

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

May 23, 2024

A good start into the year

In the first quarter 2024, 2G was able to achieve a small increase in sales, although the previous year was exceptionally strong at +41% due to the processing of the order backlog that had built up at the time as a result of supply chain frictions. The margin increased thanks to the improvement in the cost of materials ratio. In April, 2G had already reported its order intake for Q1, which increased by 26% to EUR 51.7m (previous year: EUR 41.0m). A total of EUR 1.9m was attributable to the heat pump business and EUR 10.1m to the US market. The 2024 sales target of EUR 360m to EUR 390m with an EBIT margin of between 8.5% and 10% was confirmed. The target for 2025 with sales of EUR 390m to EUR 450m was also confirmed. 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.

- Q1 sales EUR 69.5m, +1.5% y-o-y.
- Q1 EBIT improves from -EUR 0.2m to EUR 0.9m on the back of a notable reduction of the cost of materials ratio from 69% to 64.5%. Procurement cost increases have calmed down; at the same time, the company's own list price increases of the last 18 months are having an increasing impact.
- Valuation: 2G is trading at 9.6x EV/EBITDA 2025e; its peers at 10.3x on average.

Fundamentals (in EUR m) ¹	2021	2022	2023	2024e	2025e	2026e
Sales	266	313	365	375	422	452
EBITDA	22	29	35	38	43	48
EBIT	18	24	28	34	39	44
EPS adj. (EUR)	0.70	0.91	1.00	1.28	1.47	1.65
DPS (EUR)	0.50	0.14	0.17	0.18	0.20	0.20
BVPS (EUR)	21.08	6.06	6.91	7.44	7.86	8.25
Net Debt incl. Provisions	-11	-7	-4	-26	-49	-76
Ratios ¹	2021	2022	2023	2024e	2025e	2026e
EV/EBITDA	4.8	14.5	11.7	11.5	9.6	8.1
EV/EBIT	5.8	17.3	14.5	12.9	10.7	8.9
P/E adj.	36.7	25.7	22.7	20.4	17.7	15.8
Dividend yield (%)	1.9	0.6	0.7	0.7	0.8	0.8
EBITDA margin (%)	8.3	9.1	9.5	10.2	10.3	10.6
EBIT margin (%)	6.8	7.6	7.6	9.1	9.3	9.7
Net debt/EBITDA	-0.5	-0.2	-0.1	-0.7	-1.1	-1.6
PBV	1.2	3.9	3.3	3.5	3.3	3.2

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

Buy



unchanged

Price*

EUR 26.05

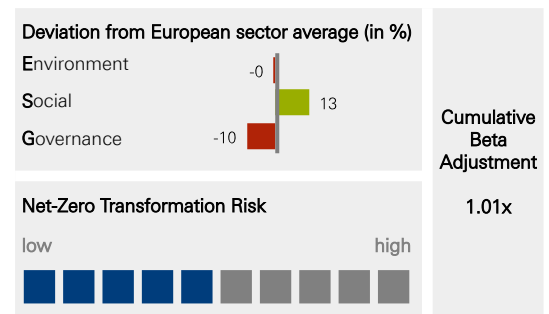
Price target

EUR 31.90 (unchanged)

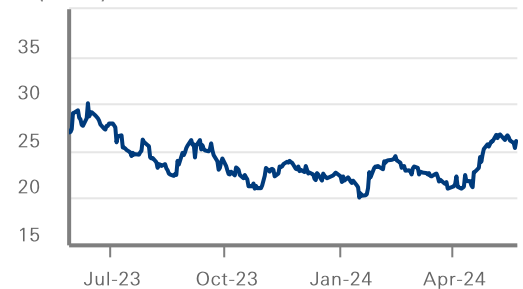
* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m) ¹	467
Enterprise Value (EUR m) ¹	441
Free Float (%) ¹	54.9

Metzler ESG analysis based on ISS ESG data²



Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	7.0	13.8	4.4
Rel. to SDAX	0.8	3.5	-6.2

Changes in estimates (in %) ¹	2024e	2025e	2026e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

Sponsored Research



Author: Guido Hoymann

Financial Analyst Equities

+49 69 2104-398

Guido.Hoymann@metzler.com

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

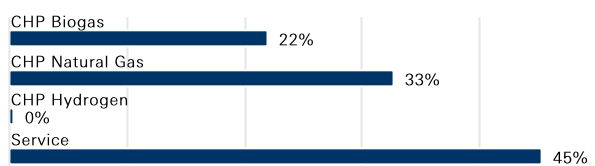
Christian Grotholt (29.6%), Ludger Gausing (15.5%)

Key figures

P&L (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Sales	266	8.0	313	17.4	365	16.8	375	2.7	422	12.5	452	7.1
EBITDA	22	8.3	29	30.0	35	20.7	38	10.9	43	13.3	48	10.9
EBITDA margin (%)	8.3	0.3	9.1	10.8	9.5	3.4	10.2	8.0	10.3	0.7	10.6	3.5
EBIT	18	8.4	24	32.3	28	16.6	34	22.4	39	14.6	44	12.1
EBIT margin (%)	6.8	0.5	7.6	12.8	7.6	-0.1	9.1	19.2	9.3	1.8	9.7	4.6
Financial result	-0	-23.4	-0	-45.1	-1	-86.7	-0	37.5	-0	0.0	-0	0.0
EBT	18	8.3	24	32.2	27	15.7	34	23.6	39	14.8	43	12.2
Taxes	5	15.1	7	38.8	9	28.8	11	16.1	12	14.8	14	12.2
Tax rate (%)	29.2	n.a.	30.6	n.a.	34.1	n.a.	32.0	n.a.	32.0	n.a.	32.0	n.a.
Net income	13	5.7	16	29.5	18	9.9	23	27.5	26	14.8	30	12.2
Minority interests	-0	n.a.	-0	59.6	0	385.7	0	-100.0	0	n.a.	0	n.a.
Net Income after minorities	13	5.4	16	29.9	18	9.6	23	27.8	26	14.8	30	12.2
Number of shares outstanding (m)	4	1.2	18	300.0	18	0.0	18	0.0	18	0.0	18	0.0
EPS adj. (EUR)	0.70	4.1	0.91	29.9	1.00	9.6	1.28	27.8	1.47	14.8	1.65	12.2
DPS (EUR)	0.50	11.1	0.14	-72.0	0.17	21.4	0.18	5.9	0.20	11.1	0.20	0.0
Dividend yield (%)	1.9	n.a.	0.6	n.a.	0.7	n.a.	0.7	n.a.	0.8	n.a.	0.8	n.a.
Cash Flow (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Gross Cash Flow	18	21.2	27	45.4	28	5.6	27	-3.4	31	12.8	34	10.5
Increase in working capital	9	n.a.	22	n.a.	16	n.a.	-1	n.a.	0	n.a.	0	n.a.
Capital expenditures	2	-9.5	10	415.8	11	16.3	3	-73.7	4	33.3	4	0.0
D+A/Capex (%)	207.4	n.a.	48.0	n.a.	58.4	n.a.	140.0	n.a.	107.5	n.a.	107.5	n.a.
Free cash flow (Metzler definition)	7	-5.9	-5	-170.6	0	108.1	25	n.m.	27	5.9	30	12.1
Free cash flow yield (%)	6.0	n.a.	-1.2	n.a.	0.1	n.a.	5.4	n.a.	5.7	n.a.	6.4	n.a.
Dividend paid	2	0.0	2	12.5	3	12.0	3	21.4	3	5.9	4	11.1
Free cash flow (post dividend)	5	-8.1	-7	-243.5	-2	70.6	22	n.m.	23	5.9	26	12.2
Balance sheet (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Assets	170	15.8	212	24.7	227	7.5	227	-0.4	234	3.3	241	3.0
Goodwill	3	41.2	3	-8.6	7	128.8	3	-56.3	3	0.0	3	0.0
Shareholders' equity	95	20.7	109	14.9	124	14.2	133	7.6	141	5.6	148	5.0
Equity/total assets (%)	55.7	n.a.	51.3	n.a.	54.5	n.a.	58.9	n.a.	60.2	n.a.	61.4	n.a.
Net Debt incl. Provisions	-11	-89.5	-7	34.0	-4	42.9	-26	-552.4	-49	-89.7	-76	-53.0
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	-11.2	n.a.	-6.4	n.a.	-3.2	n.a.	-19.5	n.a.	-35.1	n.a.	-51.2	n.a.
Net debt/EBITDA	-0.5	n.a.	-0.2	n.a.	-0.1	n.a.	-0.7	n.a.	-1.1	n.a.	-1.6	n.a.

Structure

Sales by activity and fuel configuration 2023



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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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)					
11.04.2024	Buy	Buy	21.20 EUR	31.90 EUR	Hoymann, Guido
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

* 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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Metzler Capital Markets

B. Metzler seel. Sohn & Co. AG
Untermainanlage 1
60329 Frankfurt/Main, Germany
Phone +49 69 2104-extension
Fax +49 69 2104-679
www.metzler.com

Mario Mattera

Head of Capital Markets

Research	Pascal Spano	Head of Research	4365
Fax +49 69 283159			
	Guido Hoymann	Head of Equity Research	398
		Transport, Utilities/Renewables	
	Stephan Bauer	Industrial Technology	4363
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