

2G Energy AG

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

Update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 35.00

37.8%
 Medium

VERY GOOD PROSPECTS FOR 2025E AND 2026E

2G Energy increased its order intake by 37% to €65m in Q4/24. This means that 2G registered a record order intake of €239m in 2024 and exceeded the previous year's figure of €167m by 43%. The company has narrowed its sales guidance for 2024 to between €370m and €380m (previously: €360m to €390m). We confirm our 2024E sales forecast of €374m. The visibility of sales generation has increased further with the announcement of initial sales guidance for 2026. 2G expects 2026 sales in a range of €440m to €490m. We see even higher sales potential for 2026 and maintain our estimate of €510m (+15% y/y). 2G has confirmed its sales guidance for 2025 (€430m - €450m). We maintain our sales forecast for 2025E of €444m (+19% y/y). We consider the high order intake, the ongoing internationalisation of the business and the expansion of the product range (large heat pumps, demand response motor) to be a very good basis for strong profitable growth in the current and coming year. The share price has risen recently, but we still consider the growth potential to be only partially factored in (upside potential: almost 40%). We have raised our price target from €34 to €35 and reiterate our Buy recommendation.

Strong increase in incoming orders underpins our growth forecast for 2025

Not only was the Q4/24 order intake very convincing with an increase of 37% y/y to €65.3m; in 2024 as a whole, 2G recorded a sharp rise in incoming orders of +43% y/y to €239m – a record high (see figure 1 overleaf). The very high proportion of incoming orders from abroad in Q4/24 (86%) is evidence of the successful internationalisation of sales, but is also due to a very weak German order intake of only €9.1m. Demand from Eastern Europe, which belongs to the 'Rest of Europe' category, was particularly strong.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024E	2025E	2026E
Revenue (€m)	266.3	312.6	365.1	373.7	443.5	510.0
Y-o-y growth	8.0%	17.4%	16.8%	2.4%	18.7%	15.0%
EBIT (€m)	17.9	22.0	27.6	31.6	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	21.3	29.5	34.8
EPS (diluted) (€)	0.77	0.91	1.00	1.19	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	16.2	6.9	14.9
Net gearing	-15.5%	-6.6%	-3.4%	-12.2%	-12.2%	-15.5%
Liquid assets (€m)	19.9	13.5	12.6	25.7	28.7	38.9

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 to 2.7 MW). 2G has a global distribution network and is headquartered in Heek, Germany.

MARKET DATA

As of 24 Jan 2025

Closing Price	€ 25.40
Shares outstanding	17.94m
Market Capitalisation	€ 455.68m
52-week Range	€ 19.06 / 26.75
Avg. Volume (12 Months)	22,033

Multiples	2023	2024E	2025E
P/E	25.4	21.4	15.5
EV/Sales	1.2	1.2	1.0
EV/EBIT	16.4	14.3	10.4
Div. Yield	0.7%	0.9%	1.0%

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

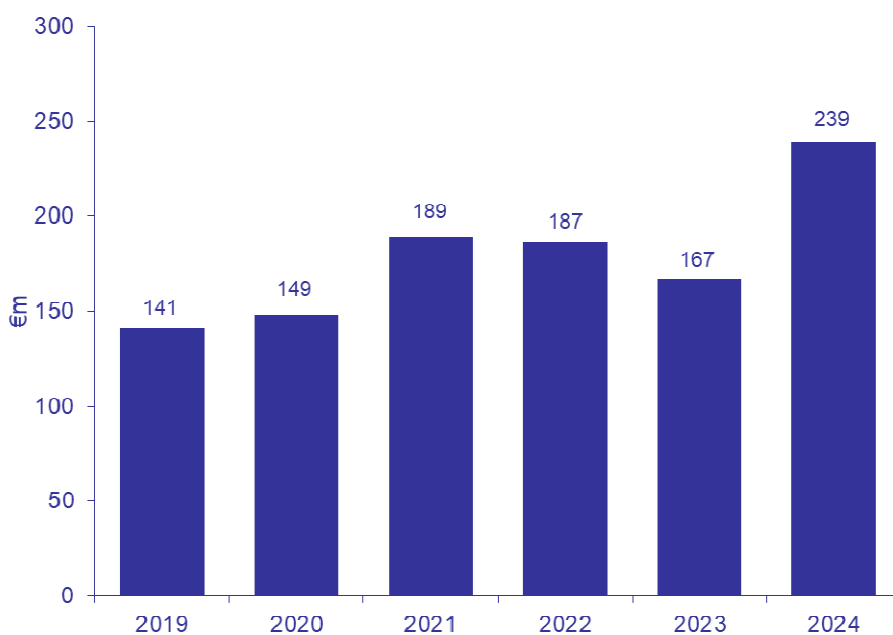
Christian Grotholt	29.6%
Ludger Gausling	15.5%
Free Float	54.9%



This region accounted for 54% of incoming orders in Q4, which corresponds to approximately €35.3m. In the same quarter of the previous year, the share was only 20%, around €9.5m. This represents an almost fourfold increase. In view of the Russian war against Ukraine, which is particularly directed against centralised energy production facilities, Eastern Europeans are increasingly turning to 2G's decentralised CHP solutions, which can be delivered quickly and offer greater autarky.

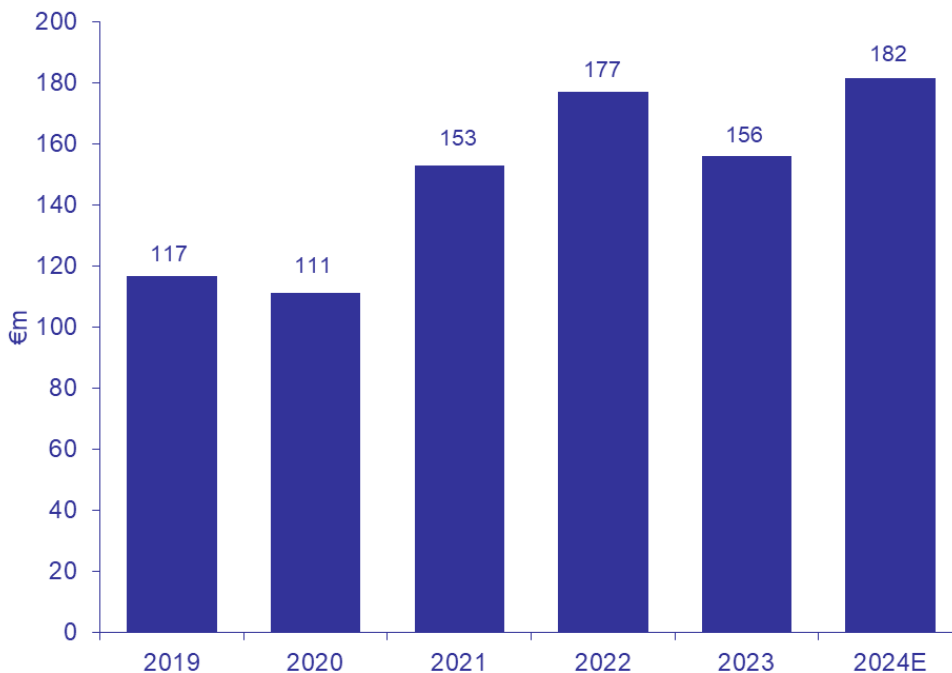
In North America, incoming orders rose from around €1.4m to approximately €16.3m. The Inflation Reduction Act (IRA) was a key driver here, but the rising demand for electricity should ensure further demand even after the IRA expires. We believe that potential tariffs will only have a limited dampening effect, as the operating costs of a CHP plant play a more important role than the initial investment outlay.

Figure 1: Order intake development 2019 - 2024



Source: First Berlin Equity Research, 2G Energy AG

We expect the order backlog to have risen strongly 2G has not yet announced the order backlog for the end of 2024. However, based on the order backlog at the end of September 2024 (>€230m), the order intake in Q4/24 (€65.3m) and our estimate of €114m in Q4 revenue from CHP plant sales, we forecast an order backlog of around €180m at the end of the year. This would correspond to an increase of around 15% compared to the previous year's figure of €156m and would mark a new year-end record (see figure 2 overleaf).

Figure 2: Order backlog development 2019 - 2024E

Source: First Berlin Equity Research, 2G Energy AG

Large heat pumps added to the product range 2G acquired the Dutch large-scale heat pump manufacturer NRGTEQ B.V. in September 2023. With the afilea water series (water-to-water heat pumps, heating output from 100 kW to 3,000 kW) and the afilea air series (air-to-water heat pumps, heating output from 90 kW to 900 kW), 2G now has two product series that cover a wide range of applications. With these two product series, 2G can utilise both air (afilea air series) and water (afilea water series) as heat sources.

The expansion of the product portfolio to include heat pumps also enables the combined use of CHP systems and heat pumps. 2G has turned this combination into a new product, the Green Cube. Such energy centres combine decarbonisation of heat production with a secure and economical supply of heat and electricity. The Green Cube can embed environmental heat sources, wind and solar parks, bioenergy and optional storage. We consider the product to be very well suited to decarbonise the municipal heat supply in particular.

Growing market for large heat pumps According to the Fraunhofer IEG, at least 32 MW of large heat pump capacity was added in 2024, which corresponds to growth of 20% p.a. The total large heat pump capacity in Germany in 2024 was just under 200 MW. More than 1,100 MW are currently in the planning and construction phase. Large heat pumps currently supply less than 1% of heating networks. The market opportunity is correspondingly large: the Heat Planning Act passed at the beginning of 2024 sets binding targets for fulfilling the renewables quota in heating grids. The target at individual grid level is 30% by 2030 and 80% by 2040. Municipalities with more than 100,000 inhabitants have until mid-2026 to draw up their municipal heating plans, smaller municipalities until mid-2028. 160 municipalities had already completed and published their heating plans by November 2024. According to an analysis by the BDEW (German Association of Energy and Water Industries), 98% of municipalities with more than 45,000 inhabitants had already started planning by the end of 2024. In its study 'The energy transition in Germany: state of play 2024', the think tank Agora Energiewende shows that 12% of municipalities with a population of more than



100,000 and 6% of municipalities with a population of between 10,000 and 100,000 have already completed their heat planning. The successive implementation of heating plans should result in a steady increase in demand for large heat pumps and green cubes.

Market launch of the demand-response genset This natural gas engine designed purely for electricity production will initially be launched on the American market. It is intended to cover peak loads in electricity generation and serves as a substitute for the grid when the grid is unstable. The US market in particular, with its often unreliable grids, promises great demand potential. With an annual operating time of 300 to 3,000 hours, the product is positioned between emergency power generators (up to 300 hours) and classic CHP units (> 3,000 hours). Based on decades of engine expertise, 2G has brought a 12-cylinder unit with an output of 650 kW to market maturity. Control technology, turbocharging and cylinder heads are designed for resilience and trouble-free operation. In many markets, grid expansion is barely keeping pace with the strong growth in volatile and uncontrollable wind and solar power. We therefore believe that 2G's demand-response genset also has potential beyond the USA.

Forecasts remain unchanged The narrowing of the guidance range for 2024 to €370m to €380m confirms our recent 2024E sales estimate of €374m. The unchanged sales guidance for 2025E (€430m - €450m) is in line with our sales forecast of €444m. We consider the sales guidance of €440m to €490m given for the first time for 2026 (see figure 3) to be conservative. If 2G succeeds in capitalising on the market opportunities that are opening up (large heat pumps and green cubes for the heating transition, demand response engine for unstable grids and to balance volatile power supply, CHP systems for a highly efficient and secure supply of electricity and heat), we believe that 2G will achieve sales of €510m in 2026E.

Figure 3: Guidance 2024 - 2026

Figures in €m	2024E new	2024E old	2025E	2026E
Revenue	370 - 380	360 - 390	430 - 450	440 - 490
EBIT margin	8.5% - 10.0%	8.5% - 10.0%	n.a.	n.a.

Source: First Berlin Equity Research, 2G Energy AG

Buy recommendation reiterated with a slightly higher price target An updated DCF model yields a slightly higher price target of €35 (previously: €34). We see 2G on a stable growth path and expect strong earnings growth in the current and next year. Despite the recent share price increase, we still consider the share to be attractively valued (upside potential: almost 40%). We confirm our Buy recommendation.



VALUATION MODEL

Figures in €m	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	373.70	443.49	510.01	566.11	622.72	684.99	746.64	813.84
Growth y/y	2%	19%	15%	11%	10%	10%	9%	9%
EBIT	31.63	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	21.83	29.97	35.25	39.63	43.59	47.95	52.27	56.97
+ depreciation & amortis. (excl. GW)	5.30	5.88	6.61	7.36	8.72	10.27	11.20	12.21
= net operating cash flow	27.13	35.85	41.86	46.99	52.31	58.22	63.46	69.18
- total investments (Capex and WC)	-10.44	-28.40	-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>	-2.04	-19.50	-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)	16.69	7.45	15.36	23.53	25.93	29.89	34.39	37.48
PV of FCFs	16.81	6.86	12.96	18.16	18.31	19.31	20.33	20.27

€m	
PVs of FCFs explicit period (2024E-37E)	264.38
PVs of FCFs in terminal period	358.49
Enterprise Value (EV)	622.88
Net cash / (Net debt)	2.39
Minorities	0.02
Shareholder value	625.29
No. of shares outstanding (m)	17.94
Fair value per share (€)	34.85

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 (€)	35.00

WACC

Sensitivity analysis

	Terminal EBIT margin							Fair value per share (€)
	8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	11.5%	
12.3%	17.16	18.64	20.13	21.62	23.10	24.59	26.07	
11.3%	19.74	21.42	23.09	24.77	26.44	28.12	29.79	
10.3%	23.09	25.01	26.92	28.84	30.75	32.67	34.58	
9.3%	27.57	29.80	32.04	34.85	36.51	38.74	40.98	
8.3%	33.82	36.50	39.17	41.85	44.53	47.21	49.88	
7.3%	43.10	46.43	49.76	53.09	56.41	59.74	63.07	
6.3%	58.18	62.56	66.94	71.32	75.70	80.08	84.45	

* 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	373.7	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	373.9	443.7	510.2
Material costs	-171.3	-224.1	-238.3	-233.6	-283.8	-331.5
Gross profit	97.7	114.7	132.7	140.3	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	4.5	5.3	6.1
Other operating expenses	-29.7	-35.3	-36.9	-35.7	-40.0	-47.0
EBITDA	21.9	26.6	34.3	36.9	49.3	57.7
Depreciation and amortisation	-3.9	-4.7	-6.7	-5.3	-5.9	-6.6
Operating income (EBIT)	17.9	22.0	27.6	31.6	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	30.9	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	-9.6	-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	21.3	29.5	34.8
EPS in €	0.77	0.91	1.00	1.19	1.64	1.94
Diluted EPS (in €)	0.77	0.91	1.00	1.19	1.64	1.94
Ratios						
Gross margin (gross profit / total output)	36.3%	33.9%	35.8%	37.5%	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%	19.3%	17.1%	15.7%
Other operating expenses	11.2%	11.3%	10.1%	9.6%	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%	2.4%	18.7%	15.0%
Operating income	9.1%	22.5%	25.9%	14.5%	37.3%	17.6%
Net income / loss	5.3%	30.0%	9.5%	18.8%	38.2%	18.0%



BALANCE SHEET

All figures in €m	2021	2022	2023	2024E	2025E	2026E
Assets						
Current assets, total	142.6	179.7	188.7	207.9	234.2	266.1
Cash and cash equivalents	19.9	13.5	12.6	25.7	28.7	38.9
Trade accounts and notes receivables	43.4	57.1	58.6	64.5	75.3	86.6
Inventories	72.2	102.6	109.8	109.9	123.2	134.2
Other current assets	7.1	6.5	7.8	7.8	7.1	6.3
Non-current assets, total	27.1	31.9	38.7	41.8	44.9	47.7
Property, plant and equipment	22.6	26.8	28.4	32.1	35.7	39.1
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	249.7	279.1	313.7
Shareholders' equity & debt						
Liabilities, total	75.2	103.0	103.4	107.5	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	21.1	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	142.3	167.7	197.8
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	122.2	147.7	177.8
Other reserves	-0.7	-0.7	-0.8	-0.8	-0.9	-0.9
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	249.7	279.1	313.7
*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%	57.0%	60.1%	63.1%
Net gearing (as %)	-15.5%	-6.6%	-3.4%	-12.2%	-12.2%	-15.5%
Equity per share (in €)	21.1	6.1	6.9	7.9	9.3	11.0
Net debt	-14.6	-7.1	-4.3	-17.4	-20.4	-30.6
Interest coverage ratio (x)	87	72	49	43	59	73
Av. working capital/sales	25.4%	26.7%	28.2%	30.2%	27.8%	27.8%
Return on equity (ROE)	13.3%	15.1%	14.5%	15.0%	17.6%	17.6%
Return on capital employed (ROCE)	16.7%	17.3%	18.9%	19.1%	23.1%	23.7%
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	21.3	29.5	34.8
+ Depreciation and amortisation	3.9	4.7	6.7	5.3	5.9	6.6
- Investment in working capital	-6.4	-21.7	-16.3	-2.0	-19.5	-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	24.6	15.8	24.3
- CAPEX	-4.9	-9.4	-8.2	-8.4	-8.9	-9.4
Free cash flow	4.0	-4.4	3.6	16.2	6.9	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	13.1	3.0	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	25.7	28.7
Cash, end of the year	19.7	13.3	12.5	25.7	28.7	38.9
Free cash flow per share in €	0.89	-0.24	0.20	0.90	0.39	0.83
Y/Y growth						
Operating cash flow	-	-43.8%	135.4%	109.7%	-35.6%	53.3%
Free cash flow	-	n.a.	n.a.	353.9%	-57.1%	114.4%
Financial cash flow	-	n.a.	-24.9%	151.6%	29.4%	18.2%
Free cash flow per share	-	n.a.	n.a.	353.9%	-57.1%	114.4%

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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...93	↓	↓	↓	↓
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	10 October 2024	€19.96	Buy	€34.00
101	21 November 2024	€21.20	Buy	€34.00
102	Today	€25.40	Buy	€35.00

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/>

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