

company note

2G Energy (2GB GY) | Utilities/Renewables

March 31, 2023

All targets confirmed

With EUR 313m and 7% the targets for FY 2022 sales (EUR 290 to 310 m) and EBIT margin (6-8%) were achieved. The targets for 2023 and 2024 have been confirmed: As announced last year, turnover is expected to increase further to EUR 310-350 m in 2023 and up to EUR 390 m in 2024. Then at a margin of 8.5 - 10 %. The 2023 sales target seems well achievable given an order backlog of EUR 177m and service sales of EUR 148m in FY 2022. The still relatively weak order intake is unpleasant, but does not particularly surprise us. Concerns about sufficient gas supplies are only slowly fading. We are confident that the gas price will continue to normalize (see our study "The gates are open for further expansion of renewables; electricity and gas prices likely to move downward" of January 9, 2023). Investment case unchanged: 2G's CHPs remain attractive because of the reliability of the (electricity) supply, the foreseeable shortage of power and heat generation capacity, the efficiency, the ability to convert to hydrogen at a later date, and the straightforward construction of the plants.

- C. 50 % of sales were generated for the first time from the sale of CHP systems abroad.
- The cost of materials ratio advanced by 2.4 percentage points in FY 2022 to 66.1 % mainly because price increases on the procurement markets could often only be passed on with a certain delay. The staff cost ratio dropped to 16.8 % in FY 2022 (FY 2021: 18.4 %) mainly due to further efficiency gains from the increasing implementation of industrial processes.

Fundamentals (in EUR m) ¹	2019	2020	2021	2022e	2023e	2024e
Sales	236	247	266	313	325	336
EBITDA	19	20	22	27	29	35
EBIT	16	17	18	22	24	31
EPS adj. (EUR)	0.58	0.67	0.70	0.82	0.91	1.15
DPS (EUR)	0.45	0.45	0.50	0.15	0.12	0.15
BVPS (EUR)	15.47	17.69	21.08	5.66	6.44	7.44
Net Debt incl. Provisions	-0	-6	-11	-13	-32	-52
Ratios ¹	2019	2020	2021	2022e	2023e	2024e
EV/EBITDA	2.6	4.6	4.8	15.3	12.3	9.7
EV/EBIT	3.2	5.6	5.8	18.5	14.7	11.0
P/E adj.	19.3	33.3	36.7	28.6	23.9	19.0
Dividend yield (%)	4.0	2.0	1.9	0.6	0.6	0.7
EBITDA margin (%)	8.2	8.2	8.3	8.5	9.0	10.4
EBIT margin (%)	6.6	6.7	6.8	7.0	7.5	9.1
Net debt/EBITDA	-0.0	-0.3	-0.5	-0.5	-1.1	-1.5
PBV	0.7	1.3	1.2	4.1	3.4	2.9

¹Sources: Bloomberg, Metzler Research, ²Sources: ISS ESG, Metzler Research

Buy



unchanged

Price*

EUR 21.75

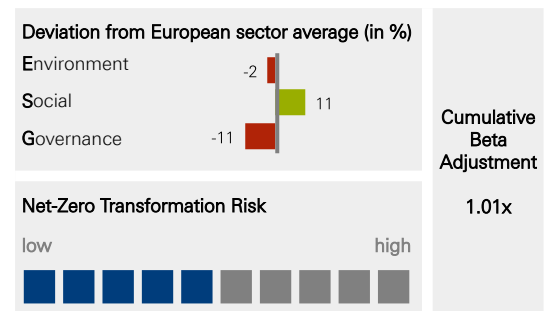
Price target

EUR 31.50 (unchanged)

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m) ¹	390
Enterprise Value (EUR m) ¹	358
Free Float (%) ¹	54.9

Metzler ESG analysis based on ISS ESG data²



Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	-3.5	-7.2	-29.2
Rel. to SDAX	-1.6	-15.7	-23.1
Changes in estimates (in %) ¹	2022e	2023e	2024e
Sales	4.2	3.5	0.0
EBIT	9.6	6.3	0.0
EPS	9.8	6.4	0.0

Sponsored Research



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company note

Key Data

Company profile

CEO: Christian Grotholt

CFO: Friedrich Pehle

Heek, Germany

2G Energy is one of the largest suppliers of decentralized midsized CHP plants in the world. The company was founded in 1995. In 2000, 2G began selling its plants abroad as well. Meanwhile, 2G has installed more than 6500 units in more than 50 countries.

Major shareholders

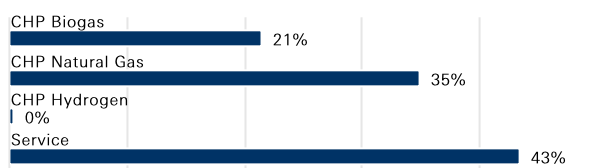
Christian Grotholt (29.6%), Ludger Gausling (15.5%)

Key figures

P&L (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Sales	236	12.7	247	4.4	266	8.0	313	17.4	325	4.0	336	3.4
EBITDA	19	23.5	20	4.9	22	8.3	27	21.4	29	9.0	35	19.6
EBITDA margin (%)	8.2	9.6	8.2	0.5	8.3	0.3	8.5	3.4	9.0	4.9	10.4	15.6
EBIT	16	33.0	17	6.4	18	8.4	22	21.9	24	10.5	31	25.9
EBIT margin (%)	6.6	18.0	6.7	2.0	6.8	0.5	7.0	3.9	7.5	6.3	9.1	21.8
Financial result	-0	31.2	-0	53.6	-0	-23.4	-0	-69.3	-0	0.0	-0	0.0
EBT	15	36.0	16	7.9	18	8.3	22	21.3	24	10.7	30	26.3
Taxes	5	37.2	5	-9.1	5	15.1	7	33.2	8	10.7	10	26.3
Tax rate (%)	32.6	n.a.	27.4	n.a.	29.2	n.a.	32.0	n.a.	32.0	n.a.	32.0	n.a.
Net income	10	35.4	12	16.1	13	5.7	15	16.5	16	10.7	21	26.3
Minority interests	-0	-108.8	0	100.0	-0	n.a.	0	100.0	0	n.a.	0	n.a.
Net Income after minorities	10	37.1	12	16.0	13	5.4	15	16.8	16	10.7	21	26.3
Number of shares outstanding (m)	4	0.0	4	0.0	4	1.2	18	300.0	18	0.0	18	0.0
EPS adj. (EUR)	0.58	37.1	0.67	16.0	0.70	4.1	0.82	16.8	0.91	10.7	1.15	26.3
DPS (EUR)	0.45	0.0	0.45	0.0	0.50	11.1	0.15	-70.0	0.12	-20.0	0.15	25.0
Dividend yield (%)	4.0	n.a.	2.0	n.a.	1.9	n.a.	0.6	n.a.	0.6	n.a.	0.7	n.a.
Cash Flow (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Gross Cash Flow	13	4.6	15	16.6	18	21.2	37	102.2	21	-43.0	25	17.4
Increase in working capital	11	n.a.	6	n.a.	9	n.a.	22	n.a.	-2	n.a.	-1	n.a.
Capital expenditures	6	-4.4	2	-63.0	2	-9.5	10	415.8	2	-79.6	3	50.0
D+A/Capex (%)	65.5	n.a.	174.5	n.a.	207.4	n.a.	48.0	n.a.	240.0	n.a.	140.0	n.a.
Free cash flow (Metzler definition)	-4	-253.2	7	298.1	7	-5.9	5	-28.6	21	321.9	23	8.0
Free cash flow yield (%)	-7.6	n.a.	7.5	n.a.	6.0	n.a.	1.2	n.a.	5.4	n.a.	5.8	n.a.
Dividend paid	2	7.1	2	0.0	2	0.0	2	12.5	3	20.0	2	-20.0
Free cash flow (post dividend)	-6	-96.6	5	194.7	5	-8.1	3	-44.9	18	567.5	21	12.1
Balance sheet (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Assets	141	12.9	147	4.0	170	15.8	184	8.4	203	10.1	227	11.8
Goodwill	3	-16.7	2	-14.3	3	41.2	3	-8.6	3	0.0	3	0.0
Shareholders' equity	69	11.3	78	14.3	95	20.7	101	7.3	115	13.8	133	15.6
Equity/total assets (%)	48.6	n.a.	53.4	n.a.	55.7	n.a.	55.2	n.a.	57.0	n.a.	58.9	n.a.
Net Debt incl. Provisions	-0	97.6	-6	n.m.	-11	-89.5	-13	-26.0	-32	-137.8	-52	-64.9
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	-0.2	n.a.	-7.1	n.a.	-11.2	n.a.	-13.2	n.a.	-27.5	n.a.	-39.2	n.a.
Net debt/EBITDA	-0.0	n.a.	-0.3	n.a.	-0.5	n.a.	-0.5	n.a.	-1.1	n.a.	-1.5	n.a.

Structure

Sales by activity and fuel configuration 2021



ESG discussion

When biogas is burned, discussions arise regarding the conflict of energy production and nutrition. Natural gas as an energy source is not CO₂ free and is also controversial. 2G's plants can be converted to hydrogen. The company has no specific target to reduce its carbon emissions but takes measures to reduce its environmental footprint, whose efficiency is reflected in decreasing energy and greenhouse gas emission intensities. Regarding the governance of sustainability, no committee seems to be in charge of sustainability issues and ESG performance does not seem part of the executive compensation scheme. The company has a code of conduct covering relevant issues such as corruption, insider dealings and conflicts of interest.

Sources: Bloomberg, Metzler Research

Disclosures

Recommendation history

Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): 2G Energy (DE000A0HL8N9)					
26.01.2023	Buy	Buy	25.45 EUR	31.50 EUR	Hoymann, Guido
21.11.2022	Buy	Buy	24.00 EUR	31.50 EUR	Hoymann, Guido
20.10.2022	Buy	Buy	21.35 EUR	31.50 EUR	Hoymann, Guido
06.09.2022	Buy	Buy	23.40 EUR	33.50 EUR	Hoymann, Guido
08.07.2022	Buy	Buy	22.45 EUR	33.50 EUR	Hoymann, Guido
19.05.2022	Buy	Buy	26.00 EUR	134.00 EUR	Hoymann, Guido
04.04.2022	Buy	Buy	31.70 EUR	134.00 EUR	Hoymann, Guido

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

** XETRA trading price at the close of the previous day unless stated otherwise herein

*** All authors are financial analysts

2G Energy

13. Metzler, a company affiliated with Metzler and/or a person that has worked on compiling this report has reached an agreement with the issuer relating to the production of investment recommendations.

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