

company note

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

May 25, 2023

Picking up speed again

2G reported a strong increase (+40.8%) in net sales in Q1, which is also due to the processing of the high backlog of orders. But also service sales showed a remarkable increase of 19%. After a weak January and February, order intake increased significantly in March (+92% y-o-y). According to the company, order intake also developed positively thereafter, so that the order backlog rose again to EUR 190m (YE 2022: EUR 177m). The order situation has recovered especially outside Germany; in the domestic market, the uncertainties surrounding the legal requirements for building heating obviously continue to cause restraint among customers. EBIT improved from EUR -0.8m in the previous year to EUR -0.2m. The improvement was somewhat slowed down by the fact that in Q1 orders were largely sold that had been concluded before the higher costs were passed on to the customers. From this perspective, the improvement in margins should be able to accelerate somewhat in the course of the year. Outlook confirmed with sales between EUR 310m and 350m and an EBIT margin of 6.5 to 8.5%. The company has also announced an interesting new product: it intends to manufacture large heat pumps for municipal heating concepts. A large part of the components required for such machines (container, heat exchanger, heat accumulator, pumps, valves, etc.) are also installed in the CHP plants. So far, 2G has purchased these machines from other companies and is therefore already familiar with the integration, control and servicing of CHP/heat pump combinations. There is a good chance that demand for high-performance heat pumps will increase as municipal heat planning progresses. The costs associated with the introduction of the new product should be in the low single-digit EURm range.

Fundamentals (in EUR m) ¹	2020	2021	2022	2023e	2024e	2025e
Sales	247	266	313	325	336	351
EBITDA	20	22	29	29	35	37
EBIT	17	18	24	24	31	32
EPS adj. (EUR)	0.67	0.70	0.91	0.91	1.15	1.21
DPS (EUR)	0.45	0.50	0.14	0.14	0.15	0.18
BVPS (EUR)	17.69	21.08	6.06	6.44	7.44	7.44
Net Debt incl. Provisions	-6	-11	-3	-22	-42	-62
Ratios ¹	2020	2021	2022	2023e	2024e	2025e
EV/EBITDA	4.6	4.8	14.6	14.3	11.4	10.3
EV/EBIT	5.6	5.8	17.4	17.1	12.9	11.7
P/E adj.	33.3	36.7	25.7	26.9	21.3	20.2
Dividend yield (%)	2.0	1.9	0.6	0.6	0.6	0.7
EBITDA margin (%)	8.2	8.3	9.2	9.0	10.4	10.4
EBIT margin (%)	6.7	6.8	7.7	7.5	9.1	9.2
Net debt/EBITDA	-0.3	-0.5	-0.1	-0.8	-1.2	-1.7
PBV	1.3	1.2	3.9	3.8	3.3	3.3

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

Buy



unchanged

Price*

EUR 24.45

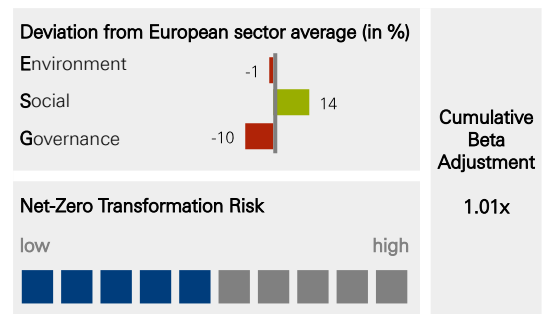
Price target

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	439
Enterprise Value (EUR m) ¹	417
Free Float (%) ¹	54.9

Metzler ESG analysis based on ISS ESG data²



Performance (in %) ¹	1m	3m	12m
Share	2.7	10.9	-7.6
Rel. to SDAX	5.3	10.5	-7.6
Changes in estimates (in %) ¹	2023e	2024e	2025e
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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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

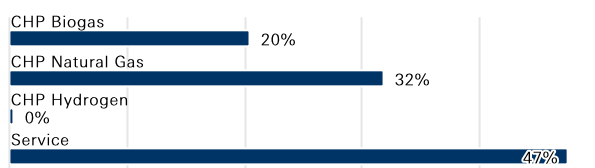
Christian Grotholt (29.6%), Ludger Gausling (15.5%)

Key figures

P&L (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Sales	247	4.4	266	8.0	313	17.4	325	4.0	336	3.4	351	4.5
EBITDA	20	4.9	22	8.3	29	30.4	29	1.6	35	19.6	37	5.1
EBITDA margin (%)	8.2	0.5	8.3	0.3	9.2	11.1	9.0	-2.3	10.4	15.6	10.4	0.6
EBIT	17	6.4	18	8.4	24	32.8	24	1.5	31	25.9	32	5.5
EBIT margin (%)	6.7	2.0	6.8	0.5	7.7	13.1	7.5	-2.4	9.1	21.8	9.2	1.0
Financial result	-0	53.6	-0	-23.4	-0	-83.8	-0	7.9	-0	0.0	-0	0.0
EBT	16	7.9	18	8.3	24	32.2	24	1.6	30	26.3	32	5.6
Taxes	5	-9.1	5	15.1	7	39.1	8	5.9	10	26.3	10	5.6
Tax rate (%)	27.4	n.a.	29.2	n.a.	30.7	n.a.	32.0	n.a.	32.0	n.a.	32.0	n.a.
Net income	12	16.1	13	5.7	16	29.3	16	-0.3	21	26.3	22	5.6
Minority interests	0	100.0	-0	n.a.	-0	59.6	0	100.0	0	n.a.	0	n.a.
Net Income after minorities	12	16.0	13	5.4	16	29.8	16	-0.4	21	26.3	22	5.6
Number of shares outstanding (m)	4	0.0	4	1.2	18	300.0	18	0.0	18	0.0	18	0.0
EPS adj. (EUR)	0.67	16.0	0.70	4.1	0.91	29.8	0.91	-0.4	1.15	26.3	1.21	5.6
DPS (EUR)	0.45	0.0	0.50	11.1	0.14	-72.0	0.14	0.0	0.15	7.1	0.18	20.0
Dividend yield (%)	2.0	n.a.	1.9	n.a.	0.6	n.a.	0.6	n.a.	0.6	n.a.	0.7	n.a.
Cash Flow (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Gross Cash Flow	15	16.6	18	21.2	27	45.4	21	-20.7	25	17.4	26	5.0
Increase in working capital	6	n.a.	9	n.a.	22	n.a.	-2	n.a.	-1	n.a.	0	n.a.
Capital expenditures	2	-63.0	2	-9.5	10	415.8	2	-79.6	3	50.0	4	33.3
D+A/Capex (%)	174.5	n.a.	207.4	n.a.	48.0	n.a.	240.0	n.a.	140.0	n.a.	107.5	n.a.
Free cash flow (Metzler definition)	7	298.1	7	-5.9	-5	-170.6	21	527.1	23	8.0	22	-3.3
Free cash flow yield (%)	7.5	n.a.	6.0	n.a.	-1.2	n.a.	4.8	n.a.	5.2	n.a.	5.0	n.a.
Dividend paid	2	0.0	2	0.0	2	12.5	3	12.0	3	0.0	3	7.1
Free cash flow (post dividend)	5	194.7	5	-8.1	-7	-243.5	19	358.8	20	9.0	19	-4.6
Balance sheet (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Assets	147	4.0	170	15.8	212	24.7	203	-4.2	227	11.8	227	0.0
Goodwill	2	-14.3	3	41.2	3	-8.6	3	0.0	3	0.0	3	0.0
Shareholders' equity	78	14.3	95	20.7	109	14.9	115	6.3	133	15.6	133	0.0
Equity/total assets (%)	53.4	n.a.	55.7	n.a.	51.3	n.a.	57.0	n.a.	58.9	n.a.	58.9	n.a.
Net Debt incl. Provisions	-6	n.m.	-11	-89.5	-3	67.8	-22	-543.6	-42	-92.1	-62	-45.7
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	-7.1	n.a.	-11.2	n.a.	-3.1	n.a.	-19.1	n.a.	-31.7	n.a.	-46.2	n.a.
Net debt/EBITDA	-0.3	n.a.	-0.5	n.a.	-0.1	n.a.	-0.8	n.a.	-1.2	n.a.	-1.7	n.a.

Structure

Sales by activity and fuel configuration 2022



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

Disclosures

Recommendation history

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)					
28.04.2023	Buy	Buy	24.30 EUR	31.50 EUR	Hoymann, Guido
31.03.2023	Buy	Buy	21.75 EUR	31.50 EUR	Hoymann, Guido
26.01.2023	Buy	Buy	25.45 EUR	31.50 EUR	Hoymann, Guido
21.11.2022	Buy	Buy	24.00 EUR	31.50 EUR	Hoymann, Guido
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

* 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

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	Stephan Bauer	Industrial Technology	4363
	Tom Diedrich	Media, Retail	239
	Oliver Frey	Software, Technology, Telecommunications	4360
	Alexander Neuberger	Industrial Technology, Small/Mid Caps	4366
	Jochen Schmitt	Financials, Real Estate	4359
	Thomas Schulte-Vorwick	Basic Resources	234
	Pál Skirta	Mobility	525
	Jürgen Pieper	Mobility, Senior Advisor	529
	Uwe Hohmann	Equity Strategy	366
	Eugen Keller	Head of FI/FX Research	329
	Juliane Rack	FI/FX Strategy	1748
	Sebastian Sachs	FI/FX Strategy	526
	Stoyan Toshev	FI/FX Strategy	528
Equities	Mustafa Ansary	Head of Equities	351
		Head of Equity Sales	
Sales	Eugenia Buchmüller		238
	Hugues Jaouen		4173
	Alexander Kravkov		4172
	Jasmina Schul		1766
	Markus Tozman		4174
Trading	Sven Knauer	Head of Equity Trading	245
	Kirsten Fleer		246
	Stephan Schmelzle		247
	Thomas Seibert		228
Corporate Solutions	Dr. Karsten Iltgen	Head of Corporate Solutions	510
	Stephan Averdung		514
	Thomas Burkart		511
	Christoph Hirth		513

company note

	Adrian Takacs		512
Fixed Income (FI)	Sebastian Luther	Head of Fixed Income	688
FI Sales	Minush Nori	Head of Fixed Income Sales	689
	Silke Amelung		289
	Claudia Ruiu		683
	Simon Tabath		280
FI Trading/ALM	Burkhard Brod	Head of ALM	659
	Bettina Koch		291
	Susanne Kraus		658
	Christian Bernhard	Head of Fixed Income Trading	266
	Dirk Lagler		685
Foreign Exchange (FX)	Özgür Atasever	Head of Foreign Exchange	281
FX Sales	Tobias Martin	Head of FX Sales & Trading	614
	Steffen Völker		293
FX Trading	Rainer Jäger		276
	Andreas Zellmann		610
Currency Management	Dominik Müller	Head of Currency Management	274
CM Advisory	Achim Walde	Head of Advisory	275
	Jens Rotterdam		282
CM Operations	Simon Wesch	Head of Operations	350
	Tessa Feller		1696
	Florian Konz		1773
	Sergii Piskun	Senior Quantitative Analyst	237