

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

November 19, 2024

Marked sales acceleration in Q3

After sales were still down 3% in H1 2024 and the margin increased only slightly, sales in the third quarter now rose by 11% y-o-y; the EBIT margin rose from 5.2% to 5.7%. After a very strong order intake in the third quarter (+91% y-o-y), as previously reported, the company reports that order intake remained strong in the first half of the fourth quarter, particularly outside Western Europe. According to the company, the cost of materials continues its normalisation trend, and 2G Energy is increasingly succeeding in restoring the traditional ratio of input prices to its own list prices. 2G Energy also states that it sees only little impact on its business there from potential tariffs in the US; the advantages of (low) operating costs would continue to more than offset an increase in purchase prices; furthermore, there are no competitors in the performance classes relevant for 2G Energy that have so far produced locally. From our point of view, the main arguments in favour of 2G Energy's products are the expected strong increase in demand for electricity, the now normalized gas price level, the reliability of CHP plants in (electricity) supply, the phase-out of coal-fired power generation in many countries, the flexible deployability of CHP plants, their high efficiency, the possibility of a later conversion to H2 and the relatively simple and quick construction of the plants. Product variations and additions such as large heat pumps for municipal heating concepts or the demand response unit for covering peak loads underscore 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	440	468
EBITDA	22	29	35	38	44	49
EBIT	18	24	28	34	40	45
EPS adj. (EUR)	0.70	0.91	1.00	1.28	1.50	1.68
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	-38	-62
Ratios ¹	2021	2022	2023	2024e	2025e	2026e
EV/EBITDA	4.8	14.5	11.7	9.3	7.6	6.4
EV/EBIT	5.8	17.3	14.5	10.5	8.4	7.0
P/E adj.	36.7	25.7	22.7	16.4	13.9	12.5
Dividend yield (%)	1.9	0.6	0.7	0.9	1.0	1.0
EBITDA margin (%)	8.3	9.1	9.5	10.2	10.1	10.5
EBIT margin (%)	6.8	7.6	7.6	9.1	9.1	9.5
Net debt/EBITDA	-0.5	-0.2	-0.1	-0.5	-0.9	-1.3
PBV	1.2	3.9	3.3	2.8	2.7	2.5

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

Buy

 **unchanged**

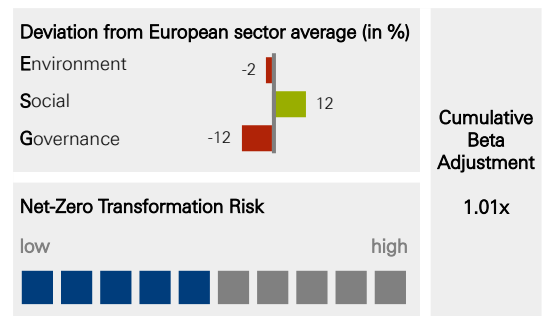
Price* EUR 21.00

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	376
Enterprise Value (EUR m) ¹	358
Free Float (%) ¹	54.9

Metzler ESG analysis based on ISS ESG data²



Performance (in %) ¹	1m	3m	12m
Share	-11.6	1.9	-11.0
Rel. to SDAX	-7.6	6.0	-12.3

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

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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

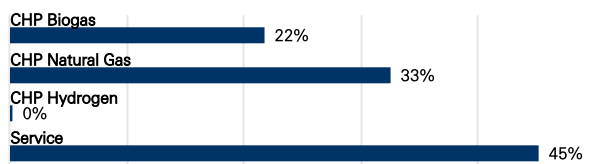
Christian Grotholt (29.6%), Ludger Gausing (15.5%)

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	440	17.3	468	6.4
EBITDA	22	8.3	29	30.0	35	20.7	38	10.9	44	15.8	49	10.4
EBITDA margin (%)	8.3	0.3	9.1	10.8	9.5	3.4	10.2	8.0	10.1	-1.3	10.5	3.8
EBIT	18	8.4	24	32.3	28	16.6	34	22.4	40	17.4	45	11.5
EBIT margin (%)	6.8	0.5	7.6	12.8	7.6	-0.1	9.1	19.2	9.1	0.1	9.5	4.8
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	40	17.6	44	11.6
Taxes	5	15.1	7	38.8	9	28.8	11	16.1	13	17.6	14	11.6
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	27	17.6	30	11.6
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	27	17.6	30	11.6
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	1.50	17.6	1.68	11.6
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	15.2	34	10.0
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	35.8	27	17.7
Free cash flow yield (%)	6.0	n.a.	-1.2	n.a.	0.1	n.a.	4.6	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	20	42.2	24	18.8
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	-38	-110.8	-62	-62.4
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.	-27.1	n.a.	-41.9	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.

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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)					
10.10.2024	Buy	Buy	20.00 EUR	31.90 EUR	Hoymann, Guido
05.09.2024	Buy	Buy	20.00 EUR	31.90 EUR	Hoymann, Guido
22.08.2024	Buy	Buy	20.00 EUR	31.90 EUR	Hoymann, Guido
23.05.2024	Buy	Buy	20.00 EUR	31.90 EUR	Hoymann, Guido
11.04.2024	Buy	Buy	20.00 EUR	31.90 EUR	Hoymann, Guido
26.01.2024	Buy	Buy	20.00 EUR	31.90 EUR	Hoymann, Guido
27.11.2023	Buy	Buy	20.00 EUR	31.90 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.

Compiled: November 19, 2024 11:20 am CET

Initial release: November 19, 2024 11:20 am CET

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