

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

September 05, 2024

Profitable growth continues

The company had already announced some details on H1 sales and the current order backlog at the end of August. At that time, it also slightly raised the lower end of the FY 2025 sales guidance range. At EUR 7.4.m, H1 EBITDA was up 12% Y-o-y, as was the EBITDA margin at 5.6% (H1 2023: 4.8%). The EBIT margin rose from 3.0 to 3.1%. The cost of materials ratio declined from 68% to 62% mainly on the back of the reduction of temp and contract workers. Personnel expenses rose by 11.1% due to the expansion of the own workforce with a focus on sales. H1 orderintake was up by 20.3% y-o-y; Germany's performance was below average at +10%, but it was still able to report positive growth again, while Italy, Eastern Europe and the USA showed strong growth. In contrast, France, the UK, Japan and the Rest of Asia and Australia were weak. The foreign share of orders rose from 50.5% to 54.6% in H1. The sales target for 2024 of EUR 360 m to EUR 390 m and the new target for 2025 of EUR 410 m to EUR 450 m, each with an EBIT margin of between 8.5% and 10%, were confirmed. The now normalized gas price level, the reliability of CHP plants in the (electricity) supply, the foreseeable shortage of electricity and heat generation capacities after coal and nuclear phase-outs, the dispatchability of CHP plants, their high efficiency, the possibility of a later conversion to H2 and the relatively simple and fast construction of the plants are the main arguments for 2G's products. Product variations and additions such as large heat pumps for municipal heating concepts or the demand response unit for covering peak loads underline the company's deep understanding of the needs arising from the conversion processes of energy supply concepts worldwide and round off the product portfolio.

Fundamentals (in EUR m) ¹	2021	2022	2023	2024e	2025e	2026e
Sales	266	313	365	375	422	452
EBITDA	22	29	35	38	43	48
EBIT	18	24	28	34	39	44
EPS adj. (EUR)	0.70	0.91	1.00	1.28	1.47	1.65
DPS (EUR)	0.50	0.14	0.17	0.18	0.20	0.20
BVPS (EUR)	21.08	6.06	6.91	7.44	7.86	8.25
Net Debt incl. Provisions	-11	-7	-4	-18	-37	-61
Ratios ¹	2021	2022	2023	2024e	2025e	2026e
EV/EBITDA	4.8	14.5	11.7	9.1	7.6	6.4
EV/EBIT	5.8	17.3	14.5	10.3	8.5	7.0
P/E adj.	36.7	25.7	22.7	16.0	14.0	12.4
Dividend yield (%)	1.9	0.6	0.7	0.9	1.0	1.0
EBITDA margin (%)	8.3	9.1	9.5	10.2	10.3	10.6
EBIT margin (%)	6.8	7.6	7.6	9.1	9.3	9.7
Net debt/EBITDA	-0.5	-0.2	-0.1	-0.5	-0.9	-1.3
PBV	1.2	3.9	3.3	2.8	2.6	2.5

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

Buy



unchanged

Price*

EUR 20.50

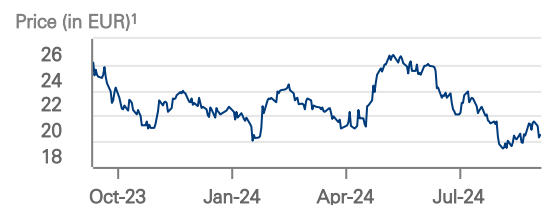
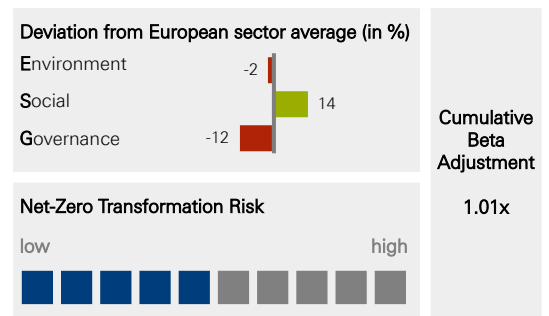
Price target

EUR 31.90 (unchanged)

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

Market Cap (EUR m) ¹	368
Enterprise Value (EUR m) ¹	350
Free Float (%) ¹	54.9

Metzler ESG analysis based on ISS ESG data²



Performance (in %) ¹	1m	3m	12m
Share	5.5	-21.0	-20.1
Rel. to SDAX	3.4	-11.6	-22.4

Changes in estimates (in %) ¹	2024e	2025e	2026e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

Sponsored Research

Utilities/Renewables Research Team

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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

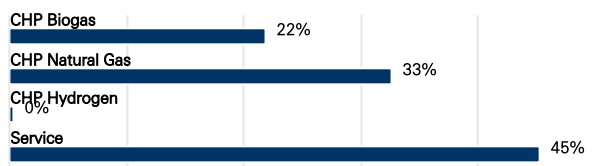
Christian Grotholt (29.6%), Ludger Gausing (15.5%)

Key figures

P&L (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Sales	266	8.0	313	17.4	365	16.8	375	2.7	422	12.5	452	7.1
EBITDA	22	8.3	29	30.0	35	20.7	38	10.9	43	13.3	48	10.9
EBITDA margin (%)	8.3	0.3	9.1	10.8	9.5	3.4	10.2	8.0	10.3	0.7	10.6	3.5
EBIT	18	8.4	24	32.3	28	16.6	34	22.4	39	14.6	44	12.1
EBIT margin (%)	6.8	0.5	7.6	12.8	7.6	-0.1	9.1	19.2	9.3	1.8	9.7	4.6
Financial result	-0	-23.4	-0	-45.1	-1	-86.7	-0	37.5	-0	0.0	-0	0.0
EBT	18	8.3	24	32.2	27	15.7	34	23.6	39	14.8	43	12.2
Taxes	5	15.1	7	38.8	9	28.8	11	16.1	12	14.8	14	12.2
Tax rate (%)	29.2	n.a.	30.6	n.a.	34.1	n.a.	32.0	n.a.	32.0	n.a.	32.0	n.a.
Net income	13	5.7	16	29.5	18	9.9	23	27.5	26	14.8	30	12.2
Minority interests	-0	n.a.	-0	59.6	0	385.7	0	-100.0	0	n.a.	0	n.a.
Net Income after minorities	13	5.4	16	29.9	18	9.6	23	27.8	26	14.8	30	12.2
Number of shares outstanding (m)	4	1.2	18	300.0	18	0.0	18	0.0	18	0.0	18	0.0
EPS adj. (EUR)	0.70	4.1	0.91	29.9	1.00	9.6	1.28	27.8	1.47	14.8	1.65	12.2
DPS (EUR)	0.50	11.1	0.14	-72.0	0.17	21.4	0.18	5.9	0.20	11.1	0.20	0.0
Dividend yield (%)	1.9	n.a.	0.6	n.a.	0.7	n.a.	0.9	n.a.	1.0	n.a.	1.0	n.a.
Cash Flow (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Gross Cash Flow	18	21.2	27	45.4	28	5.6	27	-3.4	31	12.8	34	10.5
Increase in working capital	9	n.a.	22	n.a.	16	n.a.	5	n.a.	4	n.a.	3	n.a.
Capital expenditures	2	-9.5	10	415.8	11	16.3	5	-56.1	4	-20.0	4	0.0
D+A/Capex (%)	207.4	n.a.	48.0	n.a.	58.4	n.a.	84.0	n.a.	107.5	n.a.	107.5	n.a.
Free cash flow (Metzler definition)	7	-5.9	-5	-170.6	0	108.1	17	n.m.	23	32.0	27	18.6
Free cash flow yield (%)	6.0	n.a.	-1.2	n.a.	0.1	n.a.	4.7	n.a.	6.2	n.a.	7.3	n.a.
Dividend paid	2	0.0	2	12.5	3	12.0	3	21.4	3	5.9	4	11.1
Free cash flow (post dividend)	5	-8.1	-7	-243.5	-2	70.6	14	767.5	19	37.7	23	19.8
Balance sheet (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Assets	170	15.8	212	24.7	227	7.5	227	-0.4	234	3.3	241	3.0
Goodwill	3	41.2	3	-8.6	7	128.8	3	-56.3	3	0.0	3	0.0
Shareholders' equity	95	20.7	109	14.9	124	14.2	133	7.6	141	5.6	148	5.0
Equity/total assets (%)	55.7	n.a.	51.3	n.a.	54.5	n.a.	58.9	n.a.	60.2	n.a.	61.4	n.a.
Net Debt incl. Provisions	-11	-89.5	-7	34.0	-4	42.9	-18	-352.4	-37	-107.2	-61	-62.0
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	-11.2	n.a.	-6.4	n.a.	-3.2	n.a.	-13.6	n.a.	-26.6	n.a.	-41.1	n.a.
Net debt/EBITDA	-0.5	n.a.	-0.2	n.a.	-0.1	n.a.	-0.5	n.a.	-0.9	n.a.	-1.3	n.a.

Structure

Sales by activity and fuel configuration 2023



Sources: Bloomberg, Metzler Research

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.

company note

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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)					
22.08.2024	Buy	Buy	19.88 EUR	31.90 EUR	Hoymann, Guido
23.05.2024	Buy	Buy	26.05 EUR	31.90 EUR	Hoymann, Guido
11.04.2024	Buy	Buy	21.20 EUR	31.90 EUR	Hoymann, Guido
26.01.2024	Buy	Buy	22.75 EUR	31.90 EUR	Hoymann, Guido
27.11.2023	Buy	Buy	23.75 EUR	31.50 EUR	Hoymann, Guido
08.09.2023	Buy	Buy	24.30 EUR	31.50 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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