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LGI Limited (LGI)

MW Ramp up

Recommendation

Buy (unchanged)

Price

\$3.62

Target (12 months)

\$4.25 (previously \$3.65)

Sector

Utilities

Expected Return

Capital growth	17.4%
Dividend yield	0.8%
Total expected return	18.2%

Company Data & Ratios

Enterprise value	\$357.4m
Market cap	\$321.5m
Issued capital	88.8m
Free float	62%
Avg. daily val. (52wk)	\$0.1m
12 month price range	\$2.36 - \$3.65

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	3.17	3.02	2.79
Absolute (%)	14.20	19.87	29.75
Rel market (%)	10.06	11.18	14.24

Absolute Price


SOURCE: IRESS

Solid FY25 result largely in-line with BPe

LGI's FY25 result detailed a solid full-year performance, with most figures ahead of or in-line with our estimates. Revenue of \$36.8m (+10.4% YoY) was a slight miss to BPe (\$37.9m), however strong margins drove a slight beat at both EBITDA (\$17.4m vs \$17.2m BPe) and NPAT (\$6.5m vs \$6.4m BPe). LGI delivered diluted EPS of 7.3c and declared a final dividend of dividend of 1.3c, which translates to a full-year dividend of 2.5c (BPe \$2.4c). The company recorded operating cashflow of \$12.3m (BPe \$13.3m) and had a cash balance of \$3.3m at 30-Jun-25.

Operational performance

The company again delivered a strong operational performance, with growth across all metrics. LGI generated Biogas flows of 127.7 million cubic meters (+10.9% YoY), Mega Watt Hours (MWH) of 109,119 (+13.3% YoY, BPe 107,999) and created 493,446 ACCUs (+14.0%, BPe 461,369). Further, the company has increased the MW operating capacity to 21.1MW at 30-Jun-25, an increase of 43% YoY (14.7MW).

Bullish outlook

In our view, the key highlights relate to the increased pipeline and strong EBITDA guidance. LGI announced a contract to explore the viability of a 12MW / 24MWh grid-scale battery project at WAMC's Belrose closed landfill site, which would increase the contracted and funded development pipeline to a capacity of 56MW (prev. 47MW). Further, the company provided guidance for EBITDA growth of 25% to 30%, implying a range of \$21.8m to \$22.6m and ahead of our original estimate (\$21.1m).

Investment view: \$4.25 PT, Retain BUY

We anticipate the ramp up to a 21.1MW operating capacity and the scheduled pipeline to reach 56MW to be reflected in significant earnings growth for LGI through FY26 and the coming years. Our updated PT of \$4.25 is a >15% premium to the current share price so we maintain our BUY recommendation.

Earnings Forecast

Year End 30 Jun	FY25	FY26e	FY27e	FY28e
Revenue (\$m)	36.8	44.9	54.2	64.3
EBITDA (\$m)	17.4	22.2	28.4	35.4
NPAT (underlying) (\$m)	6.5	8.8	12.4	17.2
NPAT (reported) (\$m)	6.5	8.8	12.4	17.2
EPS (cps)	7.3	10.0	14.0	19.4
EPS growth (%)	-3%	37%	41%	39%
PE (x)	49.6	36.4	25.8	18.6
FCF Yield (%)	-2%	-1%	1%	9%
EV/EBITDA (x)	20.3	15.8	12.4	9.9
Dividend (¢ps)	2.5	3.0	4.2	5.8
Yield (%)	0.7%	0.8%	1.2%	1.6%
Franking (%)	100%	100%	100%	100%
ROE(%)	11%	14%	17%	20%

SOURCE: BELL POTTER SECURITIES ESTIMATES

FY25 result

FY25 result summary

LGI's FY25 results detail a solid-full year performance, with almost all key financial and operational metrics ahead of our forecasts.

Figure 1 - FY25 result summary

Year end 30 June	Result vs PCP			Result vs Forecast		Comment
	FY24	FY25	Change	FY25e	Variance	
Revenue (A\$m)	33.3	36.8	10%	37.9	-3%	Miss to BPe largely due to lower Generation segment revenue
Cost of Goods Sold	-9.0	-9.4		-10.2		
Gross profit	24.3	27.4	13%	27.7	-1%	Improved gross margin of 74.5%
Total expenses	-9.0	-10.0	11%	-10.4	4%	Ahead of BPe estimates
EBITDA	15.3	17.4	14%	17.2	1%	Mid-point of guidance range of 12% to 15% growth
Depreciation and amortisation	-5.3	-6.5		-7.0		Less D&A than forecast
EBIT	9.9	10.9	10%	10.3	6%	EBIT ahead of BPe on lower Opex and D&A
Net interest (expense)/revenue	-1.0	-2.1		-1.8		Interest expense greater than forecast on higher debt
Pre-tax profit	8.9	8.8	-2%	8.5	3%	PBT ahead of BPe
Income tax benefit /(expense)	-2.3	-2.3		-2.1		Higher tax expense than forecast
Underlying NPAT	6.7	6.5	-3%	6.4	2%	NPAT slightly ahead/in-line with BPe
Abs & extras.	0.0	0.0		0.0		
Reported NPAT	6.7	6.5	-3%	6.4	2%	
Gross margin	73.0%	74.5%	146bps	73.0%	146bps	
EBITDA margin	45.9%	47.2%	133bps	45.5%	170bps	
NPAT margin	20.0%	17.6%	-243bps	16.8%	82bps	
Diluted EPS	7.5c	7.3c	3%	7.2c	2%	Slightly ahead/in-line with BPe
DPS	2.1	2.5	18%	2.4	4%	Slightly ahead/in-line with BPe
Cash and cash equivalents	2.4	3.4	NM	2.4	37%	Substantial improvement YoY, ahead of BPe

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

The key takeouts are:

- **Miss at revenue:** FY25 Revenue of \$36.8m (+10.4% YoY) was a slight miss to BPe of \$37.9m (-3.0%), largely driven by lower revenue from the Renewable Energy segment (\$17.1m) than forecast (BPe \$18.9m).
- **Improved gross margin:** LGI recorded a gross margin of 74.5%, which was an improvement on FY24 (73.0%) and ahead of our estimates (73.0%).
- **EBITDA at mid-point of guidance:** EBITDA of \$17.4m, representing a margin of 45.5% and growth of 13.6%, was at the mid-point of the guidance range (12% to 15% growth) and a slightly ahead of BPe (\$17.2m). The beat to BPe on lower revenue was largely driven by the improved gross margin, and lower opex and D&A than forecast.
- **NPAT of \$6.5m:** As expected, NPAT fell 3.0% YoY as LGI scaled up its operations, however, this was ahead of our forecasts of \$6.4m. The company recorded diluted EPS of 7.3c.
- **DPS:** Dividends paid in FY25 totalled 2.5c per share, slightly ahead of our forecast of 2.4c.
- **Cash:** The company recorded operating cashflow of \$12.3m (BPe \$13.3m) and had a cash balance of \$3.3m at 30-Jun-25.
- **FY26 guidance:** LGI expects FY26 EBITDA to grow 25% to 30% YoY, which was ahead of our original forecast of 23%.

Forecast and Valuation Changes

Upgrades to forecasts

We have upgraded our forecasts by low to mid-single digits throughout the forecast period following the FY25 result.

This was largely due to the increased size (57MW) of the contracted development pipeline as well as greater visibility over the delivery schedule, including the expected installation of batteries at Mugga Lane late in 2H26. We have also revised our opex, D&A and interest forecast in-line with today's result.

Our updated FY26 forecasts include revenue of \$44.9m, EBITDA of \$22.2m and NPAT of \$8.8m. Our updated EBITDA forecast is at the mid-point of the provided guidance range (EBITDA growth of 25% to 30%).

A summary of the changes in our key forecasts is how below.

Figure 2 - Change in key forecasts

Year end 30 June	FY25	Growth	FY26e	Change	FY27e	Change
MWhs generated	109,119	13%	148,911	-2%	152,809	-5%
LGCs created	107,402	11%	148,911	-2%	152,809	-5%
ACCU's created	493,446	14%	537,856	7%	575,506	7%
Average electricity price (\$)	\$ 110.00	no change	\$ 110.00	no change	\$ 110.00	no change
Average LGC price (\$)	\$ 35.00	no change	\$ 35.00	no change	\$ 30.00	no change
Average ACCU price (\$)	\$ 37.00	no change	\$ 37.00	no change	\$ 37.45	no change
Total revenue (A\$m)	36.8	11%	44.9	2%	54.2	2%
EBITDA	17.4	14%	22.2	5%	28.4	6%
NPAT	6.5	-3%	8.8	7%	12.4	7%
Diluted EPS	7.3c	-3%	10.0c	7%	14.0c	7%
DPS	2.5c	4%	3.0c	7%	4.2c	8%

SOURCE: BELL POTTER SECURITIES ESTIMATES

16% increase in PT to \$4.25

We have updated each valuation used in the determination of our price target for the earnings changes as well as market movements and time creep.

To reflect the increased size and visibility over the contracted development pipeline, we have increased the multiples we apply in our EV/EBITDA and PE valuations to 18x and 35x, respectively. There is no change to our DCF assumptions.

The change in each valuation and the impact on our PT calculation is shown below.

Figure 3 - Change in valuations and impact on PT

	Old (as at 24-Jun-25)			New (as at 13-Aug-25)		
	Valuation per share	% weighting	Price target	Valuation per share	% weighting	Price target
Methodology						
DCF Valuation	\$ 4.67	33%	\$ 1.54	\$ 4.69	33%	\$ 1.56
EV/ EBITDA	\$ 3.25	33%	\$ 1.08	\$ 4.68	33%	\$ 1.56
PE ratio	\$ 2.98	33%	\$ 1.01	\$ 3.49	33%	\$ 1.16
Total			\$ 3.65			\$ 4.25

SOURCE: BELL POTTER SECURITIES ESTIMATES

LGI Limited

Company Description

LGI is a market leader in the recovery of biogas from landfills, with its vertically integrated solution offering renewable energy generation, greenhouse gas abatement and site infrastructure and management. The company is addressing an inherent environmental issue for waste disposal sites. LGI's current portfolio consists of 34 projects across QLD, NSW and ACT including 7 sites generating renewable power, 19 sites providing carbon abatement through biogas flaring and 15 generating ACCUs as registered ERF projects. LGI's customer base primarily consists of Australian Local Government Councils (~85%) as well as State Governments and private waste management companies.

Investment Thesis

We currently have a BUY recommendation on LGI. Our investment thesis is based on:

- **High conviction pipeline to increase MW capacity to 56MW:** LGI provided a detailed high conviction development pipeline, which outlined a clear path to substantially increasing its MW capacity across its existing project portfolio to 56MW. The high conviction pipeline has provided significantly improved visibility over the growth of the LGI business and allows for much greater confidence in our long-term forecasts.
- **Volume and pricing play:** Top-line revenue growth for LGI is driven by biogas volumes and pricing of electricity, LGCs and ACCUs. The combination of DACS and batteries on LGI sites allows the company to achieve pricing +77% better than average AEMO pricing, driving increased revenue growth.

Key Risks

Key downside risks to our estimates and valuation include (but are not limited to):

- **Biogas Supply Risks:** LGI's business relies on consistent biogas supply from landfills. Any adverse events that restrict the supply of biogas could inhibit the company's ability to generate electricity and/or reduce greenhouse gas emissions, which would impact LGI's ability to generate revenue.
- **Regulatory Risks:** Climate change policy is constantly evolving in Australia. If a future government were to make material changes to the Energy Reduction Fund, The Renewable Energy Target, the Safeguard Mechanism or any other related legislation, LGI's core business may be adversely affected.
- **Market Pricing:** LGI has exposure to energy price fluctuations in the National Energy Market (NEM) and the market price of both ACCU's and LGC's. Our forecasts are based on consensus forward pricing and the company's hedging strategy, however, if there were any adverse movements in these markets, our forecasts will be exposed to upside/downside risk.

Table 1 - Financial summary

Profit & Loss (A\$m)	FY24	FY25	FY26e	FY27e	FY28e	LGI Limited					Year End 30 Jun				
Year Ending 30 June						Share Price:	\$3.62		Target Price:	\$4.25					
Revenue	33.3	36.8	44.9	54.2	64.3	No. of issued shares (m):	88.8		Market cap:	\$321.5m					
Change	3.1%	10.4%	22.1%	20.6%	18.8%										
Cost of sales	(9.0)	(9.4)	(11.9)	(14.4)	(17.1)	Price Forecasts		FY24	FY25	FY26e	FY27e	FY28e			
Gross profit	24.3	27.4	33.0	39.8	47.3	Electricity (\$/MWh)	\$	136.89	\$ 110.00	\$ 110.00	\$ 110.00	\$ 100.00			
Gross margin	73%	74%	74%	74%	74%	LGC (\$/MWh)	\$	28.80	\$ 35.88	\$ 35.00	\$ 30.00	\$ 28.75			
						ACCU (\$/ACCU)	\$	33.81	\$ 35.04	\$ 37.00	\$ 37.45	\$ 40.00			
Expenses (excl. D&A, int.)	(9.0)	(10.0)	(10.8)	(11.4)	(11.9)	Key operating metrics		FY24	FY25	FY26e	FY27e	FY28e			
EBITDA	15.3	17.4	22.2	28.4	35.4	Power generation (MW)		13.1	19.1	19.1	20.1	25.1			
Depreciation and amortisation	(5.3)	(6.5)	(7.8)	(8.6)	(9.4)	Battery Capacity (MW)		1.9	1.9	1.9	13.9	17.9			
EBIT	9.9	10.9	14.5	19.8	26.0	Total Capacity (MW)		15.0	21.0	21.0	33.0	43.0			
Net interest (expense)/revenue	(1.0)	(2.1)	(2.7)	(2.7)	(2.2)	MWhs generated		96,326	109,119	148,911	152,809	200,560			
Pre-tax profit	8.9	8.8	11.8	17.2	23.8	LGCs created		96,326	107,402	148,911	152,809	200,560			
Income tax benefit/(expense)	(2.3)	(2.3)	(2.9)	(4.7)	(6.5)	ACCU's created		432,804	493,446	537,856	575,506	615,791			
Underlying NPAT	6.7	6.5	8.8	12.4	17.2	Valuation Ratios		FY24	FY25	FY26e	FY27e	FY28e			
Abs & extras.	-	-	-	-	-	Basic EPS (cps)		7.5	7.3	10.0	14.0	19.4			
Reported NPAT	6.7	6.5	8.8	12.4	17.2	Diluted EPS (cps)		7.5	7.3	10.0	14.0	19.4			
						EPS growth (%)		-1%	-3%	37%	41%	39%			
Cashflow (A\$m)	FY24	FY25	FY26e	FY27e	FY28e	PE(x)		48.0	49.6	36.4	25.8	18.6			
EBITDA	15.3	17.4	22.2	28.4	35.4	EV/Sales (x)		10.6	9.6	7.8	6.5	5.5			
Change in working capital	4.0	1.5	(0.9)	0.4	3.4	EV/EBITDA (x)		23.0	20.3	15.8	12.4	9.9			
Gross cash flow	11.2	15.9	23.1	28.0	32.0	EV/EBIT (x)		35.4	32.3	24.3	17.7	13.6			
Net interest	-	(2.2)	(2.7)	(2.7)	(2.2)	FCF per share		(7.6)	(7.0)	(3.0)	3.2	30.8			
Income tax refunded/(paid)	(0.3)	(1.4)	(2.9)	(4.7)	(6.5)	FCF yield %		-2.1%	-1.9%	-0.8%	0.9%	8.5%			
Operating cash flow	9.9	12.3	17.5	20.6	23.2	NTA per share (\$ps)		0.55	0.56	0.62	0.71	0.84			
Payments for PPE	(15.9)	(15.1)	(18.4)	(16.2)	(10.2)	P/NTA (x)		6.6	6.4	5.8	5.1	4.3			
Payments for Intangibles	(0.8)	(3.4)	(1.8)	(1.6)	(1.6)	Book value (\$ps)		0.60	0.65	0.72	0.82	0.95			
Investing cash flow	(22.7)	(17.7)	(20.2)	(17.8)	(11.8)	Price/Book (x)		6.1	5.6	5.0	4.4	3.8			
Net Proceeds from issue of shares	0.3	0.1	-	-	-	DPS (cps)		2.4	2.5	3.0	4.2	5.8			
Net proceeds of borrowings	17.9	9.6	7.5	-	-	Payout ratio % of NPAT		31.8%	34.3%	30.0%	30.0%	30.0%			
Repayment of borrowings	(0.1)	-	-	-	(7.5)	Dividend Yield %		0.7%	0.7%	0.8%	1.2%	1.6%			
Dividends	(2.1)	(2.2)	(2.7)	(3.7)	(5.2)	Franking		0.0%	100.0%	100.0%	100.0%	100.0%			
Financing cash flow	15.2	6.3	4.8	(3.7)	(12.7)										
Net change in cash	2.4	0.9	2.2	(0.9)	(1.2)	Performance Ratios		FY24	FY25	FY26e	FY27e	FY28e			
Cash at start of period	0.1	2.4	3.4	5.5	4.7	EBITDA Margin (%)		45.9%	47.2%	49.5%	52.5%	0.0%			
Cash at end of period	2.4	3.4	5.5	4.7	3.5	EBIT Margin (%)		29.8%	29.6%	32.2%	36.6%	0.0%			
						NPAT Margin (%)		20.0%	17.6%	19.7%	23.0%	0.0%			
Balance Sheet (A\$m)	FY24	FY25	FY26e	FY27e	FY28e	Net debt/(cash)		22.2	30.6	35.9	36.8	30.5			
Cash and cash equivalents	2.4	3.4	5.5	4.7	3.5	ROE (%)		12.6%	11.2%	13.8%	17.1%	20.4%			
Trade and other receivables	0.9	1.6	2.0	3.8	6.4										
Environmental certificates	15.0	13.5	8.5	8.1	9.7	Segmentals (A\$m)		FY24	FY25	FY26e	FY27e	FY28e			
PPE	53.2	74.5	85.8	94.3	96.0	Revenue									
Goodwill and intangibles	4.2	7.9	9.0	9.7	10.3	Renewable Energy		16.1	17.1	22.9	30.4	37.8			
Right-of-use assets	2.6	1.3	1.3	1.3	1.3	Carbon abatement		14.6	17.3	19.9	21.6	24.6			
Other	10.3	10.9	10.9	10.9	10.9	Site infra, management and other		2.4	2.4	2.2	2.2	1.9			
Total assets	88.6	113.1	123.1	132.8	138.1	Total Revenue		33.3	36.8	44.9	54.2	64.3			
Trade and other payables	3.8	13.5	9.9	10.8	11.6										
Borrowings	24.7	33.9	41.4	41.4	33.9										
Lease liabilities	-	-	-	-	-										
Provisions	0.6	0.8	0.8	0.8	0.8										
Other	6.8	7.1	7.1	7.1	7.1										
Total liabilities	35.8	55.3	59.1	60.1	53.3										
Net Assets	52.8	57.8	64.0	72.7	84.7										
Share capital	32.2	32.4	32.4	32.4	32.4										
Other reserves	0.2	0.8	0.8	0.8	0.8										
Accumulated losses	20.4	24.6	30.8	39.5	51.6										
Total shareholders' equity	52.8	57.8	64.0	72.7	84.7										

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

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