

# 2G Energy AG

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

Preliminary 2023  
 revenue

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 34.00**

Return Potential 51.8%  
 Risk Rating Medium

## STRONG GROWTH CONFIRMS BUY RECOMMENDATION

According to preliminary figures, 2G Energy increased sales by 17% y/y to €365m in 2023, exceeding our forecast of €355m and the upper end of guidance (€350m). We have thus raised our 2023 estimates. Following a very successful 2023 and a significant increase in incoming orders in H2/23, we confirm our growth forecasts for 2024 and continue to expect sales of €398m (guidance: up to €390m) at an EBIT margin of 9.3%. In view of the continued good growth prospects and the expected margin expansion, we reiterate our Buy recommendation at an unchanged €34 price target.

**Jump in sales thanks to strong final quarter** A very strong new plant business in Q4 (+40% y/y to €106m) led to annual sales of €365m – above our estimate (€355m) and the upper end of guidance (€350m). In 2023, the domestic business was the main growth driver, climbing 26% y/y to €234m, while the international business rose 4%. While the service business grew by a solid 10% y/y to €163m, the new installations business was particularly strong with sales increasing 23% to €202m, thereby crossing the €200m threshold for the first time (see figure 1 overleaf).

**Strong order intake in H2/23 points to further growth in the current year** Incoming orders rose 20% y/y in the second half of 2023 to €89.5m, and also developed positively at the start of 2024. The order backlog stood at €195m at the end of September 2023. In view of the dynamic order intake and high order backlog, we expect production capacity to be fully utilised in 2024. The strong new plant sales in 2023 have increased the number of machines with service contracts and should continue to ensure solid growth in the service area. 2G plans to compensate for the downward trend in the systems' annual operating hours, which leads to lower service revenue per machine, with additional service offers for operators of other manufacturers' systems.

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€m)	246.73	266.35	312.63	365.00	397.64	443.49
Y-o-y growth	4.4%	8.0%	17.4%	16.8%	8.9%	11.5%
EBIT (€m)	16.43	17.93	21.95	29.09	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	19.57	24.99	30.15
EPS (diluted) (€)	0.68	0.77	0.91	1.09	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	-0.13	18.57	18.53
Net gearing	-7.1%	-15.5%	-6.6%	-3.6%	-13.3%	-19.7%
Liquid assets (€m)	11.03	19.93	13.48	10.84	26.00	40.58

### 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 28 Feb 2024

Closing Price	€ 22.40
Shares outstanding	17.94m
Market Capitalisation	€ 401.86m
52-week Range	€ 20.05 / 29.65
Avg. Volume (12 Months)	21,225

Multiples	2022	2023E	2024E
P/E	24.5	20.5	16.1
EV/Sales	1.3	1.1	1.0
EV/EBIT	18.0	13.6	10.7
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%

**Figure 1: Reported 2023 figures versus 2022**

All figures in €m	2023	2022	Delta
Sales	365.0	312.6	17%
Sales Germany	234.0	186.3	26%
Sales International	131.0	126.3	4%
Sales New Plants	202.0	164.5	23%
Sales Service	163.0	148.1	10%

Source: First Berlin Equity Research, 2G Energy AG

**High visibility of business development** Having already published guidance for 2024 (sales: up to €390m with an EBIT margin of 8.5% - 10.0%) and sales guidance for 2025 (up to €450m), 2G offers high business development visibility at an early stage (see figure 2).

**Figure 2: Guidance 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

**Forecasts for 2023 raised and for 2024 confirmed** Following the preliminary reported revenue figure, we have raised our estimates for 2023. Despite the higher than expected increase in sales, we continue to expect an EBIT margin of 8.0%, as this increase mainly took place in the lower-margin new plant business. Compared to the prior year, the margin should increase by 1.0 PP. For the current year, we stick to our forecast of sales of €398m at an EBIT margin of 9.3% (see figure 3). This means that 2G should continue its growth with a widening EBIT margin in 2024. Combined heat and power plants are highly profitable in view of lower natural gas prices and relatively high electricity prices. Their flexibility makes them a very good complement to volatile wind and solar power. Following the acquisition of Dutch heat pump manufacturer NRGTEQ B.V., 2G should also grow in the area of large heat pumps in the future.

**Figure 3: Revisions to forecasts**

All figures in €m	2023E			2024E			2025E		
	new	old	delta	new	old	delta	new	old	delta
Sales	365.0	355.0	3%	397.6	397.6	0%	443.5	443.5	0%
EBIT	29.1	28.3	3%	37.0	37.0	0%	44.4	44.4	0%
EBIT margin	8.0%	8.0%	-	9.3%	9.3%	-	10.0%	10.0%	-
Net income	19.6	19.0	3%	25.0	25.0	0%	30.2	30.2	0%
Net margin	5.4%	5.4%	-	6.3%	6.3%	-	6.8%	6.8%	-
EPS diluted (€)	1.09	1.06	3%	1.39	1.39	0%	1.68	1.68	0%

Source: First Berlin Equity Research, 2G Energy AG

**Buy reiterated at unchanged price target** An updated DCF model 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	365.00	397.64	443.49	510.01	591.62	668.53	748.75	816.14
Growth y/y	17%	9%	12%	15%	16%	13%	12%	9%
EBIT	29.09	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	20.07	25.50	30.65	35.70	41.41	46.80	52.41	57.13
+ depreciation & amortis. (excl. GW)	5.38	5.57	5.88	7.65	8.87	10.03	11.23	12.24
= net operating cash flow	25.45	31.07	36.53	43.35	50.29	56.82	63.64	69.37
- total investments (Capex and WC)	-25.08	-12.00	-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>	-17.68	-5.60	-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)	0.38	19.07	19.03	25.93	19.38	26.03	30.75	38.93
PV of FCFs	0.38	17.56	16.03	19.96	13.64	16.75	18.08	20.93

€m	
PVs of FCFs explicit period (2023E-36E)	256.93
PVs of FCFs in terminal period	350.12
Enterprise Value (EV)	607.05
Net cash / (Net debt)	6.11
Minorities	-0.04
Shareholder value	613.12
No. of shares outstanding (m)	17.94
Fair value per share (€)	34.18

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

	WACC	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	19.80	21.23	22.66	24.10	25.53
11.4%		19.48	21.09	22.71	24.32	25.94	27.56	29.17
10.4%		22.76	24.61	26.46	28.31	30.16	32.01	33.86
9.4%		27.13	29.29	31.45	<b>34.18</b>	35.77	37.92	40.08
8.4%		33.21	35.80	38.38	40.96	43.54	46.13	48.71
7.4%		42.17	45.38	48.58	51.78	54.99	58.19	61.40
6.4%		56.58	60.77	64.97	69.16	73.36	77.55	81.75

\* 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
<b>Revenues</b>	<b>246.7</b>	<b>266.3</b>	<b>312.6</b>	<b>365.0</b>	<b>397.6</b>	<b>443.5</b>
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
<b>Total output</b>	<b>254.2</b>	<b>268.9</b>	<b>338.8</b>	<b>365.2</b>	<b>397.8</b>	<b>443.7</b>
Material costs	-167.3	-171.3	-224.1	-234.3	-255.7	-286.5
<b>Gross profit</b>	<b>87.0</b>	<b>97.7</b>	<b>114.7</b>	<b>130.9</b>	<b>142.2</b>	<b>157.2</b>
Personnel expenses	-44.3	-49.4	-57.0	-65.0	-68.1	-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	-36.3	-37.0	-41.0
<b>EBITDA</b>	<b>20.1</b>	<b>21.9</b>	<b>26.6</b>	<b>34.5</b>	<b>42.5</b>	<b>50.3</b>
Depreciation and amortisation	-3.7	-3.9	-4.7	-5.4	-5.6	-5.9
<b>Operating income (EBIT)</b>	<b>16.4</b>	<b>17.9</b>	<b>22.0</b>	<b>29.1</b>	<b>37.0</b>	<b>44.4</b>
Net financial result	-0.2	-0.2	-0.4	-0.7	-0.7	-0.7
<b>Income before taxes &amp; minority interests</b>	<b>16.3</b>	<b>17.7</b>	<b>23.5</b>	<b>28.4</b>	<b>36.2</b>	<b>43.7</b>
Other income / expenses	0.0	0.0	1.9	0.0	0.0	0.0
Income taxes	-4.3	-5.1	-7.1	-8.8	-11.2	-13.5
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income / loss</b>	<b>12.0</b>	<b>12.6</b>	<b>16.4</b>	<b>19.6</b>	<b>25.0</b>	<b>30.2</b>
<b>EPS in €</b>	<b>0.68</b>	<b>0.77</b>	<b>0.91</b>	<b>1.09</b>	<b>1.39</b>	<b>1.68</b>
<b>Diluted EPS (in €)</b>	<b>0.68</b>	<b>0.77</b>	<b>0.91</b>	<b>1.09</b>	<b>1.39</b>	<b>1.68</b>
<b>Ratios</b>						
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%	9.4%	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%
<b>Expenses as % of revenues</b>						
Personnel expenses	17.9%	18.5%	18.2%	17.8%	17.1%	16.2%
Other operating expenses	10.0%	11.2%	11.3%	9.9%	9.3%	9.2%
Depreciation and amortisation	1.5%	1.5%	1.5%	1.5%	1.4%	1.3%
<b>Y/Y growth</b>						
Revenues	4.4%	8.0%	17.4%	16.8%	8.9%	11.5%
Operating income	6.2%	9.1%	22.5%	32.5%	27.0%	20.2%
Net income / loss	16.1%	5.3%	30.0%	19.4%	27.7%	20.6%



## BALANCE SHEET

All figures in €m	2020	2021	2022	2023E	2024E	2025E
<b>Assets</b>						
<b>Current assets, total</b>	<b>119.8</b>	<b>142.6</b>	<b>179.7</b>	<b>195.5</b>	<b>218.1</b>	<b>245.6</b>
Cash and cash equivalents	11.0	19.9	13.5	10.8	26.0	40.6
Trade accounts and notes receivables	42.2	43.4	57.1	64.0	68.6	75.3
Inventories	60.8	72.2	102.6	114.1	117.0	123.2
Other current assets	5.9	7.1	6.5	6.5	6.5	6.5
<b>Non-current assets, total</b>	<b>26.7</b>	<b>27.1</b>	<b>31.9</b>	<b>33.9</b>	<b>34.7</b>	<b>35.5</b>
Property, plant and equipment	22.9	22.6	26.8	29.4	30.8	33.0
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
<b>Total assets</b>	<b>146.6</b>	<b>169.7</b>	<b>211.6</b>	<b>229.4</b>	<b>252.9</b>	<b>281.2</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Liabilities, total</b>	<b>68.2</b>	<b>75.2</b>	<b>103.0</b>	<b>103.7</b>	<b>105.6</b>	<b>107.7</b>
Interest bearing debt	5.5	5.3	6.3	6.3	6.3	6.3
Trade accounts payable	10.0	11.5	20.5	21.2	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
<b>Shareholders equity, total</b>	<b>78.3</b>	<b>94.5</b>	<b>108.6</b>	<b>125.7</b>	<b>147.3</b>	<b>173.5</b>
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	105.5	127.1	153.3
Other reserves	-1.0	-0.7	-0.7	-0.7	-0.7	-0.7
Minority interests	0.0	-0.1	0.0	0.0	0.0	0.0
<b>Total consolidated equity and debt</b>	<b>146.6</b>	<b>169.7</b>	<b>211.6</b>	<b>229.4</b>	<b>252.9</b>	<b>281.2</b>
*2022: share split						
<b>Ratios</b>						
Current ratio (x)	2.4	2.6	2.3	2.5	2.7	3.0
Equity ratio (as %)	53.4%	55.7%	51.3%	54.8%	58.2%	61.7%
Net gearing (as %)	-7.1%	-15.5%	-6.6%	-3.6%	-13.4%	-19.7%
Equity per share (in €)	17.7	21.1	6.1	7.0	8.2	9.7
Net debt	-5.6	-14.6	-7.1	-4.5	-19.7	-34.2
Interest coverage ratio (x)	89	87	72	40	51	61
Av. working capital/sales	24.5%	25.4%	26.7%	28.3%	28.9%	27.7%
Return on equity (ROE)	15.3%	13.3%	15.1%	15.6%	17.0%	17.4%
Return on capital employed (ROCE)	17.2%	16.7%	17.3%	20.1%	22.5%	23.6%
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
<b>Net income</b>	<b>12.0</b>	<b>12.6</b>	<b>16.4</b>	<b>19.6</b>	<b>25.0</b>	<b>30.2</b>
+ Depreciation and amortisation	3.7	3.9	4.7	5.4	5.6	5.9
- Investment in working capital	-5.6	-6.4	-21.7	-17.7	-5.6	-10.1
+/- Others (prov., non cash expenses, interest, etc.)	-0.3	-1.3	5.7	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>9.8</b>	<b>8.9</b>	<b>5.0</b>	<b>7.3</b>	<b>25.0</b>	<b>25.9</b>
- CAPEX	-2.7	-4.9	-9.4	-7.4	-6.4	-7.4
<b>Free cash flow</b>	<b>7.1</b>	<b>4.0</b>	<b>-4.4</b>	<b>-0.1</b>	<b>18.6</b>	<b>18.5</b>
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
<b>Investment cash flow</b>	<b>-2.1</b>	<b>-1.8</b>	<b>-9.7</b>	<b>-7.4</b>	<b>-6.4</b>	<b>-7.4</b>
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
<b>Financial cash flow</b>	<b>-7.4</b>	<b>1.6</b>	<b>-1.6</b>	<b>-2.5</b>	<b>-3.4</b>	<b>-3.9</b>
<b>Change in cash</b>	<b>0.3</b>	<b>8.6</b>	<b>-6.4</b>	<b>-2.6</b>	<b>15.2</b>	<b>14.6</b>
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	10.8	26.0
<b>Cash, end of the year</b>	<b>10.5</b>	<b>19.7</b>	<b>13.3</b>	<b>10.8</b>	<b>26.0</b>	<b>40.6</b>
<b>Free cash flow per share in €</b>	<b>1.60</b>	<b>0.89</b>	<b>-0.24</b>	<b>-0.01</b>	<b>1.03</b>	<b>1.03</b>
<b>Y/Y growth</b>						
Operating cash flow	-	-9.6%	-43.8%	46.1%	243.2%	3.9%
Free cash flow	-	n.a.	n.a.	-97.1%	n.a.	-0.2%
Financial cash flow	-	n.a.	n.a.	55.5%	35.7%	15.8%
Free cash flow per share	-	n.a.	n.a.	-97.1%	n.a.	-0.2%

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**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 <sup>1</sup>	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%

<sup>1</sup> 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...85	↓	↓	↓	↓
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	26 January 2024	€22.60	Buy	€34.00
94	Today	€22.40	Buy	€34.00



### INVESTMENT HORIZON

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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