

2G Energy AG

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

Update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 34.00

50.4%
 Medium

STRONG Q4 ORDER INTAKE AND HIGHER 2025 SALES GUIDANCE

2G Energy increased its Q4/23 order intake by 28% y/y to €47.5m, impressively continuing the turnaround that began in Q3 (+12% y/y). Combined with the high order backlog of €195m at the end of September 2023, this is a very solid basis for our 2024E revenue targets of €211m in equipment sales and €398m overall. Accordingly, 2G has confirmed 2024 guidance (total sales: up to €390m with an EBIT margin of 8.5% - 10.0%). 2G expects the good order development to continue and has raised 2025 sales guidance, first published in November 2023, to up to €450m (previously: €390m - €430m, FBe: €443m). We expect 2G to achieve double-digit growth this year and in 2025, while expanding its EBIT margin. Following the share price decline in recent months, we consider the share to be attractively valued (2024 P/E: 16x) and recommend buying the stock with an unchanged €34 price target.

Trend reversal in incoming orders is continuing After a weak H1/23, the order intake rose by 12% y/y to €42.0m in Q3/23 and by as much as 28% y/y to €47.5m in Q4/23. This positive trend continued in January. The Q4 order intake is characterised by its broad international diversification. The Asia/Australia region contributed 21% (previous year: 5%) and the rest of the world 12% (previous year: 4%). Incoming orders from Germany rose by only 3% y/y to €21.1m. We expect domestic order intake to pick up again significantly this year, as the uncertainty among buyers caused by the Russian gas supply freeze should gradually dissipate. Significantly lower gas prices and continuing high electricity prices make CHP systems attractive.

Good conditions for increasing margins Rising sales should lead to economies of scale and contribute to an EBIT margin expansion. In addition, 2G should be able to reduce the cost of materials ratio, as...

(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	36.95	44.43
EBIT margin	6.7%	6.7%	7.0%	8.0%	9.3%	10.0%
Net income (€m)	11.97	12.61	16.39	19.04	24.99	30.15
EPS (diluted) (€)	0.68	0.77	0.91	1.06	1.39	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	14.17	18.53
Net gearing	-7.1%	-15.5%	-6.6%	-6.6%	-13.0%	-19.4%
Liquid assets (€m)	11.03	19.93	13.48	14.60	25.36	39.94

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. Large heat pumps also belong to the product range. The company offers a wide product range of CHP 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.

MARKET DATA

As of 25 Jan 2024

Closing Price	€ 22.60
Shares outstanding	17.94m
Market Capitalisation	€ 405.44m
52-week Range	€ 20.05 / 29.65
Avg. Volume (12 Months)	21,047

Multiples	2022	2023E	2024E
P/E	24.7	21.3	16.2
EV/Sales	1.3	1.1	1.0
EV/EBIT	18.2	14.1	10.8
Div. Yield	0.6%	0.8%	1.0%

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%



...moderating material cost inflation will enable a faster and better adjustment of CHP list prices to the material cost situation. After an EBIT margin of 7.0% in 2022, we assume an increase to 8.0% in 2023E, 9.3% in 2024E and 10.0% in 2025E.

High visibility of business development By confirming 2024 guidance (sales: up to €390m with an EBIT margin of 8.5% - 10.0%) and increasing sales guidance for 2025 from €390m - €430m to up to €450m, 2G offers high visibility for the business development in the current and next year at an early stage (see figure 1).

Figure 1: Guidances 2023 -2025

All figures in €m	2023E	2024E	2025E
Revenue	310 - 350	up to 390	up to 450
EBIT margin	6.5% - 8.5%	8.5% - 10.0%	n.a.

Source: First Berlin Equity Research, 2G Energy AG

Share attractively valued after share price decline in recent months The share price has fallen by around 24% since June 2023. 2G is now valued at a 2024 P/E ratio of 16. In view of the expected double-digit sales growth and EBIT margin expansion, we consider the share to be attractively valued.

Buy confirmed with unchanged price target An updated DCF model based on unchanged forecasts yields an unchanged €34 price target. We confirm 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	36.95	44.43	51.00	59.16	66.85	74.87	81.61
EBIT margin	8.0%	9.3%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
NOPLAT	19.55	25.50	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	31.07	36.53	43.35	50.29	56.82	63.64	69.37
- total investments (Capex and WC)	-20.68	-16.40	-17.50	-17.42	-30.91	-30.79	-32.89	-30.44
<i>capital expenditure</i>	-7.40	-6.40	-7.40	-7.65	-8.87	-10.03	-11.23	-12.24
<i>working capital</i>	-13.28	-10.00	-10.10	-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	14.67	19.03	25.93	19.38	26.03	30.75	38.93
PV of FCFs	4.16	13.51	16.03	19.96	13.64	16.75	18.08	20.93

€m	
PVs of FCFs explicit period (2023E-36E)	256.66
PVs of FCFs in terminal period	350.12
Enterprise Value (EV)	606.78
Net cash / (Net debt)	6.11
Minorities	-0.04
Shareholder value	612.85
No. of shares outstanding (m)	17.94
Fair value per share (€)	34.16

Terminal growth	3.0%
Terminal EBIT margin	10.0%

WACC	9.4%
Cost of equity	9.7%
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

	Terminal EBIT margin						Fair value per share (€)
	8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	
12.4%	16.93	18.36	19.79	21.22	22.65	24.08	25.52
11.4%	19.47	21.08	22.70	24.31	25.93	27.54	29.16
10.4%	22.75	24.60	26.45	28.30	30.14	31.99	33.84
9.4%	27.12	29.28	31.44	34.16	35.75	37.91	40.06
8.4%	33.20	35.78	38.36	40.94	43.53	46.11	48.69
7.4%	42.16	45.36	48.56	51.76	54.97	58.17	61.37
6.4%	56.56	60.76	64.95	69.14	73.33	77.53	81.72

* 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	-255.7	-286.5
Gross profit	87.0	97.7	114.7	127.3	142.2	157.2
Personnel expenses	-44.3	-49.4	-57.0	-63.5	-66.1	-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	42.5	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	37.0	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	36.2	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	-11.2	-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	25.0	30.2
EPS in €	0.68	0.77	0.91	1.06	1.39	1.68
Diluted EPS (in €)	0.68	0.77	0.91	1.06	1.39	1.68
Ratios						
Gross margin (gross profit / total output)	34.2%	36.3%	33.9%	35.8%	35.7%	35.4%
EBITDA margin (EBITDA / revenue)	8.1%	8.2%	8.5%	9.5%	10.7%	11.3%
EBIT margin (EBIT / revenue)	6.7%	6.7%	7.0%	8.0%	9.3%	10.0%
Net income margin	4.9%	4.7%	5.2%	5.4%	6.3%	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%	16.6%	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%	30.4%	20.2%
Net income / loss	16.1%	5.3%	30.0%	16.2%	31.2%	20.6%



BALANCE SHEET

All figures in €m	2020	2021	2022	2023E	2024E	2025E
Assets						
Current assets, total	119.8	142.6	179.7	194.2	217.5	245.0
Cash and cash equivalents	11.0	19.9	13.5	14.6	25.4	39.9
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
Goodwill + 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	252.3	280.6
Shareholders' equity & debt						
Liabilities, total	68.2	75.2	103.0	103.1	105.6	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	23.1	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	146.8	172.9
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 forward / retained earnings	63.7	74.3	88.5	105.0	126.6	152.8
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	252.4	280.6
*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%	58.2%	61.6%
Net gearing (as %)	-7.1%	-15.5%	-6.6%	-6.6%	-13.0%	-19.4%
Equity per share (in €)	17.7	21.1	6.1	7.0	8.2	9.6
Net debt	-5.6	-14.6	-7.1	-8.3	-19.0	-33.6
Interest coverage ratio (x)	89	87	72	39	51	61
Av. working 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%	17.0%	17.4%
Return on capital employed (ROCE)	17.2%	16.7%	17.3%	19.6%	22.6%	23.7%
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	25.0	30.2
+ Depreciation and amortisation	3.7	3.9	4.7	5.3	5.6	5.9
- Investment in working capital	-5.6	-6.4	-21.7	-13.3	-10.0	-10.1
+/- 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	20.6	25.9
- CAPEX	-2.7	-4.9	-9.4	-7.4	-6.4	-7.4
Free cash flow	7.1	4.0	-4.4	3.6	14.2	18.5
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 own 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	10.8	14.6
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	25.4
Cash, end of the year	10.5	19.7	13.3	14.6	25.4	39.9
Free cash flow per share in €	1.60	0.89	-0.24	0.20	0.79	1.03
Y/Y growth						
Operating cash flow	-	-9.6%	-43.8%	121.5%	86.5%	26.1%
Free cash flow	-	n.a.	n.a.	n.a.	290.3%	30.8%
Financial cash flow	-	n.a.	n.a.	55.5%	35.7%	15.8%
Free cash flow per share	-	n.a.	n.a.	n.a.	290.3%	30.8%

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Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

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The production of this recommendation was completed on 26 January 2024 at 10:08

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

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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...84	↓	↓	↓	↓
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	13 September 2023	€25.00	Buy	€34.00
92	4 December 2023	€23.15	Buy	€34.00
93	Today	€22.60	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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