

Deutsche Rohstoff Buy

Germany | Oil & gas

Beta Profile: 
MCap: EUR140.6m**Target Price:** EUR43.00 (39.00)**Current Price:** EUR28.10**Up/downside:** 53.0%**Market data:** 22 June 2023**Change in TP:** 10.3%**Change in Sales:** 13.9% 23E/38.0% 24E**Change in Adj EBIT:** 5.8% 23E/29.6% 24E**Change in Adj. EPS:** 6.2% 23E/27.1% 24E

Bloomberg: DRO GR

Free float

Avg. daily volume (EURm)

YTD abs performance

52-week high/low (EUR)

Reuters: DR0G.DE

90.0%

0.3

8.1%

31.50/20.30

Doing it the German way

Why this report?

Deutsche Rohstoff's unique strategy among US shale players is likely to reap greater benefits given the expected crude oil price surge in H2. The short-term recovery in China may be bumpy, but we still see an overall tight supply and increasing demand leading to a sustainable price increase, also in the medium term. We raise our TP from EUR39 to EUR43.

Key findings

- **Favourable market conditions:** We see both tight supply and supportive demand conditions in the upcoming quarters driving high oil prices in H2 and beyond.
- **Changing investment cycle dynamics:** Contrary to the past, US shale players are not following the pattern of increasing production amid higher prices. This is likely to exacerbate the tight supply in the medium-term, driving up prices further.
- **Attractive unique strategy:** We expect the group's net wells to grow from 94 in 2022 to 142 by 2028E based on our drilling estimates. Future returns should be reinvested into new wells if the environment allows. Given an oil price surge in H2, this strategy may provide more value by capturing higher earnings growth.

Deconstructing the forecasts

- Our 2023E financial estimates are above management's base-case guidance, as our in-house WTI estimate for 2023 is USD86/b, above Deutsche Rohstoff's USD75/b.
- We have revised our model which is now more accurately geared towards production by state (rather than by US subsidiary) after the new disclosures.

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 also a large number of manufacturing companies offering optimal opportunities for non-operative activities and participations.
- Assuming a c. 30% success rate for acquired acreage in Wyoming's Powder River Basin (+100 well locations), our play-by-play model suggests this could lead to a sustainable high production level for DRAG medium term.
- The minority stake in Almonty Industries, which is expected to ramp up production at one of the largest tungsten mines outside China in the coming years, should generate stable, long-term returns.

Catalysts

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

FY to 31/12 (EUR)	12/23E	12/24E	12/25E
Sales (m)	172.5	177.9	142.4
EBITDA adj (m)	131.7	136.2	102.4
EBIT adj (m)	86.7	87.0	61.4
Net profit adj (m)	56.1	56.0	38.4
Net financial debt (m)	96.4	87.1	89.8
FCF (m)	-14.0	16.1	4.0
EPS adj. and ful. dil.	11.21	11.18	7.68
Consensus EPS	10.61	11.40	10.72
Net dividend	1.34	1.34	0.92

FY to 31/12	12/23E	12/24E	12/25E
P/E adj and ful. dil.	2.5	2.5	3.7
EV/EBITDA	1.7	1.6	2.1
EV/EBIT	2.5	2.5	3.6
FCF yield	-13.5%	7.9%	0.4%
Dividend yield	4.8%	4.8%	3.3%
ND(F+IFRS16)/EBITDA	0.7	0.6	0.9
Gearing	51.6%	36.1%	32.5%
ROIC	32.6%	24.4%	15.1%
EV/IC	0.9	0.7	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 the group's core oil and gas assets by US state using a 25-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 EUR43.0.

Risks to our rating

- Weaker-than-expected US dollar. Each USD0.05 move in our long-term EUR/USD assumption impacts our SOP by up to EUR3 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 up to EUR2 per share.

Disconnect between market sentiment and fundamentals

Mixed signals from demand, but ultimately, we expect a recovery

On the demand side, bulls are anticipating a sustained increase in demand from China after its reopening in 2023. US oil exports to China, the second-largest global consumer of oil, have resurged to c. 850,000 barrels per day in April, the highest level since May 2020 after the country rolled back its zero-Covid policies. During the same month, China's oil demand topped 16m barrels per day, an all-time high.

In May, oil imports surged by 17.4% QOQ when China imported 12.2% higher YOY when imports averaged 10.79m bpd. The number of domestic flights in China has also continued to increase since China's reopening, with no indications of a slowdown. In May, the recovery momentum was maintained, in both commercial as well as cargo flights. During July and August, a strong travel demand is forecast.

However, bears are pointing towards a whole batch of more current weak Chinese economic data and raising concerns about demand. In May, the Chinese Producer Price Index fell by 4.6%, the steepest YOY drop in seven years, as deflation hangs over the country while other major economies across the globe are fighting inflation.

China's Central bank has recently lowered its benchmark one-year loan prime rate to support a recovery. Furthermore, demand for oil in 2023 is likely to be lower than previously expected due to higher demand for EVs in China this year. The Chinese Economic & Technology Research Institute (ETRI) forecasts oil demand to reach around 14.86m barrels per day. Several banks have also cut their 2023 economic growth forecasts after the post-Covid recovery is faltering.

China continues to show an uneven recovery and signs of economic cooling. However, the country should be able to tackle these hurdles, with short-term hiccups still very likely during the recovery process.

We expect tight oil supply in H2

Saudi Arabia has cut oil production four times this year, Russia's production has held up against international sanctions with exports to India growing, and US shale players are continuing to curtail production, with the US rig count as of early June c. -5% below the previous year. In absolute numbers, North American rig count is down 50 rigs compared to the previous year.

We keep our view that oil demand will grow by 2.2mb/d in 2023 (IEA expects world demand to grow by 2.4mb/d, of which 90% to be contributed by non-OECD), 100% led by China (+1.2mb/d) and by jet fuel (+1.1mb/d o/w 0.34mb/d for China).

Our in-house view anticipates a global oil supply deficit of 2mb/d in H2 based on 2mb/d oil demand growth in 2023. The markets were already set to tighten in H2 even before the previous cuts.

Oil price surge expected in H2

Markets are currently more worried about low demand as production cuts only play a minor role, with WTI reaching levels close to USD70/bbl. The gloomy macroeconomic news has created a negative sentiment and a deepening divide between macroeconomic and supply-demand fundamentals. Given the tight oil supply and a continued recovery in China, we are bullish on oil and expect WTI prices to reach USD91/bbl in Q3 and Q4. The demand conditions are supportive for the next two quarters, with more upside from Chinese demand and supply restraints from OPEC putting a floor on prices. Demand for oil, especially from China, will remain high for many years to come.

Deutsche Rohstoff's production and well count

Deutsche Rohstoff, via its four US subsidiaries, operates 67 oil wells in Colorado (Wattenberg) with a c. 60% share and 20 wells in Wyoming (Powder River basin) with c. 70% share. The group also participated in 262 wells as a non-operator in Colorado (44), Wyoming (13) and Utah (205) as of FY 2022.

Number of net wells to increase

At the end of 2022, the group thus operated 94 net wells with a 100% stake, of which 68.2 in Colorado, 20.9 in Wyoming, and 5.0 in Utah. Deutsche Rohstoff's remaining North Dakota acreage was sold in 2022 for USD6.6m.

Based on management's 2023-24 announced drilling programme (JV with Oxy with 31 wells over 2023-24 and 11 additional operating wells in Wyoming), we expect the number of net wells to increase to 116 by the end of 2024.

In our 2025-28E estimated drilling programme for Deutsche Rohstoff's Wyoming acreage on the Powder River basin, which comprises over 50,000 net acres, we expect the group to drill 26 further wells to a total of 142 net wells by the end of 2028E.

Table 1: 2025-28E expected drilling programme - corresponding to total net wells with a share of 100% - by company and US state

	2022	2023E	2024E	2025E	2026E	2027E	2028E
1876 Resources	69	74	79	85	92	98	105
Colorado	55	55	55	55	55	55	55
Wyoming	14	18	23	30	36	43	49
Elster Oil & Gas	13	13	13	13	13	13	13
Colorado	13	13	13	13	13	13	13
Salt Creek Oil & Gas	7	15	20	20	20	20	20
Utah	5	6	6	6	6	6	6
Wyoming	2	9	14	14	14	14	14
Bright Rock Energy	5	5	5	5	5	5	5
Wyoming	5	5	5	5	5	5	5
Total	94	106	116	122	129	135	142

Source: Kepler Cheuvreux

Production to stay at levels above 11,000 BOEPD given a stable oil price

At an average yearly production of 6,500 BOEPD over 2017-22, Deutsche Rohstoff has now ramped up its expansion efforts with investments of EUR200m over 2023-24 into new wells. Given no significant change in oil prices, we expect the group to be able to sustain its production level above 11,000 BOEPD until 2028E given: 1) the successful execution of management's communicated drilling programme over 2023-24; and 2) our 2025-28E estimated drilling programme of 26 net wells.

Table 2: Volume Analysis - by state (BOEPD)

	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Colorado	5,552	7,196	4,842	4,026	3,552	3,173	2,893	2,715
Wyoming	383	1,247	5,600	8,294	7,592	7,869	8,266	8,551
Utah	383	1,151	1,353	887	632	507	422	366
North Dakota	64	0	0	0	0	0	0	0
Total	6,382	9,594	11,794	13,208	11,776	11,548	11,581	11,631

Source: Deutsche Rohstoff, Kepler Cheuvreux

Wyoming will be the main growth driver over the medium-term, driven by growth in both operating and non-operating wells. In Utah, the group only participates in wells as a non-operator. In Colorado, management has no further plans to increase the number of operating wells, where it operates as an operator and non-operator.

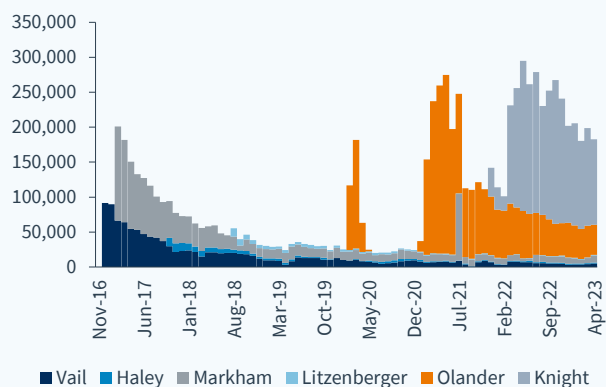
Operating wells: At the of end June, production ("flow-back) has commenced at 3 new wells in Wyoming (80% share; 1876 Resources; Lost Springs Pad). 8 additional gross wells (7 net wells) will begin production in H2 2023 and H1 2024. As of yesterday's company update, the first six of eight wells will be drilled from two pads as of July. The remaining two wells are planned for 2024.

Over 2025-28E, we continue to model a drilling programme of 26 net wells corresponding to a 100% working interest on the group's significant acreage in Wyoming.

Non-operating wells: At the end of May, production at 10 out of 15 wells in Wyoming (45% share; Salt Creek JV with Oxy, Huckleberry pad) has commenced. In H2, 5 further wells in Wyoming will begin production as well as 45 wells in Utah (2.5% share; Salt Creek). In 2024, 10 further wells will begin production in Wyoming (45% share; Salt Creek JV with Oxy).

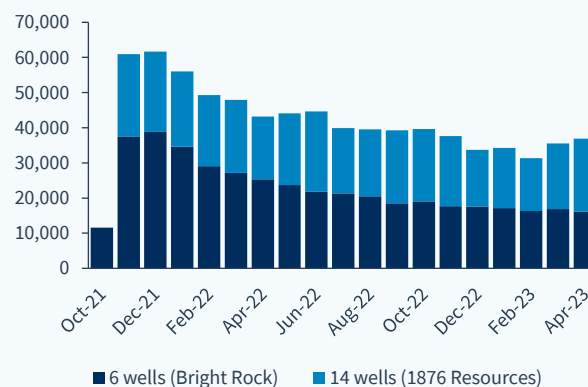
For Deutsche Rohstoff’s non-operating wells, we do not include any participations in our estimates which have not been announced (e.g. the JV with Oxy), but note that it is not unlikely that the group will announce further participations in Utah or Wyoming via Salt Creek, Bright Rock or 1876 Resources in the near future. In 2022, Bright Rock Energy acquired new production rights (from non-operating wells) in the Powder River Basin in Wyoming totalling EUR4.1m.

Chart 1: Deutsche Rohstoff’s Colorado operating wells historical gross production by well pad (BOE)



Source: COGCC

Chart 2: Deutsche Rohstoff’s Wyoming operating wells historical gross production by US subsidiary (BOE), acquired in October 2021



Source: WOGCC

Update on oil & gas activities

Yesterday, the group provided an update on its oil & gas activities including its new wells in Wyoming. The Lost Springs pad (3 operating wells in Wyoming with 80% share via 1876 Resources) began production slightly earlier than expected at the end of June.

On the Huckleberry pad (15 wells in Wyoming, 45% share; Salt Creek JV with Oxy), production (“flow-back”) for the first 10 out of 15 wells began in May also slightly earlier than expected. Five further wells are due to commence production in Q3, and 10 further wells in 2024.

Overall, the production on the Huckleberry pad will peak in the coming months, which together with the Lost Springs is expected to drive a strong result in H2. Existing wells’ production are in line with estimates. In Charts 1-2 we show the most recent production figures (April) from Deutsche Rohstoff’s existing operating wells.

Estimates ahead of guidance and consensus indicating positive momentum

Our FY 2023 sales and earnings estimates are above management’s base-case scenario guidance as well as above consensus estimates, driven predominantly by a higher assumption of the 2023 average WTI oil price. As our in-house estimates see the WTI price reaching USD91/bbl in Q3 and Q4, we think there is a good chance for a positive earnings momentum in the coming months.

Table 3: Company guidance versus our estimates and consensus (EURm)

	2023				2024			
	Base scenario	Increased price scenario	KECH	Consensus	Base scenario	Increased price scenario	KECH	Consensus
Sales	150-170	165-185	173	164	170-190	190-210	178	173
EBITDA	115-130	125-140	132	127	130-145	155-170	136	139
EUR/USD	1.12	1.12	1.10	na	1.12	1.12	1.1	na
Oil price (USD/barrel)	75	85	86	na	75	85	78	na
Gas price (USD/MMbtu)	3	4	5	na	3	4	4.5	na

Source: Kepler Cheuvreux, Bloomberg, Deutsche Rohstoff

Evolving oil & gas industry

Oil & gas industry facing different environment compared to prior to the pandemic

The landscape in the oil & gas industry has evolved over the previous 3-4 years. An energy crisis was sparked by Russia's invasion of Ukraine in 2022, exacerbating the commodity price inflation and the post-Covid supply shortfall.

The current environment has also refocused policy efforts, with both the EU (REPowerEU) and the US (Infrastructure Investment and Jobs Act and the Inflation Reduction Act) passing programmes to reduce dependency on (Russian) fossil fuels.

Four distinct eras over the past two decades in the oil and gas industry

The oil and gas industry landscape over the past 20 years can be split into four distinct eras with different shareholder return and industry dynamics.

Over **2004-10**, crude prices were high for much of the period, driven by global oil supply constraints. Shareholder returns as well as oil and gas companies' ROCE were also high before falling sharply during the Global Financial Crisis. Capex in the oil and gas industry stayed at high levels though. Oil and gas companies delivered an average annual total shareholder return of 11% over that period.

Over **2011-15**, investment and oil prices stayed high, fuelling the US shale boom. In 2015, OPEC raised its output to prevent shale market share gains, which led to the crude price dropping. Total average annual shareholder returns plummeted to -1% over the period.

Over **2016-19**, oil companies cut capex sharply on the back of plunging oil prices, weak ROCE and the expansion in green energy driven by falling costs for wind and solar energy. Total annual shareholder return for oil and gas companies was 7% over that period, c. half of the S&P 500's 14%.

From **2020 to now**, both the pandemic as well as Russia's invasion of Ukraine and the resulting energy crisis sent the oil and gas industry into shock. The importance of energy importance, security and pricing has been reassessed by governments across the globe. Investors have renewed their enthusiasm for oil and gas, but others have raised concerns warnings about repeating previous mistakes.

Energy transition to further fuel tight supply

The energy industry is cyclical and so is its investment pattern, with the current energy transition shortening the industry's planning horizon and prices remaining the most decisive factor in energy investment.

Typically, the oil and gas industry accelerates investments in response to high prices and depresses investments in response to low prices. The current energy transition however limits the availability of fossil-fuel financing and raises government policies and regulations.

As a result, this could further tighten the supply in the medium-term. Because of investment delays in oil and gas since 2014, the world is expected to lose several million barrels a day by 2024-25, supporting a sustainable high price in the medium-term.

Contrary strategy with higher upside

Redirecting earnings into future growth

Deutsche Rohstoff's strategy deviates from that of big oil payers in that sense, as it is by no means refraining from production increases and increasing focus on shareholder remuneration, as most of its peers.

While most big oil players are expected to deploy less than 45% of their operating cash flow in the reinvestment until 2024, Deutsche Rohstoff's ratio is up and above 100%, which is fuelling further growth, as the group is deploying a different strategy than larger players, who are pursuing a greater balance between reinvestment and reimbursement, driven by pressure from investors to return more capital to the market.

We would recommend against a higher dividend as we like the contrary strategy

Management has announced to propose a dividend payment of EUR1.30 per share for the FY 2022 results at this year's AGM, which will be held on 29 June. Two countermotions from shareholders have been filed requesting a significantly higher dividend.

While we understand shareholders' expectation to realise a higher total shareholder return via a dividend as the share price performance is below expectations (and our estimated fair value), we think given Deutsche Rohstoff's size and capital investment capacity, that a re-investment into higher production reflects a more sustainable value generation for shareholders than a dividend payout, even if a higher dividend would not materially impact the group's investment capacity.

Especially given the anticipated oil price increase in H2, we think Deutsche Rohstoff's strategy of ramping up production may capture higher earnings growth this year while at the same time providing the basis for sustained production levels in the medium-term.

Multi-year drilling programme feasible

Given the group's acreage with over 50,000 net acres on areas where production is economically viable, there are significant further opportunities to drill additional wells (more than 100 wells possible).

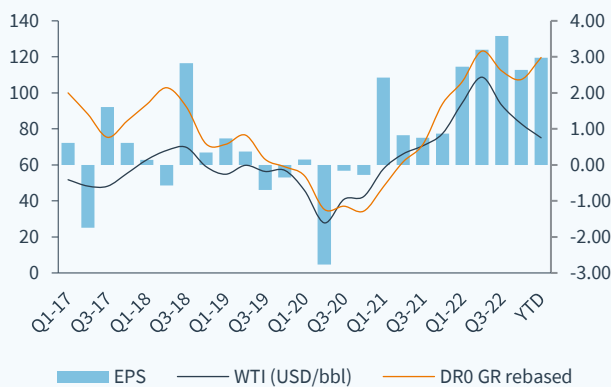
Lacking size for green transition and limited shareholder reimbursement

While Big Oils are partly redirecting and ramping up investments in renewable energies, Deutsche Rohstoff lacks the size and scale to make meaningful investments in renewable energies. The group is thus focusing on the expansion of its oil and gas assets and exploring opportunities in the early-stage exploration of lithium.

Comfortable balance sheet with improved leverage

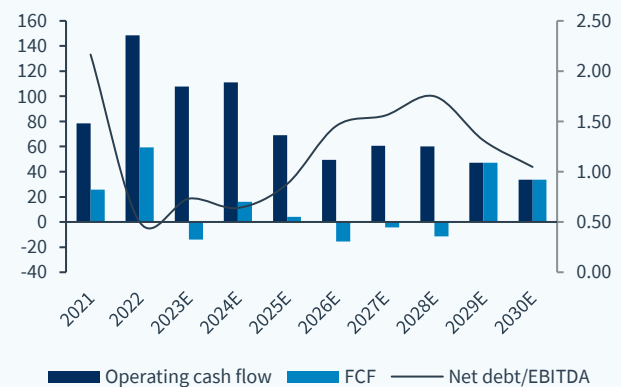
Leverage has improved compared to historical levels driven by higher returns over 2021-22 owed greatly to the oil price surge and bank loan repayments as well as purchasing back convertible bonds (EUR10.7m in Q1). Deutsche Rohstoff's financial debt comprises bonds in the amount of EUR100m and bank loans amounting to EUR5m as of Q1. Net debt/EBITDA has come down from 5.9x in 2020 and 2.2x in 2021 to 0.5x in 2022 and should stay below 2.0x until 2028E and decrease thereafter again given our expected drilling pipeline as well as the investment and cash return cycle of drilling wells.

Chart 3: EPS (EUR), WTI (US/b) and share price movements



Source: Kepler Cheuvreux, FactSet, Eikon

Chart 4: Expected cashflow and leverage development



Source: Kepler Cheuvreux

Valuation

We continue to value the stock with an SOP of Deutsche Rohstoff's oil and gas assets and its minority investments; however, we have modified our model after management has for the first time disclosed the number of net wells and production by US state. We now derive the fair value of the oil and gas business via our state-by-state production mode, rather than using the four US subsidiaries as the core assets of the group, as we did previously.

The state-by-state valuation is much more accurate given that some of the US subsidiaries operate in more than one state. As a result, we believe to have a more accurate fair value estimate than before.

We assume a life production per well of 863,000 BOE in Wyoming and a life production per well between 480,000-620,000 BOE in Colorado and Utah.

SOP-based fair value of EUR43

As a result of our more accurate production data our higher financial and production estimates, we raise our TP from EUR39 to EUR43.

Table 4: SOP-based fair value of EUR43

	Value (EURm)
Colorado	158
Wyoming	112
Utah	15
US oil and gas activities	285
Minority holdings	29
Holding costs	-10
Enterprise Value	304
Net debt	77
Equity value (EV)	216
# of shares	5
Equity value per share (EUR)	43
+/- current share price	53%

Source: Kepler Cheuvreux

Trading below peers and at -1SD below its long-term historical average

Deutsche Rohstoff is currently trading significantly below its US peers, which are much larger in size, as well as one standard deviation below its own five-year average historical mean. Given Deutsche Rohstoff's higher production levels, a more comfortable balance sheet, a more sustainable cash flow generation, historically cheap valuation, and a positive outlook for oil prices, the current level implies this is an attractive investment opportunity with an improved reward-risk ratio compared to historical levels.

Table 5: Peer group valuation

	Market cap (EURm)	+12m EV/EBITDA	+12m EV/EBIT	+12m EV/sales	+12m P/E
EOG Resources Inc	61,070	4.8	6.7	2.8	9.3
Pioneer Natural Resources	44,340	5.3	7.5	3.9	9.6
Earthstone Energy Inc	1,640	2.3	3.8	1.6	3.6
Chord Energy Corp	5,680	3.2	4.7	2	6.6
Devon Energy Corp	29,030	4.6	6.6	2.5	7.8
Ring Energy Inc	328	3.1	4.9	2.1	3.0
Occidental Petroleum Corp	49,548	5.3	9.4	2.7	11.9
Northern Oil and Gas Inc	2,670	3.3	4.7	2.3	4.3
Civitas Resources Inc	5,210	2.6	4.0	1.6	6.4
HighPeak Energy Inc	1,430	2.3	na	1.8	4.2
Median		3.3	4.9	2.2	6.5
Average		3.7	5.8	2.3	6.7
Deutsche Rohstoff	143	1.9	3.0	1.5	2.7

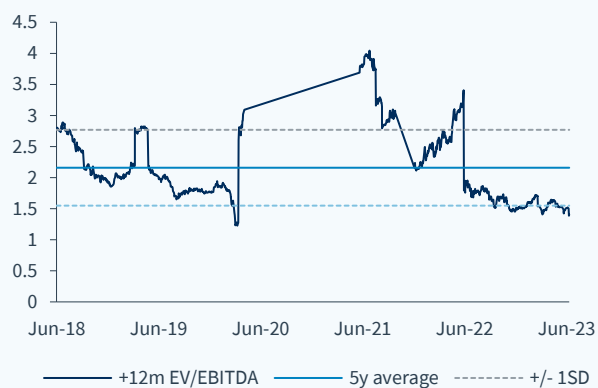
Source: Bloomberg

Table 6: Sensitivity to our TP

		EUR/USD exchange rate				
		1.00	1.05	1.10	1.15	1.20
Long term WTI price (USD/bbl)	62.0	46	43	41	38	36
	65.0	48	45	42	40	37
	68.0	49	46	43	41	39
	71.0	50	47	45	42	40
	74.0	52	49	46	43	41

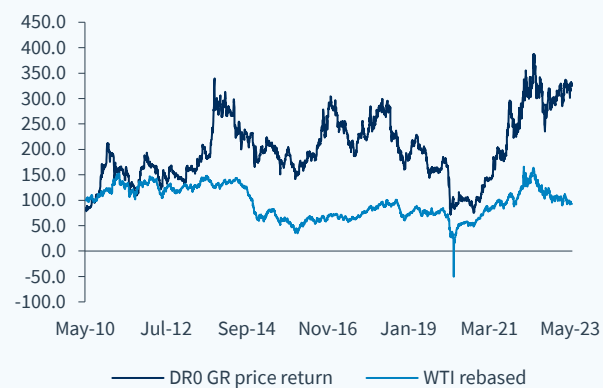
Source: Kepler Cheuvreux

Chart 5: Deutsche Rohstoff now trading one standard deviation below its five-year historical average



Source: Bloomberg

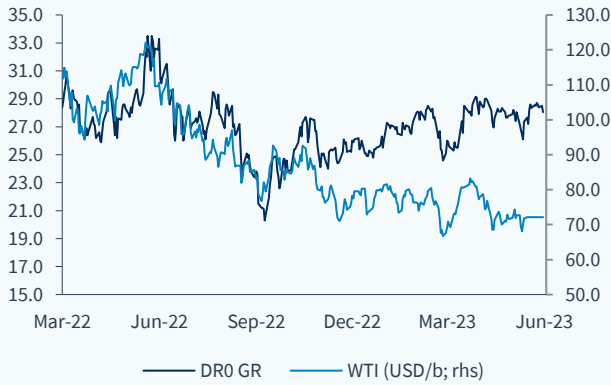
Chart 6: Share price return versus WTI/b development since IPO



Source: Kepler Cheuvreux

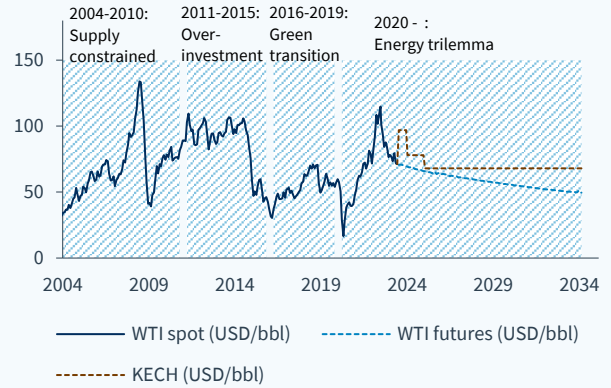
Investment case in six charts

Chart 7: Deepening divide between macroeconomic sentiment and supply-demand fundamentals



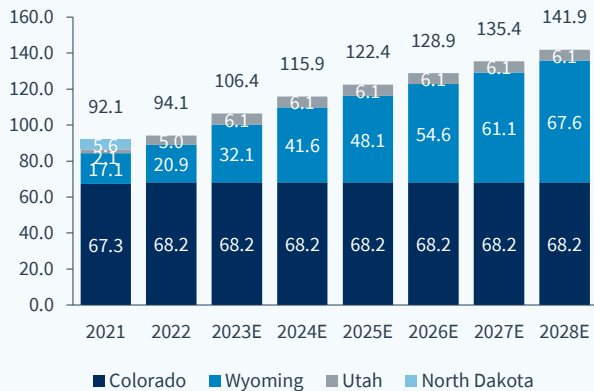
Source: Eikon

Chart 8: We expect Brent prices to reach USD95/bbl in Q3 and Q4 driven by an oil market deficit of 2mb/d+ in H2 2023



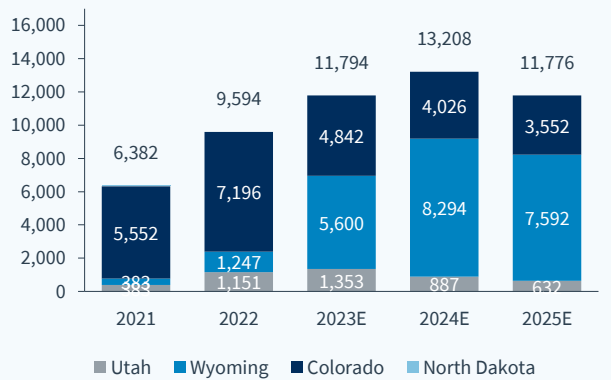
Source: WSJ, Kepler Cheuvreux estimates, BCG

Chart 9: Estimated net wells for Deutsche Rohstoff with a 100% share by US state



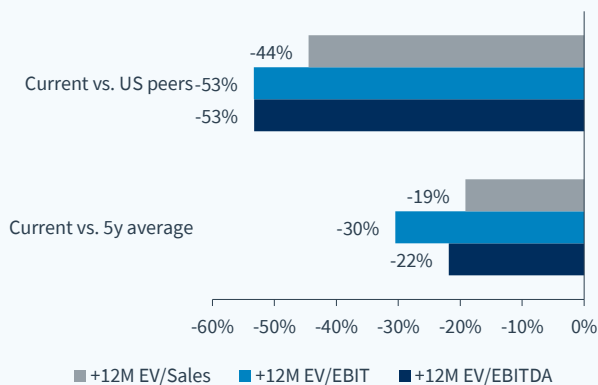
Source: Kepler Cheuvreux estimates, Deutsche Rohstoff

Chart 10: 2023-25E production estimates (BOEPD) by US state



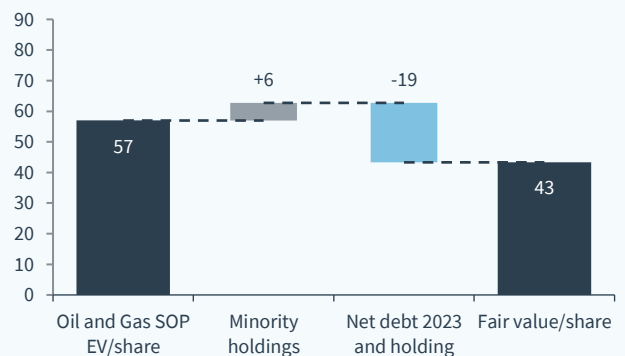
Source: Kepler Cheuvreux estimates, Deutsche Rohstoff

Chart 11: Deutsche Rohstoff's current valuation at low end of historical levels and below the average of its peers



Source: Bloomberg

Chart 12: Fair value of EUR43 per share based on US oil and gas operations as well as minorities



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

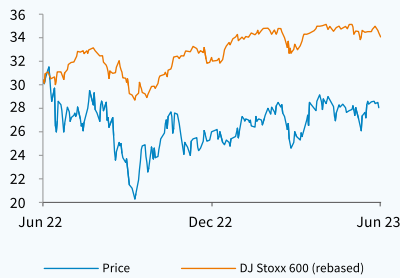
Jan-Philipp Weitz, CEO
Henning Döring, CFO

Key shareholders

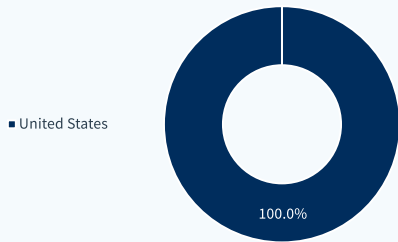
Free float 90.00%
Management and Supervisory Board 9.00%

Key data charts

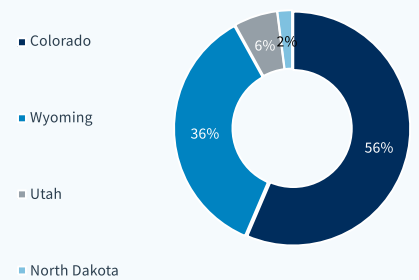
Price performance



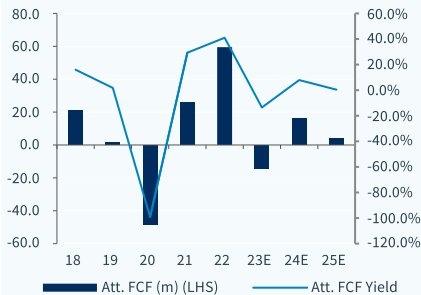
Sales split by region



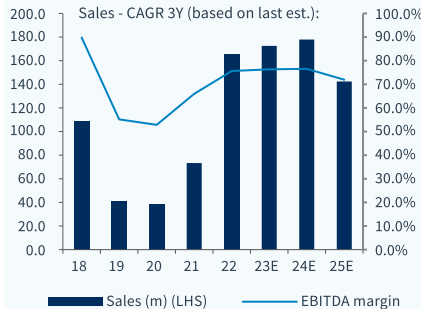
Sales split by division



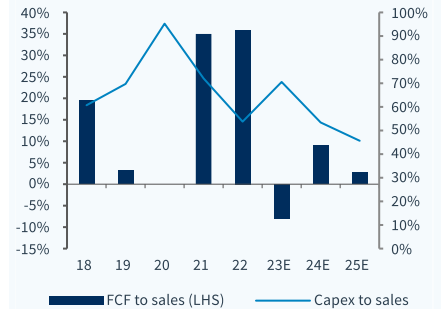
FCF



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, economic deterioration.

Valuation table

Market data as of: 22 June 2023

FY to 31/12 (EUR)	12/16	12/17	12/18	12/19	12/20	12/21	12/22	12/23E	12/24E	12/25E
Per share data (EUR)										
EPS adjusted	0.02	1.10	2.74	0.06	-3.74	1.40	9.35	11.21	11.18	7.68
% Change	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	569.6%	19.9%	-0.2%	-31.3%
EPS adjusted and fully diluted	0.02	1.10	2.74	0.06	-3.74	1.40	9.35	11.21	11.18	7.68
% Change	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	569.6%	19.9%	-0.2%	-31.3%
EPS reported	0.02	1.10	2.74	0.06	-3.05	4.88	12.15	11.21	11.18	7.68
% Change	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	148.9%	-7.7%	-0.2%	-31.3%
EPS Consensus								10.61	11.40	10.72
Cash flow per share	6.97	9.42	17.27	5.91	-2.23	15.44	29.67	21.53	22.21	13.79
Book value per share	11.16	9.73	12.99	12.66	7.76	14.31	25.78	35.69	45.53	51.87
DPS	0.60	0.65	0.70	0.10	0.00	0.60	1.30	1.34	1.34	0.92
Number of shares, YE (m)	5.1	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	5.0
Nbr of shares, fully diluted, YE (m)	5.1	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	5.0
Share price										
Latest price / year end	26.3	19.9	14.0	15.0	8.5	20.3	26.0	28.1	28.1	28.1
52 week high	26.3	26.3	25.9	19.8	16.0	25.6	33.5	29.2		
52 week low	12.3	16.1	13.9	12.5	6.2	8.7	20.2	24.6		
Average price (Year)	17.3	20.4	21.2	15.8	9.4	16.2	26.4	28.1	28.1	28.1
Enterprise value (EURm)										
Market capitalisation	87.5	103.5	107.3	80.5	48.0	82.2	131.9	140.6	140.6	140.6
Net financial debt	50.6	78.2	47.7	77.8	120.2	104.7	62.4	96.4	87.1	89.8
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	9.7	7.4	8.1	7.2	6.2	7.4	3.4	8.4	13.4	16.8
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	-27.2	-27.2	-27.2	-27.2
Enterprise value	147.8	189.1	163.1	165.5	174.3	194.3	170.5	218.2	213.8	220.0
Valuation										
P/E adjusted	na	18.6	7.7	na	na	11.6	2.8	2.5	2.5	3.7
P/E adjusted and fully diluted	na	18.6	7.7	na	na	11.6	2.8	2.5	2.5	3.7
P/E consensus								2.6	2.5	2.6
P/BV	1.5	2.1	1.6	1.3	1.2	1.1	1.0	0.8	0.6	0.5
P/CF	2.5	2.2	1.2	2.7	na	1.0	0.9	1.3	1.3	2.0
Dividend yield (%)	3.5%	3.2%	3.3%	0.6%	0.0%	3.7%	4.9%	4.8%	4.8%	3.3%
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 (%)	-35.2%	-5.9%	16.0%	1.8%	-99.1%	29.3%	41.0%	-13.5%	7.9%	0.4%
ROE (%)	0.2%	10.5%	24.2%	0.5%	-36.6%	12.7%	46.4%	36.5%	27.5%	15.8%
ROIC (%)	-1.1%	4.6%	24.8%	4.2%	-13.8%	9.6%	40.7%	32.6%	24.4%	15.1%
EV/Sales	16.12	3.52	1.50	4.02	4.51	2.65	1.03	1.26	1.20	1.54
EV/EBITDA adj.	23.2	5.2	1.7	7.3	8.5	4.0	1.4	1.7	1.6	2.1
EV/EBIT adj.	na	35.6	5.0	29.4	na	13.0	2.2	2.5	2.5	3.6
EV/NOPAT	na	47.5	6.6	39.2	na	17.4	2.9	3.4	3.3	4.8
EV/IC	2.3	1.7	1.8	1.5	1.7	1.5	1.1	0.9	0.7	0.7
ROIC/WACC	na	0.5	2.5	0.4	na	1.0	4.1	3.3	2.4	1.5
EV/IC over ROIC/WACC	na	3.8	0.7	3.5	na	1.5	0.3	0.3	0.3	0.5

Income statement

FY to 31/12 (EUR)	12/16	12/17	12/18	12/19	12/20	12/21	12/22	12/23E	12/24E	12/25E
Sales	9.2	53.7	109.1	41.2	38.7	73.3	165.4	172.5	177.9	142.4
Gross profit	10.9	48.1	91.3	30.0	27.1	55.2	135.0	144.9	153.0	119.6
EBITDA reported	6.4	36.1	98.0	22.7	23.9	66.1	139.1	131.7	136.2	102.4
EBITDA adjusted	6.4	36.1	98.0	22.7	20.4	48.4	125.1	131.7	136.2	102.4
Depreciation and amortisation	-6.9	-30.8	-65.2	-17.1	-40.1	-33.5	-47.7	-45.0	-49.2	-41.0
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	-0.5	5.3	32.7	5.6	-16.1	32.6	91.4	86.7	87.0	61.4
EBIT adjusted	-0.5	5.3	32.7	5.6	-19.6	14.9	77.4	86.7	87.0	61.4
Net financial items	-1.4	-4.0	-6.2	-5.4	-6.4	-5.5	-5.5	-5.2	-5.7	-5.6
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	-2.0	1.3	26.5	0.3	-22.5	27.1	85.9	81.4	81.3	55.8
Tax	2.0	6.4	-8.5	-0.1	6.4	-0.7	-19.8	-20.4	-20.3	-14.0
Net profit from continuing op.	0.1	7.7	18.0	0.2	-16.1	26.4	66.2	61.1	60.9	41.9
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	0.1	7.7	18.0	0.2	-16.1	26.4	66.2	61.1	60.9	41.9
Minorities	0.0	-2.1	-4.1	0.1	0.6	-1.6	-5.4	-5.0	-5.0	-3.4
Net profit reported	0.1	5.5	13.9	0.3	-15.5	24.8	60.8	56.1	56.0	38.4
Adjustments	0.0	0.0	0.0	0.0	-3.5	-17.7	-14.0	0.0	0.0	0.0
Net profit adjusted	0.1	5.5	13.9	0.3	-19.0	7.1	46.8	56.1	56.0	38.4
Sales % Change	383.4%	486.1%	103.0%	-62.2%	-6.1%	89.5%	125.6%	4.3%	3.1%	-20.0%
EBITDA reported % Change	29.2%	467.0%	171.1%	-76.8%	5.3%	176.0%	110.6%	-5.3%	3.4%	-24.8%
EBITDA adjusted % Change	29.2%	467.0%	171.1%	-76.8%	-10.1%	136.6%	158.7%	5.3%	3.4%	-24.8%
EBIT reported % Change	-chg	+chg	516.6%	-82.8%	-chg	+chg	180.6%	-5.2%	0.4%	-29.4%
EBIT adjusted % Change	-chg	+chg	516.6%	-82.8%	-chg	+chg	420.0%	11.9%	0.4%	-29.4%
Earnings before tax % Change	-chg	+chg	1946.7%	-99.0%	-chg	+chg	217.6%	-5.2%	-0.2%	-31.3%
Net profit from cont. op. % Change	-86.0%	10228.0%	134.2%	-99.0%	-chg	+chg	151.1%	-7.7%	-0.2%	-31.3%
Net profit reported % Change	-91.2%	5329.0%	150.5%	-97.8%	-chg	+chg	145.1%	-7.7%	-0.2%	-31.3%
Net profit adjusted % Change	-91.2%	5329.0%	150.5%	-97.8%	-chg	+chg	559.2%	19.9%	-0.2%	-31.3%
Gross profit margin (%)	na	89.5%	83.7%	72.7%	70.0%	75.3%	81.6%	84.0%	86.0%	84.0%
EBITDA margin (%)	69.5%	67.2%	89.8%	55.2%	52.8%	66.0%	75.6%	76.3%	76.5%	71.9%
EBIT margin (%)	-5.9%	9.9%	30.0%	13.7%	-50.8%	20.3%	46.8%	50.2%	48.9%	43.1%
Net profit margin (%)	1.1%	10.3%	12.7%	0.7%	-49.1%	9.7%	28.3%	32.5%	31.5%	27.0%
Tax rate (%)	103.8%	-492.8%	32.2%	29.1%	28.5%	2.6%	23.0%	25.0%	25.0%	25.0%
Payout ratio (%)	2,972.4%	59.3%	25.5%	165.0%	0.0%	43.0%	13.9%	12.0%	12.0%	12.0%
EPS reported (EUR)	0.02	1.10	2.74	0.06	-3.05	4.88	12.15	11.21	11.18	7.68
EPS adjusted (EUR)	0.02	1.10	2.74	0.06	-3.74	1.40	9.35	11.21	11.18	7.68
EPS adj and fully diluted (EUR)	0.02	1.10	2.74	0.06	-3.74	1.40	9.35	11.21	11.18	7.68
DPS (EUR)	0.60	0.65	0.70	0.10	0.00	0.60	1.30	1.34	1.34	0.92
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	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	148.9%	-7.7%	-0.2%	-31.3%
EPS adjusted % Change	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	569.6%	19.9%	-0.2%	-31.3%
EPS adj and fully diluted % Change	-91.2%	5328.9%	150.5%	-97.8%	-chg	+chg	569.6%	19.9%	-0.2%	-31.3%
DPS % Change	9.1%	8.3%	7.7%	-85.7%	-chg	+chg	116.7%	3.3%	-0.2%	-31.3%
Consensus Sales (EURm)								163.5	173.2	151.1
Consensus EBITDA (EURm)								124.5	133.2	120.0
Consensus EBIT (EURm)								74.8	80.3	76.5
Consensus EPS (EUR)								10.61	11.40	10.72

Cash flow statement

Market data as of: 22 June 2023

FY to 31/12 (EUR)	12/16	12/17	12/18	12/19	12/20	12/21	12/22	12/23E	12/24E	12/25E
Net profit before minorities	0.1	7.7	18.0	0.2	-16.1	26.4	66.2	61.1	60.9	41.9
Depreciation and amortisation	6.9	30.8	65.2	17.1	40.1	33.5	47.7	45.0	49.2	41.0
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	28.3	9.2	4.2	12.7	-35.3	18.7	34.6	1.6	1.0	-13.9
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	35.3	47.7	87.4	30.0	-11.3	78.5	148.4	107.7	111.1	69.0
% Change	+chg	35.2%	83.3%	-65.7%	-chg	+chg	89.1%	-27.4%	3.1%	-37.9%
Capex	-66.1	-51.7	-66.2	-28.7	-36.8	-52.8	-88.9	-121.7	-95.0	-65.0
Free cash flow	-30.8	-4.0	21.2	1.3	-48.2	25.7	59.5	-14.0	16.1	4.0
% Change	-chg	+chg	+chg	-93.9%	-chg	+chg	131.9%	-chg	+chg	-75.3%
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-13.5	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0	0.0	6.0	0.0	0.0	0.0
Dividend paid	-2.7	-3.0	-3.2	-3.2	-0.5	0.0	-3.0	-6.5	-6.7	-6.7
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	-7.5	-20.7	12.4	-28.2	6.3	-10.2	-20.1	0.0	0.0	0.0
Change in net financial debt	41.1	27.6	-30.5	30.1	42.3	-15.5	-42.3	34.0	-9.4	2.7
Change in cash and cash equiv.	-23.8	3.7	17.3	15.6	-53.1	4.5	34.8	-39.8	9.4	-2.7
Attributable FCF	-30.8	-6.1	17.2	1.4	-47.6	24.1	54.1	-19.0	11.1	0.5
Cash flow per share (EUR)	6.97	9.42	17.27	5.91	-2.23	15.44	29.67	21.53	22.21	13.79
% Change	+chg	35.2%	83.3%	-65.8%	-chg	+chg	92.1%	-27.4%	3.1%	-37.9%
FCF per share (EUR)	-6.08	-1.21	3.39	0.28	-9.36	4.74	10.80	-3.80	2.22	0.11
% Change	-chg	+chg	+chg	-91.8%	-chg	+chg	127.9%	-chg	+chg	-95.1%
Capex / Sales (%)	720.8%	96.2%	60.7%	69.7%	95.2%	72.1%	53.8%	70.6%	53.4%	45.7%
Capex / D&A (%)	955.9%	167.7%	101.5%	168.0%	91.9%	157.8%	186.6%	270.2%	193.3%	158.4%
Cash flow / Sales (%)	na	88.7%	80.2%	72.9%	-29.2%	na	89.7%	62.4%	62.5%	48.4%
FCF / Sales (%)	na	-7.5%	19.5%	3.1%	na	35.0%	36.0%	-8.1%	9.0%	2.8%
FCF Yield (%)	-35.2%	-5.9%	16.0%	1.8%	-99.1%	29.3%	41.0%	-13.5%	7.9%	0.4%
Unlevered FCF Yield (%)	-20.9%	12.6%	13.3%	3.4%	-24.4%	15.5%	34.8%	-6.5%	7.4%	2.4%

Balance sheet

FY to 31/12 (EUR)	12/16	12/17	12/18	12/19	12/20	12/21	12/22	12/23E	12/24E	12/25E
Cash and cash equivalents	24.7	28.4	45.6	61.3	8.2	12.7	47.5	7.7	17.1	14.4
Inventories	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Accounts receivable	7.3	8.8	11.6	8.9	3.5	16.8	28.6	29.9	30.8	24.7
Other current assets	16.3	3.8	4.1	4.8	9.9	12.7	6.8	7.1	7.4	5.9
Current assets	48.5	41.2	61.5	75.1	21.7	42.4	83.1	44.8	55.4	45.0
Tangible assets	79.9	114.5	110.1	139.6	112.8	149.1	192.6	282.8	328.7	352.6
Goodwill	6.8	3.3	1.7	1.6	1.3	1.3	1.2	1.2	1.2	1.2
Other Intangible assets	33.9	30.6	15.2	20.6	20.6	28.6	32.8	32.8	32.8	32.8
Financial assets	24.6	24.0	36.3	42.1	50.3	43.8	40.7	40.7	40.7	40.7
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	145.1	172.4	163.3	203.8	185.0	222.6	267.2	357.4	403.3	427.2
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	29.9	5.2	6.8	17.1	2.9	20.8	11.4	10.3	9.3	8.5
Other short term liabilities	16.9	16.9	31.5	26.0	22.5	27.9	63.9	66.6	68.7	55.0
Current liabilities	46.8	22.1	38.3	43.1	25.4	48.7	75.2	76.9	78.0	63.5
Long term debt	75.2	106.6	93.4	139.1	128.4	117.4	109.9	104.2	104.2	104.2
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	5.3	28.2	19.3	25.2	7.3	18.8	32.7	34.1	35.1	28.1
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Non-current liabilities	80.6	134.8	112.7	164.3	135.7	136.2	142.7	138.4	139.5	132.4
Shareholders' equity	56.5	49.2	65.8	64.3	39.4	72.7	129.0	178.5	227.8	259.5
Minority interests	9.7	7.4	8.1	7.2	6.2	7.4	3.4	8.4	13.4	16.8
Total equity	66.2	56.7	73.8	71.5	45.6	80.1	132.4	186.9	241.2	276.3
Balance sheet total	193.6	213.6	224.8	278.9	206.7	265.0	350.3	402.3	458.6	472.2
% Change	51.2%	10.3%	5.3%	24.1%	-25.9%	28.2%	32.2%	14.8%	14.0%	3.0%
Book value per share (EUR)	11.16	9.73	12.99	12.66	7.76	14.31	25.78	35.69	45.53	51.87
% Change	-4.7%	-12.9%	33.5%	-2.5%	-38.7%	84.5%	80.1%	38.4%	27.6%	13.9%
Net financial debt	50.6	78.2	47.7	77.8	120.2	104.7	62.4	96.4	87.1	89.8
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	50.6	78.2	47.7	77.8	120.2	104.7	62.4	96.4	87.1	89.8
Net fi. debt (+IFRS16) / EBITDA (x)	7.9	2.2	0.5	3.4	5.9	2.2	0.5	0.7	0.6	0.9
Trade working capital	-22.5	3.8	5.0	-8.1	0.8	-3.8	17.4	19.7	21.6	16.2
Net working capital	-23.0	-9.3	-22.4	-29.3	-11.9	-19.0	-39.6	-39.8	-39.7	-32.8
NWC/Sales	-251.0%	-17.4%	-20.6%	-71.0%	-30.7%	-25.9%	-24.0%	-23.1%	-22.3%	-23.1%
Inventories/sales	1.5%	0.3%	0.1%	0.4%	0.5%	0.2%	0.1%	0.1%	0.1%	0.1%
Invested capital	63.7	108.5	89.3	111.9	102.2	131.3	154.2	244.2	290.1	321.0
Net fin. debt / FCF (x)	-1.6	-19.5	2.2	60.1	-2.5	4.1	1.0	-6.9	5.4	22.6
Gearing (%)	76.4%	138.0%	64.7%	108.9%	263.6%	130.7%	47.2%	51.6%	36.1%	32.5%
Goodwill / Equity (%)	10.2%	5.8%	2.3%	2.2%	2.9%	1.6%	0.9%	0.6%	0.5%	0.4%

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Reduce	7%	1%
Not Rated/Under Review/Accept Offer	3%	5%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

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Deutsche Rohstoff (EUR)	09/02/2023 05:48	Equity Research	Buy	39.00	26.90

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