
Chairman	Darius Daubaras				

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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