

2G Energy AG

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

Update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 34.00

70.3%
 Medium

2025 WILL BE A VERY STRONG YEAR FOR 2G

2G Energy's order intake almost doubled to €80m in Q3 compared to the prior year quarter. The order backlog thus reached a record level of well over €230m (>+18% y/y), which will ensure full capacity utilisation far into the second half of 2025. This has prompted 2G to increase 2025 revenue guidance. Instead of at least €410m, management now expects at least €430m. This means that 2025 is likely to be the strongest year for sales and earnings in the company's history. We confirm our forecasts for 2025E (sales: €443m) and reiterate our Buy recommendation with an unchanged €34 price target. With a 2025E P/E ratio of 12x, we consider 2G to be very attractively valued for a growth stock.

Very strong order intake in Q3 2G recorded a very high order intake of €80.4m in the third quarter, which corresponds to an increase of 91% compared to the previous year's quarter. The high order intake is attributable to sales successes abroad. In particular, the rest of Europe (approx. +600% to €41.9m) and North / Central America (approx. +650% to €10.5m) stand out.

Record order backlog At more than €230m, 2G's order backlog reached a new record level at the end of September. This represents an increase of more than 18% y/y.

Sales guidance increased 2G now expects sales of between €430m and €450m in 2025. The company previously anticipated sales of between €410m and €450m. Management has thus increased the lower end of guidance by 5% (see figure 1 overleaf).

Large individual order from the US A US nursing home chain has commissioned 2G to supply 32 hydrogen-capable CHP systems. As the substantial advance payment for the US order was only partially received in the third quarter, only around 60% of it is included in the Q3 figures. The remaining 40% will be received in October. (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 09 Oct 2024

Closing Price	€ 19.96
Shares outstanding	17.94m
Market Capitalisation	€ 358.08m
52-week Range	€ 19.06 / 26.75
Avg. Volume (12 Months)	20,883

Multiples	2023	2024E	2025E
P/E	19.9	16.4	12.2
EV/Sales	1.0	0.9	0.8
EV/EBIT	12.9	11.0	8.2
Div. Yield	0.9%	1.1%	1.3%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2024

Liquid Assets	€ 11.08m
Current Assets	€ 189.88m
Intangible Assets	€ 10.30m
Total Assets	€ 232.74m
Current Liabilities	€ 79.49m
Shareholders' Equity	€ 123.82m

SHAREHOLDERS

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



Strong order intake also in October As the tender recently won in Southern Europe for the delivery of 17 sewage gas CHP plants worth around €5m is also not yet included in the order backlog for the first nine months, the order intake for October 2024 will significantly exceed the previous year's figure.

Figure 1: Sales guidance increase

Figures in €m	2025E new	2025E old
Revenue	430 - 450	410 - 450

Source: First Berlin Equity Research, 2G Energy AG

Forecast for 2025 confirmed after guidance increase We are maintaining our sales estimate of €443m and are thus forecasting a strong growth spurt for next year (+16% Y/Y). The higher sales should result in economies of scale and drive the EBIT margin further upwards. We forecast an EBIT margin of 9.8% for 2025E after 8.5% in 2024E.

Buy recommendation and price target reiterated An updated DCF model yields an unchanged €34 price target. We believe that the 2G stock is significantly undervalued at the current price level (upside potential to price target: ca. 70%). The 2025E P/E ratio of 12x also indicates an attractive valuation for a growth stock.



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	-23.46	-26.38	-28.33	-29.08	-31.70
<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	-13.84	-16.42	-18.06	-17.88	-19.49
+/- 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	23.53	25.93	29.89	34.39	37.48
PV of FCFs	13.92	9.60	12.67	17.76	17.90	18.89	19.88	19.83

€m	
PVs of FCFs explicit period (2024E-37E)	258.94
PVs of FCFs in terminal period	350.62
Enterprise Value (EV)	609.55
Net cash / (Net debt)	2.39
Minorities	0.02
Shareholder value	611.97
No. of shares outstanding (m)	17.94
Fair value per share (€)	34.11

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

Sensitivity analysis

WACC		Terminal EBIT margin						Fair value per share (€)
		8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	
12.3%		16.68	18.13	19.57	21.02	22.46	23.91	25.35
11.3%		19.24	20.87	22.50	24.13	25.77	27.40	29.03
10.3%		22.55	24.42	26.29	28.16	30.03	31.90	33.77
9.3%		26.98	29.17	31.35	34.11	35.73	37.92	40.11
8.3%		33.17	35.80	38.42	41.05	43.68	46.30	48.93
7.3%		42.37	45.64	48.91	52.19	55.46	58.73	62.00
6.3%		57.32	61.64	65.95	70.27	74.58	78.89	83.21

* 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	-72.1	-75.8	-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	-36.0	-40.0	-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%	18.9%	17.1%	15.7%
Other operating expenses	11.2%	11.3%	10.1%	9.4%	9.0%	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

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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...91	↓	↓	↓	↓
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	26 August 2024	€20.45	Buy	€34.00
99	10 September 2024	€19.58	Buy	€34.00
100	Today	€19.96	Buy	€34.00

INVESTMENT HORIZON

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

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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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