

2G Energy AG

Germany / Cleantech
 Primary exchange: Frankfurt
 Bloomberg: 2GB GR
 ISIN: DE000A0HL8N9

Update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 34.00

66.3%
 Medium

RECORD ORDER BACKLOG BODES WELL FOR 2025

2G Energy reported a record order backlog of around €221m at the end of August and subsequently raised the lower end of sales guidance for 2025 from €390m to €410m. We continue to expect 2G to generate sales of €443m in 2025 and see the record order backlog as a very good basis for our forecast. At €1312m, sales in H1/24 were 3% below the previous year's figure and 5% below our forecast. This was due to project delays on the customer side, which led to later call orders for 2G CHP systems. As these project delays are likely to continue in H2, we have lowered our forecast for 2024 slightly. An updated DCF model yields an unchanged €34 price target. After the share price decline in recent months, the company is attractively valued for a growth stock with a 2025E P/E ratio of 12. We recommend that investors take advantage of the low price level to Buy the share.

Record order backlog With an order backlog of around €221m, 2G has again reached the old record level from June 2022. At the end of 2023, the order backlog was still at €156m. We assume a new installations business of €235m for 2025. The current order backlog thus corresponds to 94% of our New Plants segment forecast.

Lower guidance end for 2025 raised The high order backlog has prompted management to raise the lower end of 2025 guidance from €390m to €410m (see figure 1 overleaf). The upper end remains at €450m. We consider our 2025E sales forecast of €443m to be very well supported by the record order backlog.

Guidance for 2024 confirmed 2G continues to expect sales of up to €390m in 2024 with an EBIT margin of 8.5% to 10.0%.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024E	2025E	2026E
Revenue (€m)	266.3	312.6	365.1	381.7	443.5	510.0
Y-o-y growth	8.0%	17.4%	16.8%	4.6%	16.2%	15.0%
EBIT (€m)	17.9	22.0	27.6	32.4	43.4	51.1
EBIT margin	6.7%	7.0%	7.6%	8.5%	9.8%	10.0%
Net income (€m)	12.6	16.4	17.9	21.9	29.5	34.8
EPS (diluted) (€)	0.77	0.91	1.00	1.22	1.64	1.94
DPS (€)	0.13	0.14	0.17	0.22	0.26	0.31
FCF (€m)	4.0	-4.4	3.6	13.6	10.1	14.9
Net gearing	-15.5%	-6.6%	-3.4%	-10.4%	-12.5%	-15.7%
Liquid assets (€m)	19.9	13.5	12.6	23.1	29.3	39.6

RISKS

The main risks include project delays, internationalisation, high natural gas prices in combination with low electricity prices.

COMPANY PROFILE

2G Energy AG is a leading producer of combined heat and power (CHP) plants and produces large heat pumps. The company offers a wide product range of CHP and HP plants (CHP: 20 kW to 4.5 MW, HP: 100 kW - 2.6 MW). 2G has a global distribution network and is headquartered in Heek, Germany.

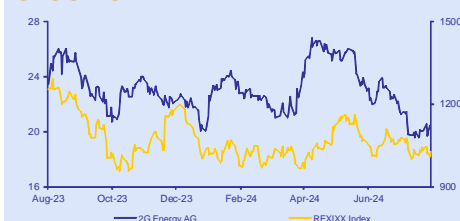
MARKET DATA

As of 23 Aug 2024

Closing Price	€ 20.45
Shares outstanding	17.94m
Market Capitalisation	€ 366.87m
52-week Range	€ 19.52 / 26.75
Avg. Volume (12 Months)	21,019

Multiples	2023	2024E	2025E
P/E	20.4	16.8	12.5
EV/Sales	1.0	1.0	0.8
EV/EBIT	13.2	11.2	8.4
Div. Yield	0.8%	1.1%	1.3%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2023

Liquid Assets	€ 12.57m
Current Assets	€ 188.71m
Intangible Assets	€ 10.26m
Total Assets	€ 227.45m
Current Liabilities	€ 73.45m
Shareholders' Equity	€ 123.99m

SHAREHOLDERS

Christian Grotholt	29.6%
Ludger Gausling	15.5%
Free Float	54.9%

Figure 1: Guidance for 2024 & 2025

Figures in €m	2024E	FBe	2025E new	2025E old	FBe
Revenue	up to 390	381.7	410 - 450	390 - 450	443.5
EBIT margin	8.5% - 10.0%	8.5%	n.a.	n.a.	9.8%

Source: First Berlin Equity Research, 2G Energy AG

Weaker half-year sales At €131.2m, H1 sales fell 3% short of the previous year's figure and were 5% below our forecast of €138.5m. The reason for the decline in sales lies in project delays on the customer side, which lead to later call orders for 2G CHP systems. Overall, 2G has observed that projects are taking longer, as customers are struggling with several bottlenecks, particularly in Germany (grid connection approvals, shortage of skilled labour, transformers). This explains the 7% decline in sales in Germany, while international business increased by 2% (see figure 2). This increase is due in particular to a doubling of business with the 'Rest of the World' region. Sales there increased from €5.7m to €11.5m.

Figure 2: Geographic sales split

All figures in €m	H1/24	H1/23	Delta
Domestic sales	78.3	83.8	-7%
Foreign sales	52.9	51.7	2%
Total sales	131.2	135.5	-3%

Source: First Berlin Equity Research, 2G Energy AG

In terms of segment sales development, the delay in CHP plant deliveries had a negative impact on sales in the New Plants segment (-9% y/y), while the service business grew by 2% (see figure 3).

Figure 3: Segment sales split

All figures in €m	H1/24	H1/23	Delta
Sales New Plants	53.2	58.7	-9%
Sales Service	78.0	76.8	2%
Total sales	131.2	135.5	-3%

Source: First Berlin Equity Research, 2G Energy AG

EU wastewater directive boosts sales of sewage gas CHP units The directive on the treatment of municipal wastewater adopted by the EU Parliament in Q2/24 provides for the introduction of a fourth treatment stage for numerous wastewater treatment plants in Europe. This should increase their energy consumption by an average of 5% to 30%. In addition, the directive obliges wastewater management companies in all EU countries to become energy-neutral by 2045. Energy-neutral means that the wastewater treatment plants cover 100% of the energy required for the wastewater treatment process from their own production. For all wastewater treatment plants with a wastewater load of 10,000 PE (PE = population equivalent) or more, their energy consumption must be 100% renewable from 2045. Interim targets have been set for achieving this goal: 20% by the end of 2030, 40% by the end of 2035, and 70% by the end of 2040.

The amendment of the EU wastewater directive should encourage the use of CHP plants to utilise sewage gases. 2G therefore expects a steady increase in incoming orders for sewage gas CHP plants and recently won a first significant tender with explicit reference to the new EU directive in Southern Europe (order volume: ca. €5m).



Forecasts for 2024 lowered The project delays on the customer side, which burdened sales in H1, are also likely to slow down sales growth in the second half of the year. We have thus lowered our 2024 sales forecast by 4% to €382m and our EBIT margin assumption from 8.8% to 8.5% (see figure 4). At the same time, in view of the record order backlog, we are maintaining our estimates for 2025.

Figure 4: Revisions to forecasts

All figures in €m	2024E			2025E			2026E		
	new	old	delta	new	old	delta	new	old	delta
Sales	381.7	397.6	-4%	443.5	443.5	0%	510.0	510.0	0%
EBIT	32.4	35.0	-7%	43.4	43.4	0%	51.1	51.1	0%
EBIT margin	8.5%	8.8%	-	9.8%	9.8%	-	10.0%	10.0%	-
Net income	21.9	23.6	-7%	29.5	29.5	0%	34.8	34.8	0%
Net margin	5.7%	5.9%	-	6.6%	6.7%	-	6.8%	6.8%	-
EPS diluted (€)	1.22	1.32	-7%	1.64	1.64	0%	1.94	1.94	0%

Source: First Berlin Equity Research

Buy confirmed at unchanged price target 2G plans to grow by 10% per year plus inflation. Although this target is likely to be missed in the current year, the growth story remains intact in view of the record order backlog. As a growth stock, 2G is attractively valued at a 2025E P/E ratio of 12. Our DCF model yields an unchanged €34 price target. At the current price level, the share is therefore a clear Buy.



VALUATION MODEL

Figures in €m	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	381.70	443.49	510.01	566.11	622.72	684.99	746.64	813.84
Growth y/y	5%	16%	15%	11%	10%	10%	9%	9%
EBIT	32.43	43.43	51.09	56.61	62.27	68.50	74.66	81.38
EBIT margin	8.5%	9.8%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
NOPLAT	22.38	29.97	35.25	39.63	43.59	47.95	52.27	56.97
+ depreciation & amortis. (excl. GW)	5.39	5.88	6.61	7.36	8.72	10.27	11.20	12.21
= net operating cash flow	27.77	35.85	41.86	46.99	52.31	58.22	63.46	69.18
- total investments (Capex and WC)	-13.64	-25.20	-26.50	-17.80	-25.81	-27.71	-28.46	-31.02
<i>capital expenditure</i>	-8.40	-8.90	-9.40	-9.62	-9.96	-10.27	-11.20	-12.21
<i>working capital</i>	-5.24	-16.30	-17.10	-8.18	-15.85	-17.44	-17.26	-18.82
+/- others (incl. adj. on net int., provisions, etc)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
= Free cash flow (FCF)	14.13	10.65	15.36	29.19	26.49	30.51	35.00	38.15
PV of FCFs	13.71	9.46	12.49	21.71	18.03	19.00	19.94	19.89

€m	
PVs of FCFs explicit period (2024E-37E)	262.04
PVs of FCFs in terminal period	347.10
Enterprise Value (EV)	609.14
Net cash / (Net debt)	2.39
Minorities	0.02
Shareholder value	611.55
No. of shares outstanding (m)	17.94
Fair value per share (€)	34.09

Terminal growth	3.0%
Terminal EBIT margin	10.0%

WACC	9.3%
Cost of equity	9.6%
Pre-tax cost of debt	4.0%
Normal tax rate	30.0%
After-tax cost of debt	2.8%
Share of equity	95.0%
Share of debt	5.0%
Price Target (€)	34.00

WACC

Sensitivity analysis

	WACC	Terminal EBIT margin						Fair value per share (€)
		8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	
12.3%		16.75	18.16	19.58	21.00	22.41	23.83	25.25
11.3%		19.31	20.91	22.51	24.11	25.72	27.32	28.92
10.3%		22.62	24.46	26.30	28.14	29.98	31.82	33.66
9.3%		27.06	29.21	31.37	34.09	35.68	37.84	39.99
8.3%		33.26	35.85	38.44	41.03	43.63	46.22	48.81
7.3%		42.47	45.70	48.93	52.17	55.40	58.64	61.87
6.3%		57.44	61.71	65.98	70.25	74.52	78.79	83.06

* for layout purposes the model shows numbers only to 2031, but runs until 2037



INCOME STATEMENT

All figures in €m	2021	2022	2023	2024E	2025E	2026E
Revenues	266.3	312.6	365.1	381.7	443.5	510.0
Change in inventories	2.6	26.0	5.8	0.0	0.0	0.0
Own work	0.0	0.2	0.2	0.2	0.2	0.2
Total output	268.9	338.8	371.0	381.9	443.7	510.2
Material costs	-171.3	-224.1	-238.3	-240.5	-283.8	-331.5
Gross profit	97.7	114.7	132.7	141.4	159.9	178.7
Personnel expenses	-49.4	-57.0	-64.3	-69.1	-73.8	-80.0
Other operating income	3.4	4.4	3.1	4.6	5.3	6.1
Other operating expenses	-29.7	-35.3	-36.9	-39.0	-42.0	-47.0
EBITDA	21.9	26.6	34.3	37.8	49.3	57.7
Depreciation and amortisation	-3.9	-4.7	-6.7	-5.4	-5.9	-6.6
Operating income (EBIT)	17.9	22.0	27.6	32.4	43.4	51.1
Net financial result	-0.2	-0.4	-0.6	-0.7	-0.7	-0.7
Income before taxes & minority interests	17.7	23.5	27.1	31.7	42.7	50.4
Other income / expenses	0.0	1.9	0.0	0.0	0.0	0.0
Income taxes	-5.1	-7.1	-9.1	-9.8	-13.2	-15.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net income / loss	12.6	16.4	17.9	21.9	29.5	34.8
EPS in €	0.77	0.91	1.00	1.22	1.64	1.94
Diluted EPS (in €)	0.77	0.91	1.00	1.22	1.64	1.94
Ratios						
Gross margin (gross profit / total output)	36.3%	33.9%	35.8%	37.0%	36.0%	35.0%
EBITDA margin (EBITDA / revenue)	8.2%	8.5%	9.4%	9.9%	11.1%	11.3%
EBIT margin (EBIT / revenue)	6.7%	7.0%	7.6%	8.5%	9.8%	10.0%
Net income margin	4.7%	5.2%	4.9%	5.7%	6.6%	6.8%
Tax rate	28.7%	30.2%	33.6%	31.0%	31.0%	31.0%
Expenses as % of revenues						
Personnel expenses	18.5%	18.2%	17.6%	18.1%	16.6%	15.7%
Other operating expenses	11.2%	11.3%	10.1%	10.2%	9.5%	9.2%
Depreciation and amortisation	1.5%	1.5%	1.8%	1.4%	1.3%	1.3%
Y/Y growth						
Revenues	8.0%	17.4%	16.8%	4.6%	16.2%	15.0%
Operating income	9.1%	22.5%	25.9%	17.3%	33.9%	17.6%
Net income / loss	5.3%	30.0%	9.5%	21.9%	34.7%	18.0%



BALANCE SHEET

All figures in €m	2021	2022	2023	2024E	2025E	2026E
Assets						
Current assets, total	142.6	179.7	188.7	209.1	234.9	266.7
Cash and cash equivalents	19.9	13.5	12.6	23.1	29.3	39.6
Trade accounts and notes receivables	43.4	57.1	58.6	65.9	75.3	86.6
Inventories	72.2	102.6	109.8	112.3	123.2	134.2
Other current assets	7.1	6.5	7.8	7.8	7.1	6.4
Non-current assets, total	27.1	31.9	38.7	41.7	44.8	47.6
Property, plant and equipment	22.6	26.8	28.4	32.0	35.6	39.0
Goodwill + intangible assets	4.5	5.0	10.3	9.7	9.1	8.5
Financial assets	0.0	0.1	0.1	0.1	0.1	0.1
Total assets	169.7	211.6	227.5	250.9	279.7	314.3
Shareholders' equity & debt						
Liabilities, total	75.2	103.0	103.4	108.1	111.4	115.9
Interest bearing debt	5.3	6.3	8.3	8.3	8.3	8.3
Trade accounts payable	11.5	20.5	17.1	21.7	25.7	30.9
Provisions	17.7	21.4	24.4	24.4	24.4	24.4
Other current liabilities	40.7	54.7	53.6	53.6	52.9	52.2
Shareholders equity, total	94.5	108.6	124.0	142.8	168.3	198.5
Share capital*	4.5	17.9	17.9	17.9	17.9	17.9
Capital reserve	16.4	3.0	3.0	3.0	3.0	3.0
Losses carried forward / retained earnings	74.3	88.5	103.9	122.7	148.2	178.4
Other reserves	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8
Minority interests	-0.1	0.0	0.0	0.0	0.0	0.0
Total consolidated equity and debt	169.7	211.6	227.5	250.9	279.7	314.3
*2022: share split						
Ratios						
Current ratio (x)	2.6	2.3	2.6	2.7	2.9	3.1
Equity ratio (as %)	55.7%	51.3%	54.5%	56.9%	60.2%	63.1%
Net gearing (as %)	-15.5%	-6.6%	-3.4%	-10.4%	-12.5%	-15.7%
Equity per share (in €)	21.1	6.1	6.9	8.0	9.4	11.1
Net debt	-14.6	-7.1	-4.3	-14.8	-21.0	-31.2
Interest coverage ratio (x)	87	72	49	44	59	73
Av. working capital/sales	25.4%	26.7%	28.2%	29.9%	28.2%	27.8%
Return on equity (ROE)	13.3%	15.1%	14.5%	15.3%	17.5%	17.5%
Return on capital employed (ROCE)	16.7%	17.3%	18.9%	19.5%	23.1%	23.6%
Days of inventory turnover	99	120	110	107	101	96
Days sales outstanding (DSO)	59	67	59	63	62	62
Days payables outstanding (DPO)	24	33	26	33	33	34



CASH FLOW STATEMENT

All figures in €m	2021	2022	2023	2024E	2025E	2026E
Net income	12.6	16.4	18.0	21.9	29.5	34.8
+ Depreciation and amortisation	3.9	4.7	6.7	5.4	5.9	6.6
- Investment in working capital	-6.4	-21.7	-16.3	-5.2	-16.3	-17.1
+/- Others (prov., non cash expenses, interest, etc.)	-1.3	5.7	3.4	0.0	0.0	0.0
Operating cash flow	8.9	5.0	11.7	22.0	19.0	24.3
- CAPEX	-4.9	-9.4	-8.2	-8.4	-8.9	-9.4
Free cash flow	4.0	-4.4	3.6	13.6	10.1	14.9
Acquisitions	-1.2	-0.3	-3.5	0.0	0.0	0.0
Financial investments	0.9	-0.1	0.0	0.0	0.0	0.0
Disposals	3.3	0.0	0.2	0.0	0.0	0.0
Investment cash flow	-1.8	-9.7	-11.4	-8.4	-8.9	-9.4
Change in financial liabilities	-1.3	1.0	1.9	0.0	0.0	0.0
Dividends paid	-2.0	-2.2	-2.5	-3.0	-3.9	-4.7
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	5.3	0.0	0.0	0.0	0.0	0.0
Others	-0.3	-0.4	-0.6	0.0	0.0	0.0
Financial cash flow	1.6	-1.6	-1.2	-3.0	-3.9	-4.7
Change in cash	8.6	-6.4	-0.9	10.6	6.2	10.2
Exchange rate-related changes	0.1	-0.3	-0.1	0.0	0.0	0.0
Cash, start of the year	10.5	19.7	13.3	12.5	23.1	29.3
Cash, end of the year	19.7	13.3	12.5	23.1	29.3	39.6
Free cash flow per share in €	0.89	-0.24	0.20	0.76	0.57	0.83
Y/Y growth						
Operating cash flow	-	-43.8%	135.4%	87.8%	-13.5%	27.5%
Free cash flow	-	n.a.	n.a.	282.2%	-25.6%	46.7%
Financial cash flow	-	n.a.	-24.9%	151.6%	29.4%	18.2%
Free cash flow per share	-	n.a.	n.a.	282.2%	-25.6%	46.7%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	26 November 2010	€3.30	Buy	€4.50
2...89	↓	↓	↓	↓
90	24 August 2023	€22.45	Buy	€33.00
91	13 September 2023	€25.00	Buy	€34.00
92	4 December 2023	€23.15	Buy	€34.00
93	26 January 2024	€22.60	Buy	€34.00
94	29 February 2024	€22.40	Buy	€34.00
95	12 April 2024	€22.50	Buy	€34.00
96	29 April 2024	€25.10	Buy	€34.00
97	24 May 2024	€25.90	Buy	€34.00
98	Today	€20.45	Buy	€34.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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