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Deutsche Rohstoff Buy

Germany | Oil & gas

Beta Profile:  
MOMENTUM QUALITY
MCap: EUR136.7m**Target Price:** EUR39.00 (40.00)**Current Price:** EUR26.90**Up/downside:** 45.0%**Market data:** 08 February 2023**Change in TP:** -2.5%**Change in Sales:** 9.8% 22E/6.7% 23E**Change in Adj. EBIT:** 8.9% 22E/-1.0% 23E**Change in Adj. EPS:** 7.6% 22E/-6.6% 23E

Bloomberg: DR0 GR

Reuters: DROG.DE

Free float 87.5%

Avg. daily volume (EURm) 0.4

YTD abs performance 3.5%

52-week high/low (EUR) 33.50/20.30

Hidden value with further expansion expected

Why this report?

DRAG's expansion plans indicate a sustainable increase in production and FCF in the next two years. We see a high chance of a FY 2023 guidance revision, as management should soon decide on drilling seven to nine additional wells. Furthermore, the group owns development areas with potential of +100 additional wells. Along with tight global oil supply and the group's successful deleveraging efforts, we think these factors have not yet been priced in by the market. Buy.

Key findings

- More stable and higher cash flows are driven by DRAG's extensive expansion plan comprising investments of over USD70m per year over 2022-24E.
- We see tight oil supply and high demand in 2023, marked by the re-opening of China, stalling US shale oil production, and potentially lower oil exports from Russia.
- In our view, the stock holds hidden value given the potential true value of its acreage and upcoming non-announced drillings, as well as its diversification in promising metals such as tungsten and lithium.

Deconstructing the forecasts

- We raise our estimates and rearrange our SOP model after the reorganisation of DRAG's portfolio. We do not include the potential addition of seven to nine wells in Wyoming and Utah; these are not included in the guidance and would lead to further upside.
- We account for the drilling of 26 successful own wells over the period 2024-27E in our model for DRAG's development area.

Investment case

- As one of the few European companies offering direct exposure to US shale, DRAG has extensive experience as an operator in the field. There are a large number of manufacturing companies offering optimal opportunities for non-operative activities and participations.
- Assuming a c. 30% success rate on the acquired acreage in Wyoming's Powder River Basin (+100 well locations), our play-by-play model suggests this could lead to a sustainable high oil & gas production level for DRAG in the medium term.
- The minority stake in Almonty Industries, which is expected to ramp up production at one of the largest tungsten mines outside China, should generate stable, long-term returns.

Catalysts

- Higher-than-assumed economic viability in Wyoming in terms of development area.
- Price movements in the WTI benchmark.
- Production start at Almonty's Sangdong mine in South Korea.

FY to 31/12 (EUR)	12/22E	12/23E	12/24E
Sales (m)	167.7	151.5	128.9
EBITDA adj (m)	142.4	123.3	102.2
EBIT adj (m)	98.5	81.9	67.1
Net profit adj (m)	68.5	52.8	44.0
Net financial debt (m)	29.0	41.5	7.0
FCF (m)	85.9	-8.5	37.6
EPS adj. and ful. dil.	13.70	10.56	8.80
Consensus EPS	14.08	12.67	8.65
Net dividend	0.80	0.60	0.60

FY to 31/12	12/22E	12/23E	12/24E
P/E adj and ful. dil.	2.0	2.5	3.1
EV/EBITDA	1.3	1.6	1.6
EV/EBIT	1.8	2.4	2.5
FCF yield	57.7%	-9.9%	25.3%
Dividend yield	3.0%	2.2%	2.2%
ND(F+IFRS16)/EBITDA	0.2	0.3	0.1
Gearing	19.0%	20.1%	2.8%
ROIC	50.9%	32.3%	22.6%
EV/IC	1.1	0.9	0.7

Sector Most Pref.

ENI
TotalEnergies

Sector Least Pref.

Galp

Valuation methodology

- Our valuation is based on an SOP of its oil & gas assets, Deutsche Rohstoff's minority investments in metals, and its investment portfolio.
- We value Cub Creek, Elster Oil & Gas, and Bright Rock Energy/Salt Creek Oil and Gas using a 27-year NPV model with a 10% WACC.
- Under our current long-term WTI oil price assumption of USD68/bbl, our SOP points to a fair value of EUR39.0.

Risks to our rating

- Weaker-than-expected US dollar. Each USD0.05 move in our long-term EUR/USD assumption impacts our SOP by EUR1-2 per share.
- Lower demand leading to negative price movements in the WTI benchmark. Each USD3/bbl move in our long-term WTI oil price assumptions impacts our SOP by c. EUR1-2 per share.

Deutsche Rohstoff's oil and gas activities are becoming more stable

After years of volatile top-line development due to the nature of the oil & gas business, Deutsche Rohstoff has successfully expanded its business by 1) acquiring acreage to increase its operating wells; and 2) increasing the number of its non-operating wells. This generates a more stable revenue and cash flow trajectory going forward.

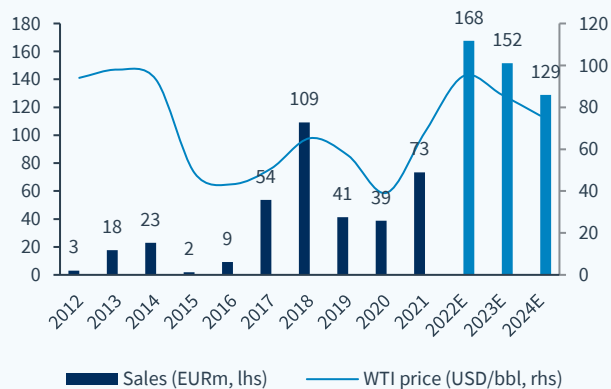
Deutsche Rohstoff has entered two joint ventures with Oxy in Wyoming as a non-operating partner, adding 31 wells over 2022-24. In Utah, it holds minority investments in a high number of non-operating wells (+150), and 46 wells will have been added by H1 2023. In Colorado and Wyoming, DRAG has 87 operating wells and owns significant acreage in the latter state (62,000 acres of development area) where more than 100 future wells are possible. In total, we estimate that the group will have over 90-95 operating wells and over 250 non-operating wells by the end of 2023. In 2022, c. 75% of the total 9,600 BOEPD were generated via the operating wells, with 25% of total production coming from non-operating wells.

Deutsche Rohstoff has benefited significantly from the higher oil price in 2022. While management's WTI price assumption for its 2023 guidance is USD75/bbl, our in-house assumption is higher at USD86/bbl. We expect a Henry Hub gas price of USD5/mcf (versus Deutsche Rohstoff's USD4/mcf estimate) and a EUR/USD rate of 1.10 (versus Deutsche Rohstoff's 1.12 estimate).

Management foresees average production of +9,000 BOEPD over 2022-24 at its four US subsidiaries (Salt Creek Oil & Gas, Cub Creek Energy, Bright Rock Energy, and Elster Oil & Gas). Cash flows from existing production as well as from its drilling programmes over 2023-24 should be higher and more stable than in previous years.

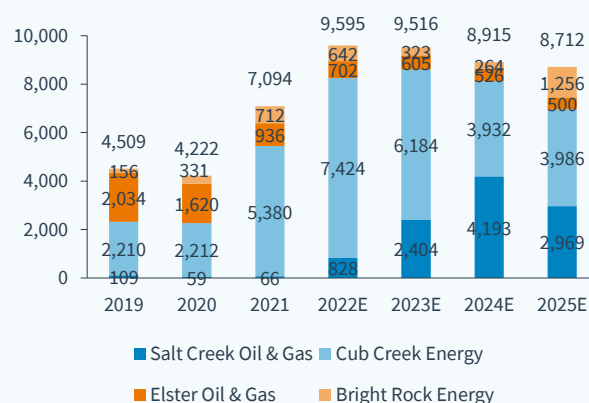
We think FY 2023 guidance has a high chance of being revised upwards again, as management is expected to decide on drilling three new wells in Wyoming (Cub Creek Energy) as well as four to six wells in Utah (Bright Rock Energy), which is not included in the current guidance.

Chart 1: DRAG's yearly sales (EURm, LHS) figures and WTI price (USD/bbl, RHS) with our estimates



Source: Deutsche Rohstoff, Kepler Cheuvreux estimates

Chart 2: DRAG's historical and estimated production (BOE/d)



Source: Deutsche Rohstoff, Kepler Cheuvreux estimates

Salt creek portfolio reorganised

We take into account the following changes in our model. First, the group sold its North Dakota production (Williston Basin) for USD6.6m (70 BOEPD most recent production). In addition, Salt Creek acquired Bright Rock Energy's Utah acreage, which the group is expanding with 46 wells, of which DRAG holds 5%, generating additional potential cash flow of USD70m over the coming five years at USD80/barrel.

Salt Creek Oil & Gas is now active in Wyoming (via its JV with Oxy) and in Utah with over 150 non-operating wells. The first six wells from Salt Creek's first JV with Oxy commenced production in Q4. A further ten wells have been drilled. With the second JV with Oxy, the group expects to drill 15 additional wells and commence production in 2023 (five wells) and 2024 (ten wells).

The total investment amounts c. USD140m (USD65m for the first JV comprising 16 wells in Wyoming, of which ten will begin production in 2023, and USD75m for the second JV comprising 15 wells, of which five will begin production in 2024).

Cub Creek Energy with focus on Wyoming and existing wells in Colorado

Cub Creek operates 67 wells in Colorado and 14 in Wyoming, which is expected to increase to 19 at the end of 2023. However, management will potentially drill three more additional wells in Wyoming, which are not included in FY 2023 guidance. A decision will be made in Q1 2023. In Q4 2022, Cub Creek’s existing wells in Colorado had higher production than initially anticipated. Furthermore, all wells in Wyoming had produced at or above plan.

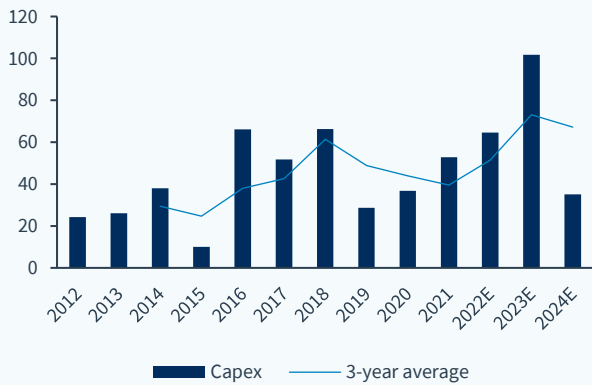
Bright Rock with focus on Wyoming and sale of Utah assets

Bright Rock Energy’s operations are now focused on the development of its acreage package in Wyoming after the sale of its Utah non-operating wells to Salt Creek Oil & Gas, which already operates six wells there. With over 32,500 acres of development land, over 100 potential wells could be drilled in the future. The group is planning to drill four to six wells in 2023, and the final decision will be announced in early 2023. This would impact the group’s 2023 announced guidance.

Higher capex and FCF amid successful deleveraging

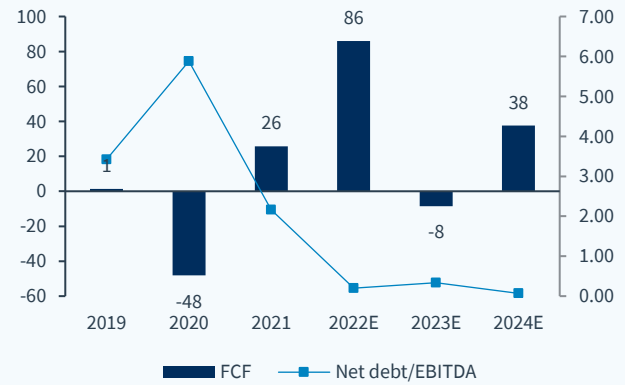
Due to the surge in oil prices in 2022, Deutsche Rohstoff was able to generate a significant increase in FCF. This enabled the group to not only invest the funds back into the company via new wells, it also repaid its bank loans and is planning on repaying EUR10.7m in convertible bonds in Q1 2023. As a result, leverage decreased from c. 2x in 2021 to 0x in 2022E. We expect the group to maintain this level, as it currently finances its operations completely from FCF. For 2023, capex of almost EUR100m leads to slightly negative FCF, which should become positive again thereafter.

Chart 3: Deutsche Rohstoff’s yearly capital expenditure and three-year average (EURm) shows increasing trend...



Source: Deutsche Rohstoff, Kepler Cheuvreux

Chart 4: ...leading to higher FCF and successful deleveraging

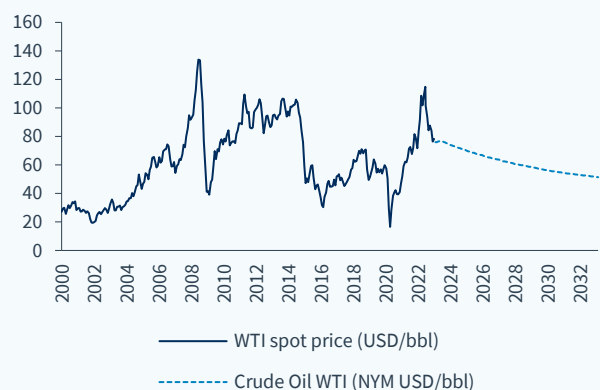


Source: Deutsche Rohstoff, Kepler Cheuvreux

Outlook: tight supply and sustainable demand

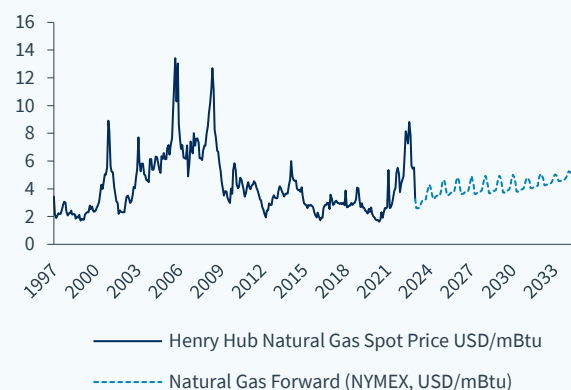
We see several drivers of oil prices in 2023, most of which point to tight supply and constant demand. The EU ban on Russian oil products effective as of 5 February could prove to be more disruptive than expected. While Russian oil exports are still flowing, the steep discount indicates that it is becoming more difficult for Russia to export its oil. The U-turn in China’s Covid policy is set to considerably strengthen the oil demand outlook for 2023E. OPEC will also have to make some decisions which could drive the oil price up, as growth in US shale oil production is potentially stalling. We see an oil market in deficit of 0.5mb/d in 2023E. For more insights on our in-house oil and gas outlook, we refer to our most recent sector report titled *The Energy War season 2*.

Chart 5: Crude oil WTI forward (NYM USD/bbl)



Source: WSJ

Chart 6: Natural gas forward (NYMEX, USD/mBtu)



Source: WSJ

Table 1: KECH assumptions for oil & gas price (USD/unit) as well as EUR/USD rate

	2023E	2024E	2025E
Exchange rate EUR/USD	1.10	1.10	1.10
WTI price USD/bbl	86.0	78.0	68.0
Henry Hub gas price (USD/mcf)	5.00	4.50	4.50

Source: Kepler Cheuvreux estimates

Business expansion: exploration of lithium

Deutsche Rohstoff together with the Australian public metal mining services company SensOre have established a subsidiary named Exploration Ventures AI Pty Ltd (EXAI) with a focus on lithium exploration in Western Australia. Deutsche Rohstoff holds a 70% stake in EXAI, which has secured three early-stage exploration projects (two farm-in agreements and one exploration license application) and aims to acquire additional targets.

The company will use SensOre's AI and big data technology combined with comprehensive geoscientific expertise, with which SensOre is planning to become a global leader in mineral targeting. Deutsche Rohstoff will contribute 70% to the exploration expenses, amounting to c. EUR0.64m per farm-in in 12-18 months for geological and geophysical exploration work.

After successful due diligence, the company will decide on a drilling programme. Under the two farm-in agreements (and given positive results), EXAI could invest c. EUR6.5m over the next 4-4.5 years to acquire a 51-80% stake in the projects. Overall, we think there is significant potential in the medium term for Deutsche Rohstoff, given successful identification of a lithium deposit, which we think is not unlikely.

Further increase in reserves

As is the case every year, Deutsche Rohstoff has published the value of its oil and gas reserves as of 31 December 2022. The group's proved reserves increased from 29m to 36m BOE, while the present value of proved reserves increased from USD318m to USD352m. The increase in proved reserves comes in large part from the joint venture at Salt Creek, as well as the upgrade of some probable reserves to proved reserves at the other subsidiaries.

Table 2: Increase in proved oil and gas reserves as of 31 December 2022

	2016	2017	2018	2019	2020	2021	2022
BOE of DRAG's proved reserves (BOE million)	12	18	29	27	20	29	36
Total value of proved, probable, and possible reserves (USDm)	253	198	186	196	144	368	372
Present value of proved reserves (USDm)	162	170	177	187	129	318	352
Present value of probable reserves (USDm)	91	28	9	9	15	50	20
Average NYMEX forward curve oil price over next 10 years	53	50	51	53	46	61	62

Source: Deutsche Rohstoff

Changes to our estimates

The changes in Deutsche Rohstoff's portfolio (divestment of North Dakota operations, transfer of Utah wells from Bright Rock to Salt Creek) has also led to some changes in our model, as we value the company on an SOP basis comprising its four US subsidiaries. We raise our sales and EBITDA estimates for FY 2022 and are now at the upper range of management's guidance.

For FY 2023, we assume a WTI price of USD86/bbl, which is equivalent to the "increased price scenario" in Deutsche Rohstoff's FY 2023 guidance (i.e. EUR155-175m in sales and EUR125-140m in EBITDA). Our FY 2023 estimates are only slightly below the group's "increased price scenario" at EUR152m in sales and EUR123m in EBITDA, as the Q4 production in Colorado and Utah was higher than anticipated and all wells in Wyoming produced at or above plan.

Due to the nature of the business, we believe this additional production and revenue will be lower in 2023. However, as previously mentioned, we nevertheless expect the company to make an announcement in the coming weeks regarding the drilling of additional wells, which are not yet included in FY 2023 guidance, and would thus result in a further revision of our estimates.

Table 3: Our estimates versus guidance

	2022		2023		2024	
	KECH	Guidance	KECH	Guidance*	KECH	Guidance
Sales	168	163-168	152	140-175	129	+120
EBITDA	142	138-143	123	110-140	102	+100

*= base case at USD75/bbl for 2023, increased price scenario at USD85/bbl; Source: Kepler Cheuvreux, Deutsche Rohstoff

Valuation

Despite the changes to Deutsche Rohstoff's portfolio and our SOP-based valuation of the four US subsidiaries, the outcome of our valuation of the group does not change with this report. We lower our TP from EUR40 to EUR39 due to slight changes in our production estimates as well as the valuation of Deutsche Rohstoff's financial assets, as the group has sold its NOG shares, its minority position in Rheinmetall, as well as its minority stake in wells based in North Dakota.

We roll over the model to 2023 and adjust our net debt assumption for the sale of its North Dakota assets (USD6.6m), its sale of shares in NOG, and the planned repayment of its convertible bond in Q1 2023 (EUR10.7m). We also adjust the share count due to the company's recent capital decrease.

Table 4: SOP-based valuation table

	DRAG's stake	Value of operations (USDm)	Value (EURm)
Cub Creek Energy	97%	115	105
Elster Oil and Gas	93%	15	14
Bright Rock Energy	99%	47	43
Salt Creek Energy	100%	77	70
US oil and gas activities		255	232
Almonty	12%		14
Ceritech	72%		1
Beacon Energy plc	3%		0
Hammer Metals	3%		1
Holding company costs/corporate			-10
Enterprise value			239
Net debt 2023			-42
Equity value (EV)			197
# of shares			5
Equity value per share (EUR)			39
+/- current share price			44%

Source: Kepler Cheuvreux

Table 5: Sensitivity to our EUR39 TP

		EUR/USD exchange rate				
		1.00	1.05	1.10	1.15	1.20
Long term WTI price (USD/bbl)	62.0	42	39	37	35	34
	65.0	43	40	38	36	35
	68.0	44	42	39	37	36
	71.0	45	43	40	38	37
	74.0	46	44	42	39	38

Source: Kepler Cheuvreux

Company description

Deutsche Rohstoff is a Germany-based holding company that specialises in investing in resource projects. The current portfolio is mainly focused on the oil & gas sector, but it also holds minority stakes in high-tech metals such as tungsten. Its management team has longstanding expertise in the sector, and the group focuses on well-explored areas in the US.

Management

Jan-Philipp Weitz, CEO
Henning Döring, CFO

Key shareholders

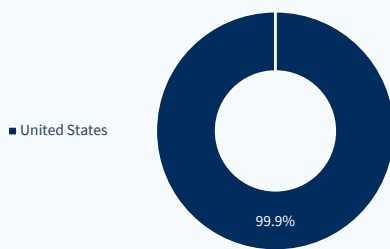
Free float	87.50%
Management	10.00%
Institutional investors	20.00%

Key data charts

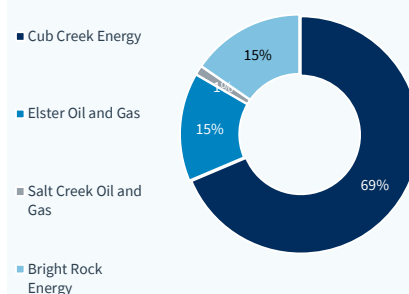
Price performance



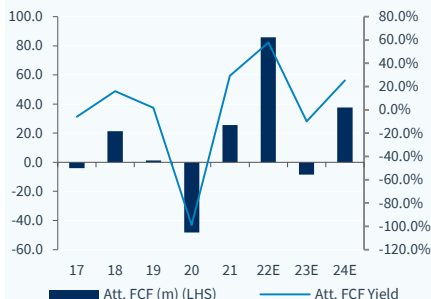
Sales split by region



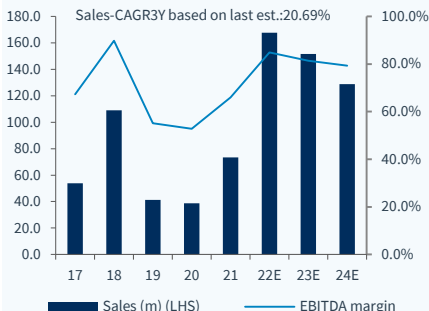
Sales split by division



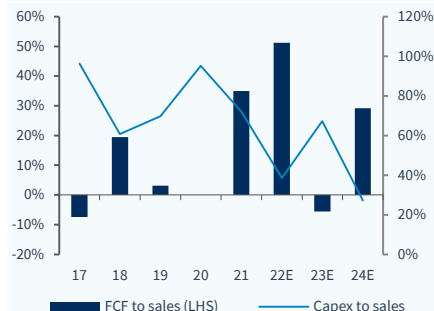
FCF



Sales and EBITDA margin



FCF and Capex to sales



SWOT analysis

Strengths

- Solid oil and gas asset portfolio with an extensive drilling pipeline.
- Diversified portfolio
- Expert management with experience in resource-based activities

Weaknesses

- No control over non-operating wells
- Lower transparency compared to US oil and gas peers.
- The majority of mining investments are not producing yet.

Opportunities

- Efficiency gains in drilling could allow additional costs savings
- New land acquisitions
- Investments in electro mobility

Threats

- Price increases from field services companies leading to higher capex
- Direct competition from extractor Oil & Gas in land purchase.
- Euro/US dollar currency fluctuations

Valuation table

Market data as of: 08 February 2023

FY to 31/12 (EUR)	12/15	12/16	12/17	12/18	12/19	12/20	12/21	12/22E	12/23E	12/24E
Per share data (EUR)										
EPS adjusted	0.23	0.02	1.10	2.74	0.06	-3.74	1.40	13.70	10.56	8.80
% Change	-95.2%	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	881.2%	-22.9%	-16.6%
EPS adjusted and fully diluted	0.23	0.02	1.10	2.74	0.06	-3.74	1.40	13.70	10.56	8.80
% Change	-95.2%	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	881.2%	-22.9%	-16.6%
EPS reported	0.23	0.02	1.10	2.74	0.06	-3.05	4.88	13.70	10.56	8.80
% Change	-95.2%	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	180.7%	-22.9%	-16.6%
EPS Consensus								14.08	12.67	8.65
Cash flow per share	-0.05	6.97	9.42	17.27	5.91	-2.23	15.44	30.12	18.67	14.53
Book value per share	11.71	11.16	9.73	12.99	12.66	7.76	14.31	27.61	37.35	45.54
DPS	0.55	0.60	0.65	0.70	0.10	0.00	0.60	0.80	0.60	0.60
Number of shares, YE (m)	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Nbr of shares, fully diluted, YE (m)	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0
Share price										
Latest price / year end	14.8	26.3	19.9	14.0	15.0	8.5	20.3	26.0	26.9	26.9
52 week high	19.4	26.3	26.3	25.9	19.8	16.0	25.6	33.5	27.3	
52 week low	13.0	12.3	16.1	13.9	12.5	6.2	8.7	20.2	24.8	
Average price (Year)	16.5	17.3	20.4	21.2	15.8	9.4	16.2	26.4	26.9	26.9
Enterprise value (EURm)										
Market capitalisation	83.6	87.5	103.5	107.3	80.5	48.0	82.2	136.7	136.7	136.7
Net financial debt	9.5	50.6	78.2	47.7	77.8	120.2	104.7	29.0	41.5	7.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Market value of minorities	2.6	9.7	7.4	8.1	7.2	6.2	7.4	14.4	19.4	22.4
MV of equity affiliates (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise value	95.7	147.8	189.1	163.1	165.5	174.3	194.3	180.0	197.5	166.0
Valuation										
P/E adjusted	72.4	na	18.6	7.7	na	na	11.6	2.0	2.5	3.1
P/E adjusted and fully diluted	72.4	na	18.6	7.7	na	na	11.6	2.0	2.5	3.1
P/E consensus								1.9	2.1	3.1
P/BV	1.4	1.5	2.1	1.6	1.3	1.2	1.1	1.0	0.7	0.6
P/CF	na	2.5	2.2	1.2	2.7	na	1.0	0.9	1.4	1.9
Dividend yield (%)	3.3%	3.5%	3.2%	3.3%	0.6%	0.0%	3.7%	3.0%	2.2%	2.2%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-11.6%	-35.2%	-5.9%	16.0%	1.8%	-99.1%	29.3%	57.7%	-9.9%	25.3%
ROE (%)	1.9%	0.2%	10.5%	24.2%	0.5%	-36.6%	12.7%	65.0%	32.5%	21.2%
ROIC (%)	30.3%	-1.1%	4.6%	24.8%	4.2%	-13.8%	9.6%	50.9%	32.3%	22.6%
EV/Sales	50.45	16.12	3.52	1.50	4.02	4.51	2.65	1.07	1.30	1.29
EV/EBITDA adj.	19.4	23.2	5.2	1.7	7.3	8.5	4.0	1.3	1.6	1.6
EV/EBIT adj.	39.6	na	35.6	5.0	29.4	na	13.0	1.8	2.4	2.5
EV/NOPAT	52.8	na	47.5	6.6	39.2	na	17.4	2.4	3.2	3.3
EV/IC	9.7	2.3	1.7	1.8	1.5	1.7	1.5	1.1	0.9	0.7
ROIC/WACC	3.0	na	0.5	2.5	0.4	na	1.0	5.1	3.2	2.3
EV/IC over ROIC/WACC	3.2	na	3.8	0.7	3.5	na	1.5	0.2	0.3	0.3

Income statement

FY to 31/12 (EUR)	12/15	12/16	12/17	12/18	12/19	12/20	12/21	12/22E	12/23E	12/24E
Sales	1.9	9.2	53.7	109.1	41.2	38.7	73.3	167.7	151.5	128.9
Gross profit	2.8	10.9	48.1	91.3	30.0	27.1	55.2	141.7	127.3	108.3
EBITDA reported	4.9	6.4	36.1	98.0	22.7	23.9	66.1	142.4	123.3	102.2
EBITDA adjusted	4.9	6.4	36.1	98.0	22.7	20.4	48.4	142.4	123.3	102.2
Depreciation and amortisation	-2.5	-6.9	-30.8	-65.2	-17.1	-40.1	-33.5	-43.9	-41.4	-35.1
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT reported	2.4	-0.5	5.3	32.7	5.6	-16.1	32.6	98.5	81.9	67.1
EBIT adjusted	2.4	-0.5	5.3	32.7	5.6	-19.6	14.9	98.5	81.9	67.1
Net financial items	-3.0	-1.4	-4.0	-6.2	-5.4	-6.4	-5.5	-5.9	-4.9	-4.5
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	-0.6	-2.0	1.3	26.5	0.3	-22.5	27.1	92.6	77.0	62.6
Tax	1.1	2.0	6.4	-8.5	-0.1	6.4	-0.7	-17.1	-19.3	-15.7
Net profit from continuing op.	0.5	0.1	7.7	18.0	0.2	-16.1	26.4	75.5	57.8	47.0
Net profit from disc. activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	0.5	0.1	7.7	18.0	0.2	-16.1	26.4	75.5	57.8	47.0
Minorities	0.6	0.0	-2.1	-4.1	0.1	0.6	-1.6	-7.0	-5.0	-3.0
Net profit reported	1.2	0.1	5.5	13.9	0.3	-15.5	24.8	68.5	52.8	44.0
Adjustments	0.0	0.0	0.0	0.0	0.0	-3.5	-17.7	0.0	0.0	0.0
Net profit adjusted	1.2	0.1	5.5	13.9	0.3	-19.0	7.1	68.5	52.8	44.0
Sales % Change	-91.7%	383.4%	486.1%	103.0%	-62.2%	-6.1%	89.5%	128.7%	-9.6%	-14.9%
EBITDA reported % Change	-95.7%	29.2%	467.0%	171.1%	-76.8%	5.3%	176.0%	115.5%	-13.4%	-17.1%
EBITDA adjusted % Change	-95.7%	29.2%	467.0%	171.1%	-76.8%	-10.1%	136.6%	194.4%	-13.4%	-17.1%
EBIT reported % Change	-97.3%	-chg	+chg	516.6%	-82.8%	-chg	+chg	202.2%	-16.8%	-18.1%
EBIT adjusted % Change	-97.3%	-chg	+chg	516.6%	-82.8%	-chg	+chg	561.5%	-16.8%	-18.1%
Earnings before tax % Change	-chg	-chg	+chg	1946.7%	-99.0%	-chg	+chg	242.2%	-16.8%	-18.7%
Net profit from cont. op. % Change	-99.0%	-86.0%	10228.0%	134.2%	-99.0%	-chg	+chg	186.3%	-23.5%	-18.7%
Net profit reported % Change	-95.4%	-91.2%	5329.0%	150.5%	-97.8%	-chg	+chg	176.1%	-22.9%	-16.6%
Net profit adjusted % Change	-95.4%	-91.2%	5329.0%	150.5%	-97.8%	-chg	+chg	865.1%	-22.9%	-16.6%
Gross profit margin (%)	na	na	89.5%	83.7%	72.7%	70.0%	75.3%	84.5%	84.0%	84.0%
EBITDA margin (%)	na	69.5%	67.2%	89.8%	55.2%	52.8%	66.0%	84.9%	81.4%	79.3%
EBIT margin (%)	na	-5.9%	9.9%	30.0%	13.7%	-50.8%	20.3%	58.7%	54.1%	52.1%
Net profit margin (%)	60.9%	1.1%	10.3%	12.7%	0.7%	-49.1%	9.7%	40.8%	34.8%	34.1%
Tax rate (%)	194.9%	103.8%	-492.8%	32.2%	29.1%	28.5%	2.6%	18.5%	25.0%	25.0%
Payout ratio (%)	241.1%	2,972.4%	59.3%	25.5%	165.0%	0.0%	43.0%	5.8%	5.7%	6.8%
EPS reported (EUR)	0.23	0.02	1.10	2.74	0.06	-3.05	4.88	13.70	10.56	8.80
EPS adjusted (EUR)	0.23	0.02	1.10	2.74	0.06	-3.74	1.40	13.70	10.56	8.80
EPS adj and fully diluted (EUR)	0.23	0.02	1.10	2.74	0.06	-3.74	1.40	13.70	10.56	8.80
DPS (EUR)	0.55	0.60	0.65	0.70	0.10	0.00	0.60	0.80	0.60	0.60
DPS, preference shares (EUR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS reported % Change	-95.2%	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	180.7%	-22.9%	-16.6%
EPS adjusted % Change	-95.2%	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	881.2%	-22.9%	-16.6%
EPS adj and fully diluted % Change	-95.2%	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	881.2%	-22.9%	-16.6%
DPS % Change	10.0%	9.1%	8.3%	7.7%	-85.7%	-chg	+chg	33.3%	-25.0%	0.0%
Consensus Sales (EURm)								165.6	168.5	132.8
Consensus EBITDA (EURm)								140.9	130.8	99.1
Consensus EBIT (EURm)								98.9	86.8	60.5
Consensus EPS (EUR)								14.08	12.67	8.65

Cash flow statement

Market data as of: 08 February 2023

FY to 31/12 (EUR)	12/15	12/16	12/17	12/18	12/19	12/20	12/21	12/22E	12/23E	12/24E
Net profit before minorities	0.5	0.1	7.7	18.0	0.2	-16.1	26.4	75.5	57.8	47.0
Depreciation and amortisation	2.5	6.9	30.8	65.2	17.1	40.1	33.5	43.9	41.4	35.1
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	-3.3	28.3	9.2	4.2	12.7	-35.3	18.7	31.2	-5.8	-9.4
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Levered post tax CF before capex	-0.2	35.3	47.7	87.4	30.0	-11.3	78.5	150.5	93.3	72.6
% Change	-chg	+chg	35.2%	83.3%	-65.7%	-chg	+chg	91.8%	-38.0%	-22.2%
Capex	-10.0	-66.1	-51.7	-66.2	-28.7	-36.8	-52.8	-64.6	-101.8	-35.1
Free cash flow	-10.3	-30.8	-4.0	21.2	1.3	-48.2	25.7	85.9	-8.5	37.6
% Change	-chg	-chg	+chg	+chg	-93.9%	-chg	+chg	234.9%	-chg	+chg
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-20.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	0.0	0.0
Dividend paid	-2.5	-2.7	-3.0	-3.2	-3.2	-0.5	0.0	-3.0	-4.1	-3.0
Share buy back	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-7.2	-7.5	-20.7	12.4	-28.2	6.3	-10.2	6.9	0.0	0.0
Change in net financial debt	20.0	41.1	27.6	-30.5	30.1	42.3	-15.5	-75.7	12.5	-34.5
Change in cash and cash equiv.	-25.6	-23.8	3.7	17.3	15.6	-53.1	4.5	69.1	-23.2	34.5
Attributable FCF	-9.7	-30.8	-6.1	17.2	1.4	-47.6	24.1	78.9	-13.5	34.6
Cash flow per share (EUR)	-0.05	6.97	9.42	17.27	5.91	-2.23	15.44	30.12	18.67	14.53
% Change	-chg	+chg	35.2%	83.3%	-65.8%	-chg	+chg	95.0%	-38.0%	-22.2%
FCF per share (EUR)	-1.91	-6.08	-1.21	3.39	0.28	-9.36	4.74	15.79	-2.70	6.91
% Change	-chg	-chg	+chg	+chg	-91.8%	-chg	+chg	233.1%	-chg	+chg
Capex / Sales (%)	529.7%	720.8%	96.2%	60.7%	69.7%	95.2%	72.1%	38.5%	67.2%	27.2%
Capex / D&A (%)	399.5%	955.9%	167.7%	101.5%	168.0%	91.9%	157.8%	147.3%	246.1%	99.9%
Cash flow / Sales (%)	-12.5%	na	88.7%	80.2%	72.9%	-29.2%	na	89.8%	61.6%	56.3%
FCF / Sales (%)	na	na	-7.5%	19.5%	3.1%	na	35.0%	51.2%	-5.6%	29.1%
FCF Yield (%)	-11.6%	-35.2%	-5.9%	16.0%	1.8%	-99.1%	29.3%	57.7%	-9.9%	25.3%
Unlevered FCF Yield (%)	-14.3%	-20.9%	12.6%	13.3%	3.4%	-24.4%	15.5%	46.9%	-4.4%	23.5%

Balance sheet

FY to 31/12 (EUR)	12/15	12/16	12/17	12/18	12/19	12/20	12/21	12/22E	12/23E	12/24E
Cash and cash equivalents	48.5	24.7	28.4	45.6	61.3	8.2	12.7	81.8	58.6	93.1
Inventories	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Accounts receivable	1.7	7.3	8.8	11.6	8.9	3.5	16.8	38.4	34.7	29.5
Other current assets	6.4	16.3	3.8	4.1	4.8	9.9	12.7	29.0	26.2	22.3
Current assets	56.7	48.5	41.2	61.5	75.1	21.7	42.4	149.5	119.7	145.1
Tangible assets	7.5	79.9	114.5	110.1	139.6	112.8	149.1	183.8	244.2	244.2
Goodwill	1.3	6.8	3.3	1.7	1.6	1.3	1.3	1.3	1.3	1.3
Other Intangible assets	16.2	33.9	30.6	15.2	20.6	20.6	28.6	28.6	28.6	28.6
Financial assets	46.4	24.6	24.0	36.3	42.1	50.3	43.8	36.8	36.8	36.8
Other non-current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current assets	71.4	145.1	172.4	163.3	203.8	185.0	222.6	250.4	310.8	310.8
Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	1.0	29.9	5.2	6.8	17.1	2.9	20.8	29.8	27.8	23.6
Other short term liabilities	6.2	16.9	16.9	31.5	26.0	22.5	27.9	63.9	57.7	49.1
Current liabilities	7.2	46.8	22.1	38.3	43.1	25.4	48.7	93.7	85.5	72.7
Long term debt	58.0	75.2	106.6	93.4	139.1	128.4	117.4	110.8	100.1	100.1
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term provisions	1.1	5.3	28.2	19.3	25.2	7.3	18.8	43.1	38.9	33.1
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	59.1	80.6	134.8	112.7	164.3	135.7	136.2	153.9	139.0	133.2
Shareholders' equity	59.3	56.5	49.2	65.8	64.3	39.4	72.7	138.0	186.7	227.6
Minority interests	2.6	9.7	7.4	8.1	7.2	6.2	7.4	14.4	19.4	22.4
Total equity	61.8	66.2	56.7	73.8	71.5	45.6	80.1	152.4	206.1	250.0
Balance sheet total	128.1	193.6	213.6	224.8	278.9	206.7	265.0	399.9	430.6	455.9
% Change	-4.9%	51.2%	10.3%	5.3%	24.1%	-25.9%	28.2%	50.9%	7.7%	5.9%
Book value per share (EUR)	11.71	11.16	9.73	12.99	12.66	7.76	14.31	27.61	37.35	45.54
% Change	3.6%	-4.7%	-12.9%	33.5%	-2.5%	-38.7%	84.5%	93.0%	35.3%	21.9%
Net financial debt	9.5	50.6	78.2	47.7	77.8	120.2	104.7	29.0	41.5	7.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	9.5	50.6	78.2	47.7	77.8	120.2	104.7	29.0	41.5	7.0
Net fi. debt (+IFRS16) / EBITDA (x)	1.9	7.9	2.2	0.5	3.4	5.9	2.2	0.2	0.3	0.1
Trade working capital	0.8	-22.5	3.8	5.0	-8.1	0.8	-3.8	8.9	7.1	6.1
Net working capital	1.1	-23.0	-9.3	-22.4	-29.3	-11.9	-19.0	-26.0	-24.3	-20.7
NWC/Sales	56.1%	-251.0%	-17.4%	-20.6%	-71.0%	-30.7%	-25.9%	-15.5%	-16.1%	-16.1%
Inventories/sales	2.9%	1.5%	0.3%	0.1%	0.4%	0.5%	0.2%	0.1%	0.2%	0.2%
Invested capital	9.9	63.7	108.5	89.3	111.9	102.2	131.3	159.1	221.2	224.8
Net fin. debt / FCF (x)	-0.9	-1.6	-19.5	2.2	60.1	-2.5	4.1	0.3	-4.9	0.2
Gearing (%)	15.4%	76.4%	138.0%	64.7%	108.9%	263.6%	130.7%	19.0%	20.1%	2.8%
Goodwill / Equity (%)	2.2%	10.2%	5.8%	2.3%	2.2%	2.9%	1.6%	0.8%	0.6%	0.5%

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Rating Breakdown	A	B
Buy	57%	69%
Hold	33%	26%
Reduce	7%	1%
Not Rated/Under Review/Accept Offer	3%	4%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

12 months rating history

The below table shows the history of recommendations and target prices changes issued by KEPLER CHEUVREUX research department (Equity and Credit) over a 12 months period.

Company Name	Date	Business Line	Rating	Target Price	Closing Price
Deutsche Rohstoff (EUR)	21/02/2022 05:48	Equity Research	Buy	36.00	24.30
	14/06/2022 04:40	Equity Research	Buy	40.00	31.00

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Equity research

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Buy: The minimum expected upside is 10% over next 12 months (the minimum required upside could be higher in light of the company's risk profile).

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Reduce: There is an expected downside.

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Location	Regulator	Abbreviation
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Local insight, European scale.



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