

company note

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

April 11, 2024

Practical, affordable, good

Order intake 2023 and the guidance for 2024 and 2025 were already communicated in January 2024. The lower limit of the 2024 sales guidance has now been raised again slightly from EUR 350m to 390m to EUR 360m to 390m. The 2023 result, with sales of 365m and an EBIT margin of 7.6 were broadly in line with the company's communicated targets (guidance 2023: sales EUR 310-350m; EBIT margin 6.5 to 8.5%) and consensus. At the start of 2024, order book stood at EUR 156m; the order intake in Germany continues to pick up and the company is receiving increasingly significant orders from regions outside the G7. The now normalized gas price level, the reliability of CHP plants in the (electricity) supply, the foreseeable shortage of electricity and heat generation capacities after the coal and nuclear phase-out, the dispatchability of CHP plants, their high efficiency, the possibility of a later conversion to H2 and the relatively simple and fast construction of the plants are the main arguments for 2G's products. In our view, the recently announced expansion of gas-fired power plants in the German domestic market will initially change little for 2G as we do not expect the first capacities to be completed until the early thirties. Even in the longer term, 2G does not compete with large gas-fired power plant capacities in its niches. In addition, orders in foreign markets have recently accelerated significantly. Especially in regions with less developed infrastructures, 2G plants can provide a quick and inexpensive energy supply.

Outlook: sales 2024 EUR 360m to EUR 390m, EBIT margin 8.5%-10%. Sales 2025 'up to EUR 450m'.

Fundamentals (in EUR m) ¹	2020	2021	2022	2023e	2024e	2025e
Sales	247	266	313	365	375	422
EBITDA	20	22	29	35	38	43
EBIT	17	18	24	28	34	39
EPS adj. (EUR)	0.67	0.70	0.91	1.05	1.28	1.47
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	-1	-24	-48
Ratios ¹	2020	2021	2022	2023e	2024e	2025e
EV/EBITDA	4.6	4.8	14.6	11.7	9.3	7.7
EV/EBIT	5.6	5.8	17.4	14.5	10.5	8.5
P/E adj.	33.3	36.7	25.7	21.7	16.6	14.4
Dividend yield (%)	2.0	1.9	0.6	0.6	0.7	0.8
EBITDA margin (%)	8.2	8.3	9.2	9.5	10.2	10.3
EBIT margin (%)	6.7	6.8	7.7	7.7	9.1	9.3
Net debt/EBITDA	-0.3	-0.5	-0.1	-0.0	-0.6	-1.1
PBV	1.3	1.2	3.9	3.5	2.8	2.8

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

Buy



unchanged

Price*

EUR 21.20

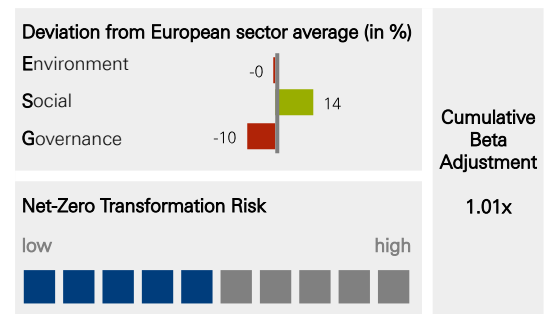
Price target

EUR 31.90 (unchanged)

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

Market Cap (EUR m) ¹	380
Enterprise Value (EUR m) ¹	356
Free Float (%) ¹	54.9

Metzler ESG analysis based on ISS ESG data²



Performance (in %) ¹	1m	3m	12m
Share	-6.4	-1.9	-5.1
Rel. to SDAX	-10.9	-9.4	-14.0

Changes in estimates (in %) ¹	2023e	2024e	2025e
Sales	12.3	2.5	4.2
EBIT	15.2	2.3	3.1
EPS	15.4	2.3	3.1

Sponsored Research



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Result 2023

In FY 2023 sales revenue rose by 17 % to EUR 365.1 million, the EBIT margin improved to 7.6 % (FY 2022: 7.0 %).

The new plants business in Germany posted the strongest growth of EUR 40.3 million (+48.7 %) to EUR 123.1 million. The new plants business in Anglo-Saxon territories declined markedly due to temporary effects (e.g. higher complexity of sales process in USA due to IRA-requirements), and the other foreign markets were not able to make up for them. Overall, however, foreign markets still slightly expanded by 3% to EUR 130.1 million.

The service business in the domestic market maintained its continuous growth of the last few years (+8.1 % to EUR 111.9 million). Almost all the major, traditional international markets also contributed significant gains in the service segment, in many cases with double-digit growth rates.

Strong momentum in Germany and outside G7

Net sales (EURm)	2023	% y-o-y
Germany		
CHP	123.1	48.7
Service	111.9	8.1
Rest of Europe		
CHP	50.2	-13.0
Service	34.2	24.8
North/Central America		
CHP	9.6	-19.3
Service	10.7	4.9
Asia/Australia		
CHP	8.9	21.9
Service	2.9	45.0
Rest of the world		
CHP	8.1	68.8
Service	5.5	7.8

Source: 2G

The cost of materials ratio, which had risen to 66.1% in the previous year, fell back to a more normal level of 64.2%. The increase in procurement costs in 2022 and 2023 was at least partially offset by the adjusted list prices. Revenue from the sale of new systems, which traditionally have a significantly higher material input, rose much more sharply in 2023 than the more labour-intensive service revenue. This effect partially overshadowed the normalisation of the cost of materials ratio.

Personnel expenses grew slightly faster than total operating performance, which was partly due to the relatively high general wage and salary increases. On the other hand, 2G increased its headcount against the backdrop of strategic projects, in particular the entry into the heat pump market, but also the project to fundamentally realign the IT and ERP system architecture.

Outlook

The order backlog at the beginning of 2024 totalled EUR 156 million. This good order situation is accompanied by a further increase in incoming orders in Germany and increasingly significant incoming orders from regions outside the G7. 2G expects consolidated sales in the range of EUR 360 million to EUR 390 million for the 2024 financial year. Sales in the heat pump segment are expected to be in the single-digit million range.

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In terms of profitability, the company continues to see a significant improvement in margins, which will primarily result from a further normalisation of the cost of materials ratio. The EBIT margin is forecast to be between 8.5% and 10%.

For 2025, 2G continues to anticipate sales revenue of up to EUR 450 million in 2025 with growth also driven by sales of heat pumps and from US/IRA orders.

Valuation

2G is trading at 7.9x EV/EBITDA 2025e; its peers at 9.4x on average.

Peer group valuation

	Bloomberg	Share price 11.4.2024 in local currencies	Metzler Recommendation/ price target	EV/EBITDA 2025e
Vestas	VWS DC	180	.	8.9
Solaredge	SEDG US	71	.	10.0
Average				9.4
2G Energy	2GB GY	23	BUY/ pt EUR 31.9	7.9

Sources: Metzler Research, Bloomberg

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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

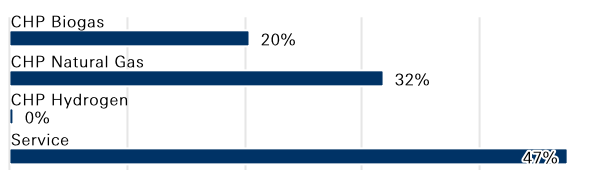
Christian Grotholt (29.6%), Ludger Gausing (15.5%)

Key figures

P&L (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Sales	247	4.4	266	8.0	313	17.4	365	16.8	375	2.7	422	12.5
EBITDA	20	4.9	22	8.3	29	30.4	35	21.4	38	10.0	43	13.3
EBITDA margin (%)	8.2	0.5	8.3	0.3	9.2	11.1	9.5	3.9	10.2	7.1	10.3	0.7
EBIT	17	6.4	18	8.4	24	32.8	28	16.8	34	21.8	39	14.6
EBIT margin (%)	6.7	2.0	6.8	0.5	7.7	13.1	7.7	0.0	9.1	18.5	9.3	1.8
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	28	17.2	34	22.0	39	14.8
Taxes	5	-9.1	5	15.1	7	40.9	9	20.7	11	22.0	12	14.8
Tax rate (%)	27.4	n.a.	29.2	n.a.	31.1	n.a.	32.0	n.a.	32.0	n.a.	32.0	n.a.
Net income	12	16.1	13	5.7	16	28.6	19	15.7	23	22.0	26	14.8
Minority interests	0	100.0	-0	n.a.	-0	-303.9	0	100.0	0	n.a.	0	n.a.
Net Income after minorities	12	16.0	13	5.4	16	30.1	19	14.7	23	22.0	26	14.8
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	30.1	1.05	14.7	1.28	22.0	1.47	14.8
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.	0.7	n.a.	0.8	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	12	-56.0	27	132.0	31	12.8
Increase in working capital	6	n.a.	9	n.a.	22	n.a.	0	n.a.	-1	n.a.	0	n.a.
Capital expenditures	2	-63.0	2	-9.5	10	415.8	8	-16.3	3	-63.4	4	33.3
D+A/Capex (%)	174.5	n.a.	207.4	n.a.	48.0	n.a.	82.9	n.a.	140.0	n.a.	107.5	n.a.
Free cash flow (Metzler definition)	7	298.1	7	-5.9	-5	-170.6	4	170.9	25	618.4	27	5.9
Free cash flow yield (%)	7.5	n.a.	6.0	n.a.	-1.2	n.a.	0.9	n.a.	6.6	n.a.	7.0	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	-2	72.0	23	n.m.	24	5.8
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	-1	58.8	-24	n.m.	-48	-99.6
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.	-1.2	n.a.	-18.0	n.a.	-35.9	n.a.
Net debt/EBITDA	-0.3	n.a.	-0.5	n.a.	-0.1	n.a.	-0.0	n.a.	-0.6	n.a.	-1.1	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.

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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)					
26.01.2024	Buy	Buy	22.75 EUR	31.90 EUR	Hoymann, Guido
27.11.2023	Buy	Buy	23.75 EUR	31.50 EUR	Hoymann, Guido
08.09.2023	Buy	Buy	24.30 EUR	31.50 EUR	Hoymann, Guido
29.08.2023	Buy	Buy	24.80 EUR	31.50 EUR	Hoymann, Guido
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

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

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*** All authors are financial analysts

2G Energy

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