

2G Energy (2GB GY) | Utilities/Renewables

October 20, 2022

Mixed picture in Q3; 2G remains confident about growth

2G presents a somewhat mixed picture for the third quarter. The sales slowdowns of the previous quarters, which often resulted from delayed offtake by customers, were made up for; sales increased by around 50% in Q3. Order intake, which was +27% in the previous quarter, fell by 14% in Q3; the extremely high energy prices caused investment restraint among some customer groups. Overall, the company remains confident, particularly with regard to growth opportunities. The new sales target for 2024 implies more than 10% annual growth and is quite significantly above the old target. In terms of earnings, however, this is offset by somewhat more cautious expectations with regard to the achievable margin. Here, the company essentially refers to the cost trends of recent times. 2G's CHP plants continue to be favored by the reliability of the (electricity) supply, the efficiency, the possibility of later conversion to hydrogen, and the uncomplicated construction of the plants. Many biogas and lean gas projects are now profitable again due to the rise in energy prices.

- Q3 order intake down 14% y-o-y. Sales guidance for 2022 confirmed: EUR 290m - 310m.
- Sales guidance for 2023: EUR 310m - 350m [based on order book > EUR 200m and growing service business].
- Update on guidance for 2024: sales of up to EUR 390m (old: c. EUR 330m). EBIT margin 8.5 to 10% (old: 10%) [due to price trends, supply chains, wage agreements etc.].
- Guidance for 2026 unchanged (so far): sales c. EUR 400m, EBIT margin 8.5 to 10%.

Fundamentals (in EUR m) ¹	2019	2020	2021	2022e	2023e	2024e
Sales	236	247	266	300	314	336
EBITDA	19	20	22	24	27	35
EBIT	16	17	18	20	23	31
EPS adj. (EUR)	0.58	0.67	0.70	0.75	0.85	1.15
DPS (EUR)	0.45	0.45	0.50	0.15	0.12	0.15
BVPS (EUR)	15.47	17.69	21.08	5.66	6.44	7.44
Net Debt incl. Provisions	-0	-6	-2	-24	-48	-69
Ratios ¹	2019	2020	2021	2022e	2023e	2024e
EV/EBITDA	2.6	4.6	5.2	14.8	12.3	9.0
EV/EBIT	3.2	5.6	6.3	17.9	14.6	10.3
P/E adj.	19.3	33.3	36.7	28.6	25.0	18.6
Dividend yield (%)	4.0	2.0	1.9	0.7	0.6	0.7
EBITDA margin (%)	8.2	8.2	8.3	8.1	8.7	10.4
EBIT margin (%)	6.6	6.7	6.8	6.7	7.3	9.1
Net debt/EBITDA	-0.0	-0.3	-0.1	-1.0	-1.8	-2.0
PBV	0.7	1.3	1.2	3.8	3.3	2.9

¹Sources: Bloomberg, Metzler Research, ²Sources: ISS ESG, Metzler Research

Buy



unchanged

Price*

EUR 21.35

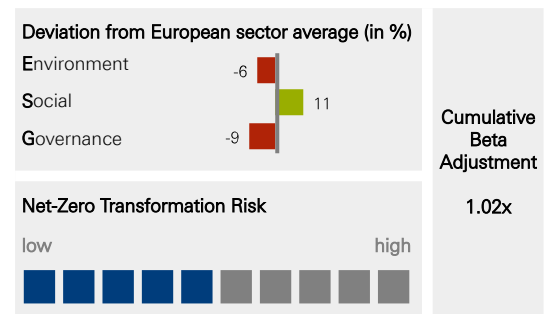
Price target

EUR 31.50 (33.50)

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m) ¹	383
Enterprise Value (EUR m) ¹	359
Free Float (%) ¹	54.9

Metzler ESG analysis based on ISS ESG data²



Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	0.5	-6.4	-25.1
Rel. to SDAX	4.5	8.6	16.2

Changes in estimates (in %) ¹	2022e	2023e	2024e
Sales	2.4	1.9	3.4
EBIT	-1.5	-3.6	-4.1
EPS	-1.6	-3.7	-4.2

Sponsored Research



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company note

Key Data

Company profile

CEO: Christian Grotholt

CFO: Friedrich Pehle

Heek, Germany

2G Energy is one of the largest suppliers of decentralized midsized CHP plants in the world. The company was founded in 1995. In 2000, 2G began selling its plants abroad as well. Meanwhile, 2G has installed more than 6500 units in more than 50 countries.

Major shareholders

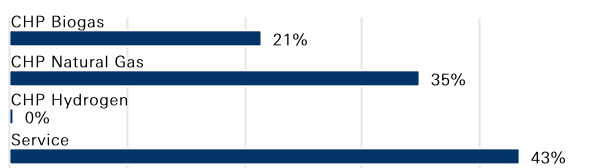
Christian Grotholt (29.6%), Ludger Gausing (15.5%)

Key figures

P&L (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Sales	236	12.7	247	4.4	266	8.0	300	12.6	314	4.7	336	7.0
EBITDA	19	23.5	20	4.9	22	8.3	24	10.3	27	12.0	35	28.1
EBITDA margin (%)	8.2	9.6	8.2	0.5	8.3	0.3	8.1	-2.0	8.7	7.0	10.4	19.7
EBIT	16	33.0	17	6.4	18	8.4	20	11.2	23	14.0	31	33.8
EBIT margin (%)	6.6	18.0	6.7	2.0	6.8	0.5	6.7	-1.3	7.3	8.9	9.1	25.1
Financial result	-0	31.2	-0	53.6	-0	-23.4	-0	-69.3	-0	0.0	-0	0.0
EBT	15	36.0	16	7.9	18	8.3	20	10.5	23	14.3	30	34.3
Taxes	5	37.2	5	-9.1	5	15.1	6	21.3	7	14.3	10	34.3
Tax rate (%)	32.6	n.a.	27.4	n.a.	29.2	n.a.	32.0	n.a.	32.0	n.a.	32.0	n.a.
Net income	10	35.4	12	16.1	13	5.7	13	6.1	15	14.3	21	34.3
Minority interests	-0	-108.8	0	100.0	-0	n.a.	0	100.0	0	n.a.	0	n.a.
Net Income after minorities	10	37.1	12	16.0	13	5.4	13	6.4	15	14.3	21	34.3
Number of shares outstanding (m)	4	0.0	4	0.0	4	1.2	18	300.0	18	0.0	18	0.0
EPS adj. (EUR)	0.58	37.1	0.67	16.0	0.70	4.1	0.75	6.4	0.85	14.3	1.15	34.3
DPS (EUR)	0.45	0.0	0.45	0.0	0.50	11.1	0.15	-70.0	0.12	-20.0	0.15	25.0
Dividend yield (%)	4.0	n.a.	2.0	n.a.	1.9	n.a.	0.7	n.a.	0.6	n.a.	0.7	n.a.
Cash Flow (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Gross Cash Flow	13	4.6	15	16.6	9	-37.7	18	87.3	20	11.4	25	26.3
Increase in working capital	11	n.a.	6	n.a.	9	n.a.	-9	n.a.	-9	n.a.	-1	n.a.
Capital expenditures	6	-4.4	2	-63.0	2	-9.5	2	5.3	2	0.0	3	50.0
D+A/Capex (%)	65.5	n.a.	174.5	n.a.	207.4	n.a.	210.0	n.a.	215.0	n.a.	140.0	n.a.
Free cash flow (Metzler definition)	-4	-253.2	7	298.1	-2	-125.5	25	n.m.	27	8.2	23	-14.4
Free cash flow yield (%)	-7.6	n.a.	7.5	n.a.	-1.6	n.a.	6.4	n.a.	6.9	n.a.	5.9	n.a.
Dividend paid	2	7.1	2	0.0	2	0.0	2	12.5	3	20.0	2	-20.0
Free cash flow (post dividend)	-6	-96.6	5	194.7	-4	-171.5	22	674.4	24	7.0	21	-13.8
Balance sheet (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Assets	141	12.9	147	4.0	170	15.8	184	8.4	203	10.1	227	11.8
Goodwill	3	-16.7	2	-14.3	3	41.2	3	-8.6	3	0.0	3	0.0
Shareholders' equity	69	11.3	78	14.3	95	20.7	101	7.3	115	13.8	133	15.6
Equity/total assets (%)	48.6	n.a.	53.4	n.a.	55.7	n.a.	55.2	n.a.	57.0	n.a.	58.9	n.a.
Net Debt incl. Provisions	-0	97.6	-6	n.m.	-2	69.6	-24	n.m.	-48	-99.4	-69	-43.0
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	-0.2	n.a.	-7.1	n.a.	-1.8	n.a.	-23.7	n.a.	-41.6	n.a.	-51.4	n.a.
Net debt/EBITDA	-0.0	n.a.	-0.3	n.a.	-0.1	n.a.	-1.0	n.a.	-1.8	n.a.	-2.0	n.a.

Structure

Sales by activity and fuel configuration 2021



ESG discussion

When biogas is burned, discussions arise regarding the conflict of energy production and nutrition. Natural gas as an energy source is not CO2 free and is also controversial. 2G's plants can be converted to hydrogen. The company has no specific target to reduce its carbon emissions but takes measures to reduce its environmental footprint, whose efficiency is reflected in decreasing energy and greenhouse gas emission intensities. Regarding the governance of sustainability, no committee seems to be in charge of sustainability issues and ESG performance does not seem part of the executive compensation scheme. The company has a code of conduct covering relevant issues such as corruption, insider dealings and conflicts of interest.

Sources: Bloomberg, Metzler Research

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Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): 2G Energy (DE000A0HL8N9)					
06.09.2022	Buy	Buy	23.40 EUR	33.50 EUR	Hoymann, Guido
08.07.2022	Buy	Buy	22.45 EUR	33.50 EUR	Hoymann, Guido
19.05.2022	Buy	Buy	26.00 EUR	134.00 EUR	Hoymann, Guido
04.04.2022	Buy	Buy	31.70 EUR	134.00 EUR	Hoymann, Guido
20.01.2022	Buy	Buy	24.70 EUR	123.00 EUR	Hoymann, Guido
05.01.2022	Buy	Buy	26.40 EUR	123.00 EUR	Hoymann, Guido
18.11.2021	Buy	Buy	28.75 EUR	123.00 EUR	Hoymann, Guido

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

** XETRA trading price at the close of the previous day unless stated otherwise herein

*** All authors are financial analysts

2G Energy

13. Metzler, a company affiliated with Metzler and/or a person that has worked on compiling this report has reached an agreement with the issuer relating to the production of investment recommendations.

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