2G Energy

(Scale All Share (Ref.), Renewables, 2GB GR)

WARBURG RESEARCH

Buy

EUR 39.00

Price	EUR 25.85
Upside	**50.9 %**

Value Indicators:	EUR
DCF:	38.92
Peer group 2025e:	40.50

Warburg ESG Risk Score:	**3.2**
ESG Score (MSCI based):	3.0
Balance Sheet Score:	5.0
Market Liquidity Score:	1.5

Description:

Leading international manufacturer of combined heat and power plants and large heat pumps

Market Snapshot:	EUR m
Market cap:	463.7
No. of shares (m):	17.9
EV:	454.5
Freefloat MC:	254.6
Ø Trad. Vol. (30d):	452.33 th

Shareholders:	
Freefloat	54.91 %
Christian Grotholt, CEO	29.64 %
Ludger Gausling	15.45 %

Key Figures (WRe):	2024e
Beta:	1.2
Price / Book:	3.2 x
Equity Ratio:	56 %

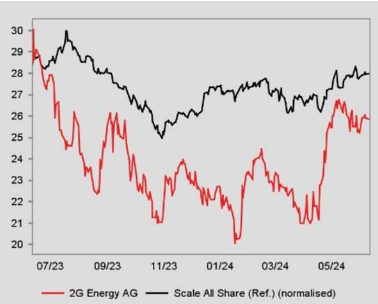
Margin enhancement underpins structural growth case

Meeting Highlights

- 2G Energy is observing healthy demand for its products, especially in the US market, which is showing a steep recovery after the successful implementation of the IRA requirements. The management is currently exploring options to expand its international footprint and establish a stronger international sales organisation.
- The implemented internal measures („Lead to Lean"), which were previously overshadowed by rampant input costs, are now becoming visible in the EBIT margin. Now, as price increases offset cost inflation, the improved operating margin is becoming visible in the P&L.
- With its expanded product portfolio, 2G is poised to profit from accelerating demand for local, low-carbon emissions heating and power solutions in industrial applications and the real-estate sector (local heating).
- In the future, 2G aims to extend its product portfolio even further and introduce a demand response engine for the US market as well as offering a fully integrated solution with different components ("Green Cube"), highlighting 2G Energy´s core competence in planning and projecting complex energy solution systems.
- This year´s margin and revenue generation will be back-end loaded, though the order book is sufficient to match the guidance.

Conclusion

- 2G Energy is well set to profit from the structural growth for low-emission energy solutions and is able to bridge the gap between a fluctuating supply from renewable energy sources and the needs of different consumer groups. Its ability to plan and implement complex and fully integrated energy solutions should bolster demand and shape 2G Energy´s competitive edge.
- The margin development supports our investment case and should trigger a re-rating of the share as soon as markets apply a higher, sustainable margin level to the company.



Rel. Performance vs Scale All Share	
1 month:	-5.3 %
6 months:	8.0 %
Year to date:	11.7 %
Trailing 12 months:	-5.0 %

Company events:	
05.09.24	Q2
25.11.24	Q3

FY End: 31.12. in EUR m	CAGR (23-26e)	2020	2021	2022	2023	2024e	2025e	2026e
Sales	9.1 %	246.7	266.3	312.6	365.1	404.1	446.5	473.9
Change Sales yoy		4.4 %	8.0 %	17.4 %	16.8 %	10.7 %	10.5 %	6.1 %
Gross profit margin		*35.2 %*	*36.7 %*	*36.7 %*	*36.4 %*	*39.0 %*	*40.9 %*	*41.7 %*
EBITDA	20.8 %	20.3	22.0	28.7	34.6	43.4	54.4	61.0
Margin		*8.2 %*	*8.3 %*	*9.2 %*	*9.5 %*	*10.7 %*	*12.2 %*	*12.9 %*
EBIT	24.6 %	16.6	18.0	24.0	27.9	37.3	47.9	54.1
Margin		*6.7 %*	*6.8 %*	*7.7 %*	*7.7 %*	*9.2 %*	*10.7 %*	*11.4 %*
Net income	27.6 %	12.0	12.6	16.4	18.0	25.7	33.0	37.4
EPS	27.9 %	0.67	0.70	0.91	1.00	1.43	1.84	2.09
EPS adj.	27.9 %	0.67	0.70	0.91	1.00	1.43	1.84	2.09
DPS	19.5 %	0.45	0.50	0.14	0.17	0.20	0.26	0.29
Dividend Yield		2.9 %	2.1 %	0.6 %	0.7 %	0.8 %	1.0 %	1.1 %
FCFPS		0.39	0.22	-0.25	0.20	0.45	0.99	1.50
FCF / Market cap		2.5 %	0.9 %	-1.0 %	0.8 %	1.7 %	3.8 %	5.8 %
EV / Sales		1.1 x	1.6 x	1.4 x	1.2 x	1.1 x	1.0 x	0.9 x
EV / EBITDA		13.2 x	18.8 x	15.4 x	12.4 x	10.5 x	8.1 x	6.9 x
EV / EBIT		16.1 x	22.9 x	18.4 x	15.3 x	12.2 x	9.2 x	7.7 x
P / E		22.8 x	34.1 x	27.5 x	24.1 x	18.1 x	14.0 x	12.4 x
P / E adj.		22.8 x	34.1 x	27.5 x	24.1 x	18.1 x	14.0 x	12.4 x
FCF Potential Yield		5.9 %	4.1 %	4.9 %	5.9 %	7.1 %	9.1 %	10.7 %
Net Debt		-5.6	-14.6	-7.1	-4.3	-9.2	-23.4	-45.7
ROCE (NOPAT)		17.1 %	16.7 %	18.4 %	16.7 %	20.3 %	23.1 %	24.0 %
Guidance:	2024: Sales: EUR 360-390m; EBIT-margin: 8.5-10%							

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