

company note

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

November 21, 2022

Solid growth continues

2G Energy had already published some key figures for the third quarter in advance. Turnover rose by around 49% in the third quarter and was thus able to make up for the declines in turnover in the previous quarters, which were often due to delayed off-take by customers. The EBIT margin after 9m was at 3.2% (9m 2021: 2.3%). The 2022 EBIT margin target of 6-8% as well as the sales guidance for 2022 of EUR 290 million to 310 million were confirmed. It is remarkable that despite significant cost increases in almost all major input factors, the cost of materials ratio and the other operating expense ratio are only slightly above the previous year's level. As the company has also already announced, sales are expected to increase further to EUR 310 million to 350 million and in 2024 to up to EUR 390 million. Then at a margin of 8.5 - 10 %. 2G Energy's combined heat and power (CHP) plants continue to be attractive because of the reliability of the (electricity) supply, the efficiency, the possibility of converting to hydrogen at a later date and the uncomplicated construction of the plants. Many biogas and lean gas projects are now profitable again due to the rise in energy prices.

- 9m net sales EUR 190.8 million (+20%)
- 9m EBIT margin 3.2% (9m 2021: 2.3%).
- FY 2022 outlook confirmed: net sales EUR 290 million to 310 million. EBIT margin 6% to 8%.
- Valuation: 2G Energy is trading at 10.4x EV/EBITDA 2024; its peers Vestas and Solaredge at 15.7x on average.

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	16.8	14.1	10.4
EV/EBIT	3.2	5.6	6.3	20.3	16.7	11.8
P/E adj.	19.3	33.3	36.7	32.1	28.1	20.9
Dividend yield (%)	4.0	2.0	1.9	0.6	0.5	0.6
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	4.2	3.7	3.2

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

Buy

 **unchanged**

Price*

EUR 24.00

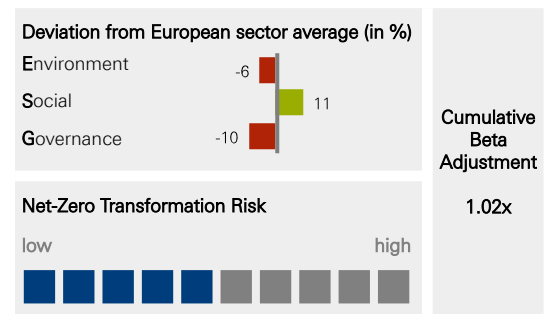
Price target

EUR 31.50 (unchanged)

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

Market Cap (EUR m) ¹	431
Enterprise Value (EUR m) ¹	406
Free Float (%) ¹	54.9

Metzler ESG analysis based on ISS ESG data²



Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	11.6	-12.9	-13.2
Rel. to SDAX	-3.3	-11.6	19.1

Changes in estimates (in %) ¹	2022e	2023e	2024e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

Sponsored Research



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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

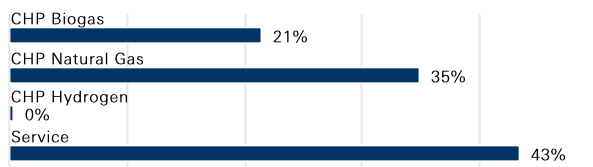
Christian Grotholt (29.6%), Ludger Gausling (15.5%)

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.	0.6	n.a.	0.5	n.a.	0.6	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.	5.7	n.a.	6.2	n.a.	5.3	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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Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): 2G Energy (DE000A0HL8N9)					
20.10.2022	Buy	Buy	21.35 EUR	31.50 EUR	Hoymann, Guido
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

* 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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