Green Generation Earnings Boost

Q3/22 earnings came in significantly above forecast, driven by the Green Generation segment. The guidance was raised once again and we adjust our estimates accordingly. Our dividend forecast and target price is re-iterated.

Green Generation drive earnings

The Q3/22 Green Generation adj. EBITDA of EUR 66m was 63% above our estimate of EUR 41m (due to new capacity and stubbornly high electricity prices). Following the strong quarter with an accelerated Green Generation expansion, the adj. EBITDA Guidance was raised for the third time this year to EUR 420-460m (prev. EUR 360-420m). Hence, we raise our Green Generation 2022 adj. EBITDA forecast by 14% to EUR 230m (9M/22 reported EUR 186m), while the 2022 Group adj. EBITDA estimate is raised by 18% to EUR 460m (in line with the new top-end guidance of EUR 460m).

Green Generation portfolio exceeds 2030 target

The Green Generation portfolio has grown 1.7x since the beginning of the year and amounts to 4.5 GW, which means it is exceeding the 2030 target of 4.0 GW. The main driver behind the Green Generation portfolio growth is the greenfield portfolio, which has increased over 10x this year to ~1,770 MW.

Dividend estimates indicate 5-6% net yield

We reiterate our dividend forecast of EUR 1.25 this year, indicating a yield of 6.5% (net 5.5% after 15% withholding tax). This is in line with the dividend policy as is our forecast 3% dividend growth in 2023 and 2024, which increases the estimated net yield to 5.9% in 2024. Our yield based Base case Fair value per share is unchanged at EUR 27.85.

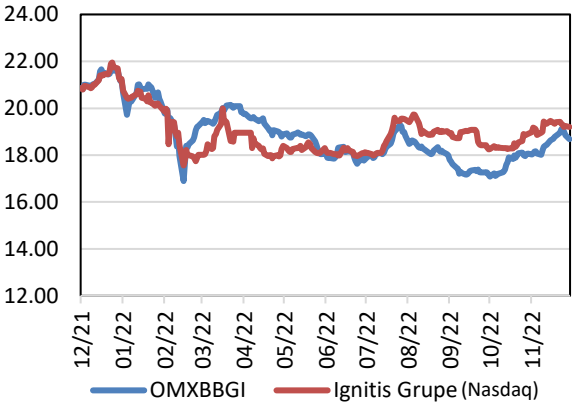
Key figures (MEUR)

	2020	2021	2022E	2023E	2024E
Total revenues	1,223	1,890	4,247	3,611	3,450
Total revenue growth	11.3%	54.6%	124.7%	-15.0%	-4.5%
EBITDA adj.	246	333	460	463	504
EBITDA margin adj.	21.7%	17.6%	10.7%	12.8%	14.6%
EBIT	215	185	315	288	270
EBIT margin	17.6%	9.8%	7.4%	8.0%	7.8%
EV/Sales	1.5	1.3	0.7	0.9	1.0
EV/EBITDA adj.	11.8	8.7	6.3	6.3	5.8
EV/EBIT	13.5	15.7	9.2	10.1	10.7
PE	6.6	9.2	5.3	6.0	6.5
P/BV	0.8	0.7	0.7	0.6	0.6
EPS	2.89	2.07	3.59	3.18	2.95
EPS growth	99.0%	-28.3%	73.3%	-11.5%	-7.3%
Div. per share	1.14	1.19	1.25	1.29	1.32
Dividend yield*	6.0%	6.2%	6.5%	6.7%	6.9%

Source: Company (historical), Enlight Research (estimates)
*Pre-tax yield on EUR 19.16 share price

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

Key Data	
Price (EUR)	19.16
Ticker	IGN1L
Country	Lithuania
Listed	Vilnius (Lithuania)
Market Cap (EURm)	1,387
Net debt (EURm)	1,513
Shares (m)	72.4
Free float	25%



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

Analyst

ResearchTeam@enlightresearch.net

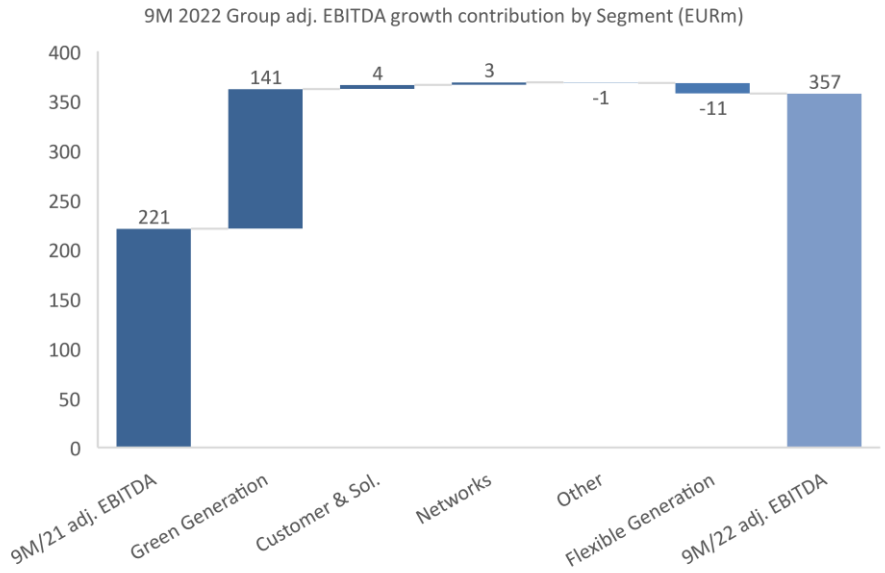
Coverage frequency

4x per year

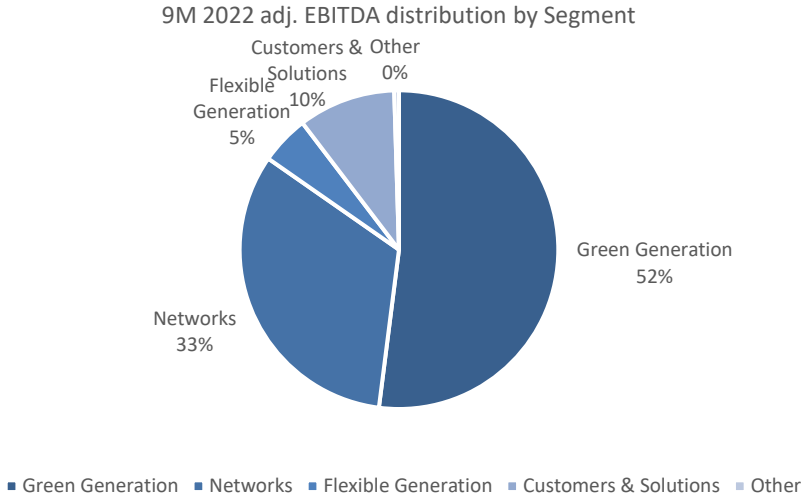
Q3 2022 Key takeaways

Green Generation drive earnings

Once again, the Green Generation segment posted a significantly better than expected result with a Q3/22 adj. EBITDA of EUR 66m, which was 63% or EUR 26m better than our forecast of EUR 41m. Comparing 9M/22 to 9M/21, the Green Generation segment has added EUR 141m in adj. EBITDA and now contributes more than half of Ignitis Grupe's adj. EBITDA, with most of the remainder (33%) coming from the Networks segment (regulated utility operations).



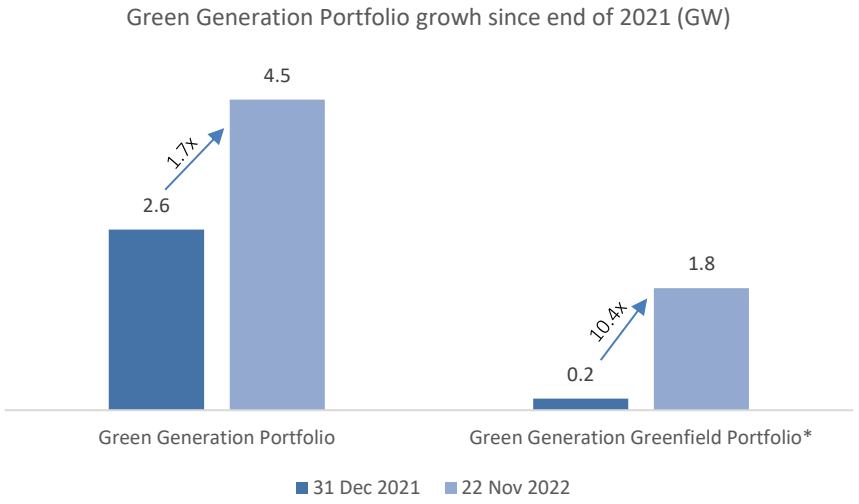
Source: Company



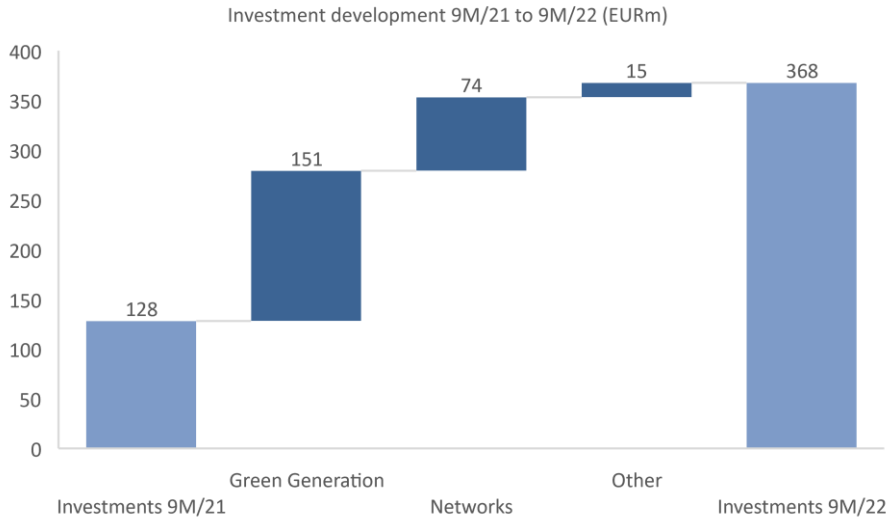
Source: Company

Green Generation portfolio exceeding 2030 target

Since the end of 2021, the Green Generation portfolio has grown 1.7x from 2.6 GW to 4.5 GW (on 22 November 2022), which means it exceeds the 2030 target of 4.0 GW. The main driver behind the accelerated Green Generation portfolio expansion is the greenfield portfolio which has increased over 10x during 2022 to ~1,770 MW from ~170 MW at end of 2021. The Green Generation portfolio expansion has resulted in record high investments. The 9M/22 investments increased by 187% or EUR 240m compared to 9M/21. Of this EUR 240m increase in investments, EUR 151m came from the Green Generation segment, while EUR 74m came from the Networks segment leaving just EUR 15m from other segments. We see a significant rise in investments as a positive because Green Generation investments indicate that expansion is proceeding as planned or beyond expectations, which is one of the most important factors for investors. Moreover, Networks investments are important to support the RAB calculation, since this segment is regulated. We forecast full-year 2022 investments of EUR 589m (235m).



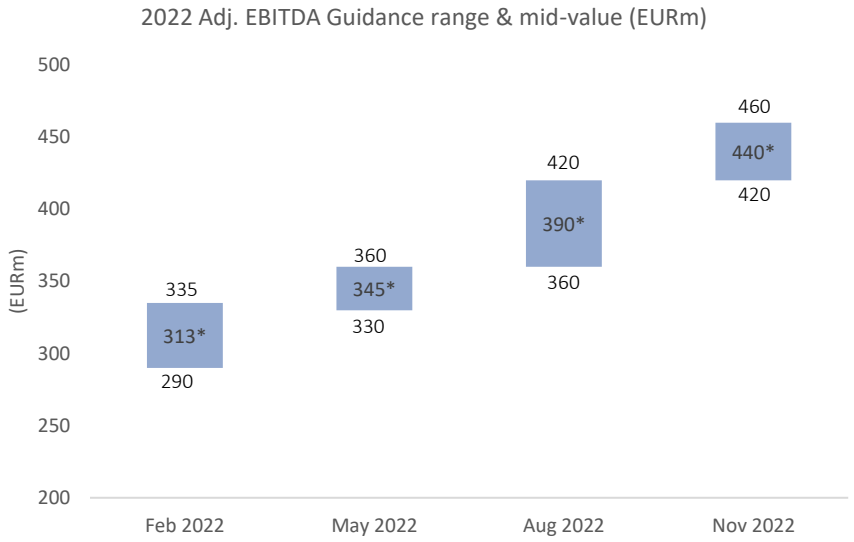
Source: Company report
*Portfolio at time of reporting the Q4/21 and the Q3/22 reports



Source: Company report

Green Generation prompt raised guidance and estimates

Strong performance from the Green Generation segment prompted management to raise the 2022 Adj. EBITDA guidance for the third time this year. Compared to the guidance given in February this year (EUR 290-335m), the latest guidance (EUR 420-460m) is 41% or EUR 128m higher at the midpoint, while it is 13% or EUR 50m higher than the previous guidance update in August this year (EUR 360-420m). Following the new guidance, we raise our 2022 estimated adj. EBITDA by 18% or EUR 72m to EUR 460m, which means we are at the top-end of the guided range. For 2023, and 2024, we raise our adj. EBITDA by 5%, and 10%, respectively.



Source: Company reports, Enlight Research (forecast)
*Guidance mid-value

Dividends according to policy

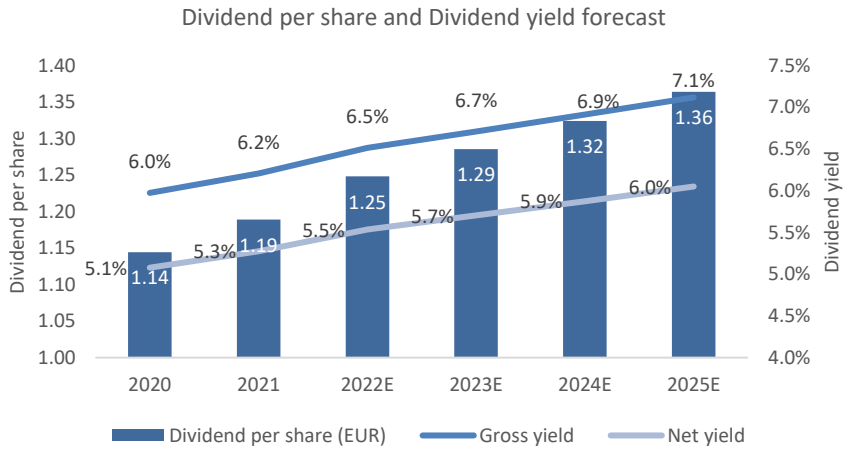
The strong performance for the Green Generation segment and subsequent raised adj. EBITDA guidance leaves room for raised dividends. However, in the 9M/22 report, management stated:

"We have made a decision to reinvest all additional profit earned this year from Green Generation into building new energy infrastructure in Lithuania. This means that 2022 additional profit from Green Generation will not be directed to increase the dividends for 2022 (it will grow in line with our Dividend Policy) but will be reinvested to contribute to ensuring Lithuania's energy security and green transition."

Our 2022 dividend forecast remains unchanged with a dividend per share of EUR 1.25 (in line with dividend policy) whereof EUR 0.62 has already been paid for the H1/22 period. Our 2022 estimated dividend yield is 6.5% (5.5% after dividend withholding tax). Worth noting is that our 2022 estimated 5.0% dividend growth per share is higher than the dividend policy minimum of 3.0% as the number of shares is lower compared to 2021. 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 (see table below for dividend forecast).

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	49.3
Growth y-on-y		1.9%	3.1%	3.0%	3.0%	3.0%
Total dividend paid (EURm)	**85.0**	**87.6**	**90.3**	**93.1**	**95.8**	**98.7**
Growth y-on-y		**3.0%**	**3.2%**	**3.0%**	**3.0%**	**3.0%**
H1 dividend per share (EUR)*	0.57	0.59	0.62	0.643	0.662	0.682
H2 dividend per share (EURm)	0.58	0.60	0.62	0.643	0.662	0.682
Total dividend per share (EUR)	**1.14**	**1.19**	**1.25**	**1.29**	**1.32**	**1.36**
Dividend growth	nm	3.0%	5.0%	3.0%	3.0%	3.0%
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)	19.16	19.16	19.16	19.16	19.16	19.16

Source: Company (historic), Enlight Research (estimates), yield based on share price EUR 19.16



Source: Company (historic), Enlight Research (estimates), yield based on share price EUR 19.16

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 (current pipeline exceeds 2030 target of 4 GW), 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, 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.

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%	25.31
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 12% discount to the Integrated utilities peer group (6.3x vs. 7.1x for peers), despite having an estimated dividend yield that is higher than the peer average (6.7% vs. 5.9% for peers). Given Ignitis Grupe's strong focus on renewable energy (Green Generation accounted for more than 50% of the Group's total adjusted EBITDA in 9M/22), 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 (11.6x vs. 10.2x for Regulated utilities, and 7.1x for Integrated utilities). Compared to the regulated and renewable peer groups, Ignitis Grupe is trading at a discount of 38%, and 46%, respectively.

Peer valuation	Ticker	Ccy	Price (last)	Mcap (m) (last)	Net debt (m) (last)	EV (m) (last)	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div. yield 2021	Div. yield 2022E	Div. yield 2023E	Div. yield 2024E
Ignitis Grupe	IGN1L	EUR	19.16	1,387	1,513	2,900	8.7	6.3	6.3	5.8	6.2%	6.5%	6.7%	6.9%

Integrated														
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	Net debt (m) (last)	EV (m) (last)	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div. yield 2021	Div. yield 2022E	Div. yield 2023E	Div. yield 2024E
EDP	EDP	EUR	4.59	18,214	14,455	32,669	8.8	7.8	7.0	6.6	4.1%	4.1%	4.6%	4.8%
Endesa	ELE	EUR	17.93	18,981	10,408	29,389	6.9	6.3	6.5	6.3	8.0%	7.5%	6.5%	6.7%
Enel	ENEL	EUR	5.24	53,304	60,699	114,003	5.9	6.0	5.7	5.4	7.2%	7.6%	8.2%	8.2%
Engie	ENGI	EUR	14.49	35,287	22,119	57,406	5.4	4.3	4.7	4.5	5.9%	8.6%	7.9%	8.1%
E.ON	EOAN	EUR	9.17	24,221	36,844	61,065	7.7	7.9	8.2	8.0	5.3%	5.6%	5.8%	6.0%
Iberdrola	IBE	EUR	10.87	69,175	45,725	114,900	9.6	9.1	8.3	7.6	4.0%	4.3%	4.6%	4.9%
SSE	SSE	GBP	17.02	18,169	9,752	27,921	12.4	10.0	9.2	8.2	5.1%	5.5%	3.6%	3.8%
Average							**8.1**	**7.3**	**7.1**	**6.6**	**5.7%**	**6.2%**	**5.9%**	**6.1%**

Renewables														
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	Net debt (m) (last)	EV (m) (last)	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div. yield 2021	Div. yield 2022E	Div. yield 2023E	Div. yield 2024E
EDP Renewables	EDPR	EUR	21.87	21,007	5,436	26,443	15.0	12.6	11.8	11.0	0.4%	0.4%	0.5%	0.5%
Neoen	NEOEN	EUR	38.02	4,082	3,036	7,118	23.7	18.2	15.1	12.6	0.3%	0.3%	0.7%	0.8%
Orsted Energy	ORSTED	DKK	655	275,434	41,397	316,831	13.0	10.4	12.3	11.3	1.9%	2.0%	2.2%	2.4%
Enefit	EGR1T	EUR	4.3262	1,143	127	1,271	10.5	8.2	7.1	5.0	3.5%	4.9%	4.8%	7.4%
Average							**15.6**	**12.3**	**11.6**	**10.0**	**1.5%**	**1.9%**	**2.0%**	**2.8%**

Regulated														
Company	Ticker	Ccy	Price (last)	Mcap (m) (last)	Net debt (m) (last)	EV (m) (last)	EV/EBITDA 2021	EV/EBITDA 2022E	EV/EBITDA 2023E	EV/EBITDA 2024E	Div. yield 2021	Div. yield 2022E	Div. yield 2023E	Div. yield 2024E
National grid	NG	GBP	10.20	39,955	42,051	82,006	14.5	12.7	11.8	11.1	5.0%	5.4%	5.6%	5.7%
Red Electrica	RED	EUR	17.26	9,339	5,241	14,580	9.7	9.6	9.4	10.5	5.8%	5.8%	5.6%	4.9%
REN	RENE	EUR	2.57	1,711	2,217	3,928	8.5	8.2	8.1	8.0	5.8%	5.8%	5.8%	5.8%
Italgas	IG	EUR	5.65	4,574	5731	10,305	10.2	9.8	9.0	8.2	5.3%	5.5%	5.8%	6.4%
Terna	TRN	EUR	7.32	14,721	10,311	25,032	13.5	12.9	12.6	11.6	4.0%	4.2%	4.5%	4.6%
Average							**11.3**	**10.6**	**10.2**	**9.9**	**5.2%**	**5.4%**	**5.5%**	**5.5%**

Source: MarketScreener based on share prices on 21 December 2022, Enlight Research (Ignitis Grupe)

Forecast vs. Outcome

Group deviation

The Q3/22 Group adj. EBITDA was 77% or EUR 66m higher than estimated (EUR 151m vs. est. EUR 85m). The Q3/22 Net profit of EUR 70m was 85% or EUR 32m above our estimate.

Group forecast deviation table

P&L (EURm)	Q3/22 Estimate	Q3/22 Outcome	Deviation EURm	%
Total Revenue & Other income	763.1	1294.7	531.6	69.7%
Purchase of electricity, gas for trade	-580.0	-1060.2	-480.2	82.8%
Salaries and related expenses	-42.0	-26.5	15.5	-36.8%
Repair and maintenance expenses	-15.3	-10.5	4.8	-31.5%
Purchase of gas and heavy fuel oil	0.0	0.0	0.0	nm
Other expenses	-38.2	-75.5	-37.3	97.9%
Total expenses	*-675.4*	-1172.6	*-497.3*	*73.6%*
EBITDA	**87.8**	**122.0**	**34.3**	**39.1%**
Adjusted EBITDA	**85.1**	**150.8**	**65.8**	**77.3%**
Depreciation and amortization	-34.5	-34.7	-0.2	0.6%
Write-offs, revaluations PP&E, Intang.	-1.0	-4.1	-3.1	310.0%
Revaluation of emission allowances	*0.0*	*0.0*	0.0	nm
EBIT	**52.3**	**83.2**	**31.0**	**59.3%**
Financial net	-6.5	-1.2	5.3	-82.3%
Pre-tax profit	**45.8**	**82.1**	**36.3**	**79.4%**
Current year income tax (expenses)/benefit	-5.3	-34.3	-29.1	552.3%
Deferred income tax (expenses)/benefit	-2.7	22.2	25.0	-910.0%
Minority	0.0	0.0	0.0	nm
Net profit (loss)	**37.8**	**70.0**	**32.2**	**85.4%**

Growth	Q3/22 Estimate	Q3/22 Outcome	Deviation EURm	%-pts
Sales	78.6%	203.0%	nm	124

Margins	Q3/22 Estimate	Q3/22 Outcome	Deviation EURm	%-pts
EBITDA margin	11.5%	9.4%	nm	-2.1
Adj. EBITDA margin	11.2%	11.4%	nm	0.2
EBIT margin	6.8%	6.4%	nm	-0.4
Pre-tax margin	6.0%	6.3%	nm	0.3
Net margin	4.9%	5.4%	nm	0.5

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

Deviation by segment

At the adjusted EBITDA level, the Green Generation segment came in 63% or EUR 26m higher than forecast. The Customers & Solutions segment posted an adj. EBITDA of EUR 40m in Q3/22 vs. our forecast of break-even. The Networks segment Q3/22 adj. EBITDA was slightly below forecast while the Flexible Generation segment was slightly above.

Adjusted EBITDA by Segment	Q3/22 Estimate	Q3/22 Outcome	Deviation EURm	Deviation %
Networks	38.0	34.2	-3.8	-10.1%
Green Generation	40.9	66.4	25.5	62.5%
Flexible Generation	6.9	9.5	2.7	38.9%
Customers and Solutions	0.0	40.0	40.1	nm
Total adjusted EBITDA bef. Other/eliminations	**85.7**	**150.1**	**64.4**	**75.2%**
Other segments/eliminations	-0.6	0.6	1.2	nm
Total adjusted EBITDA after Other/eliminations	**85.1**	**150.8**	**65.7**	**77.1%**

Adjusted EBITDA margin* by Segment	Q3/22 Estimate	Q3/22 Outcome	Deviation EURm	Deviation %-pts
Networks	31.8%	22.5%	nm	-9.3
Green Generation	43.0%	32.8%	nm	-10.2
Flexible Generation	24.8%	13.8%	nm	-11.0
Customers and Solutions	0.0%	4.3%	nm	4.3
Total adjusted EBITDA*	**11.1%**	**11.0%**	**nm**	**0.0**
Total adjusted EBITDA after Other/eliminations*	**11.2%**	**11.4%**	**nm**	**0.2**

Source: Company reports (historical), Enlight Research (estimates)
*Adjusted EBITDA divided by Adjusted Revenues (might differ from company reported Adjusted EBITDA margin calculated due to different calculation method used)

Estimate changes

Following better-than-expected Q3/22 sales results and the continued high electricity and natural gas prices, we raise our Group Sales forecast by 23% this year, and 1% in 2023. Our Adjusted EBITDA is raised by 18.4% this year and 5-10% in 2023-2024. The main driver for both the increased Sales and Adjusted EBITDA is the Green Generation and the Customer & Solutions segments. The EPS forecast is raised by 43% this year and lowered by around 6-10% in 2023-24. Our dividend forecast is unchanged and is in line with the dividend guidance provided by the company.

Estimate changes per Segment

Sales per segment (EURm)

Networks	2022E	2023E	2024E
Old estimate	517.3	550.7	554.0
New estimate	560.8	579.2	584.5
Change	43.5	28.5	30.5
Change (pct)	8.4%	5.2%	5.5%

Green Generation	2022E	2023E	2024E
Old estimate	446.2	479.6	501.8
New estimate	584.7	571.0	680.9
Change	138.6	91.3	179.0
Change (pct)	31.1%	19.0%	35.7%

Flexible Generation	2022E	2023E	2024E
Old estimate	155.9	119.2	121.9
New estimate	227.6	116.0	116.8
Change	71.7	-3.2	-5.1
Change (pct)	46.0%	-2.7%	-4.2%

Customers & Solutions	2022E	2023E	2024E
Old estimate	2373.3	2491.5	2313.0
New estimate	2924.0	2395.0	2118.0
Change	550.8	-96.5	-195.0
Change (pct)	23.2%	-3.9%	-8.4%

Adjusted EBITDA per segment (EURm)

Networks	2022E	2023E	2024E
Old estimate	166.3	171.7	175.0
New estimate	164.3	170.7	174.0
Change	-2.0	-1.0	-1.0
Change (pct)	-1.2%	-0.6%	-0.6%

Green Generation	2022E	2023E	2024E
Old estimate	202.1	227.8	235.9
New estimate	230.1	239.8	286.0
Change	28.0	12.0	50.1
Change (pct)	13.8%	5.3%	21.2%

Flexible Generation	2022E	2023E	2024E
Old estimate	22.5	25.2	27.6
New estimate	21.3	22.0	22.5
Change	-1.2	-3.2	-5.1
Change (pct)	-5.4%	-12.7%	-18.5%

Customers & Solutions	2022E	2023E	2024E
Old estimate	-2.0	17.3	21.3
New estimate	44.8	32.9	23.4
Change	46.8	15.6	2.2
Change (pct)	na	89.7%	10.2%

Group estimate changes (EURm)

Total Revenue	2022E	2023E	2024E
Old estimate	3,443	3,591	3,441
New estimate	4,247	3,611	3,450
Change	804.5	20.1	9.4
Change (pct)	23.4%	0.6%	0.3%

EBIT	2022E	2023E	2024E
Old estimate	231	299	292
New estimate	315	288	270
Change	84	-11	-21
Change (pct)	36.2%	-3.8%	-7.4%

EPS (EUR)	2022E	2023E	2024E
Old estimate	2.51	3.38	3.28
New estimate	3.59	3.18	2.95
Change	1.08	-0.20	-0.33
Change (pct)	43.2%	-5.9%	-10.1%

Adjusted EBITDA	2022E	2023E	2024E
Old estimate	388	439	458
New estimate	460	463	504
Change	72	23	46
Change (pct)	18.4%	5.3%	10.1%

Pre-tax profit	2022E	2023E	2024E
Old estimate	206	272	264
New estimate	295	256	237
Change	89	-16	-27
Change (pct)	43.3%	-5.9%	-10.1%

Dividend (EUR)	2022E	2023E	2024E
Old estimate	1.25	1.29	1.32
New estimate	1.25	1.29	1.32
Change	0.00	0.00	0.00
Change (pct)	0.0%	0.0%	0.0%

Source: Enlight Research

Forecast

Revenue per segment (IFRS reported)	2021	2022E	2023E	2024E
Networks	533	561	579	585
Green Generation	209	585	571	681
Flexible Generation	153	228	116	117
Customers and Solutions	1,009	2,924	2,395	2,118
Total Revenues bef. Other/elimin.	**1,905**	**4,297**	**3,661**	**3,500**
Other segments/eliminations	-14	-50	-50	-50
Revenue after Other segm./eliminations	**1,890**	**4,247**	**3,611**	**3,450**

Segment revenue growth (IFRS reported)	2021	2022E	2023E	2024E
Networks	10.5%	5.3%	3.3%	0.9%
Green Generation	132.6%	179.7%	-2.4%	19.2%
Flexible Generation	38.4%	48.3%	-49.0%	0.7%
Customers and Solutions	84.0%	189.7%	-18.1%	-11.6%
Total Revenues bef. Other/elimin.	**54.7%**	**125.6%**	**-14.8%**	**-4.4%**
Revenue after Other segm./eliminations	**54.6%**	**124.7%**	**-15.0%**	**-4.5%**

Adjusted EBITDA by Segment	2021	2022E	2023E	2024E
Networks	145	164	171	174
Green Generation	107	230	240	286
Flexible Generation	37	21	22	23
Customers and Solutions	41	45	33	23
Total adjusted EBITDA bef. Other/eliminations	**331**	**460**	**465**	**506**
Other segments/eliminations	2	-1	-3	-2
Total adjusted EBITDA after Other/elimination	**333**	**460**	**463**	**504**

Adjusted EBITDA margin by Segment	2021	2022E	2023E	2024E
Networks	28.5%	24.9%	29.5%	29.8%
Green Generation	49.5%	39.4%	42.0%	42.0%
Flexible Generation	24.5%	9.4%	19.0%	19.3%
Customers and Solutions	4.0%	1.6%	1.4%	1.1%
Total adjusted EBITDA	**17.4%**	**10.6%**	**12.7%**	**14.5%**
Total adjusted EBITDA after Other/elimination	**17.6%**	**10.7%**	**12.8%**	**14.6%**

Income statement (EURm)	2021	2022E	2023E	2024E
Total Revenue & Other income	1,890	4,247	3,611	3,450
Purchase of electricity, gas for trade	-1,380	-3,326	-2,817	-2,653
Salaries and related expenses	-97	-183	-173	-166
Repair and maintenance expenses	-32	-68	-72	-86
Purchase of gas and heavy fuel oil	0	0	0	0
Other expenses	-46	-212	-108	-104
Total expenses	*-1,555*	*-3,789*	*-3,171*	*-3,009*
EBITDA	**335**	**459**	**441**	**442**
Adj. EBITDA	**333**	**460**	**463**	**504**
Depreciation and amortization	-122	-137	-153	-172
Write-offs, revaluations PP&E, Intang.	-28	-7	0	0
Revaluation of emission allowances	0	0	0	0
EBIT	**185**	**315**	**288**	**270**
Financial net	*-16*	*-20*	*-32*	*-33*
Pre-tax profit	**168**	**295**	**256**	**237**
Current year income tax (expenses)/benefit	-19	-35	-28	-26
Deferred income tax (expenses)/benefit	5	3	3	2
Minority	0	0	0	0
Net profit (loss)	**154**	**262**	**230**	**213**

Segment revenue growth (IFRS reported)	2021	2022E	2023E	2024E
y-on-y	54.6%	124.7%	-15.0%	-4.5%

Margins	2021	2022E	2023E	2024E
EBITDA	17.7%	10.8%	12.2%	12.8%
EBIT	9.8%	7.4%	8.0%	7.8%
Pre-tax profit	8.9%	6.9%	7.1%	6.9%
Net profit	8.1%	6.2%	6.4%	6.2%

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 both to cover regulatory differences and partially compensate directly to the consumers 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 in partial 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 by the end of 2025, 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	4,247	3,611	3,450
Total operating costs	-889	-1,555	-3,789	-3,171	-3,009
EBITDA	334	335	459	441	442
Depreciation	-113	-122	-137	-153	-172
Amortizations	0	0	0	0	1
Impairment charges	-6	-28	-7	0	0
EBIT	215	185	315	288	270
Associated companies'	0	0	0	0	0
Net financial items	-20	-16	-20	-32	-33
Exchange rate differences	0	0	0	0	0
Pre-tax profit (PTP)	195	168	295	256	237
Net earnings	171	154	262	230	213

Balance Sheet	2020	2021	2022e	2023e	2024e
Assets (EURm)					
Cash and cash equivalent	659	449	510	433	414
Receivables	128	275	425	361	345
Inventories	66	186	552	488	428
Other current assets	169	395	490	483	483
Total current assets	1,022	1,304	1,977	1,765	1,670
Tangible assets	2,560	2,610	3,061	3,431	3,720
Goodwill & Other Intangibles	95	114	107	107	107
Long-term investments	5	5	5	5	5
Associated Companies	0	0	0	0	0
Other non-current assets	233	203	209	218	229
Total fixed assets	2,892	2,931	3,383	3,761	4,060
Deferred tax assets	6	16	16	16	16
Total assets	3,921	4,251	5,375	5,541	5,745
Liabilities					
Non-ib current liabilities	52	100	255	217	207
Short-term debt	29	242	391	402	419
Other current liabilities	223	355	355	355	355
Total current liabilities	304	698	1,001	974	981
Long-term IB debt	1,246	1,118	1,806	1,860	1,936
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	2,315	2,369	2,446
Total (liabilities)	2,108	2,402	3,393	3,420	3,504
Deferred tax liabilities	46	47	47	47	47
Provisions	41	30	30	30	30
Shareholders' equity	1,812	1,849	1,981	2,121	2,241
Minority interest (BS)	1	0	0	0	0
Total shareholders equity	1,813	1,849	1,981	2,121	2,241
Total equity & liabilities	3,921	4,251	5,375	5,541	5,745

DCF valuation		Cash flow (EURm)	
WACC (%)	6.09%	NPV FCF (2022-2024)	-616
		NPV FCF (2025-2031)	811
Assumptions 2022-2028 (%)		NPV FCF (2031-)	2,865
CAGR Sales growth	-2.8%	Non-operating assets	362
Average EBIT margin	8.1%	Interest-bearing debt	-1,406
		Fair value estimate	2,016
		Fair value per share (EUR)	27.85
		Share price (EUR)	19.16

Free Cash Flow (EURm)	2020	2021	2022e	2023e	2024e
Operating profit	215	185	315	288	270
Depreciation	119	151	144	153	172
Change in wc	-29	-311	-457	97	66
Other oper. CF items	-24	73	-35	-29	-27
Operating CF	281	97	-33	509	481
CF from Investments	-258	-229	-589	-523	-460
Other CF items	0	1	0	0	0
Free Cash Flow	22	-131	-622	-14	21

Capital structure	2020	2021	2022e	2023e	2024e
Equity ratio	46%	43%	37%	38%	39%
Debt/Equity	72%	76%	113%	109%	107%
Capital invested (EURm)	3,116	3,255	4,224	4,429	4,643

Profitability	2020	2021	2022e	2023e	2024e
ROE %	10.6%	13.7%	11.2%	9.8%	8.7%
EBITDA %	27.6%	17.7%	10.8%	12.2%	12.8%
EBIT %	17.6%	9.8%	7.4%	8.0%	7.8%
Net Margin	13.8%	8.1%	6.2%	6.4%	6.2%

Valuation (x)	2020	2021	2022e	2023e	2024e
P/E	6.6	9.2	5.3	6.0	6.5
P/E adjusted	6.6	9.2	5.3	6.0	6.5
P/Sales	0.8	0.3	0.4	0.4	0.4
EV/Sales*	1.5	1.3	0.7	0.9	1.0
EV/EBITDA*	7.4	6.8	7.4	7.6	8.0
EV/EBIT*	8.7	13.5	9.9	11.3	12.5
P/BV	0.8	0.7	0.7	0.6	0.6

*Estimated end of year Net debt used in EV calculation

Per share measures	2020	2021	2022e	2023e	2024e
EPS	2.89	2.07	3.59	3.18	2.95
EPS adjusted	2.89	2.07	3.59	3.18	2.95
CEPS	3.81	1.31	-0.45	6.91	6.53
EBITDA/share	4.54	4.55	6.23	5.98	5.99
Capital empl./share	42.3	44.2	57.3	60.1	63.0
Div. per share	1.14	1.19	1.25	1.29	1.32
Payout ratio	40%	57%	35%	40%	45%
Dividend yield (%)	6.0%	6.2%	6.5%	6.7%	6.9%

Shareholders	
Ministry of Finance	74.99%
EBRD	4.14%

Key people	
CEO	Darius Maikstenas
CFO	Jonas Rimavicius
Chief Org. Develop. Officer	Dr. Zivile Skibarkiene
Chief Commercial Officer	Vidmantas Salietis
Group Head Reg. Activities	Mantas Mikalajunas

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