

2G Energy AG

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

Q1 figures

RATING
BUY

PRICE TARGET
€ 34.00

Return Potential 31.3%
 Risk Rating Medium

Q1 SALES AND EBIT HIGHER THAN EXPECTED

In the first quarter, 2G Energy generated sales and EBIT of €69.5m (+1% y/y) and €0.9m (Q1/23: €-0.2m) respectively thus exceeding our expectations. Sales rose despite the very high revenue number in the prior year period. A significantly lower cost of materials ratio (64.5% vs. 69.0% in the prior year period) led to positive EBIT in a quarter that usually shows a weak operating result. We see the Q1 figures as confirmation of the 2G growth story and are sticking to our forecasts for the full year. We continue to assume 2024 sales growth of 9% y/y and a widening of the EBIT margin to 8.8%. An updated DCF model yields an unchanged €34 price target. We reiterate our Buy recommendation.

Successful start to the new year In the prior year quarter, 2G showed extraordinarily strong growth of 43% y/y to €68.5m. We had thus assumed a slight decline in sales to €65.4m for Q1/24 (see figure 1 overleaf). In the first quarter, 2G succeeded in reducing the cost of materials ratio significantly – and more than we had expected – from 69.0% to 64.5%. While the inflationary surge in purchase prices has now subsided, sales price increases are taking full effect, leading to a normalisation of the cost of materials ratio. This led to a positive EBIT contribution of €0.9m, compared to a negative EBIT of €-0.2m in the same period of the previous year.

Guidance confirmed 2G has confirmed guidance, which is traditionally conservative in terms of sales, and expects sales of up to €390m with an EBIT margin of 8.5% to 10.0% for the current fiscal year (see figure 2 overleaf). We are projecting an increase in the EBIT margin from 7.6% to 8.8%.

(p. t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023	2024E	2025E	2026E
Revenue (€m)	266.35	312.63	365.06	397.64	443.49	510.01
Y-o-y growth	8.0%	17.4%	16.8%	8.9%	11.5%	15.0%
EBIT (€m)	17.93	21.95	27.64	34.95	43.43	51.09
EBIT margin	6.7%	7.0%	7.6%	8.8%	9.8%	10.0%
Net income (€m)	12.61	16.39	17.95	23.61	29.46	34.77
EPS (diluted) (€)	0.77	0.91	1.00	1.32	1.64	1.94
DPS (€)	0.13	0.14	0.17	0.22	0.26	0.31
FCF (€m)	4.01	-4.39	3.56	9.35	16.34	14.88
Net gearing	-15.5%	-6.6%	-3.4%	-7.3%	-13.5%	-16.6%
Liquid assets (€m)	19.93	13.48	12.57	18.86	31.26	41.47

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

MARKET DATA

As of 23 May 2024

Closing Price	€ 25.90
Shares outstanding	17.94m
Market Capitalisation	€ 464.65m
52-week Range	€ 20.05 / 29.65
Avg. Volume (12 Months)	23,190

Multiples	2023	2024E	2025E
P/E	25.9	19.7	15.8
EV/Sales	1.3	1.2	1.0
EV/EBIT	16.7	13.2	10.6
Div. Yield	0.7%	0.8%	1.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2023

Liquid Assets	€ 12.57m
Current Assets	€ 188.71m
Intangible Assets	€ 10.26m
Total Assets	€ 227.45m
Current Liabilities	€ 73.45m
Shareholders' Equity	€ 123.99m

SHAREHOLDERS

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

**Figure 1: Reported figures versus forecasts**

All figures in €m	Q1-24A	Q1-24E	delta	Q1-23A	delta
Sales	69.5	65.4	6%	68.5	1%
EBIT	0.9	0.1	800%	-0.2	n.a.
EBIT margin	1.3%	0.2%	-	-0.3%	-

Source: First Berlin Equity Research, 2G Energy AG

Figure 2: Guidance for 2024 and 2025

Figures in €m	2024E	FBe	2025E	FBe
Revenue	360 - 390	397.6	up to 450	443.5
EBIT margin	8.5% - 10.0%	8.8%	n.a.	9.8%

Source: First Berlin Equity Research, 2G Energy AG

Buy confirmed at unchanged price target An updated DCF model yields an unchanged €34 price target. We confirm our Buy rating.



VALUATION MODEL

Figures in €m	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	397.64	443.49	510.01	566.11	622.72	684.99	746.64	813.84
Growth y/y	9%	12%	15%	11%	10%	10%	9%	9%
EBIT	34.95	43.43	51.09	56.61	62.27	68.50	74.66	81.38
EBIT margin	8.8%	9.8%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
NOPLAT	24.12	29.97	35.25	39.63	43.59	47.95	52.27	56.97
+ depreciation & amortis. (excl. GW)	5.57	5.88	6.61	7.36	8.72	10.27	11.20	12.21
= net operating cash flow	29.69	35.85	41.86	46.99	52.31	58.22	63.46	69.18
- total investments (Capex and WC)	-19.84	-19.00	-26.50	-17.80	-25.81	-27.71	-28.46	-31.02
<i>capital expenditure</i>	-8.40	-8.90	-9.40	-9.62	-9.96	-10.27	-11.20	-12.21
<i>working capital</i>	-11.44	-10.10	-17.10	-8.18	-15.85	-17.44	-17.26	-18.82
+/- 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)	9.85	16.85	15.36	29.19	26.49	30.51	35.00	38.15
PV of FCFs	9.42	14.74	12.30	21.39	17.76	18.72	19.65	19.59

€m	
PVs of FCFs explicit period (2024E-37E)	259.52
PVs of FCFs in terminal period	342.00
Enterprise Value (EV)	601.52
Net cash / (Net debt)	2.39
Minorities	0.02
Shareholder value	603.93
No. of shares outstanding (m)	17.94
Fair value per share (€)	33.66

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

WACC		Terminal EBIT margin						Fair value per share (€)
		8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	
12.3%	16.48	17.88	19.27	20.66	22.06	23.45	24.84	
11.3%	19.03	20.60	22.18	23.76	25.34	26.91	28.49	
10.3%	22.32	24.13	25.95	27.76	29.58	31.39	33.20	
9.3%	26.73	28.86	30.98	33.66	35.24	37.36	39.49	
8.3%	32.89	35.45	38.01	40.57	43.13	45.69	48.25	
7.3%	42.04	45.24	48.44	51.64	54.84	58.04	61.24	
6.3%	56.93	61.16	65.39	69.62	73.85	78.08	82.31	

* 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	397.6	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	397.8	443.7	510.2
Material costs	-171.3	-224.1	-238.3	-253.3	-283.8	-331.5
Gross profit	97.7	114.7	132.7	144.5	159.9	178.7
Personnel expenses	-49.4	-57.0	-64.3	-69.1	-73.8	-80.0
Other operating income	3.4	4.4	3.1	4.8	5.3	6.1
Other operating expenses	-29.7	-35.3	-36.9	-39.6	-42.0	-47.0
EBITDA	21.9	26.6	34.3	40.5	49.3	57.7
Depreciation and amortisation	-3.9	-4.7	-6.7	-5.6	-5.9	-6.6
Operating income (EBIT)	17.9	22.0	27.6	35.0	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	34.2	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	-10.6	-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	23.6	29.5	34.8
EPS in €	0.77	0.91	1.00	1.32	1.64	1.94
Diluted EPS (in €)	0.77	0.91	1.00	1.32	1.64	1.94
Ratios						
Gross margin (gross profit / total output)	36.3%	33.9%	35.8%	36.3%	36.0%	35.0%
EBITDA margin (EBITDA / revenue)	8.2%	8.5%	9.4%	10.2%	11.1%	11.3%
EBIT margin (EBIT / revenue)	6.7%	7.0%	7.6%	8.8%	9.8%	10.0%
Net income margin	4.7%	5.2%	4.9%	5.9%	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%	17.4%	16.6%	15.7%
Other operating expenses	11.2%	11.3%	10.1%	10.0%	9.5%	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%	8.9%	11.5%	15.0%
Operating income	9.1%	22.5%	25.9%	26.5%	24.3%	17.6%
Net income / loss	5.3%	30.0%	9.5%	31.6%	24.8%	18.0%



BALANCE SHEET

All figures in €m	2021	2022	2023	2024E	2025E	2026E
Assets						
Current assets, total	142.6	179.7	188.7	212.3	236.8	268.6
Cash and cash equivalents	19.9	13.5	12.6	18.9	31.3	41.5
Trade accounts and notes receivables	43.4	57.1	58.6	68.6	75.3	86.6
Inventories	72.2	102.6	109.8	117.0	123.2	134.2
Other current assets	7.1	6.5	7.8	7.8	7.0	6.3
Non-current assets, total	27.1	31.9	38.7	41.6	44.6	47.4
Property, plant and equipment	22.6	26.8	28.4	31.8	35.4	38.8
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	253.8	281.4	316.0
Shareholders' equity & debt						
Liabilities, total	75.2	103.0	103.4	109.3	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	22.9	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	144.6	170.1	200.1
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	124.5	150.0	180.1
Other reserves	-0.7	-0.7	-0.8	-0.8	-0.8	-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	253.8	281.4	316.0
*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%	60.4%	63.3%
Net gearing (as %)	-15.5%	-6.6%	-3.4%	-7.3%	-13.5%	-16.6%
Equity per share (in €)	21.1	6.1	6.9	8.1	9.5	11.2
Net debt	-14.6	-7.1	-4.3	-10.6	-22.9	-33.2
Interest coverage ratio (x)	87	72	49	48	59	73
Av. working capital/sales	25.4%	26.7%	28.2%	29.5%	28.9%	27.8%
Return on equity (ROE)	13.3%	15.1%	14.5%	16.3%	17.3%	17.4%
Return on capital employed (ROCE)	16.7%	17.3%	18.9%	20.9%	22.9%	23.5%
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	23.6	29.5	34.8
+ Depreciation and amortisation	3.9	4.7	6.7	5.6	5.9	6.6
- Investment in working capital	-6.4	-21.7	-16.3	-11.4	-10.1	-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	17.7	25.2	24.3
- CAPEX	-4.9	-9.4	-8.2	-8.4	-8.9	-9.4
Free cash flow	4.0	-4.4	3.6	9.3	16.3	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	6.3	12.4	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	18.9	31.3
Cash, end of the year	19.7	13.3	12.5	18.9	31.3	41.5
Free cash flow per share in €	0.89	-0.24	0.20	0.52	0.91	0.83
Y/Y growth						
Operating cash flow	-	-43.8%	135.4%	51.4%	42.2%	-3.8%
Free cash flow	-	n.a.	n.a.	162.2%	74.8%	-8.9%
Financial cash flow	-	n.a.	-24.9%	151.6%	29.4%	18.2%
Free cash flow per share	-	n.a.	n.a.	162.2%	74.8%	-8.9%

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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...88	↓	↓	↓	↓
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	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	Today	€25.90	Buy	€34.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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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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