Guidance raised despite higher net working capital

Continued strong performance by the Green Generation segment prompted another guidance increase. However, uncertainty in the energy market resulted in increased net working capital level. Despite that, the dividend per share is in line with Dividend policy and our Base case Fair value is reiterated.

Green generation shines

Green Generation Q2/22 adjusted EBITDA was 56% above our estimate (EUR 49m vs. est. 32m). Hence, we raise our Green Generation 2022 adjusted EBITDA forecast by 29% to EUR 202m. We believe the target of 2.0-2.2 GW capacity in 2025 and 4.0 GW will be reached.

Significant changes in net working capital

The State will take over consumers regulatory differences that occurred until the end of H1 2022 because of lower energy prices included in regulated customer tariffs compared to actual market prices which caused the increase in net working capital level of Ignitis Grupe. This means that it is not expected to further increase in H2/22 despite a substantial gas inventory build-up after the suspension of gas purchases from Gazprom in April 2022.

Dividend per share in line with Dividend policy

The proposed H1/22 dividend of EUR 0.624/shr was above our forecast of 0.615/shr. We raise our 2022 dividend estimate by 1.5% to EUR 1.249/shr. A lower share count results in an estimated 2022 dividend per share growth of 5.0%. Our 2022 adj. EBITDA estimate is raised by 6.1% to EUR 388m, which is in the mid-range of the raised guidance of EUR 360-420m. Our Base case FV is EUR 27.85.

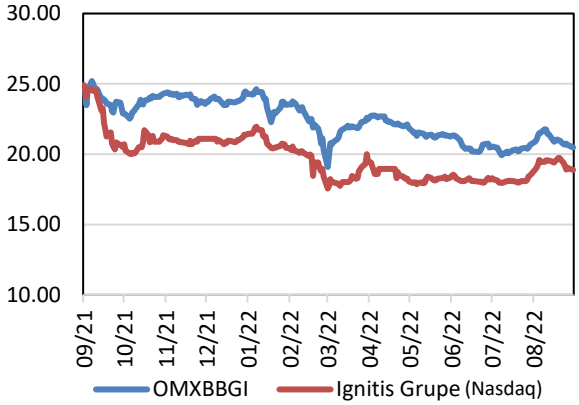
Key figures (MEUR)

	2020	2021	2022E	2023E	2024E
Total revenues	1,223	1,890	3,443	3,591	3,441
Total revenue growth	11.3%	54.6%	82.1%	4.3%	-4.2%
EBITDA adj.	246	333	388	439	458
EBITDA margin adj.	21.7%	17.6%	11.4%	12.3%	13.4%
EBIT	215	185	231	299	292
EBIT margin	17.6%	9.8%	6.7%	8.3%	8.5%
EV/Sales	1.5	1.3	0.8	0.8	0.9
EV/EBITDA adj.	9.7	7.1	6.1	5.4	5.2
EV/EBIT	11.1	12.9	10.3	7.9	8.2
PE	6.6	9.2	7.6	5.6	5.8
P/BV	0.8	0.7	0.7	0.6	0.6
EPS	2.89	2.07	2.51	3.38	3.28
EPS growth	99.0%	-28.3%	21.0%	34.8%	-2.9%
Div. per share	1.14	1.19	1.25	1.29	1.32
Dividend yield*	6.0%	6.3%	6.6%	6.8%	7.0%

Source: Company (historical), Enlight Research (estimates)
*Pre-tax yield on EUR 19.00 share price

Fair value range (EUR)	
Bull	34.81
Base	27.85
Bear	23.21

Key Data	
Price (EUR)	19.00
Ticker	IGN1L
Country	Lithuania
Listed	Vilnius (Lithuania)
Market Cap (EURm)	1,375
Net debt (EURm)	1,156
Shares (m)	72.4
Free float	25%



Price range	
52-week high	25.35
52-week low	17.56

Analyst

ResearchTeam@enlightresearch.net

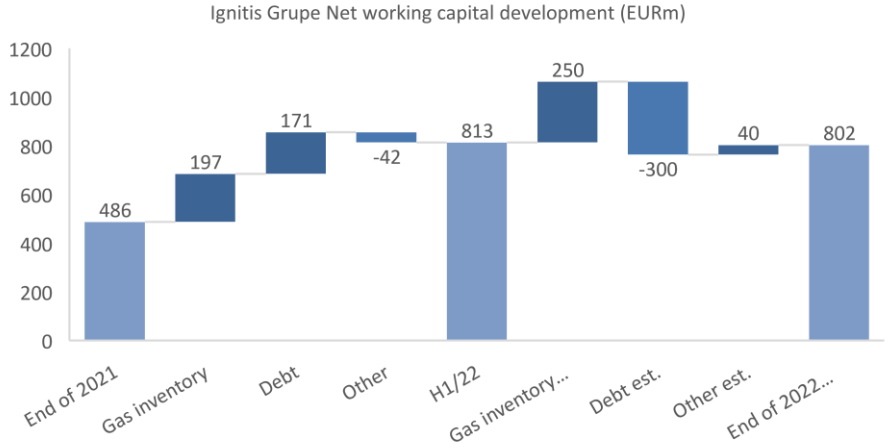
Coverage frequency

4x per year

Q2 2022 Key takeaways

State to shield consumers from high power prices

The Lithuanian State will shield consumers from the high electricity prices. The Lithuanian government's actions to dampen the effect of higher energy prices have been praised by the IMF (see fact box below). The Net debt at the end of H1/22 was EUR 1,156m, which corresponds to an increase of EUR 199m (+21%) from the end of 2021. The Net debt increase is mainly a result of higher Net working capital, which increased by 67% or EUR 326m to EUR 813m at the end of H1/22 from EUR 486m at the end of 2021. The main reason for the Net working capital increase was a higher natural gas inventory (EUR +197m) to prepare for the winter without Russian gas and a temporary debt build-up (EUR +171m) to cover the price difference at which the Customer & Solutions segment (electricity and gas supplier) buys (market price) and sells (contracted price) power. Due to the high power price, the Customer & Solutions segment had to sell power at a loss. The difference is temporarily covered by Ignitis Grupe through increased debt; however, the government will take over these regulatory differences accumulated during 2021 and until the end of H1/22. The Lithuanian government has allocated EUR 365m to eliminate the effect of higher electricity prices i.e., 99% of the regulatory differences increase at the end of H1/22 will be covered by the government. From the end of H1/22, the State budget has allocated EUR 205m to compensate all electricity suppliers from the negative effects of higher electricity prices. We believe this amount is sufficient to prevent Ignitis Grupe's regulatory differences from increasing further in H2/22. The positive effect from the regulatory differences takeover on the Net working capital is offset by an expected continued gas inventory build-up. Consequently, we forecast roughly unchanged Net working capital by the end of 2022 vs. the end of H1/22 (EUR 802m vs. EUR 813 at end of H2/22).



Source: Company (historic) Enlight Research (Estimates)

The International Monetary Fund (IMF) commentary about Lithuania (July 2022)

In its Consultation from July 2022, the IMF offered comprehensive commentary regarding the Lithuanian economy, especially in the energy sector. Despite the significant impact of the Russia's invasion of Ukraine, Lithuania was praised for both partially liberalizing the energy sector and maintaining one of the lowest household electricity prices in the European Union. Furthermore, the Lithuanian government reacted to the power price hike by announcing further support measures for low-income households. Consequently, the IMF applauded the Lithuanian government for introducing measures that supports economic stability and curbs the gap between income groups that often worsens during a crisis.

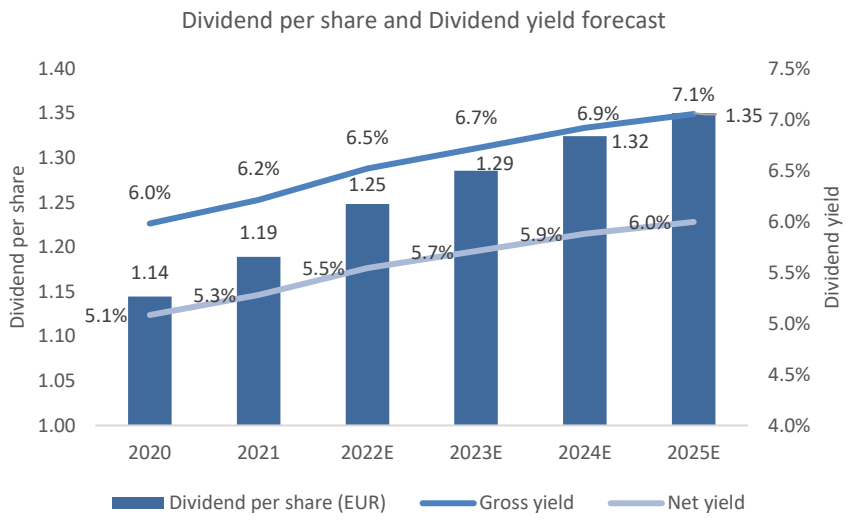
Source: IMF Country Report No. 22/251

Dividends per share in line with Dividend policy

In the EGM notice published on 23 August (same day as Q2/22 report publication) and scheduled for 29 September, the Company proposed a dividend per share of EUR 0.624 (EUR 45.2m dividend) for H1/22, which was 1.5% above our forecast of EUR 0.615 per share (EUR 45.1m total). Consequently, we raise our full-year 2022 dividend estimate slightly to EUR 90.3m (prev. 90.2m) corresponding to a growth of 3.2% (prev. 3.0%). Our estimated dividend growth per share is even higher at 5.0% as the number of shares is lower. On 9 August 2022, the number of shares was reduced to 72.389m from 74.284m by annulling 1.895m shares related to the post-IPO stabilization program. As the reduction in the number of shares took place ahead of both the H1/22 and the H2/22 dividend pay-outs, it benefits shareholders in terms of higher dividend per share. To summarize, the total amount of dividends expected in 2022 increases by 3.2% from EUR 87.6m to EUR 90.3m, while the dividend per share increases by 5.0% from EUR 1.190 to EUR 1.248, as the number of shares has decreased. Worth noting is that our dividend forecast allows ample room to meet the Net debt to EBITDA target of below 5x (we estimate a Net debt/EBITDA of 3.8x this year and 3.5x next year). The estimated net dividend yield in 2022 is 5.5%.

Dividend & yield	2020	2021	2022E	2023E	2024E	2025E
H1 dividend (EURm)*	42.0	43.8	45.2	46.6	48.0	49.4
Growth y-on-y		4.2%	3.3%	3.0%	3.0%	3.0%
H2 dividend (EURm)	43.0	43.8	45.1	46.5	47.9	48.3
Growth y-on-y		1.9%	3.1%	3.0%	3.0%	0.9%
Total dividend paid (EURm)	**85.0**	**87.6**	**90.3**	**93.1**	**95.8**	**97.7**
Growth y-on-y		**3.0%**	**3.2%**	**3.0%**	**3.0%**	**2.0%**
H1 dividend per share (EUR)*	0.57	0.59	0.62	0.643	0.662	0.675
H2 dividend per share (EURm)	0.58	0.60	0.62	0.643	0.662	0.675
Total dividend per share (EUR)	**1.14**	**1.19**	**1.25**	**1.285**	**1.324**	**1.350**
Dividend growth	nm	3.0%	5.0%	3.0%	3.0%	2.0%
Pre-tax dividend yield	6.0%	6.2%	6.5%	6.7%	6.9%	7.1%
Post-tax dividend yield	5.1%	5.3%	5.5%	5.7%	5.9%	6.0%
Share price (EUR)	19.14	19.14	19.14	19.14	19.14	19.14

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



Source: Company (historic), Enlight Research (estimates), yield based on share price EUR 19.14

Adjusted EBITDA guidance raised again

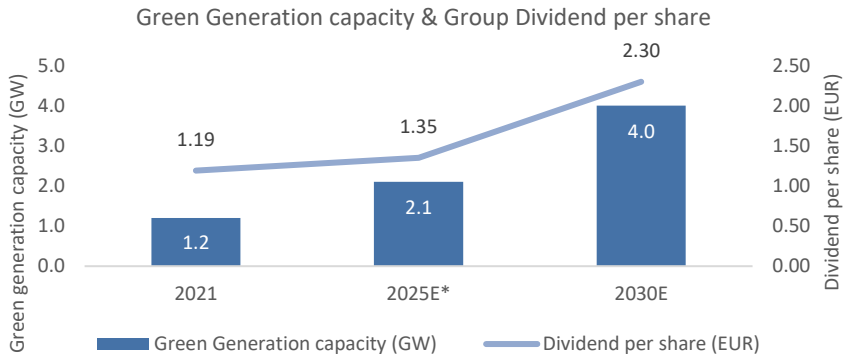
Following another strong quarter (Q2/22) by the Green Generation segment, management raised the full-year 2022 guidance and is now expecting the adjusted EBITDA to be in the range of EUR 360-420m. At the midpoint, this marks an increase of some 13% compared to the prior guidance of EUR 330-360m, which was announced following the Q1/22 report (also raised). Hence, we raise our adjusted EBITDA 2022 estimate by 6% or EUR 22m to EUR 388m from EUR 360m, which means we are in-line with the midpoint of the guidance.

Guidance vs. outcome/estimates	2021	2022 old	2022 new	2022 chg (EURm)	2022 chg (%)
Adj. EBITDA guidance - High	310	360	420	60	17%
Adj. EBITDA guidance - Mid	305	345	390	45	13%
Adj. EBITDA guidance - Low	300	330	360	30	9%
Adj. EBITDA outcome/forecast	333	366	388	22	6%
Outcome/estimate vs. High	7%	2%	-8%		
Outcome/estimate vs. Mid	9%	6%	0%		
Outcome/estimate vs. Low	11%	11%	8%		

Source: Company reports, Enlight Research (forecast)

Base case Fair value re-iterated at EUR 27.85

Our valuation is based on the normalized long-term dividend when the Green Generation expansion is completed. Assuming the long-term green generation capacity target of 4.0 GW is met, we believe a dividend per share in 2030 of EUR 2.30 is possible. Applying a motivated dividend yield of 5.0% on the EUR 2.30 dividend results in an undiscounted share price of EUR 46.10, which discounted by 6.5% for 8 years gives our Base case Fair value of EUR 27.85 per share. Our Bear case assumes a motivated yield of 6.0% and indicates a share price of EUR 23.21, while our Bull case assumes a yield of 4.0% which indicates a share price of 34.81.



Source: Company, Enlight Research, *Target is 2.0-2.2 (mid-range 2.1)

Fair value/shr at different motivated div. yield based on 2030 dividend of EUR 2.30 per share

Motivated dividend yield	Discount rate	Discounted Fair value per share (EUR)
3.0%	6.5%	46.41
3.5%	6.5%	39.78
4.0%	6.5%	34.81
4.5%	6.5%	30.94
5.0%	6.5%	27.85
5.5%	6.5%	25.32
6.0%	6.5%	23.21
6.5%	6.5%	21.42
7.0%	6.5%	19.89

Source: Enlight Research

Peer valuation

We believe Integrated utilities is the best peer sub-group for Ignitis Grupe as it consists of companies with both distribution and generation assets. Based on the estimated 2023 EV/EBITDA multiple, the Ignitis Grupe share is trading at a 3% discount to the Integrated utilities peer group (6.7x vs. 6.9x for peers), despite having an estimated dividend yield that is slightly higher than the peer average (6.8% vs. 6.2% for peers). Given Ignitis Grupe's strong focus on renewable energy, one could argue that Ignitis Grupe should trade more towards the Renewables peer group average, which has the highest EV/EBITDA multiple among our peer subgroups (11.9x vs. 10.4x for Regulated utilities, and 6.9x for Integrated utilities).

Regulated										Div.	Div.	Div.	Div.		
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	yield 2021	yield 2022E	yield 2023E	yield 2024E	ROE 2019	ROE 2020E
National grid	NG	GBP	10.82	42,414	85,223	15.1	13.5	12.6	11.9	4.7%	5.0%	5.2%	5.3%	11.7%	9.1%
Red Electrica	REE	EUR	18.55	10,037	15,725	10.5	10.3	10.2	11.6	5.4%	5.4%	5.4%	4.4%	20.9%	18.7%
REN	RENE	EUR	2.63	1,755	4,122	8.9	8.8	8.7	8.6	5.7%	5.7%	5.7%	5.7%	8.2%	7.7%
Italgas	IG	EUR	5.12	4,144	9,124	9.0	8.8	7.8	7.3	5.9%	5.9%	6.5%	7.0%		
Terna	TRN	EUR	7.17	14,408	24,411	13.2	12.9	12.4	11.7	4.0%	4.3%	4.6%	4.7%	18.4%	17.7%
Average						**11.3**	**10.9**	**10.4**	**10.2**	**5.1%**	**5.3%**	**5.5%**	**5.4%**	**14.8%**	**13.3%**

Renewables										Div.	Div.	Div.	Div.		
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	yield 2021	yield 2022E	yield 2023E	yield 2024E	ROE 2019	ROE 2020E
EDP Renewables	EDPR	EUR	23.95	23,005	26,741	15.2	13.4	12.5	11.6	0.4%	0.4%	0.4%	0.5%	7.1%	7.3%
Neoen	NEOEN	EUR	41.16	4,419	6,780	22.6	17.6	15.0	12.6	0.2%	0.2%	0.6%	0.7%	5.5%	5.2%
Orsted Energy	ORSTED	DKK	712	299,374	323,654	13.3	11.5	12.7	11.8	1.8%	1.9%	2.0%	2.2%	6.1%	13.2%
Enefit	EGR1T	EUR	4.49	1,187	1,290	10.7	8.2	7.2	5.7	3.3%	4.7%	5.1%	6.5%	0.0%	0.0%
Average						**15.4**	**12.7**	**11.9**	**10.4**	**1.4%**	**1.8%**	**2.0%**	**2.5%**	**4.7%**	**6.4%**

Integrated										Div.	Div.	Div.	Div.		
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	EV (m) (last)	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	yield 2021	yield 2022E	yield 2023E	yield 2024E	ROE 2019	ROE 2020E
EDP	EDP	EUR	4.81	19,067	30,632	8.2	7.7	6.8	6.5	4.0%	4.0%	4.4%	4.8%	5.7%	8.5%
Endesa	ELE	EUR	17.21	18,221	27,896	6.5	6.7	6.3	6.1	8.4%	6.8%	7.3%	7.6%	18.7%	24.3%
Enel	ENEL	EUR	4.68	47,590	99,542	5.2	5.2	4.9	4.7	8.1%	8.5%	9.2%	9.4%	15.4%	15.8%
Engie	ENGI	EUR	12.12	29,516	54,179	5.1	4.3	4.7	4.5	7.0%	8.7%	8.2%	9.0%	7.6%	5.6%
E.ON	EOAN	EUR	8.86	23,399	62,172	7.9	8.1	8.3	8.3	5.5%	5.8%	6.0%	6.2%	20.7%	17.4%
Iberdrola	IBE	EUR	10.56	67,184	106,725	8.9	8.6	7.9	7.4	4.2%	4.4%	4.7%	5.0%	9.2%	8.9%
SSE	SSE	GBP	16.90	18,044	26,642	11.8	10.2	9.5	8.3	5.1%	5.4%	3.8%	3.8%	25.5%	17.2%
Average						**7.7**	**7.3**	**6.9**	**6.5**	**6.0%**	**6.2%**	**6.2%**	**6.6%**	**14.7%**	**14.0%**
Ignitis	**IGN1L**	**EUR**	**18.86**	**1,365**	**2,860**	**7.4**	**7.7**	**6.7**	**6.7**	**5.7%**	**6.6%**	**6.8%**	**7.0%**	**4.6%**	**8.3%**

Source: MarketScreener, Based on share prices on 06 September 2022

Forecast vs. Outcome

Deviation by segment

The Q2/22 Revenues for the Customer & Solutions segment were 24% or EUR 103m higher than forecast (due to higher electricity and gas market prices). The positive revenue deviation from the Customer & Solutions segment was somewhat offset by EUR 34m lower than expected revenues from the other segments (Networks, Green Generation, Flexible Generation). Total Revenues was 8.2% or EUR 56m above our forecast of EUR 686m.

At the adjusted EBITDA level, the Green Generation segment came in 56% or EUR 18m higher than forecast. The positive deviation was fully offset by EUR 18m lower than estimated adjusted EBITDA from the other segments (Networks, Green Generation, Flexible Generation). After eliminations, the Q2/22 Group adjusted EBITDA was EUR 95m, which was 7% or EUR 7m below our forecast.

Revenue by Segment (EURm)	Q2/22 Estimate	Q2/22 Outcome	Deviation EURm	%
Networks	115.2	110.7	-4.5	-3.9%
Green Generation	115.2	90.6	-24.5	-21.3%
Flexible Generation	28.6	24.0	-4.6	-16.1%
Customers and Solutions	425.6	528.7	103.1	24.2%
Revenue bef. Other segm./elim.	**684.6**	**754.1**	**69.5**	**10.1%**
Other segments/eliminations	1.0	-12.2	-13.2	-1323.6%
Revenue after Other segm./elim.	**685.6**	**741.9**	**56.2**	**8.2%**

Sales growth	Q2/22 Estimate	Q2/22 Outcome	Deviation EURm	%-pts
Networks	-4.5%	-8.1%	nm	-3.7
Green Generation	250.7%	176.0%	nm	-74.8
Flexible Generation	-9.1%	-23.8%	nm	-14.6
Customers and Solutions	164.5%	228.5%	nm	64.1
Revenue bef. Other segm./eliminations	98.0%	118.0%	nm	20.1
Revenue after Other segm./elim.	**98.9%**	**115.2%**	**nm**	**16.3**

Adjusted EBITDA by Segment	Q2/22 Estimate	Q2/22 Outcome	Deviation EURm	%
Networks	53.2	37.5	-15.7	-29.5%
Green Generation	31.7	49.4	17.7	56.0%
Flexible Generation	4.6	3.3	-1.3	-29.1%
Customers and Solutions	6.0	5.0	-1.0	-16.0%
Total adjusted EBITDA bef. Other/elim.	**95.4**	**95.2**	**-0.3**	**-0.3%**
Other segments/eliminations	6.5	0.0	-6.5	-99.8%
Total adjusted EBITDA after Other/elim.	**101.9**	**95.2**	**-6.7**	**-6.6%**

Adjusted EBITDA margin by Segment	Q2/22 Estimate	Q2/22 Outcome	Deviation EURm	%-pts
Networks	46.2%	33.9%	nm	-12.3
Green Generation	27.5%	54.5%	nm	27.0
Flexible Generation	16.2%	13.7%	nm	-2.5
Customers and Solutions	1.4%	0.9%	nm	-0.5
Total adjusted EBITDA	**13.9%**	**12.6%**	**nm**	**-1.3**
Total adjusted EBITDA after Other/elim.	**14.6%**	**13.3%**	**nm**	**-1.3**

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

Group deviation

The Q2/22 Total Revenues were 8% or EUR 56m higher than forecast, while the Total expenses were EUR 15m higher than forecast, leaving a positive deviation of EUR 41m at the EBITDA level (52% above forecast). The positive deviation was the same at the at the EBIT level as the depreciation came in as expected. The Q2/22 Net profit of EUR 68m was 116% or EUR 37m above our estimate.

Forecast deviation table by Group

P&L (EURm)	Q2/22 Estimate	Q2/22 Outcome	Deviation EURm	%
Total Revenue & Other income	685.6	741.9	56.3	8.2%
Purchase of electricity, gas for trade	-527.9	-566.1	-38.2	7.2%
Salaries and related expenses	-30.9	-29.3	1.5	-4.9%
Repair and maintenance expenses	-13.7	-8.7	5.0	-36.8%
Purchase of gas and heavy fuel oil	0.0	0.0	0.0	nm
Other expenses	-34.3	-18.0	16.3	-47.6%
Total expenses	*-606.7*	-622.1	*-15.4*	*2.5%*
EBITDA	**78.8**	**119.8**	**40.9**	**51.9%**
Adjusted EBITDA	**101.9**	**95.2**	**-6.7**	**-6.6%**
Depreciation and amortization	-34.0	-34.1	-0.1	0.2%
Write-offs, revaluations PP&E, Intang.	-1.0	-1.0	0.0	0.2%
Revaluation of emission allowances	*0.0*	0.0	0.0	nm
EBIT	**43.8**	**84.7**	**40.9**	**93.2%**
Financial net	-5.7	-7.6	-1.9	33.9%
Pre-tax profit	**38.1**	**77.1**	**38.9**	**102.0%**
Current year income tax (expenses)/benefit	-4.4	-2.7	1.7	-38.5%
Deferred income tax (expenses)/benefit	-2.3	-6.3	-4.0	175.5%
Minority	0.0	0.0	0.0	nm
Net profit (loss)	**31.5**	**68.1**	**36.6**	**116.3%**

Growth	Q2/22 Estimate	Q2/22 Outcome	Deviation EURm	%-pts
Sales	98.9%	115.2%	nm	16

Margins	Q2/22 Estimate	Q2/22 Outcome	Deviation EURm	%-pts
EBITDA margin	11.5%	16.1%	nm	4.6
Adj. EBITDA margin	14.9%	12.8%	nm	-2.0
EBIT margin	6.4%	11.4%	nm	5.0
Pre-tax margin	5.6%	10.4%	nm	4.8
Net margin	4.6%	9.2%	nm	4.6

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

Estimate changes

Following better-than-expected Q2/22 sales results and the continued high electricity and natural gas prices, we raise our Group Sales forecast by 8.5% this year, and 14-21% in 2023-2024. Our adj. EBITDA is raised by 6.1% this year and 14-16% in the in 2023-24. The main driver for the increased sales is the Customer & Solutions and the Green Generation segment, while the driver for the Adjusted EBITDA increase is the Green Generation segment. The EPS forecast is raised by 14% this year, 41% in 2023, and 35% in 2024. Our dividend forecast is slightly increased by a bit more than one percent and is in line with the dividend guidance provided by the company.

Sales per segment (EURm)

Networks	2022E	2023E	2024E
Old estimate	530.3	535.7	539.0
New estimate	517.3	550.7	554.0
Change	-13.0	15.0	15.0
Change (pct)	-2.5%	2.8%	2.8%

Green Generation	2022E	2023E	2024E
Old estimate	393.2	399.3	430.4
New estimate	446.2	479.6	501.8
Change	53.0	80.3	71.5
Change (pct)	13.5%	20.1%	16.6%

Flexible Generation	2022E	2023E	2024E
Old estimate	195.5	156.3	155.6
New estimate	155.9	119.2	121.9
Change	-39.6	-37.1	-33.8
Change (pct)	-20.3%	-23.7%	-21.7%

Customers & Solutions	2022E	2023E	2024E
Old estimate	2068.0	1901.0	1906.0
New estimate	2373.3	2491.5	2313.0
Change	305.3	590.5	407.0
Change (pct)	14.8%	31.1%	21.4%

Adjusted EBITDA per segment (EURm)

Networks	2022E	2023E	2024E
Old estimate	164.3	171.7	175.0
New estimate	166.3	171.7	175.0
Change	2.0	0.0	0.0
Change (pct)	1.2%	0.0%	0.0%

Green Generation	2022E	2023E	2024E
Old estimate	156.5	163.7	182.5
New estimate	202.1	227.8	235.9
Change	45.6	64.1	53.4
Change (pct)	29.2%	39.2%	29.3%

Flexible Generation	2022E	2023E	2024E
Old estimate	24.5	24.2	24.1
New estimate	22.5	25.2	27.6
Change	-2.0	1.0	3.5
Change (pct)	-8.2%	4.1%	14.5%

Customers & Solutions	2022E	2023E	2024E
Old estimate	18.7	18.5	18.6
New estimate	-2.0	17.3	21.3
Change	-20.7	-1.2	2.6
Change (pct)	-110.9%	-6.4%	14.0%

Group estimate changes (EURm)

Total Revenue	2022E	2023E	2024E
Old estimate	3,173	2,978	3,017
New estimate	3,443	3,591	3,441
Change	270.1	613.3	424.2
Change (pct)	8.5%	20.6%	14.1%

EBIT	2022E	2023E	2024E
Old estimate	203	217	224
New estimate	231	299	292
Change	28	83	68
Change (pct)	13.7%	38.1%	30.4%

EPS (EUR)	2022E	2023E	2024E
Old estimate	2.20	2.39	2.43
New estimate	2.51	3.38	3.28
Change	0.31	0.99	0.85
Change (pct)	13.9%	41.3%	35.0%

Adjusted EBITDA	2022E	2023E	2024E
Old estimate	366	380	402
New estimate	388	439	458
Change	22	59	56
Change (pct)	6.1%	15.6%	13.9%

Pre-tax profit	2022E	2023E	2024E
Old estimate	181	192	195
New estimate	206	272	264
Change	24	79	68
Change (pct)	13.5%	41.3%	35.0%

Dividend (EUR)	2022E	2023E	2024E
Old estimate	1.23	1.27	1.31
New estimate	1.25	1.29	1.33
Change	0.02	0.02	0.02
Change (pct)	1.5%	1.3%	1.1%

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

Forecast

Revenue per segment (IFRS reported)	2021	2022E	2023E	2024E
Networks	533	517	551	554
Green Generation	209	446	480	502
Flexible Generation	153	156	119	122
Customers and Solutions	1,009	2,373	2,492	2,313
Total Revenues bef. Other/elimin.	1,905	3,493	3,641	3,491
Other segments/eliminations	-14	-50	-50	-50
Revenue after Other segm./eliminations	1,890	3,443	3,591	3,441

Segment revenue growth (IFRS reported)	2021	2022E	2023E	2024E
Networks	10.5%	-2.9%	6.4%	0.6%
Green Generation	132.6%	113.4%	7.5%	4.6%
Flexible Generation	38.4%	1.6%	-23.5%	2.2%
Customers and Solutions	84.0%	135.1%	5.0%	-7.2%
Total Revenues bef. Other/elimin.	54.7%	83.4%	4.2%	-4.1%
Revenue after Other segm./eliminations	54.6%	82.1%	4.3%	-4.2%

Adjusted EBITDA by Segment	2021	2022E	2023E	2024E
Networks	145	166	172	175
Green Generation	107	202	228	236
Flexible Generation	37	22	25	28
Customers and Solutions	41	-2	17	21
Total adjusted EBITDA bef. Other/eliminations	331	389	442	460
Other segments/eliminations	2	-1	-3	-2
Total adjusted EBITDA after Other/eliminations	333	388	439	458

Adjusted EBITDA margin by Segment	2021	2022E	2023E	2024E
Networks	28.5%	34.1%	32.0%	32.5%
Green Generation	49.5%	45.3%	47.5%	47.0%
Flexible Generation	24.5%	14.4%	21.2%	22.7%
Customers and Solutions	4.0%	-0.1%	0.7%	0.9%
Total adjusted EBITDA	17.4%	11.2%	12.2%	13.2%
Total adjusted EBITDA after Other/eliminations	17.6%	11.4%	12.3%	13.4%

Income statement (EURm)	2021	2022E	2023E	2024E
Total Revenue & Other income	1,890	3,443	3,591	3,441
Purchase of electricity, gas for trade	-1,380	-2,696	-2,801	-2,646
Salaries and related expenses	-97	-148	-172	-165
Repair and maintenance expenses	-32	-55	-72	-86
Purchase of gas and heavy fuel oil	0	0	0	0
Other expenses	-46	-172	-108	-103
Total expenses	*-1,555*	*-3,071*	*-3,153*	*-3,001*
EBITDA	335	372	438	440
Depreciation and amortization	-122	-137	-139	-149
Write-offs, revaluations PP&E, Intang.	-28	-4	0	0
Revaluation of emission allowances	0	0	0	0
EBIT	185	231	299	292
Financial net	*-16*	*-26*	*-27*	*-28*
Pre-tax profit	168	206	272	264
Current year income tax (expenses)/benefit	-19	-25	-30	-29
Deferred income tax (expenses)/benefit	5	2	3	3
Minority	0	0	0	0
Net profit (loss)	154	183	245	237

Segment revenue growth (IFRS reported)	2021	2022E	2023E	2024E
y-on-y	54.6%	82.1%	4.3%	-4.2%

Margins	2021	2022E	2023E	2024E
EBITDA	17.7%	10.8%	12.2%	12.8%
EBIT	9.8%	6.7%	8.3%	8.5%
Pre-tax profit	8.9%	6.0%	7.6%	7.7%
Net profit	8.1%	5.3%	6.8%	6.9%

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

Risk factors

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

Russia's invasion of Ukraine

The final impact of the Russian invasion of Ukraine on Ignitis Grupe's business cannot be assessed fully yet. Higher energy prices are positive for the Green Generation segment, while the difference in regulatory price and market price must be covered by the Customer & Solutions segments. However, the Lithuanian Parliament has amended legislation that protects the consumers from most of the increase in energy prices. Supply chain issues such as e.g., shortage of spare parts is another effect of the war that needs to be considered.

Regulatory risk

Tariffs for electricity and gas distribution that form one of Ignitis Grupe's core business area are 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. Also, lower approved investments could result in a 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.

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.

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

Dividend risk

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

Income Statement (EURm)	2020	2021	2022e	2023e	2024e
Total revenues	1,223	1,890	3,443	3,591	3,441
Total operating costs	-889	-1,555	-3,071	-3,153	-3,001
EBITDA	334	335	372	438	440
Depreciation	-110	-133	-137	-139	-149
Amortizations	0	0	0	0	1
Impairment charges	-9	-18	-4	0	0
EBIT	215	185	231	299	292
Associated companies'	0	0	0	0	0
Net financial items	-20	-16	-26	-27	-28
Exchange rate differences	0	0	0	0	0
Pre-tax profit (PTP)	195	168	206	272	264
Net earnings	171	154	183	245	237
Balance Sheet	2020	2021	2022e	2023e	2024e
Assets (EURm)					
Cash and cash equivalent	659	449	413	431	413
Receivables	128	275	344	359	344
Inventories	66	186	448	449	427
Other current assets	169	395	490	483	483
Total current assets	1,022	1,304	1,695	1,722	1,666
Tangible assets	2,560	2,610	2,782	2,978	3,169
Goodwill & Other Intangibles	95	114	110	110	110
Long-term investments	5	5	5	5	5
Associated Companies	0	0	0	0	0
Other non-current assets	233	203	304	323	314
Total fixed assets	2,892	2,931	3,201	3,416	3,599
Deferred tax assets	6	16	16	16	16
Total assets	3,921	4,251	4,912	5,153	5,281
Liabilities					
Non-ib current liabilities	52	100	207	215	206
Short-term debt	29	242	331	345	344
Other current liabilities	223	355	355	355	355
Total current liabilities	304	698	893	916	905
Long-term IB debt	1,246	1,118	1,531	1,595	1,588
Convertibles & Lease liabilities	29	46	46	46	46
Other long-term liabilities	442	463	463	463	463
Total long-term liabilities	1,717	1,628	2,040	2,104	2,098
Total (liabilities)	2,108	2,402	3,010	3,097	3,080
Deferred tax liabilities	46	47	47	47	47
Provisions	41	30	30	30	30
Shareholders' equity	1,812	1,849	1,902	2,056	2,201
Minority interest (BS)	1	0	0	0	0
Total shareholders equity	1,813	1,849	1,902	2,056	2,201
Total equity & liabilities	3,921	4,251	4,912	5,153	5,281

DCF valuation		Cash flow (EURm)	
WACC (%)	6.19%	NPV FCF (2022-2024)	-104
		NPV FCF (2025-2031)	508
Assumptions 2022-2028 (%)		NPV FCF (2031-)	2,657
CAGR Sales growth	0.2%	Non-operating assets	361
Average EBIT margin	8.2%	Interest-bearing debt	-1,406
		Fair value estimate	2,016
		Fair value per share (EUR)	27.87
		Share price (EUR)	19.00

Free Cash Flow (EURm)	2020	2021	2022e	2023e	2024e
Operating profit	215	185	231	299	292
Depreciation	119	151	141	139	149
Change in wc	-29	-311	-321	0	28
Other oper. CF items	-24	73	-25	-30	-29
Operating CF	281	97	26	408	440
CF from Investments	-258	-229	-289	-335	-340
Other CF items	0	1	0	0	0
Free Cash Flow	22	-132	-263	73	100

Capital structure	2020	2021	2022e	2023e	2024e
Equity ratio	46%	43%	39%	40%	42%
Debt/Equity	72%	76%	100%	97%	90%
Capital invested (EURm)	3,116	3,255	3,810	4,042	4,179

Profitability	2020	2021	2022e	2023e	2024e
ROE %	10.6%	9.8%	12.4%	11.2%	9.7%
EBITDA %	27.6%	17.7%	10.8%	12.2%	12.8%
EBIT %	17.6%	9.8%	6.7%	8.3%	8.5%
Net Margin	13.8%	8.1%	5.3%	6.8%	6.9%

Valuation (x)	2020	2021	2022e	2023e	2024e
P/E	6.6	9.2	7.6	5.6	5.8
P/E adjusted	6.6	9.2	7.6	5.6	5.8
P/Sales	0.8	0.4	0.4	0.4	0.4
EV/Sales	1.5	1.3	0.8	0.8	0.9
EV/EBITDA	7.4	7.7	6.7	6.7	6.9
EV/EBIT	8.7	13.5	12.4	9.8	10.1
P/BV	0.8	0.7	0.7	0.6	0.6

Per share measures	2020	2021	2022e	2023e	2024e
EPS	2.89	2.07	2.51	3.38	3.28
EPS adjusted	2.89	2.07	2.51	3.38	3.28
CEPS	3.81	1.31	0.35	5.54	5.97
EBITDA/share	4.54	4.55	5.05	5.95	5.98
Capital empl./share	42.3	44.2	51.7	54.9	56.7
Div. per share	1.14	1.19	1.25	1.29	1.32
Payout ratio	40%	57%	50%	38%	40%
Dividend yield (%)	6.0%	6.3%	6.6%	6.8%	7.0%

Shareholders	Capital	Votes
Ministry of Finance	1,105	73.10%
EBRD	15	1.10%

Key people	
CEO	Darius Maikstenas
CFO	Jonas Rimavicius
Org. Develop. Director	Dr. Zivile Skibarkiene
Commerce & Serv.	Vidmantas Salietis
Regulated Activities	Mantas Mikalajunas

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

Disclaimer

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

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