2G Energy AG

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

H1 report

RATING	**BUY**
PRICE TARGET	**€ 34.00**
Return Potential	36.0%
Risk Rating	Medium

TAKEOVER IS ACCELERATING ENTRY INTO LARGE HEAT PUMPS

In May, 2G made a fundamental strategic decision of great significance and entered the large-scale heat pump market. In addition to the production of CHP plants (gas-based electricity and heat production plants), 2G will also in future manufacture large heat pumps (electricity-based heat production plants). With the acquisition of the Dutch heat pump manufacturer NRGTEQ (approx. 10 employees, turnover approx. €1.5m - €3.0m) in August, 2G is accelerating its entry into this market. In the medium term, 2G wants to achieve similarly high revenues with the sale of heat pumps as with CHP plants. The timing of the entry is favourable, as 2G has sufficient time to integrate the large heat pumps manufactured by NRGTEQ into the 2G production facility in Heek and to set up an industrialised production process there, as has been achieved with CHP plants in recent years. From 2025 onwards, 2G expects demand for large heat pumps to pick up significantly as municipalities start to implement the decarbonisation of municipal heat supply in accordance with the Heat Planning Act passed by the German cabinet. The figures published in the H1 report match reported preliminarily numbers (sales and total output). EBIT surprised positively with a 62% y/y increase to €4.1m. Net profit increased by 50% to €2.7m. Based on the convincing H1 figures and the still high order backlog (€194m), management confirmed guidance for the current year (sales: €310m - €350m, EBIT margin: 6.5% - 8.5%). We maintain our forecasts for 2023 and confirm our Buy recommendation for the share in view of the improved medium-term growth prospects due to the entry into the large heat pump business. An updated DCF model yields a new price target of €34 (previously: €33).

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€ m)	246.73	266.35	312.63	355.00	397.64	443.49
Y-o-y growth	4.4%	8.0%	17.4%	13.6%	12.0%	11.5%
EBIT (€ m)	16.43	17.93	21.95	28.33	39.14	44.43
EBIT margin	6.7%	6.7%	7.0%	8.0%	9.8%	10.0%
Net income (€ m)	11.97	12.61	16.39	19.04	26.51	30.15
EPS (diluted) (€)	0.68	0.77	0.91	1.06	1.48	1.68
DPS (€)	0.11	0.13	0.14	0.19	0.22	0.24
FCF (€m)	7.07	4.01	-4.39	3.63	15.58	18.63
Net gearing	-7.1%	-15.5%	-6.6%	-6.6%	-13.8%	-20.1%
Liquid assets (€ m)	11.03	19.93	13.48	14.60	26.77	41.45

RISKS

The main risks include regulatory changes, 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. The company offers a wide product range of plants with a capacity from 20 kW to 4.5 MW and addresses the natural gas, weak gases, and hydrogen markets. 2G is headquartered in Heek, Germany, and has distribution and service sites in various countries.

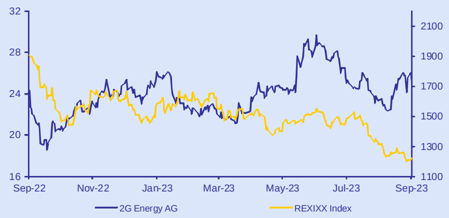
MARKET DATA

As of 12 Sep 2023

Closing Price	€ 25.00
Shares outstanding	17.94m
Market Capitalisation	€ 448.50m
52-week Range	€ 18.52 / 29.65
Avg. Volume (12 Months)	20,462

Multiples	**2022**	**2023E**	**2024E**
P/E	27.4	23.6	16.9
EV/Sales	1.4	1.2	1.1
EV/EBIT	20.2	15.6	11.3
Div. Yield	0.6%	0.8%	0.9%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2023

Liquid Assets	€ 11.40m
Current Assets	€ 184.01m
Intangible Assets	€ 5.42m
Total Assets	€ 221.53m
Current Liabilities	€ 89.06m
Shareholders' Equity	€ 108.72m

SHAREHOLDERS

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

Analyst: Dr. Karsten von Blumenthal, Tel. +49 (0)30 - 80 93 96 85

Strong first half year 2G increased sales by 19% y/y to €135.5m, thanks in particular to strong growth in the CHP plant business (+27% y/y). Total output rose by 21% y/y due to increased inventories of (nearly) finished CHP plants. EBIT made a strong leap (+62% y/y) and was 21% above our expectation (see figure 1). In addition to economies of scale, this is also due to a further increase in production efficiency. By synchronising assembly and quality processes alongside logistics operations, production was made much more consistent. This even allowed 2G to change the entire assembly from a two-shift system to a single-shift system, freeing employees from the more strenuous late shift and leading to an increase in labour productivity. Net profit increased by 50% to €2.6m.

Figure 1: Reported figures versus forecasts

All figures in €m	H1/23A	H1/23E	delta	H1/22A	delta
Sales	135.5	135.5	0%	114.0	19%
Total output	166.3	165.4	1%	137.8	21%
EBIT	4.1	3.4	21%	2.6	62%
EBIT margin	*3.0%*	*2.5%*	-	*2.2%*	-
Net income	2.6	2.1	25%	1.7	50%
Net margin	*1.9%*	*1.5%*	-	*1.5%*	-
EPS diluted (€)	0.15	0.12	25%	0.10	50%

Source: First Berlin Equity Research, 2G Energy AG

Strong growth in both segments While the service segment continued its steady growth (+14% y/y), the CHP plant segment in particular showed its best side and grew disproportionately (+27% y/y), as figure 2 illustrates.

Figure 2: Segment sales

All figures in €m	H1/23	H1/22	Delta
New Plants	58.7	46.3	27%
Service	76.8	67.7	13%
Total sales	135.5	114.0	**19%**

Source: First Berlin Equity Research, 2G Energy AG

Strong growth abroad While sales in the German market showed only single-digit growth (+8%), international sales increased by 41% y/y. The German market was characterised by a wait-and-see policy in the first half of the year following the very high gas prices in winter 22/23 and the unclear legal situation (dispute over the recently passed Building Energy Act (GEG)). Growth abroad came mainly from the rest of Europe (+55%).

Figure 3: Domestic and foreign sales development

All figures in €m	H1/23	H1/22	Delta
Domestic sales	83.8	77.3	8%
Foreign sales	51.7	36.7	41%
Total sales	**135.5**	**114.0**	**19%**

Source: First Berlin Equity Research, 2G Energy AG

Balance sheet remains strong Despite the decrease in cash and cash equivalents (-15% since the end of 2022) and a 68% rise in liabilities to banks to €10.6m, 2G maintained a small net cash position of €0.8m. Equity remained constant and the equity ratio narrowed slightly to a still high 49%, as total assets were 5% higher than at the beginning of the year (see figure 4).

Figure 4: Selected balance sheet positions

All figures in €m	H1/23A	2022A	Delta
Cash and cash equivalents	11.4	13.5	-15%
Interest bearing debt	10.6	6.3	68%
Net cash position	**0.8**	**7.1**	**-89%**
Equity	108.7	108.6	0%
Equity share (%)	*49.1%*	*51.3%*	-2.2 PP
Balance sheet total	**221.5**	**211.6**	**5%**

Source: First Berlin Equity Research, 2G Energy AG

Significantly improved operating cash flow y/y While operating cash flow was still clearly negative in the same period of the previous year (€-4.7m), it was already positive in the first half of the year at €0.1m. The cash outflow for investments was slightly lower y/y (€-3.7m versus €-4.3m). Financial cash flow amounted to €-3.7m and, as in the previous year, was characterised by net loan repayments (€-1.0m versus €-0.8m in H1/22) and the dividend (€-2.5m versus €-2.2m in the same period of the previous year, see figure 5).

Figure 5: Selected cash flow positions

All figures in €m	H1/23A	H1/22A
Operating cash flow	0.1	-4.7
CAPEX	-3.7	-4.3
Free cash flow	-3.6	-8.9
Investment cash flow	-3.7	-5.0
Financial cash flow	-3.7	-3.3
Net cash flow	-7.3	-12.9

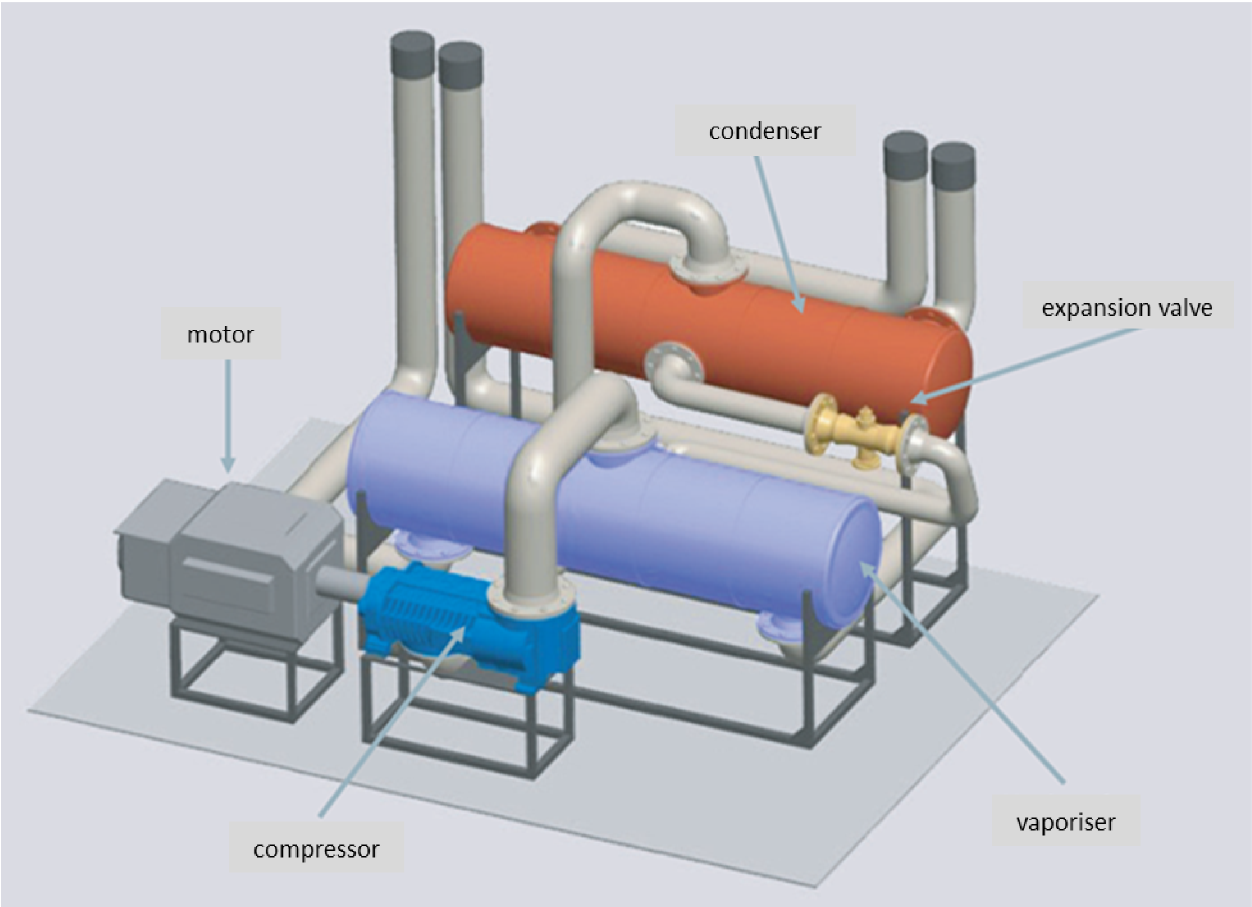
Source: First Berlin Equity Research, 2G Energy AG

Sights set on new growth area of large heat pumps With the acquisition of Dutch heat pump manufacturer NRGTEQ B.V. (ca. 10 employees, sales ca. €1.5 - €3.0m), founded in 2010, in August, 2G is accelerating its entry into the large heat pump business. NRGTEQ has sold over 200 large heat pumps so far, mainly in the Benelux region. For 2024, we expect heat pump sales to be in the low single-digit million euro range. 2G expects heat pump order intake next year to be between €3m and €10m. In the medium term, 2G aims to achieve similar high revenues and margins from the sale of large heat pumps as from CHP plants.

High synergies between CHP plants and heat pumps In R&D and product design, there are extensive synergies between the two technologies, which essentially differ only in terms of the motor (CHP) and compressor (heat pump). In procurement, 2G can predominantly rely on the same suppliers as before. The customer base is also largely the same for both products. Likewise, project planning, installation, commissioning, and digital control & monitoring are basically identical. This makes the heat pump a sensible addition to the 2G product portfolio. Furthermore, the interaction of the CHP plant and the heat pump makes it possible to create low-CO_2 and highly energy-efficient solutions for electricity and heat.

How do heat pumps work? Heat pumps use natural heat sources such as geothermal energy, water and waste heat and raise the heat to a higher temperature level using electricity to make it more usable. The amount of electricity required for this is a fraction of the heat generated. This means that the efficiency of heat pumps is well over 100%. The smaller the required temperature lift is, the greater the efficiency advantage. Temperature lift describes the difference between the temperature of the heat source used and the flow temperature generated in the heat pump, which is fed into a heat network or an industrial process, for example. The compressor is the most expensive single component of the heat pump. It significantly determines the temperature and power range as well as the efficiency. In the compressor, the pressure increase causes the rise in temperature. Large heat pumps are a proven technology, achieving the highest Technology Readiness Level (TRL) of 9. Various manufacturers offer a wide range of market-ready products. Figure 6 shows a schematic diagram of a large heat pump.

Figure 6: Schematic representation of a large heat pump



Source: First Berlin Equity Research, Fraunhofer IEG (2023)

Very large market potential in Germany Large heat pumps are a key technology for the climate-neutral operation of heating networks and the provision of industrial process heating of up to 200 °C. According to the study "Roll-out of large heat pumps" by Agora Energiewende in June 2023, large heat pumps in Germany can provide around 70% of the district heating supply by 2045 and thus replace a large proportion of natural gas. In 2023, large-scale heat pumps with a total capacity of 60 MW were installed. The German market is thus still at the beginning of its development. To achieve the climate targets by 2045, the Energiewende think tank considers an average annual addition of at least 4,000 MW to be necessary. Agora Energiewende defines heat pumps with an output of 500 kW or more as large heat pumps; 2G includes heat pumps as of an output of at least 200 kW in their definition of the term. The ratio of electricity purchase costs to gas purchase costs is important for the profitable operation of heat pumps: the smaller this ratio is, i.e. the lower the electricity price and the higher the gas price, the more attractive the operation of heat pumps becomes. We note that the profitability of CHP plants is determined in exactly the opposite way. A CHP plant is more profitable the higher the price of electricity and the lower the price of gas. In this respect, the expansion of 2G's product range also has a risk mitigation component, as 2G is less dependent on low gas prices and high electricity prices ("spark spread"). However, the spark spread has become much less important due to rising energy prices, as CHP plants have been able to increase their profitability even as the spark spread has declined.

Favourable entry point for 2G 2G has chosen a favourable time of entry, as it has sufficient time to integrate the large heat pumps manufactured by NRGTEQ into the 2G production facility in Heek and to set up an industrialised production process there, as has been achieved with CHP plants in recent years. From 2025, 2G expects demand to pick up significantly. Recently the German lower house (Bundestag) adopted the Building Energy Act (note: approval by the Bundesrat is still pending!), and the cabinet passed the Heat Planning Act, which obliges large municipalities to draw up heat plans by mid-2026 (other municipalities: by mid-2028). We assume that many municipalities will start implementing the heat transition earlier and that large heat pumps will play a central role in this. Many municipal utilities (“Stadtwerke”) are likely to start with smaller isolated solutions (e.g., supplying heat to a school centre, using local waste heat from industry or wastewater treatment plants). Here we see good opportunities for 2G to market its large heat pumps.

Guidance confirmed The executive board has reiterated sales and earnings guidance for 2023 (sales of €310m to €350m at an EBIT margin of 6.5% to 8.5%). Sales guidance for 2024 of up to €390m and EBIT margin target of 8.5% to 10.0% were also confirmed.

Estimates for 2023 & 2024 remain unchanged Despite the weak order intake in the current year (-31% y/y to €77.6m), the €194m order backlog at the end of the first half of the year remains high enough to achieve the planned growth of 10% plus inflation in the New Plant segment. By comparison, 2022 sales in the new plant business amounted to €164.5m. In July and August, new orders exceeded the respective prior year figures, and management is confident that the cumulative order intake in the third quarter of 2023 will significantly exceed the previous year’s figure of €37.6m.

Buy confirmed at slightly increased price target We have slightly raised our medium-term forecasts. An updated DCF model yields a new price target of €34 (previously: €33). We reiterate our Buy recommendation.

VALUATION MODEL

Figures in €m	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	355.00	397.64	443.49	510.01	591.62	668.53	748.75	816.14
Growth y/y	*14%*	*12%*	*12%*	*15%*	*16%*	*13%*	*12%*	*9%*
EBIT	28.33	39.14	44.43	51.00	59.16	66.85	74.87	81.61
EBIT margin	*8.0%*	*9.8%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
NOPLAT	19.55	27.01	30.65	35.70	41.41	46.80	52.41	57.13
+ depreciation & amortis. (excl. GW)	5.26	5.57	5.88	7.65	8.87	10.03	11.23	12.24
= net operating cash flow	24.81	32.58	36.53	43.35	50.29	56.82	63.64	69.37
- total investments (Capex and WC)	-20.68	-16.50	-17.40	-17.42	-30.91	-30.79	-32.89	-30.44
capital expenditure	*-7.40*	*-6.40*	*-7.40*	*-7.65*	*-8.87*	*-10.03*	*-11.23*	*-12.24*
working capital	*-13.28*	*-10.10*	*-10.00*	*-9.77*	*-22.03*	*-20.77*	*-21.66*	*-18.19*
+/- 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)	4.13	16.08	19.13	25.93	19.38	26.03	30.75	38.93
PV of FCF's	4.04	14.39	15.67	19.43	13.28	16.33	17.65	20.44

€m	
PVs of FCFs explicit period (2023E-36E)	252.11
PVs of FCFs in terminal period	348.93
Enterprise Value (EV)	601.03
Net cash / (Net debt)	6.11
Minorities	-0.04
Shareholder value	607.10
No. of shares outstanding (m)	17.94
Fair value per share (€)	33.84

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

Fair value per share (€)

Terminal EBIT margin

WACC	8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	11.5%
12.3%	16.58	17.97	19.36	20.76	22.15	23.54	24.93
11.3%	19.14	20.72	22.29	23.87	25.45	27.02	28.60
10.3%	22.46	24.27	26.08	27.90	29.71	31.52	33.34
9.3%	26.89	29.02	31.15	**33.84**	35.40	37.53	39.65
8.3%	33.10	35.66	38.22	40.78	43.34	45.90	48.46
7.3%	42.32	45.52	48.72	51.92	55.12	58.32	61.52
6.3%	57.30	61.53	65.77	70.00	74.23	78.46	82.69

* for layout purposes the model shows numbers only to 2030, but runs until 2036

INCOME STATEMENT

All figures in €m	2020	2021	2022	2023E	2024E	2025E
Revenues	**246.7**	**266.3**	**312.6**	**355.0**	**397.6**	**443.5**
Change in inventories	7.4	2.6	26.0	0.0	0.0	0.0
Own work	0.1	0.0	0.2	0.2	0.2	0.2
Total output	**254.2**	**268.9**	**338.8**	**355.2**	**397.8**	**443.7**
Material costs	-167.3	-171.3	-224.1	-227.9	-254.5	-286.5
Gross profit	**87.0**	**97.7**	**114.7**	**127.3**	**143.4**	**157.2**
Personnel expenses	-44.3	-49.4	-57.0	-63.5	-65.1	-72.0
Other operating income	2.3	3.4	4.4	5.0	5.6	6.2
Other operating expenses	-24.6	-29.7	-35.3	-35.1	-39.0	-41.0
EBITDA	**20.1**	**21.9**	**26.6**	**33.6**	**44.7**	**50.3**
Depreciation and amortisation	-3.7	-3.9	-4.7	-5.3	-5.6	-5.9
Operating income (EBIT)	**16.4**	**17.9**	**22.0**	**28.3**	**39.1**	**44.4**
Net financial result	-0.2	-0.2	-0.4	-0.7	-0.7	-0.7
Income before taxes & minority interests	**16.3**	**17.7**	**23.5**	**27.6**	**38.4**	**43.7**
Other income / expenses	0.0	0.0	1.9	0.0	0.0	0.0
Income taxes	-4.3	-5.1	-7.1	-8.6	-11.9	-13.5
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net income / loss	**12.0**	**12.6**	**16.4**	**19.0**	**26.5**	**30.2**
EPS in €	**0.68**	**0.77**	**0.91**	**1.06**	**1.48**	**1.68**
Diluted EPS (in €)	**0.68**	**0.77**	**0.91**	**1.06**	**1.48**	**1.68**
Ratios						
Gross margin (gross profit / total output)	34.2%	36.3%	33.9%	35.8%	36.0%	35.4%
EBITDA margin (EBITDA / revenue)	8.1%	8.2%	8.5%	9.5%	11.2%	11.3%
EBIT margin (EBIT / revenue)	6.7%	6.7%	7.0%	8.0%	9.8%	10.0%
Net income margin	4.9%	4.7%	5.2%	5.4%	6.7%	6.8%
Tax rate	26.5%	28.7%	30.2%	31.0%	31.0%	31.0%
Expenses as % of revenues						
Personnel expenses	17.9%	18.5%	18.2%	17.9%	16.4%	16.2%
Other operating expenses	10.0%	11.2%	11.3%	9.9%	9.8%	9.2%
Depreciation and amortisation	1.5%	1.5%	1.5%	1.5%	1.4%	1.3%
Y/Y growth						
Revenues	4.4%	8.0%	17.4%	13.6%	12.0%	11.5%
Operating income	6.2%	9.1%	22.5%	29.1%	38.2%	13.5%
Net income / loss	16.1%	5.3%	30.0%	16.2%	39.2%	13.7%

BALANCE SHEET

All figures in €m	2020	2021	2022	2023E	2024E	2025E
Assets						
Current assets, total	**119.8**	**142.6**	**179.7**	**194.2**	**218.9**	**246.5**
Cash and cash equivalents	11.0	19.9	13.5	14.6	26.8	41.5
Trade accounts and notes receivables	42.2	43.4	57.1	62.2	68.6	75.3
Inventories	60.8	72.2	102.6	110.9	117.0	123.2
Other current assets	5.9	7.1	6.5	6.5	6.5	6.5
Non-current assets, total	**26.7**	**27.1**	**31.9**	**34.0**	**34.9**	**35.7**
Property, plant and equipment	22.9	22.6	26.8	29.5	31.0	33.1
Goodw ill + intangible assets	2.9	4.5	5.0	4.4	3.8	2.5
Financial assets	0.9	0.0	0.1	0.1	0.1	0.1
Total assets	**146.6**	**169.7**	**211.6**	**228.3**	**253.8**	**282.1**
Shareholders' equity & debt						
Liabilities, total	**68.2**	**75.2**	**103.0**	**103.1**	**105.5**	**107.7**
Interest bearing debt	5.5	5.3	6.3	6.3	6.3	6.3
Trade accounts payable	10.0	11.5	20.5	20.6	23.0	25.9
Provisions	13.4	17.7	21.4	21.4	21.4	21.4
Other current liabilities	39.4	40.7	54.7	54.7	54.7	54.0
Shareholders equity, total	**78.3**	**94.5**	**108.6**	**125.2**	**148.3**	**174.4**
Share capital*	4.4	4.5	17.9	17.9	17.9	17.9
Capital reserve	11.2	16.4	3.0	3.0	3.0	3.0
Losses carried forw ard / retained earnings	63.7	74.3	88.5	105.0	128.1	154.3
Other reserves	-1.0	-0.7	-0.7	-0.6	-0.6	-0.7
Minority interests	0.0	-0.1	0.0	0.0	0.0	0.0
Total consolidated equity and debt	**146.6**	**169.7**	**211.6**	**228.3**	**253.8**	**282.1**

*2022: share split

Ratios						
Current ratio (x)	2.4	2.6	2.3	2.5	2.7	3.0
Equity ratio (as %)	53.4%	55.7%	51.3%	54.9%	58.4%	61.8%
Net gearing (as %)	-7.1%	-15.5%	-6.6%	-6.6%	-13.8%	-20.1%
Equity per share (in €)	17.7	21.1	6.1	7.0	8.3	9.7
Net debt	-5.6	-14.6	-7.1	-8.3	-20.4	-35.1
Interest coverage ratio (x)	89	87	72	39	54	61
Av. w orking capital/sales	24.5%	25.4%	26.7%	28.5%	28.4%	27.7%
Return on equity (ROE)	15.3%	13.3%	15.1%	15.2%	17.9%	17.3%
Return on capital employed (ROCE)	17.2%	16.7%	17.3%	19.6%	23.8%	23.5%
Days of inventory turnover	90	99	120	114	107	101
Days sales outstanding (DSO)	62	59	67	64	63	62
Days payables outstanding (DPO)	22	24	33	33	33	33

CASH FLOW STATEMENT

All figures in €m	2020	2021	2022	2023E	2024E	2025E
Net income	**12.0**	**12.6**	**16.4**	**19.0**	**26.5**	**30.2**
+ Depreciation and amortisation	3.7	3.9	4.7	5.3	5.6	5.9
- Investment in w orking capital	-5.6	-6.4	-21.7	-13.3	-10.1	-10.0
+/- Others (prov., non cash expenses, interest, etc.)	-0.3	-1.3	5.7	0.0	0.0	0.0
Operating cash flow	**9.8**	**8.9**	**5.0**	**11.0**	**22.0**	**26.0**
- CAPEX	-2.7	-4.9	-9.4	-7.4	-6.4	-7.4
Free cash flow	**7.1**	**4.0**	**-4.4**	**3.6**	**15.6**	**18.6**
Acquisitions	0.0	-1.2	-0.3	0.0	0.0	0.0
Financial investments	0.2	0.9	-0.1	0.0	0.0	0.0
Disposals	0.4	3.3	0.0	0.0	0.0	0.0
Investment cash flow	**-2.1**	**-1.8**	**-9.7**	**-7.4**	**-6.4**	**-7.4**
Change in financial liabilities	-5.0	-1.3	1.0	0.0	0.0	0.0
Dividends paid	-2.0	-2.0	-2.2	-2.5	-3.4	-3.9
Purchase of ow n shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	5.3	0.0	0.0	0.0	0.0
Others	-0.4	-0.3	-0.4	0.0	0.0	0.0
Financial cash flow	**-7.4**	**1.6**	**-1.6**	**-2.5**	**-3.4**	**-3.9**
Change in cash	**0.3**	**8.6**	**-6.4**	**1.1**	**12.2**	**14.7**
Exchange rate-related changes	0.1	0.1	-0.3	0.0	0.0	0.0
Cash, start of the year	10.0	10.5	19.7	13.3	14.6	26.8
Cash, end of the year	**10.5**	**19.7**	**13.3**	**14.6**	**26.8**	**41.5**
Free cash flow per share in €	**1.60**	**0.89**	**-0.24**	**0.20**	**0.87**	**1.04**
Y/Y growth						
Operating cash flow	-	-9.6%	-43.8%	121.5%	99.3%	18.4%
Free cash flow	-	n.a.	n.a.	n.a.	329.3%	19.6%
Financial cash flow	-	n.a.	n.a.	55.5%	35.7%	15.8%
Free cash flow per share	-	n.a.	n.a.	n.a.	329.3%	19.6%

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:
First Berlin Equity Research GmbH
Friedrichstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680
Fax: +49 (0) 30-80 93 9 687
E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B
UST-Id.: 251601797
Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV
First Berlin Equity Research GmbH

Authored by: Dr. Karsten von Blumenthal, Analyst
All publications of the last 12 months were authored by Dr. Karsten von Blumenthal.

Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin

The production of this recommendation was completed on 13 September 2023 at 16:36

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of 2G Energy AG the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the 2G Energy AG for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0.5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

With regard to the financial analyses of 2G Energy AG the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the 2G Energy AG for preparation of a financial analysis for which remuneration is owed.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

First Berlin notes that is has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

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...82	↓	↓	↓	↓
83	6 September 2022	€23.80	Buy	€31.00
84	21 October 2022	€21.65	Buy	€31.00
85	21 November 2022	€23.55	Buy	€31.00
86	24 February 2023	€22.50	Buy	€31.00
87	3 April 2023	€23.05	Buy	€31.00
88	28 April 2023	€24.70	Buy	€32.00
89	2 June 2023	€28.80	Add	€33.00
90	24 August 2023	€22.45	Buy	€33.00
91	Today	€25.00	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.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

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

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.