

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

August 29, 2023

Acquisition of heat pump specialist

2G has announced the acquisition of Dutch heat pump specialist NRGTEQ. NRGTEQ was founded in 2010 and has since completed around 600 heat pump projects, including just over 200 heat pumps in the 100 to 1,000 kWth capacity range. The vast majority of these heat pumps have been installed in Benelux. With less than ten employees, NRGTEQ has achieved an annual turnover of EUR 1.5 to 3 m in recent years. Until now, NRGTEQ has procured all the components necessary for the construction of heat pumps on the open market and assembled its products at the company's headquarters. This production will gradually be relocated to Heek, where the existing assembly halls currently offer sufficient scope for efficient processes. The international presence of 2G Energy AG opens up growth potential for the sale of large heat pumps. Product development will remain at the Rosmalen site, as will sales for the Benelux region. Outside this existing core market, sales will be handled by 2G subsidiaries or distribution partners. The decarbonisation efforts for the building sector demand solutions. Local heating networks, in which a central heating system supplies energy to a specific, delimited area such as a district, are likely to play a greater role. In Germany in particular, 2G expects a rapid and sustained increase in demand from industry, municipalities and public utilities for system solutions for decentralised, climate-friendly energy supply with the coming into force of the Building Energy Act and the Heating Act. However, this is a lengthy process. The company sees the order intake for large heat pumps in the coming year in the mid-single-digit million range. We share the company's view that this business can develop into another relevant pillar of the 2G business in the medium term.

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	14.5	11.6	10.5
EV/EBIT	5.6	5.8	17.4	17.4	13.2	11.9
P/E adj.	33.3	36.7	25.7	27.3	21.6	20.5
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	3.9	3.3	3.3

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

Buy



unchanged

Price*

EUR 24.80

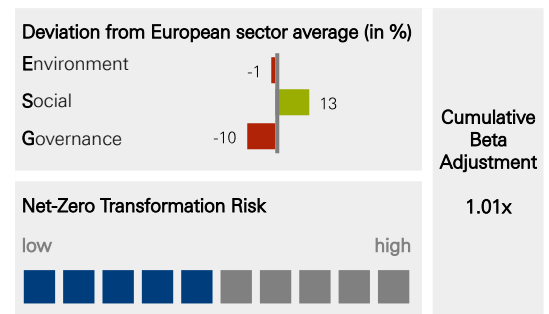
Price target

EUR 31.50 (unchanged)

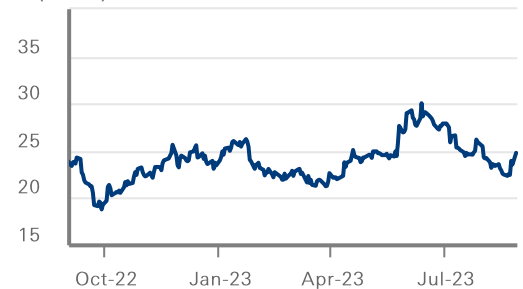
* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m) ¹	445
Enterprise Value (EUR m) ¹	423
Free Float (%) ¹	54.9

Metzler ESG analysis based on ISS ESG data²



Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	-4.4	-8.0	2.7
Rel. to SDAX	-0.3	-6.6	-6.6

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

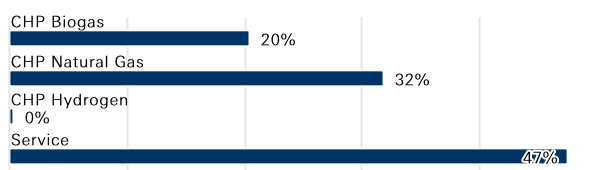
Christian Grotholt (29.6%), Ludger Gausing (15.5%)

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.	4.7	n.a.	5.1	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



Sources: Bloomberg, Metzler Research

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.

company note

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Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): 2G Energy (DE000A0HL8N9)					
24.08.2023	Buy	Buy	22.45 EUR	31.50 EUR	Hoymann, Guido
25.05.2023	Buy	Buy	24.45 EUR	31.50 EUR	Hoymann, Guido
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

* 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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