AlsterResearch

Deutsche Rohstoff AG

Germany | Oil & Gas | MCap EUR 132.3m

1 June 2023

INITIATION

A neglected gem in natural resources: Initiate with Buy

What's it all about?

Deutsche Rohstoff AG (DRAG) is a neglected gem in the exploration and production (E&P) of mainly oil and gas, and increasingly also lithium and tungsten. With an experienced management team and a track record of successful E&P activities, DRAG has already demonstrated its ability to increase the value of its reserves, leading to capital appreciation for investors. DRAG is committed to sharing its success with shareholders, for example in the form of dividends and share buybacks. Valuation is attractive both in comparison to peers (ca. 39% discount on EV/EBITDA 23E) and stand-alone. Overall, we believe that DRAG is a BUY, with a PT of EUR 47,10 that offers an impressive upside potential of 76%. The company acquired substantial acreage in Wyoming at bargain prices during the 2020 oil bust, providing potential sustainable EBITDA in excess of EUR 100m p.a. for more than a decade. Once the potential of new resource development becomes more obvious, the gap to fair value should narrow significantly.

BUY (INITIATION)

Target price	**EUR 47.10 (none)**
Current price	EUR 26.45
Up/downside	78.1%

ResearchHub

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A neglected gem in natural resources: Initiate with BUY

Exposure to the thriving natural resources industry. Deutsche Rohstoff AG (DRAG) currently focuses on exploration and production (E&P) of oil and gas in the US. 100% of sales are derived from the sale of oil and gas produced in the USA. The company is also preparing for the transition to renewable energy with investments in lithium and tungsten interests or subsidiaries.

Capital appreciation through the increasing value of its reserves. DRAG's success in its E&P activities is a key driver of potential capital appreciation for investors. As the company continues to increase the value of its reserves, investors can expect to see their investment grow in value. And with a history of successful development and bringing new resources to market, DRAG has the potential to generate significant sales and profits.

Successful management committed to maximizing shareholder value. DRAG's experienced management team is well versed in the challenges and opportunities of the natural resources sector. Management owns 9% of the shares, thus aligning its interests with other shareholders, who participate in the form of dividends, share buybacks and capital appreciation.

Initiate with BUY and a PT of EUR 47.10 that offers upside potential of 76%. DRAG so far has been neglected by institutional investors, probably the result of a business model that is unfamiliar in Europe and – in the case of fossil fuel production – unloved. This inefficiency offers investors a highly attractive entry point into an equity story that combines strong cash flows today with an exposure to the minerals of the future. Compared to US peers, DRAG trades at a discount of 39% on EV/EBITDA 23E (2.0x vs. 3.3x). The company acquired substantial acreage in Wyoming at bargain prices during the 2020 oil bust, providing potential sustainable EBITDA in excess of EUR 100m p.a. for more than a decade. Once the potential of new resource development becomes more obvious, the gap to fair value should narrow significantly. We initiate DRAG with a BUY rating and a PT of EUR 47.10, offering an impressive upside potential of 76%.

Deutsche Rohstoff AG	2020	2021	2022	2023E	2024E	2025E
Sales	38.7	73.3	165.4	163.1	175.9	151.1
Growth yoy	-6.1%	89.5%	125.6%	-1.4%	7.8%	-14.1%
EBITDA	23.9	66.1	139.1	127.0	139.2	120.0
EBIT	-16.1	32.6	91.4	76.4	87.9	76.5
Net profit	-15.5	24.8	60.8	53.5	63.1	53.6
Net debt (net cash)	105.6	93.9	55.7	112.8	111.6	110.5
Net debt/EBITDA	4.4x	1.4x	0.4x	0.9x	0.8x	0.9x
EPS reported	-3.13	5.01	12.15	10.68	12.62	10.72
DPS	0.00	0.60	1.30	1.32	1.34	1.37
Dividend yield	0.0%	2.3%	4.9%	5.0%	5.1%	5.2%
Gross profit margin	70.0%	75.3%	81.6%	85.8%	87.6%	88.4%
EBITDA margin	61.9%	90.1%	84.1%	77.8%	79.1%	79.4%
EBIT margin	-41.7%	44.4%	55.3%	46.9%	49.9%	50.6%
ROCE	-8.2%	13.9%	33.3%	22.0%	21.9%	17.2%
EV/EBITDA	9.9x	3.4x	1.4x	1.9x	1.8x	2.0x
EV/EBIT	-14.7x	6.9x	2.1x	3.2x	2.8x	3.2x
PER	-8.5x	5.3x	2.2x	2.5x	2.1x	2.5x
FCF yield	-13.3%	16.4%	76.0%	29.6%	41.1%	31.3%

Source: Company data, AlsterResearch

Source: Company data, AlsterResearch

High/low 52 weeks	34.00 / 20.10
Price/Book Ratio	1.0x

Ticker / Symbols

ISIN	DE000A0XYG76
WKN	A0XYG7
Bloomberg	DR0:GR

Changes in estimates

		Sales	EBIT	EPS
2023E	old	163.1	76.4	10.68
	Δ	-0.0%	-0.0%	0.0%
2024E	old	175.9	87.9	12.62
	Δ	-0.0%	0.0%	-0.0%
2025E	old	151.1	76.5	10.72
	Δ	0.0%	-0.0%	0.0%

Key share data

Number of shares: (in m pcs)	5.00
Book value per share: (in EUR)	25.78
Ø trading volume: (12 months)	15,500

Major shareholders

Management and Sup. Board	10.0%
Free Float	90.0%

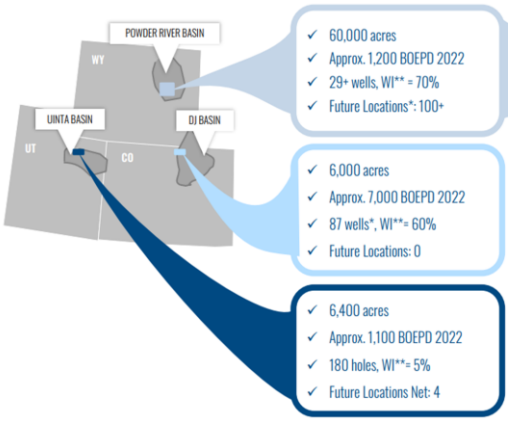
Company description

Deutsche Rohstoff identifies, develops and sells attractive natural resource assets in North America, Australia and Europe. The focus is on the development of oil and gas reserves in the USA. Metals such as tungsten, lithium and gold complete the portfolio.

Investment case in six charts

Development Phases of DRAG

Oil and gas production in the USA



Reserves Highlights

+3%

PDP reserve replacement despite high 2022 production

+22%

Proved reserves increase due to investments & in field development

Proved developed reserves (NYMEX 30. Dec 22)

Cash Flow: USD 351.4m
Discounted Cash Flow: USD 246.5m

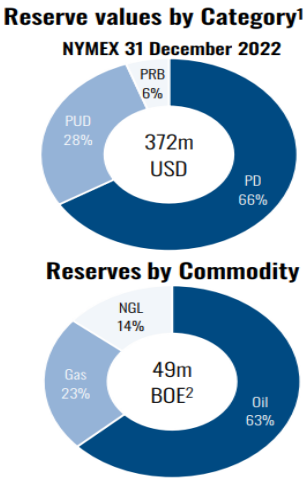
Proved reserves

Cash Flow: USD 650.5m
Discounted Cash Flow: USD 351.8m

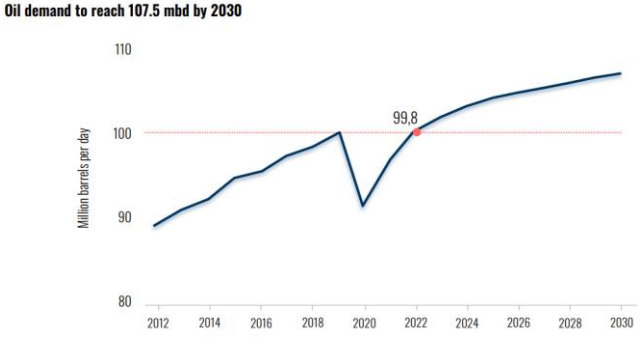
Total reserves

Cash Flow: USD 799.8m
Discounted Cash Flow: USD 372.0m

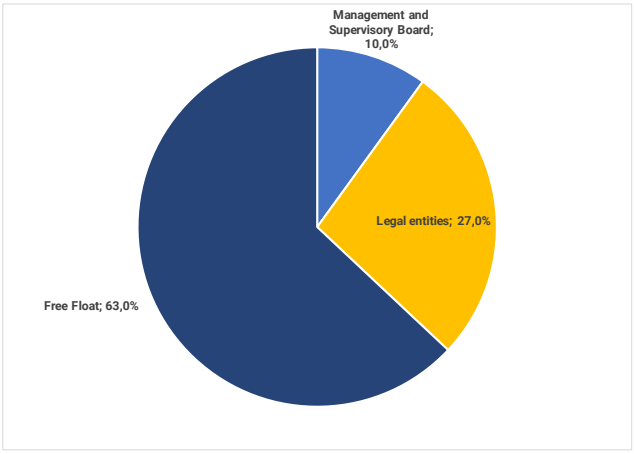
Reserve values by Category



Rising demand, unlikely to peak before 2030



Major shareholder



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Company background

Products & services

What products and services does the company produce?

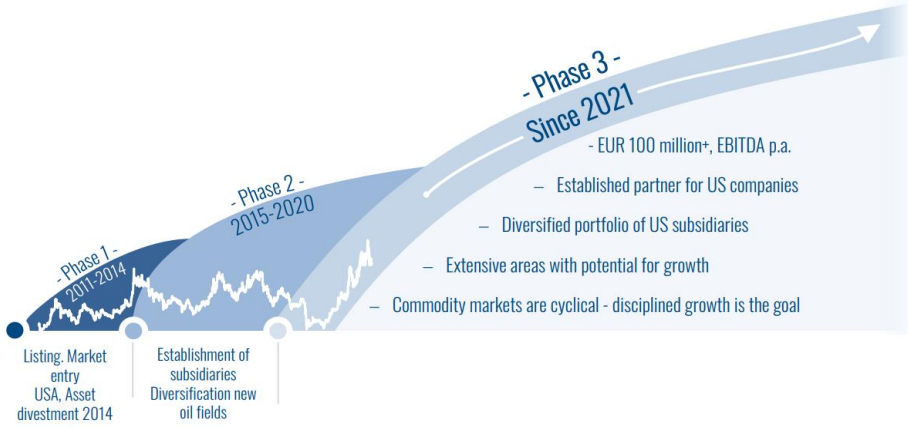
DRAG identifies, develops and sells attractive natural resource assets in North America, Australia and Europe. The focus is on the development of oil and gas reserves in the US. Metals such as tungsten, lithium and gold complete the portfolio.

DRAG started with metal mining investments when it listed in 2010, but since 2012 it has mainly generated revenues from oil and gas exploration and production (E&P) and investments in the US.

DRAG holds shares and loans in tungsten producer Almonty with a total book value of c. EUR 25m as of Q1 FY23. The company also holds shares in lithium and gold exploration companies. Its activities are limited to countries with stable political and legal systems like the US, Australia, Western Europe, Canada and South Korea.

The following graph shows the different stages of the company's development.

Development Phases of DRAG

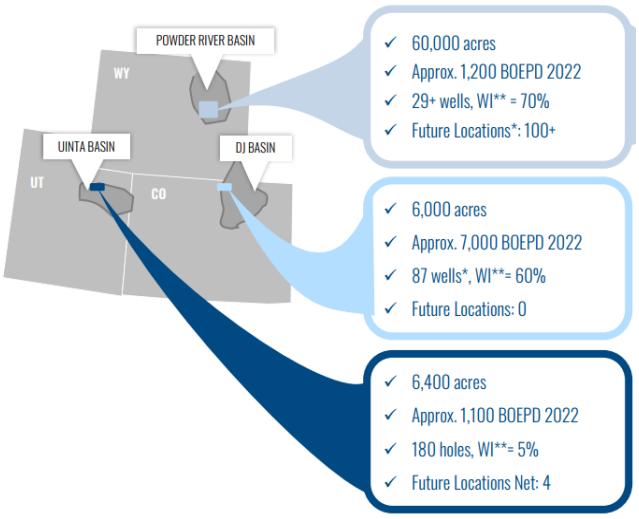


Source: Company data

Oil and gas reserves in DRAG's US subsidiaries amounted to 35.7m barrels of oil equivalent (BOE) of proved reserves at 31 Dec. 2022. The company produced 3.5m BOE in FY22. Crude oil accounted for 73% of FY22 sales, followed by natural gas at 17% and natural gas liquids (NGLs) at 10%.

DRAG has four US oil and gas subsidiaries, 1876 Resources (formerly and recently renamed Cub Creek Energy), Bright Rock Energy, Elster Oil & Gas and Salt Creek Oil & Gas, located in three oil basins, the DJ Basin in Colorado, the Powder River Basin in Wyoming and the Uinta Basin in Utah, as shown in the graph below.

Oil and gas production in the US



Source: Company data; *Operated + non-operated wells; ** WI = Working Interest, ownership in producing wells, unweighted by length

Most of DRAG's new production will come from the Powder River Basin in Wyoming, where the company owns 60,000 acres (= 242.8 sq km) with more than 100 future locations for operated and non-operated wells. The company produced 1,200 BOE per day (BOEPD) from the Powder River Basin in FY22.

1876 Resources mainly operates its activities. This means that the company has all the necessary resources and competencies to manage drilling and completion projects on its own account and produced in 2022 mainly from the DJ Basin in Colorado. The company began operations outside of Colorado for the first time in FY21 with the acquisition of a land package in Wyoming. 1876 Resources generated sales of EUR 110.9m in FY22, representing 67.0% of total sales, as shown in the table below. DRAG holds a stake of c. 96.09% in 1876 Resources, and began investing in the company first time in 2015.

Salt Creek Oil & Gas (SCOG) is based in Denver, Colorado and was founded in 2015 by DRAG. The wholly-owned subsidiary generated sales of EUR 15.9m (= 9.6% of total sales) in FY22. In 2022, two joint venture agreements were signed with Occidental Petroleum (OXY) to drill 31 wells in the Powder River Basin in Wyoming for a total investment by SCOG of EUR 150m. SCOG is also investing in non-operated business in Utah.

Bright Rock Energy (BRE) is producing oil and gas in the Powder River Basin in Wyoming. The company has sold its oil and gas properties in the Uinta Basin of Utah in FY22. BRE generated sales of EUR 24.1m (= 14.6% of total sales) in FY22. DRAG holds a stake of c. 98.5% in BRE, and began investing in the company in July 2018.

Elster Oil & Gas (EOAG) is an oil and gas company based in Colorado. It has an exclusive minority interest in various acreages in the Wattenberg oil field in Colorado. EOAG does not drill its own wells. The company had sales of EUR 14.5m (= 8.8% of total sales) in FY22. DRAG began investing in the predecessor company, Tekton Energy, in 2012 and owns c. 93% of EOAG.

Company	Location	Sales in EUR m FY 2022	Share of total Sales
1876 Resources	DJ Basin, Powder River	110,9	67,0%
Bright Rock Energy	Powder River, Uinta	24,1	14,6%
Elster Oil & Gas	DJ Basin	14,5	8,8%
Salt Creek Oil & Gas	Powder River	15,9	9,6%
Total		165,4	100%

Source: Company data; DJ Basin in Colorado, Powder River Basin in Wyoming, Uinta Basin in Utah

Investments

In addition to revenues from commodity production and associated rights, e.g. royalties, the business model also consists of the acquisition, development and sale of commodity projects.

Almonty Industries

Almonty Industries is an established **tungsten producer. DRAG holds a c. 14.2% stake** in the company**,** which is **valued at c. EUR 14.0m** as of 30 May 2023. DRAG has also granted a loan of EUR 10m to Almonty. Tungsten is a rare metal with the advantages of high melting point, high hardness, excellent corrosion resistance and good electrical and thermal conductivity. Almonty is currently mining at the Panasqueira mine in Portugal and production at the Los Santos mine in Spain is expected to start in 2023. Almonty is also developing one of the world's largest tungsten mines in South Korea, which is expected to ramp-up production in 2024. The average price of tungsten on 26 May 2023 is USD 328/mtu (metric tonne unit). This strong price, coupled with Almonty's floor price guarantee in its contract with its offtake partner Plansee GTP of USD 235/mtu (with no upside cap) has the potential to generate truly spectacular returns for its shareholders once commissioning has commenced. Almonty's global presence can be seen in the following graph.

Almonty's global presence

Source: Almonty Industries; * WO_3 = Tungsten (VI) oxide, also known as tungsten trioxide is a chemical compound of oxygen and the transition metal tungsten; reserves & resources are based on the latest available NI43-101 information;
P&P = Proven & Probable, M&I = Measured & Indicated

Tin International AG

DRAG has completed a squeeze-out of Tin International AG, which has only EUR 3.0m in cash as of March 2023. As a result, 95% of this cash is legally controlled by DRAG.

Exploration Ventures AI Pty Ltd

DRAG and its Australian partner SensOre (ASX: S3N) have established the Australian subsidiary Exploration Ventures AI Pty Ltd (EXAI) in Jan. 2023. The company is focused on the exploration of **lithium** in Western Australia ("WA"). DRAG holds a 70% share in the company. Since inception, EXAI has secured fiver early-stage exploration projects through four farm-in agreements and one exploration licence application. The emphasis is on WA, not only because it is one of the world's most active and successful mining regions, but also because it currently accounts for about 90% of the world's hard rock lithium. As well as the world's largest lithium (spodumene) mine, the Greenbushes mine, other projects have entered production and new deposits have been discovered in recent years. The successful identification of a lithium deposit in WA therefore has huge potential.

Prime Lithium AG

Prime Lithium AG, a wholly owned subsidiary of DRAG, aims to become a central link between the raw materials industry and the European value chain in the field of electromobility by processing lithium precursors into battery-grade lithium chemicals in Germany.

Ceritech AG

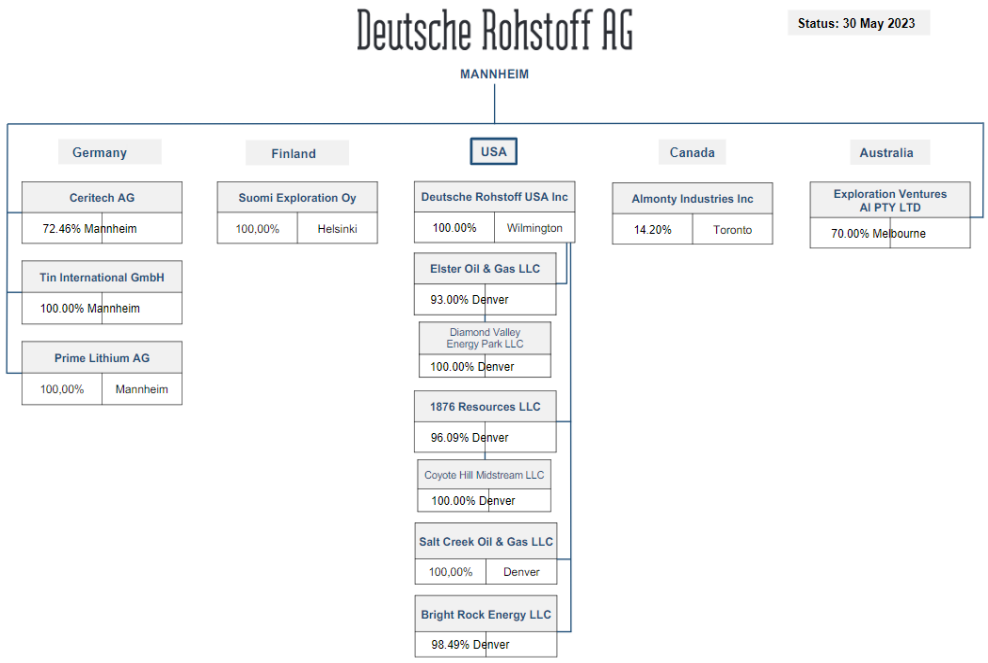
Ceritech AG is currently a shell company and is looking for a lucrative project in the technology sector. DRAG has a 72.5% stake in Ceritech AG, which has a market capitalisation of EUR 1.3m on 19 May 2023.

Other junior mining investments

DRAG's **equity portfolio of c. EUR 10m** is made up of junior mining companies in the fields of gold, lithium and other metals.

The following graph shows the structure of DRAG.

Organigram of Deutsche Rohstoff AG



Source: Company data, as of 31 Dec. 2022; Cub Creek Energy was renamed 1876 Resources in 2023

Where does DRAG stand in the value chain?

In the oil and gas industry, the value chain can be divided into several stages, including E&P, processing, transportation and distribution. DRAG is primarily active in oil and gas E&P in the USA, in tungsten E&P in Europe and South Korea, and in lithium E&P in Australia. Once the resources are extracted, they are typically sold to other companies that are responsible for processing, transporting, and distributing the resources to end-users.

Are there substitutes for DRAG's products?

The introduction of **battery electric vehicles (BEVs)** is expected to reduce demand for petrol and diesel in the long term. However, they are not expected to have a significant impact on oil and gas demand in the short to medium term, as the widespread adoption of BEVs will take a long time due to the higher purchase price compared to internal combustion engine vehicles (ICEVs). When BEVs will become

cheaper than comparable ICEVs depends on what happens to battery material prices. Battery materials account for 60-70% of the cost of a battery.

We have seen a sharp increase in battery material prices in 2021 and 2022, followed by a drop in selected materials, for example lithium. If these prices rise again above previous highs, further market uptake of BEVs could be delayed.

China has been pushing for raw material cooperation and refinery capacity expansion for years. In addition, the US is following with the Inflation Reduction Act and the EU with the Critical Raw Materials Act to increase the supply of battery materials. Recycling can also play an important role in reducing raw material prices in the future.

Overall, it is uncertain whether there will be enough metals available to meet the demand for batteries when demand for BEVs increases significantly in the future.

Natural gas demand is also affected in the medium-term by increased wind and solar power generation. But wind and solar power generation is not always available and therefore gas as baseload is needed till battery storage is widely deployed.

DRAG's diversification strategy could help mitigate the impact of substitutes. The company is investing in lithium resources to benefit from rising demand from BEVs. This is the right strategy to diversify and create additional revenue streams and contribute to the energy transition. The company is also investing in tungsten mines, which should also help diversify away from oil/gas revenues.

Management

Jan-Philipp Weitz, CEO
Jan-Philipp Weitz has been a member of the DRAG team since 2010 and has been a member of the Executive Board and CFO since 2017. Mr Weitz took over the role of CEO of the company in June 2022 and is responsible for the management of the group and the control of the subsidiaries and investments. In addition, the CEO is responsible for project evaluation and the initiation and establishment of portfolio companies. Jan-Philipp Weitz holds a diploma in Business Administration from the University of Mannheim.

Henning Döring, CFO
Henning Döring joined DRAG as CFO in Oct. 2022. Mr Döring started his professional career at KPMG AG, where he also successfully passed his exam as a CPA. From 2012, he worked for the listed PVA TePla Group, from 2014 to 2017 in the role of CFO. From 2017, Mr Döring was Head of Group Controlling at the Schunk Group, and in 2020 he was appointed CFO of the business unit microelectronics of the Schunk Group.

Dr. Thomas Gutschlag, Chairman of the Supervisory Board
Dr. Thomas Gutschlag was co-founder of DRAG in 2006 and has been a member of the company's Management Board since then. Dr. Gutschlag is the Chairmen of the Supervisory Board since June 2022.

Martin Billhardt, Supervisory Board
Martin Billhardt is operating partner at WP Management Solutions AG. Mr Billhardt was CFO of PNE Wind AG from 2004 to 2008 and CEO from 2008 to 2015. Prior to that, he was MD of a large family office for over 10 years and worked as a lawyer.

Dr. Werner Zöllner. Supervisory Board
Dr. Werner Zöllner is MD and principal shareholder of SEED Beteiligungs GmbH. Mr Zöllner has been active in private equity for 25 years. He has also been active on the supervisory board/advisory board of several German, Swiss and American companies. Mr Zöllner has been a director at Condor Energies, Calgary for 10 years.

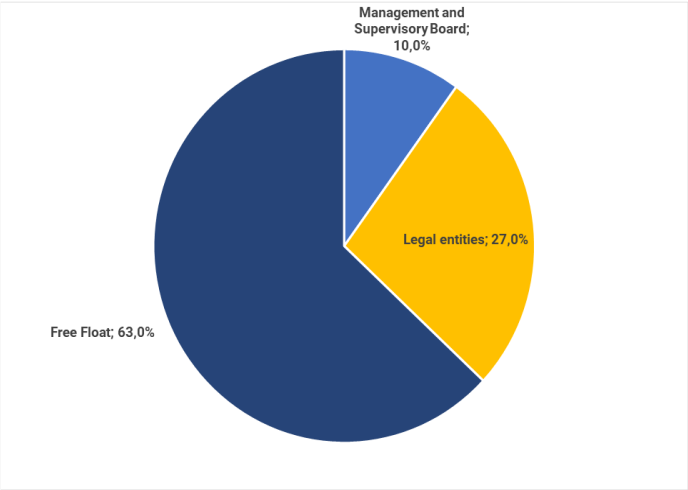
				
Jan-Philipp Weitz CEO since 2022; member of the DRAG team since 2010 and member of the Executive Board and CFO since 2017.	**Henning Döring** CFO since 2022; Formerly: Schunk Group, PVA TePla Group and KPMG AG.	**Dr Thomas Gutschlag** Chairman of the Supervisory Board since 2022; Formerly: Blättchen & Partner and Deutsche Börse AG.	**Martin Billhardt** Supervisory Board member since 2020; Formerly: PNE Wind AG, large Family Office. Currently: WP Management Solutions AG.	**Dr Werner Zöllner** Member of the Supervisory Board; Currently: SEED Beteiligungs GmbH and Condor Energies.

Source: Company data; AlsterResearch

Shareholders

Members of the Management Board and the Supervisory Board hold 10% of the shares in DRAG. Just under 27% of the shares are held by legal entities.

Shareholder



Source: Company data; AlsterResearch

Quality

Customers

Who are DRAG's customers?

Oil trading companies, distributors and refiners buy the oil produced. Gas supply companies, which maintain pipeline networks, buy the natural gas produced.

Are there any large customers (larger 5% or 10% of sales) or is the customer base fragmented?

DRAG's produced oil and gas is sold by different marketing and trading companies depending on the basin or pad. Most of the oil in Colorado is taken from Chevron, which is in a very good financial position. In Utah, the partner companies, which produce themselves, determine the customers. In Wyoming, the customers are more diversified.

Are customers price sensitive?

The price for the oil supplied is based on the WTI crude oil price. The price actually paid depends almost exclusively on the utilization of the transport infrastructure and the quality of the oil produced. The customers also receive a marketing fee. DRAG sells its oil USD 1.0/bbl to 3.0/bbl below WTI crude oil price mainly due to transportation costs to Cushing.

How easy is it to switch for customers?

Factors that can influence the ease with which buyers such as oil traders, distributors and refiners in the US can switch from one supplier to another are: the availability of alternative sources of supply, the existence of long-term contracts, and transportation costs.

In the case of crude oil, there are many producers and suppliers in the US, and buyers can typically source oil from a variety of different regions and producers. Some buyers may have entered into long-term supply contracts with specific suppliers, which can limit their ability to switch to alternative sources of supply in the short term. However, most buyers typically have some flexibility in their supply arrangements and can adjust their sourcing as needed based on market conditions.

Oil buyers will evaluate the overall cost, including transport costs, before making a decision to switch suppliers.

One of the main factors that can affect the ease of switching gas suppliers is the location of the gas reserves. If a gas supply company has already invested in building pipelines to connect to a specific natural gas producer, it would be very costly to switch to another producer.

What is bargaining power of customers?

Both oil and gas are commodities where neither sellers nor buyers have high bargaining power, rather both groups have to accept the limits set by a market price determined by overall supply and demand. Within this framework, when the supply of oil/gas exceeds demand and inventories are high relative to demand, buyers have some limited bargaining power. Conversely, when the oil/gas market is tight and inventories are low, E&P companies may have more bargaining power.

All sales are generated from the production of oil, gas and NGLs in the USA, as shown in the table below.

Regional sales split (EURm)	2020	2021	2022	2023E	2024E	2025E
Domestic	0.0	0.0	0.0	0.0	0.0	0.0
Europe (ex domestic)	0.0	0.0	0.0	0.0	0.0	0.0
The Americas	38.7	73.3	165.4	163.1	175.9	151.1
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Sales	**38.7**	**73.3**	**165.4**	**163.1**	**175.9**	**151.1**

Source: Company data; AlsterResearch

Competition

Who are DRAG's main competitors?

Competitors include the majors such as ExxonMobil, Chevron, ConocoPhilips, Philips 66, Occidental Petroleum (Oxy), Marathon Petroleum, Dominion Energy, EOG Resources, Hess, Devon, Continental and EQT Corp, as well as many smaller US oil E&P companies such as Chord Energy, Northern Oil & Gas, Civitas Resources, Highpeak Energy, Earthstone Energy, Amplify Energy and Ring Energy.

What are market shares in main markets?

The top 10 US oil and gas producers accounted for about 60% of total US oil and gas production in 2020, with smaller producers accounting for the remaining 40%, according to the US Energy Information Administration (EIA).

The top 10 oil E&P companies in the US, ranked by market share, are: ExxonMobil, Chevron, ConocoPhillips, EOG Resources, Pioneer Natural Resources, Occidental Petroleum (Oxy), Marathon Oil, Hess Corporation, Devon Energy and Noble Energy

There are over 9,000 companies in the US oil and gas industry as of 2019, according to the EIA, with c. 90% of these companies classified as small businesses, which are defined as companies with fewer than 500 employees. The majority of these small businesses are involved in E&P activities, with a smaller number involved in refining, marketing and other downstream activities. Many are privately owned or operate as partnerships and concentrate on specific regions or niche segments of the industry.

Are there any barriers to entry

The oil and gas E&P industry has relatively high barriers to entry, such as high capital requirements, regulatory hurdles and technical expertise. Established companies in the oil E&P industry benefit from economies of scale, such as access to pipelines, transportation networks, and other infrastructure that lower their costs and improve their operational efficiency. New entrants may struggle to achieve the same level of efficiency and cost-effectiveness. The threat from new entrants is therefore relatively moderate.

DRAG has a competitive advantage in this area thanks to its strategic partnerships and technical expertise. The company has been active in the US oil E&P market since 2012 and has a good reputation. As a result, DRAG was able to enter into a JV with one of the largest US onshore oil producers, Oxy, as a non-operated well partner.

Is DRAG gaining or losing market share?

DRAG is gaining market share as sales increased from EUR 38.7m in FY20 to EUR 165.0m in FY22. Proved reserves also increased by 75% from 20.4m BOE at the end of FY20 to 35.7m BOE at the end of FY22.

How does DRAG differentiate? Any USPs?

Small US oil E&P companies differentiate themselves from larger competitors by focusing on specific niche areas or developing new technologies to increase production efficiency and reduce costs.

Many small US oil E&P companies focus on specific geographic areas, such as shale plays like DRAG or offshore E&P. By specialising in horizontal hydraulic fracturing techniques to extract oil and gas from shale formations, E&P companies have developed specific expertise and competitive advantages.

DRAG has more flexibility and agility than its larger counterparts, allowing it to adapt more quickly to changing market conditions and implement cost-saving measures.

DRAG was able to significantly reduce production in 2020 when oil prices and demand collapsed due to the COVID shutdown. DRAG also did not have the debt and headcount of its larger peers such as Oxy.

DRAG has developed strong relationships with local communities, landowners and other stakeholders, which has helped the company secure access to valuable oil and gas reserves and avoid regulatory hurdles.

DRAG works with major oilfield service companies such as Schlumberger and Baker Hughes, which provide all types of oilfield services to the company.

Is it difficult to copy what the company does?

In the E&P segment of the oil and gas industry, there are barriers to entry that make it difficult for competitors to replicate DRAG's activities. Some of these barriers include: high capital requirements, regulatory hurdles, technical expertise and strategic partnerships.

DRAG has established strategic partnerships with other companies in the industry, including other E&Ps such as Oxy, equipment suppliers and service providers. These partnerships give the company access to specialised resources and knowledge that are not readily available to new competitors.

Suppliers

What does the company source?

DRAG only acquires acreage in mature oil basins such as the DJ Basin in Colorado or the Powder River Basin in Wyoming with a high number of wells drilled and data available. In this way, DRAG limits its exploration risk and has always been able to secure positive returns on its investments. The company typically identifies areas with potential oil or gas reserves, acquires the necessary exploration and drilling rights and commences exploration activities.

As an E&P company, DRAG produces from several dozen horizontal wells in the Wattenberg oil field in the state of Colorado, in the Powder River Basin in Wyoming, and in the Uinta Basin in Utah.

The area is known for its rich oil deposits. Over the past decades, oil and gas companies have developed the field with around 20,000 wells. Horizontal drilling has dominated development for about ten years, before that production was exclusively by vertical drilling.

Modern technology makes it possible to precisely control wells even at depths of several km and thus to develop a wide area or an entire field with little space requirement. This not only minimizes investment costs, but also the space required on the surface.

The extraction, collection and removal of the oil is easily done on an area the size of a football field. Over the lifetime of the field, several million BOE can be produced from a temporary drilling site (=a pad).

Is the supplier base concentrated? Does DRAG have multiple sources?

The oil and gas industry is dominated by a relatively small number of large oilfield services companies that provide drilling and E&P services.

These include Schlumberger, Halliburton and Baker Hughes, as well as dozens of smaller companies. Two of the largest suppliers of oil and gas equipment are National Oilwell Varco and Cameron International.

For other natural resources that DRAG explores and develops, such as tungsten and lithium, the supplier base is less concentrated. These natural resources are typically mined rather than drilled and require different types of equipment and expertise.

Is it easy for the company to switch to other suppliers?

It is relatively easy for DRAG to change suppliers because there are dozens of suppliers in the market, such as Schlumberger and Baker Hughes.

DRAG's ability to switch suppliers may also depend on the availability of alternative suppliers in the market. The company currently operates in Wyoming with limited supplier options. However, DRAG expects new suppliers to enter the region as more E&P companies explore and produce in the area.

What is the bargaining power of suppliers? Any rare and critical parts / components / raw materials?

The bargaining power of suppliers in the oil E&P industry is typically low, as there are numerous suppliers of equipment, services, and materials. However, the industry is subject to price fluctuations, which can impact supplier profitability and result in changes in supplier power.

DRAG's operating costs increased by c. 10% in FY22 compared to FY21. However, the company expects cost increases to slow in FY23 due to slower economic growth and cost savings.

For example, DRAG plans to reduce the number of days per well from 25 to 20 in the Powder River Basin in Wyoming. A reduction of one day saves c. USD 80-100k. In addition, water costs can be reduced by several USD 100k per drilled well through the construction of currently 3 large water ponds in the fields next to the well pads.

In May 2023, 1876 Resources acquired the existing gas gathering pipeline infrastructure on its Powder River Basin acreage in Wyoming, consisting of approximately 59.3 km of pipeline and surface tanks, for USD 14m. The pipeline connects all existing well pads, gathers other operated gas production in the region and has a capacity of 5,000 mcf/day. The investment has multiple benefits for 1876 Resources, including sufficient independence for its development pace, cost savings in gathering fees and operating costs of USD 2 to USD 2.5m per year, and an independent new revenue stream from additional gathering fees of USD 1 to USD 1.5m per year resulting from transportation services of third party gas production.

Personnel: Does DRAG need any scarce qualifications?

All onshore US oil companies use service companies such as Baker and Schlumberger to carry out completion, also known as fracking. Service companies seem to have no problem with hiring geologists or engineers.

SWOT analysis

Strengths

- Experienced and successful management
- Massive oil reserves and cash flows in Wyoming
- Strong technical expertise
- Strategic partnerships

Weaknesses

- Volatile commodity prices
- Limited financial resources and visibility in capital markets

Opportunities

- High population growth and low demand per capita for oil in developing countries
- Russian sanctions lead to more US oil and gas exports
- Pent-up demand after end of lock down in China
- Benefit from tungsten demand through investment of nearly EUR 30m in tungsten producer Almonty Industries
- Early-stage activities in battery minerals like lithium

Threats

- Volatile oil and gas prices - no new wells would be drilled if the price of WTI crude remained below USD 50/bbl for a prolonged period.
- Oil exploration and production, transport accidents
- Cost inflation (materials, personnel, financing), which could lead to delay of production growth targets
- Volatile EUR/USD exchange rate
- Risks in junior mining investments where metals can't be economically extracted

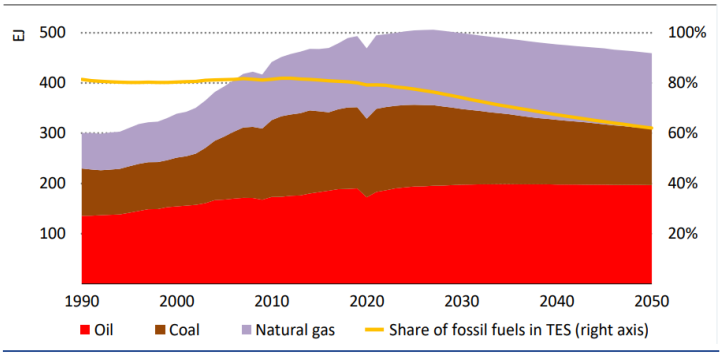
Growth

Growth: Summary

Market growth

According to the “Stated Policies Scenario” (STEPS) in the 2022 IEA energy outlook, **oil demand will rise 0.8% per year until 2030, and peak soon after**. Other scenarios (e.g. "Announced Pledges") would lead to declining demand by 2030, especially for coal and less for oil and gas, because coal's CO2 emissions of 350 g CO2 per kWh are higher than those of oil and gas, which are 220 to 260 g CO2 per kWh. This would go along with a steep increase in renewables in transport, heating and electricity generation.

Fossil fuel demand in the STEPS, 1990-2050



Source: IEA 2022; Note: EJ = exajoule; TES = total energy supply

The OPEC World Oil Outlook is more bullish on long-term oil demand, **expecting an increase until 2035 and a plateauing until 2045**. The declining demand from OECD countries in this forecast is more than compensated for by increasing demand from China, India, other Asian countries and Africa.

Sectoral oil demand, 2021-2045 (mb/d)

	2021	2025	2030	2035	2040	2045	Growth 2021-2045
Road	43.2	47.2	47.3	47.2	47.2	47.0	3.8
Aviation	5.4	7.2	7.8	8.4	8.9	9.5	4.1
Rail/waterways	1.9	2.0	2.1	2.1	2.2	2.1	0.2
Marine bunkers	4.0	4.4	4.6	4.7	4.7	4.7	0.6
Transportation	**54.5**	**60.8**	**61.8**	**62.4**	**62.9**	**63.2**	**8.8**
Petrochemicals	13.8	15.3	16.3	16.7	17.2	17.5	3.7
Other industry	12.8	13.1	13.6	13.8	13.4	13.3	0.5
Industry	**26.6**	**28.4**	**29.9**	**30.5**	**30.6**	**30.8**	**4.2**
Resid./Comm./Agr.	11.0	11.6	12.1	12.2	12.1	11.8	0.8
Electricity generation	4.9	4.7	4.5	4.4	4.2	4.1	-0.9
Other uses	**15.9**	**16.3**	**16.6**	**16.6**	**16.3**	**15.8**	**0.0**
World	**96.9**	**105.5**	**108.3**	**109.5**	**109.8**	**109.8**	**12.9**

Source: OPEC 2022

Growth of DRAG

Over the next years, the growth of DRAG is mainly driven by the speed at which new wells are drilled in Wyoming. This **speed is partly discretionary** and determined by the development of oil prices, whereby higher prices provide a greater incentive to quickly develop new wells. Limiting factors are the access to the required resources, not least of all capital.

DRAG expects record production of 11,000 to 12,000 BOEPD in FY23 compared to 9,600 BOEPD in FY22, an increase of 20% at the midpoint. In FY24, production is expected to increase by a further 10-15% based on the adopted drilling plans.

The production growth is based on capital expenditure in 2023 and 2024 totalling around EUR 200m, of which EUR 40m was already invested at the end of April 2023. This compares to capital expenditure of EUR 72m in FY22 and EUR 29m in FY21. In the base case, DRAG expects sales of EUR 150 to 170m and EBITDA of EUR 115 to 130m in 2023. This base case is based on an oil price of USD 75/bbl, a gas price of USD 3/MMBtu and a EUR/USD exchange rate of 1.12 for the remainder of 2023. For the FY24, the company's base case is for sales of EUR 170-190m and EBITDA of EUR 130-145m.

Approximately EUR 100m will be spent in 2023 and 2024 on the joint venture with Occidental Petroleum, a further EUR 90m on drilling at 1876 Resources and EUR 10m in Utah. For 1876 Resources, management now expects to drill an additional 8 gross (7 net) wells in the second half of 2023 and first half of 2024, in addition to the 3 well programme already underway from the Lost Springs pad.

AlsterResearch expects sales to increase from EUR 165m in FY22 to EUR 179m in FY24. From FY25, we expect 7 new wells per year. AlsterResearch's planning assumptions are explained on page 33.

At the same time, **activities in battery minerals like lithium and tin could contribute significantly to growth**, are however not yet included in AlsterResearch estimates due to limited visibility.

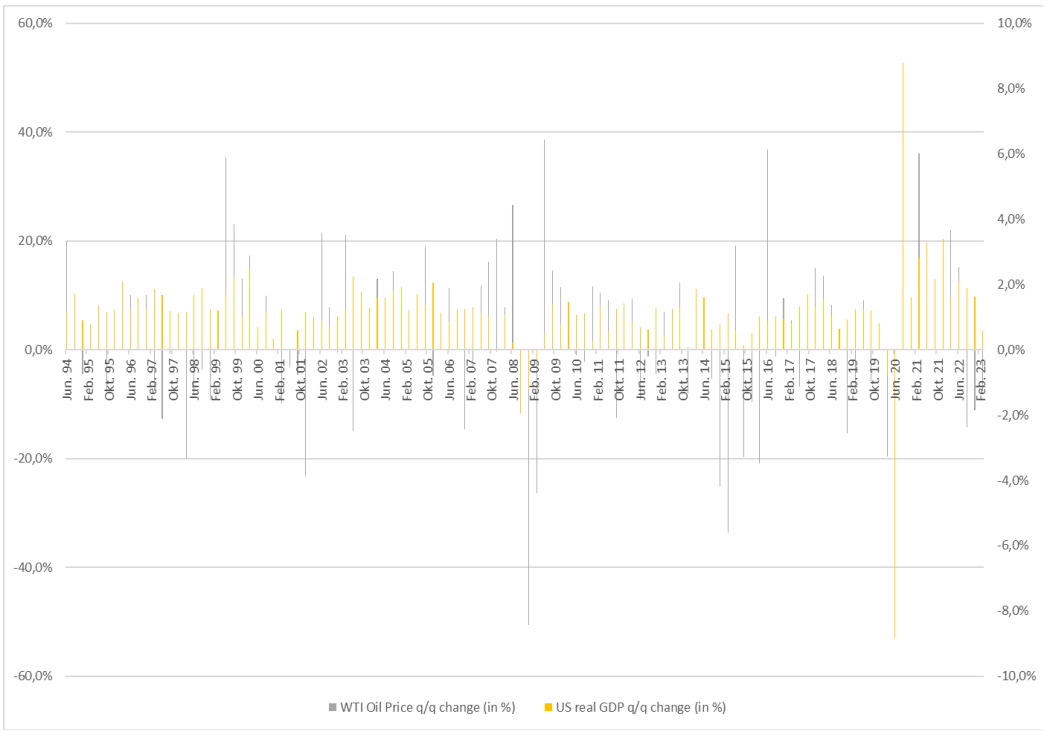
Growth: Details

At what rate have the target markets and the company grown in the past?

DRAG's growth is mainly driven by the number of wells drilled and capital invested in combination with demand, which is influenced by the price of oil and gas. The drivers of demand for those fuels can be attributed to economic growth, weather, global energy demand, supply and technological advancements.

Economic growth and industrial activity drive demand for energy to power businesses and manufacturing. The following graph shows the quarterly change in the WTI oil price and US real GDP growth in %. Stronger US GDP growth tends to be accompanied by higher oil prices, albeit sometimes with a lag.

WTI Oil Price q/q change (%) vs US GDP q/q change (%)

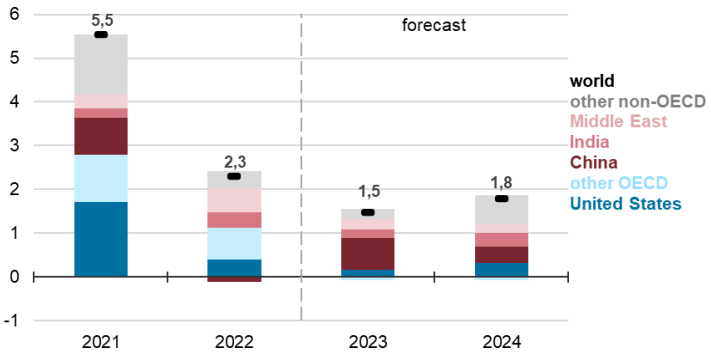


Source: Federal Reserve Bank of St. Louis, AlsterResearch

Global demand: Global demand for oil, gas, and NGLs also plays a role in driving US demand, as these commodities are traded on global markets and their prices can be affected by global supply and demand dynamics.

World consumption of liquid fuels rose from 91.6m barrels per day (b/d) in 2020 to 97.1m b/d in 2021. Liquid fuels include all petroleum including crude oil and products of petroleum refining, natural gas liquids, biofuels, and liquids derived from other hydrocarbon sources including coal to liquids and gas to liquids. It is expected to rise from 99.4m b/d in 2022 to 100.9m b/d in 2023 in the EIA's forecast, which can be seen in the following graph.

Annual change in world liquid fuels consumption (million barrels per day)



Source: EIA

The EIA expects China to account for about half of the growth in global liquid fuels consumption in 2023. Consumption in China is forecast to increase by 0.7m b/d in 2023. EIA forecasts consumption in India to increase by 0.2m b/d and other non-OECD consumption to increase by an average of 0.5m b/d. This growth in non-OECD countries offsets almost no growth in OECD consumption in 2023. OECD

consumption remains largely unchanged as the impact of inflation continues to limit GDP and oil demand growth.

The EIA forecasts that global liquids consumption will grow by an additional 1.8m b/d in 2024, with non-OECD countries accounting for 1.6m b/d of the growth. However, significant uncertainty remains around its demand forecast, with a wide range of possible outcomes for both global economic conditions this year and travel and oil demand in China following its shift away from a zero COVID strategy.

Currency fluctuations: Oil, gas and NGLs are quoted in USD, so fluctuations in the value of the dollar can impact the price of commodities. If the value of the dollar increases, commodities become more expensive for buyers who use other currencies, which can decrease demand and lead to lower prices. The inverse relationship between the WTI oil price and the Dollar Index can be seen in the chart below. But the EUR/USD exchange rate has less of an impact on domestic US oil demand.

WTI inverse to Dollar-index

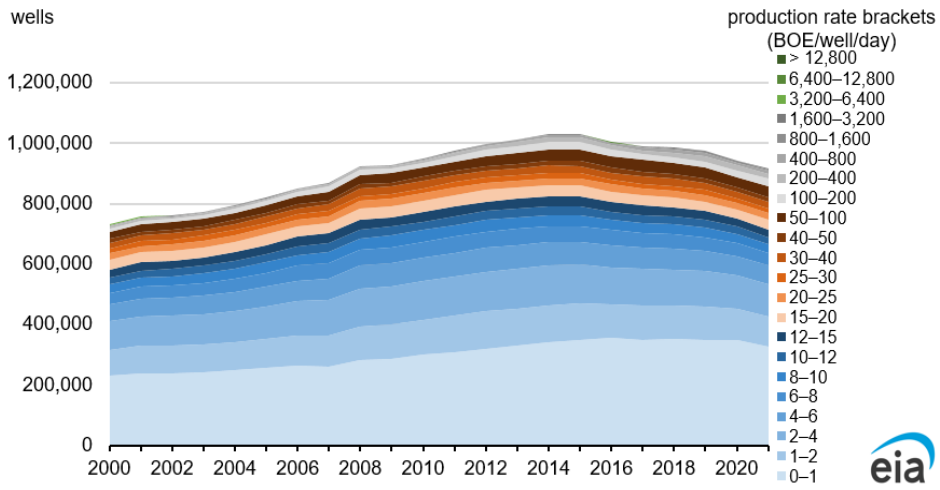
Source: Tradingview

Technological advances: Advancements in drilling technology, such as hydraulic fracturing, have led to increased supply of natural gas and oil in the US, which has put downward pressure on prices.

U.S. oil production, which includes crude oil and condensate, reached 11.2m b/d in Dec. 2020, and U.S. natural gas production (gross withdrawals) reached 112.6bn cubic feet per day (Bcf/d) in Dec. 2020, according to EIA. U.S. oil production increased by 3.6% yoy to 11.6m b/d in 2021 and natural gas production (gross withdrawals) rose by 5.4% to 118.7 Bcf/d in Dec. 2021, respectively. U.S. crude oil and natural gas production increased in 2021 because of higher demand and increased rig counts.

The number of producing wells in the US reached a high of 1,0m wells in 2014 and declined to 0.9m wells in 2021—mostly because of lower oil prices and less rig activity, as can be seen in the following graph.

U.S. total wells by production rate brackets



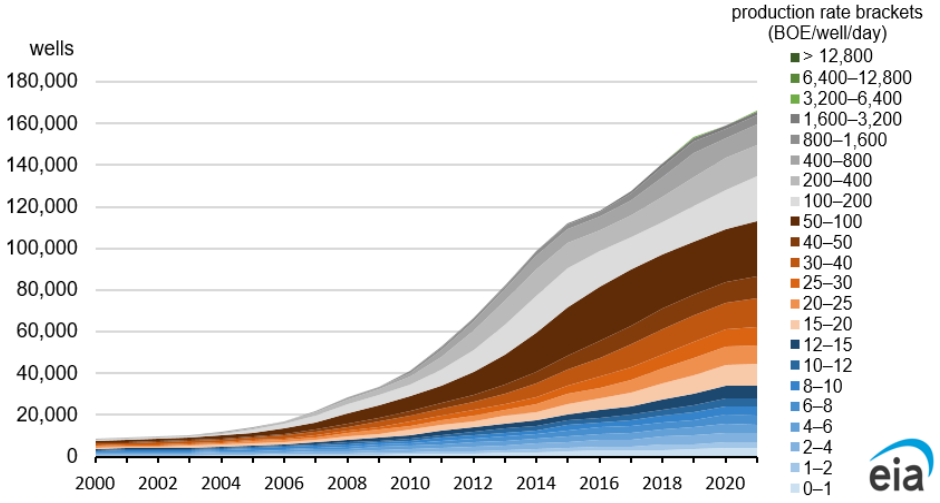
Source: EIA

Low rig counts are supportive for oil prices

In the US, the number of oil and gas rigs has fallen by 8 to 720 as of 19 May 2023. It is the first yoy loss in the number of active drilling rigs since April 2021, and 355 fewer rigs than at the beginning of 2019. While oil demand would weaken in a potential recession, oil demand would recover faster than oil supply. It would take some time for supply to pick up.

The increase in the share of horizontal wells during the past decade from 5.4% to 18.1% (2011–21) shows the impact of technological change on well type, which can be seen in the following graph.

U.S. horizontal wells total production by production rate bracket



Source: EIA

Since 2013, more than half of U.S. oil and natural gas production comes from wells that produce between 100 barrels of oil equivalent per day (BOE/d) and 3,200 BOE/d. In terms of the number of wells, the share of U.S. oil and natural gas wells producing less than 15 BOE/d has remained steady at about 80% from 2000 through 2021.

Growth of DRAG in the past

DRAG has grown at varying rates over the past years, driven mainly by oil prices. From FY13 to FY18, DRAG experienced significant growth in revenue, increasing

from around EUR 18m in FY13 to over EUR 109m in FY18. During this period, the company pursued a strategy of expanding its oil portfolio in the US through acquisitions and E&P activities. The company also invested in the development of its existing assets, such as the Almonty tungsten mines.

FY19 and FY20 were years of depressed revenues due to a low crude oil price and balance sheet protection after major investment programme at Elster in FY17 and FY18. Since then, DRAG has been growing rapidly due to large investments in land in FY20 and a recovery in oil, gas, NGLs, reserves and land prices. The war between Russia and Ukraine has also boosted US exports of LNG and crude oil products, tightening the US energy market. DRAG is benefiting indirectly from this to some extent, in addition to a strong increase in production volumes.

During FY22, numerous wells in Colorado, Wyoming and Utah were brought on production. The company generated sales of EUR 165.4m, which was driven by a yoy production increase of 35.0% to 9,600 BOEPD.

Is DRAG growing organically or external?

DRAG is securing drilling rights and participates in drilling programmes of other E&P companies.

The prerequisite for successful drilling and production of oil and gas is the acquisition of the rights to a particular area. Whoever owns the rights to an area can develop it. Land acquisition is therefore one of the key success factors in oil and gas development.

However, unlike most other countries, rights in the US are not granted by the government through a licensing system. Instead, mineral rights are privately owned.

DRAG therefore enters into agreements with the owners of the rights ("mineral owners"), which allow the company to extract their mineral resources ("lease agreement"). In return, the private mineral owners receive a one-off payment and an additional share of the revenues from the wells ("royalty").

The more desirable an area is, the higher the payments the mineral owners can demand. These contracts typically run for an initial period of 3-4 years with an option to extend. During this period one or more wells must be drilled or the right expires. Once an area has been produced, the right to produce remains with the company that acquired the right virtually indefinitely.

There are several ways to buy land. Often, private individuals or companies offer entire packages of rights. Much more complex is the possibility of acquiring individual rights and assembling them into a package over time. Together with its subsidiaries in the US, **DRAG specialises in developing fields that are already well known. The risk of drilling errors is much lower** than in areas where little or no drilling has been done in the past.

A further feature of the US legal system is that all companies producing oil and gas are required to publish production data. The production data is published on a well-by-well, month-by-month basis by the department responsible for each state.

DRAG can also use this data to evaluate the acreage or wells offered to it. Due to the very dense grid of wells in developed fields, **it is possible to make a fairly reliable estimate of what production can be expected** from the available acreage by drilling wells that are producing nearby.

Production data is, of course, not only important for the acquisition decision, but also provides a solid basis for the investment decision of a drilling programme. In addition, DRAG's many years of local experience enable it to provide a detailed cost estimate of both drilling and production costs.

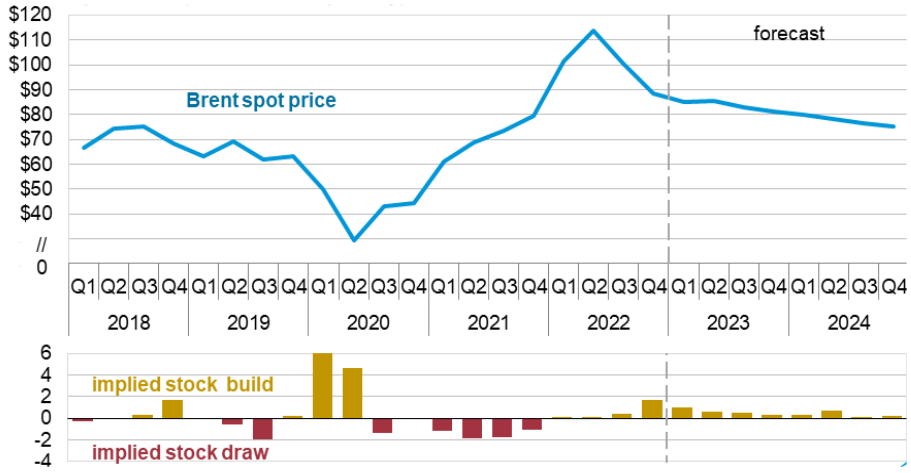
What is the expected future growth of DRAG and its target markets? What are the growth drivers?

Oil Price & Inventories

The EIA expects **the Brent oil spot price to average USD 85/bbl in 1H 2023.** The WTI oil spot price tends to follow the Brent spot oil price sometimes with a time lag. The agency expects, however, that global oil production will continue to outpace demand until the end of 2024, leading to a sustained build in global oil inventories through the forecast period and falling oil prices.

Following an average **increase of 0.6m b/d in 2022, the EIA expects global oil inventories to increase by an average of 0.6m b/d in 2023, before slowing to 0.4m b/d in 2024.** Accordingly, its forecast for the **Brent crude oil spot price falls to an average of USD 82/bbl in 2H23 and USD 78/bbl in 2024, which is inline with AlsterResearch estimates.**

Brent crude oil spot price and global inventory changes



Source: EIA, February 2023

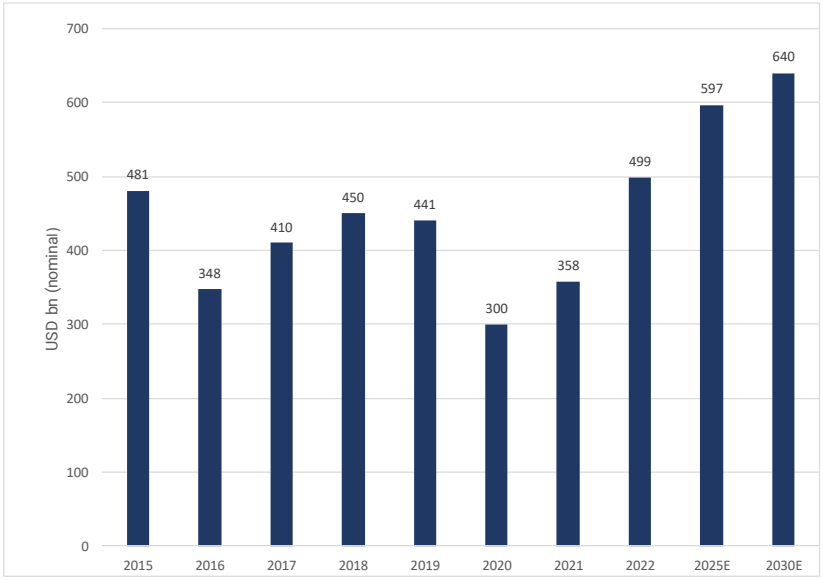
Upstream Oil and Gas Investment

Upstream oil and gas investment must increase by 28% to USD 640bn p.a. by 2030 to meet global demand, according to the IEF and S&P Global. Between now and 2030, a cumulative USD 4.9tn will be needed to meet market needs, even if oil and gas demand growth slows. Upstream activities (E&P) include the search for potential underground or subsea oil and gas fields, the drilling of exploratory wells and the subsequent operation of the wells.

In 2022, capital expenditure rose by 39% yoy to USD 499bn, the highest level since 2014, but drilling remained below pre-pandemic levels as inflation ate into spending, according to the report. Drilling rigs increased by 22% in 2022, but this was still 10% below 2019 levels. Renewable energy investment increased to continue the energy transition.

The rebound in 2022 represents a change from the previous two years, when investment plunged as the COVID-19 pandemic led to tighter global energy markets, price hikes and natural gas scarcities.

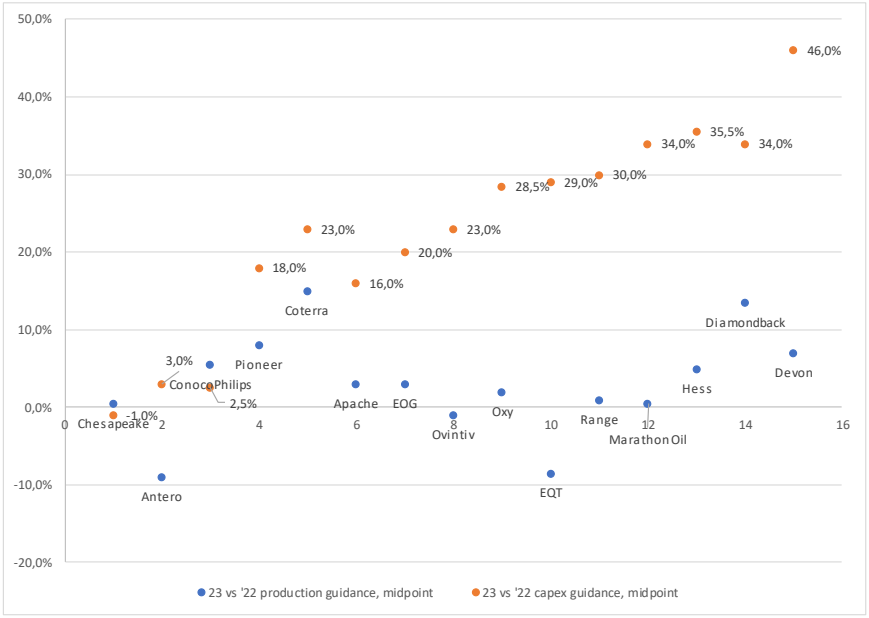
Global Oil and Gas Upstream Capex



Source: IEF, S&P Global Commodity Insights

The top 15 US independent E&P companies, such as Pioneer, Hess and Devon, collectively expect capital spending to increase by 21% yoy in 2023, according to Pinnacle. To give a sense of scale, these companies had a combined production of around 10.2m BOEPD in 2022. The US as a whole produced 37.6m BOEPD in 2022. But these operators collectively only expect production to increase by 2%. The chart below compares the expected change in production (blue dots) with the expected change in capex (orange dots).

Production/capex guidance of US oil producer



Source: Pinnacle

Wages and lack of supply are driving up prices for operators. These nominal price increases don't translate into production increases.

Oil Demand Forecast (Short-term)

The range of IEA, OPEC and EIA oil and NGL demand and supply forecasts for 2023 widens amid uncertainty over (1) OECD demand growth, (2) Chinese demand growth, (3) Russian production and (4) US supply.

World liquid fuel demand is expected to increase by 1.6% in 2023

World demand for liquid fuels is expected to increase by 1.6% yoy to 101.41m b/d in 2023, according to the average of the IEA, OPEC and EIA forecasts, as shown in the table below.

2022-2023 Liquid Demand Forecast by Agency

	2022				2023			
million barrels per day	IEA	OPEC	EIA	Range (high-low)	IEA	OPEC	EIA	Range (high-low)
Total OECD	**46.08**	**46.20**	**46.08**	**0.12**	**46.47**	**46.53**	**45.83**	**0.70**
Americas*	25.00	25.08	25.19	0.19	25.13	25.34	25.19	0.21
Europe	13.64	13.65	13.59	0.06	13.74	13.68	13.42	0.32
Asia Oceania	7.44	7.47	7.30	0.17	7.61	7.51	7.22	0.39
Total Non-OECD	**53.84**	**53.36**	**53.74**	**0.48**	**55.16**	**55.24**	**54.99**	**0.25**
Asia	28.90	28.93	28.92	0.03	30.23	30.05	29.88	0.35
China	*15.01*	*14.79*	*15.16*	*0.37*	*15.83*	*15.31*	*15.76*	*0.52*
Middle East**	9.04	8.22	9.28	1.06	9.14	8.55	9.52	0.97
Latin America	6.09	6.41	5.73	0.68	6.12	6.55	5.74	0.81
Europe and Eurasia	5.64	5.44	5.32	0.32	5.52	5.54	5.26	0.28
Russia	*3.72*	*3.53*	*3.40*	*0.32*	*3.57*	*3.61*	*3.33*	*0.28*
Africa**	4.17	4.36	4.49	0.32	4.15	4.55	4.59	0.44
World	**99.93**	**99.56**	**99.82**	**0.37**	**101.64**	**101.77**	**100.82**	**0.95**

Source: IEF, IEA, OPEC and EIA

World liquid fuel supply is expected to increase by 1.1% in 2023

World supply for liquid fuels is expected to increase by 1.1% yoy to 101.06m b/d in 2023, according to EIA, as shown in the table below.

2022-2023 Liquid Supply Forecasts by Agency								
	2022				2023			
million barrels per day	IEA*	OPEC	EIA**	Range (high-low)	IEA*	OPEC	EIA**	Range (high-low)
Total OECD	**31.12**	**30.73**	**31.09**	**0.39**	**31.52**	**32.36**	**32.52**	**0.16**
Americas	27.05	26.64	26.85	0.41	28.21	27.95	27.88	0.33
USA	*19.24*	*18.98*	*19.26*	*0.28*	*20.22*	*20.13*	*20.11*	*0.11*
Europe	3.58	3.60	3.75	0.17	3.83	3.91	4.17	0.35
Asia Oceania	0.49	0.49	0.49	0.00	0.48	0.50	0.47	0.03
Total Non-OECD	**32.24**	**32.44**	**32.47**	**0.23**	**30.43**	**32.29**	**31.67**	**0.86**
Asia	7.42	7.53	7.66	0.24	7.47	7.63	7.76	0.29
Middle East	3.21	3.34	3.21	0.13	3.24	3.37	3.16	0.21
Latin America	6.36	6.34	6.45	0.11	6.81	6.68	6.90	0.22
Europe and Eurasia	13.95	13.91	13.81	0.14	12.65	13.27	12.52	0.75
Russia	*11.04*	*10.96*	*10.93*	*0.11*	*9.62*	*10.11*	*9.49*	*0.62*
Africa	1.30	1.32	1.34	0.04	1.27	1.35	1.34	0.08
Processing Gains	**2.31**	**2.40**	**2.31**	**0.09**	**2.35**	**2.47**	**2.35**	**0.12**
Total Non-OPEC	**65.68**	**65.57**	**65.87**	**0.30**	**66.31**	**67.11**	**66.54**	**0.80**
Total OPEC	**n/a**	**n/a**	**34.11**	**n/a**	**n/a**	**n/a**	**34.52**	**n/a**
OPEC Crude	n/a	n/a	28.61	n/a	n/a	n/a	29.00	n/a
OPEC NGLs	5.34	5.39	5.50	0.16	5.39	5.44	5.52	0.13
World	n/a	**n/a**	**99.98**	**n/a**	**n/a**	**n/a**	**101.06**	n/a

Source: IEF, IEA, OPEC and EIA

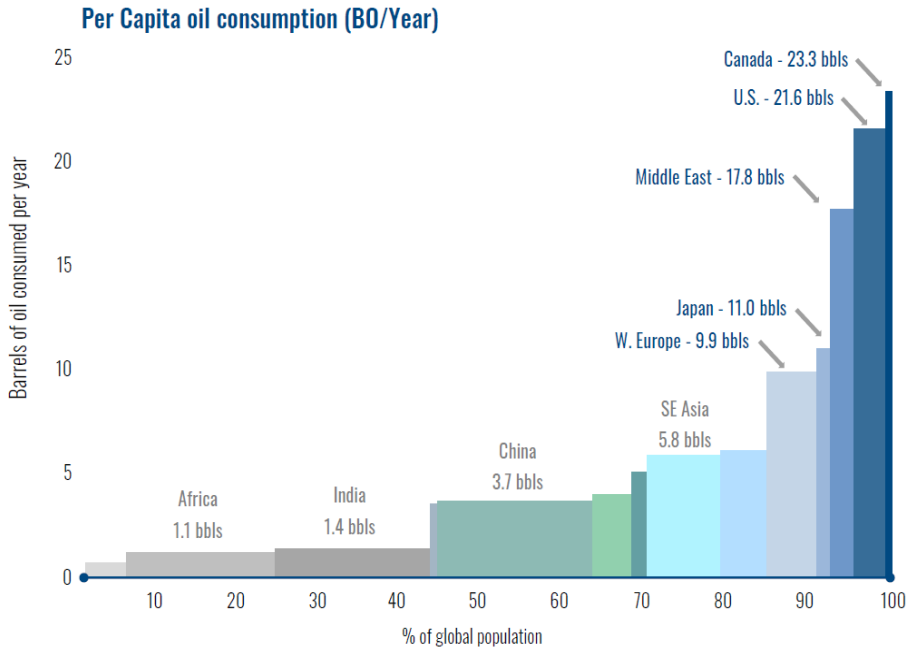
OPEC expects Russian supply falling by 0.9m b/d vs. IEA and EIA's forecast of a 1.4m b/d yoy drop in Russian supply. US oil supply is expected to increase by 1.0m b/d, or 5.2%, to around 20.2m b/d in 2023 compared with 2022.

Liquid fuel demand (101.41m b/d) outpacing liquid fuel supply (101.06m b/d) in 2023 is supportive for oil prices in 2023.

Oil Demand Forecast (long-term)

In view of the very unequal global distribution of energy consumption and the absolute growth of the middle class, DRAG expects its oil and gas business to remain viable for a long time to come and to be necessary to ensure energy security. Around 65% of the world's population consumes less than 4 barrels of oil (BO) per capita per year, and 45% use less than 1.4 BO. In contrast, Western Europe consumes almost 10 BO and North America more than 20 BO per year, as shown in the graph below.

6.5bn people consume less than 50% of oil produced



Source: GS AM, BP

IEA's Net Zero Emissions by 2050 Scenario (NZE) shows a **10% decline in total primary energy demand by 2030**. The fall is driven by declining use in road transport as the efficiency of the vehicle fleet improves and electrification of road vehicles accelerates, according to BP. Nevertheless, oil will continue to play an important role in the global energy system for the next 15-20 years.

Meanwhile, **base case scenarios show an 8-12% increase in oil demand, according to IEF.**

While 3 of the 6 IEA and OPEC scenarios see total fossil fuel demand falling between 2021 and 2030, fossil fuel's share of total primary demand will remain a robust 62-77% (vs. 80% in 2021).

Oil demand increases between 2021 and 2030 in 4 of the 6 scenarios. Non-OECD will drive the growth.

Oil Supply Forecast (long-term)

Liquids supply is expected to rise 5-13m b/d by 2050 (2023E: c. 101m b/d) in IEA's Stated Policies Scenario (STEPS) and Announced Pledges Scenario (APS) and OPEC Reference scenarios. The STEPS provides a more conservative benchmark for the future, because it does not take it for granted that governments will reach all announced goals.

The Announced Pledges Scenario introduced in 2021 aims to show to what extent the announced ambitions and targets, including the most recent ones, are on the path to deliver emissions reductions required to achieve net zero emissions by 2050.

The drivers of liquids supply growth include OPEC countries, Latin America and OECD Americas.

Natural Gas Demand (long-term)

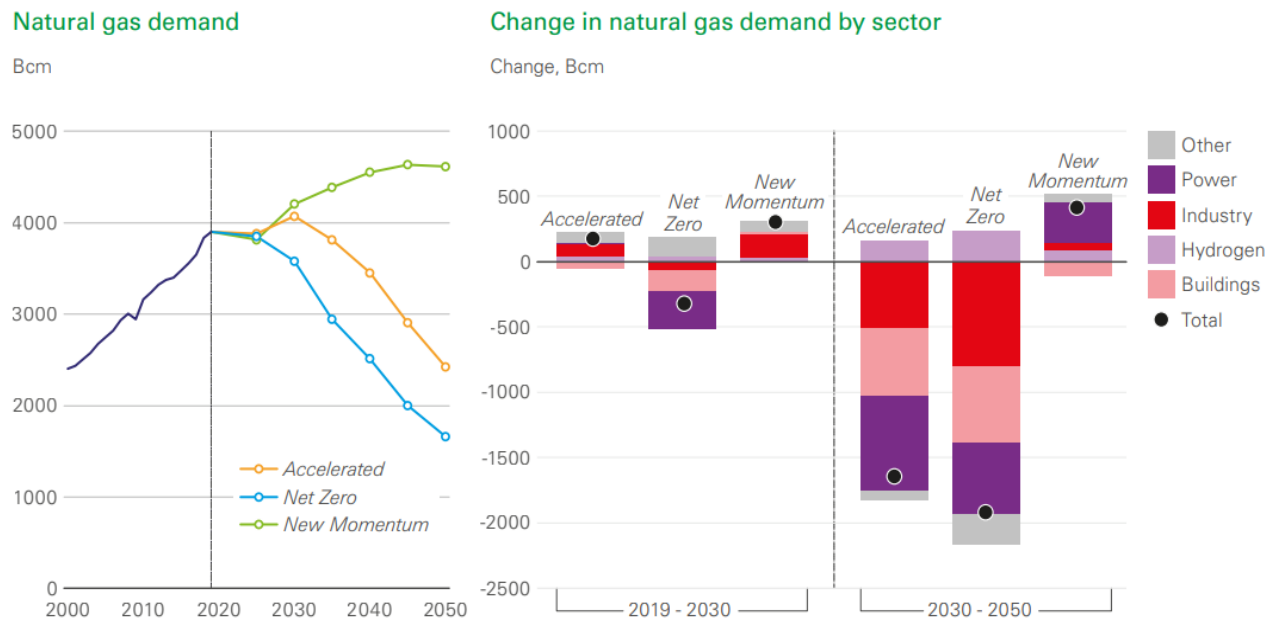
The outlook for natural gas to 2050 depends on the pace of the energy transition, according to BP. On the one hand, gas demand in emerging markets will increase as they grow and industrialise. On the other hand, this increase will be offset by the transition to lower carbon energy sources led by the developed world, says BP.

BP **expects global demand for natural gas to rise by 16% in the New Momentum scenario from 3,976bn cubic meters (bcm) in 2019 to 4,326 bcm in 2030. The oil major expects gas demand to rise by 12% or 250 bcm in the Accelerated scenario**, driven by strong growth in China - underpinned by continued coal-to-gas switching - and also by India and other emerging Asian economies as they continue to industrialise.

Accelerated and Net Zero scenarios are broadly in line with 'Paris consistent' IPCC scenarios. Accelerated and Net Zero explore how different elements of the energy system might change in order to achieve a substantial reduction in carbon emissions. In that sense, they can be viewed as 'what if' scenarios: what elements of the energy system might need to change if the world collectively takes action for CO2-equivalent emissions (CO2e) to fall by around 75% by 2050 (relative to 2019 levels) in the Accelerated and 95% in Net Zero scenario.

In contrast, natural gas consumption in the Net Zero scenario peaks in the mid-2020s and then starts to decline, according to BP. Gas use in emerging markets grows until 2030. However, this growth is outweighed by declining consumption in the developed world due to the shift towards electrification and lower carbon energy, says BP.

Prospects for natural gas depend on the speed of the energy transition



Source: bp energy outlook 2023

DRAG's Growth

At the end of FY22, 89 wells (FY21= 87 wells) operated by DRAG and over 250 wells (FY21= 200 wells) in which the Group has a minority interest were in production. There is no difference in revenue and EBITDA between wells operated by DRAG and wells operated by companies in which it has a minority interest.

The advantage of non-operated wells is that DRAG does not have the cost of employing a geologist and engineer. But the majority owner, who operates the well, decides when to start drilling.

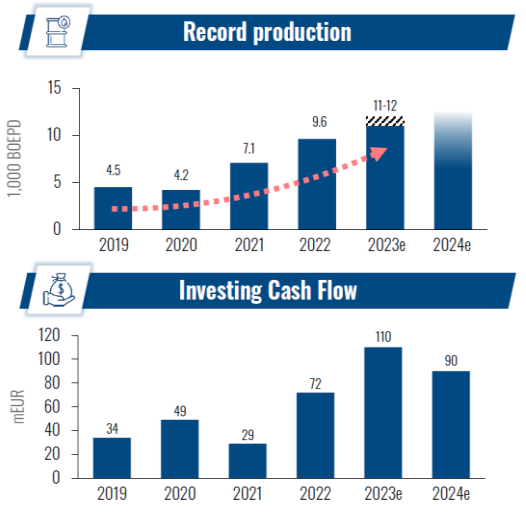
DRAG has produced c. 6,000 barrel of oil equivalent per day (BOEPD) between FY19 and FY21. During FY22, numerous wells in Colorado, Wyoming and Utah were brought into production. In FY22, total production increased yoy by 35.0% to 9,600 BOEPD. The company produced with its own operated wells c. 7,000 BOEPD in FY22. DRAG also has over 200 wells in which it has a minority interest that are operated by partners. These were producing c. 2,600 BOEPD in FY22.

DRAG expects production in FY23 to increase by c. 20% yoy to between 11,000 and 12,000 BOEPD, as shown in the graph below. **In FY24, production is expected to increase by a further 10-15%** based on the adopted drilling plans. **Production growth is based on capital expenditure in FY23 and FY24 totalling c. EUR 200m** (FY21 and FY22 combined EUR 101m), excluding c. USD 14m investment in pipeline infrastructure in 2023.

The investment budget for the planned wells in Wyoming and Utah, on which the guidance is based, is expected to be around EUR 200m. Approximately EUR 110 to 120m will be spent in FY23; EUR 40m had already been invested by mid-April. Approximately EUR 100m will be spent in FY23 and FY24 on the joint venture with Occidental Petroleum, a further EUR 90m on drilling at 1876 Resources and EUR 10m in Utah. For Cub Creek Energy, management now expects to drill an additional 8 gross (7 net) wells in the second half of FY23 and first half of FY24, in addition to the 3 well programme already underway from the Lost Springs pad. AlsterResearch expects sales increase from EUR 165.4m in FY22 to EUR 179m in FY24.

From FY25, AlsterResearch expects 7 new wells per year. AlsterResearch's planning assumptions are explained on page 34.

Record production and investing cash flow



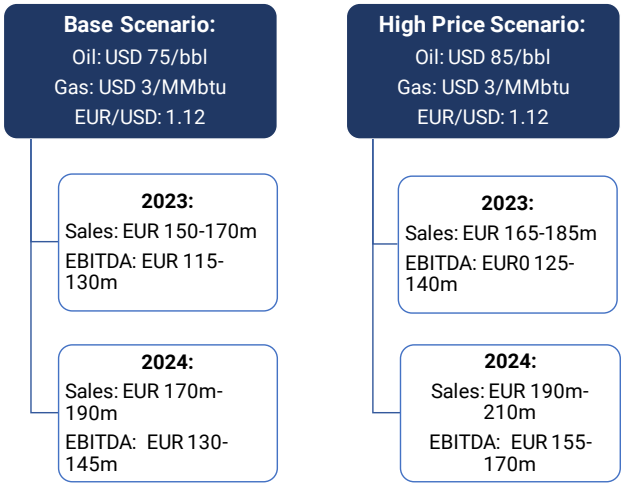
Source: Company data

Has the company given any guidance?

For FY23, DRAG forecasts sales of EUR 150-170m (2022: EUR 165,4m) and EBITDA of EUR 115-130m (FY22: EUR 139,1m) in its base case scenario, as shown in the chart below. In the high price scenario, the company expects revenues of EUR 165-185m and EBITDA of EUR 125-140m.

DRAG expects to produce 11,000-12,000 BOEPD in FY23, comprising 5,500-6,500 BOPD. 80% of sales will be oil, 10% gas and the remainder NGLs. The company is assuming a WTI oil price of USD 75/bbl and a gas price of USD 3.00/MMBtu (Henry Hub).

Company Guidance



Source: Company data

For FY24, the company expect sales of EUR 170m-190m and EBITDA of EUR 130m-145m in its base case scenario. In the high price scenario, DRAG expects sales of EUR 190-210m and EBITDA of EUR 155-170m.

For FY23 and FY 24 combined, DRAG expects capital expenditure of EUR 200m. EUR 100m will be invested in a JV with Occidental Petroleum on a non-operated basis. EUR 90m will be invested with 1867 Resources on an operated basis. EUR 10m will be invested in Utah on a non-operated basis.

Growth table (EURm)	2020	2021	2022	2023E	2024E	2025E
Sales	38.7	73.3	165.4	163.1	175.9	151.1
Sales growth	-6.1%	89.5%	125.6%	-1.4%	7.8%	-14.1%
EBIT	-16.1	32.6	91.4	76.4	87.9	76.5
EBIT margin	-41.7%	44.4%	55.3%	46.9%	49.9%	50.6%
Net profit	-15.5	24.8	60.8	53.5	63.1	53.6

Source: Company data; AlsterResearch

Successful Q1 FY23

DRAG was able to further strengthen its position in Q1 FY23 and achieve its goals despite some uncertainties in the global markets. Sales in Q1 FY23 increased by 52.0% to EUR 42.7m compared to EUR 28.1m in the same period last year. Total production for the Group in Q1 FY23 increased by 38.0% to 0.98m BOE compared to 0.71m BOE in Q1 FY22. The realised oil price after hedges increased by 8.6% to USD 74.6/bbl in Q1 FY23 from USD 68.7/bbl in Q1 FY22. The realised gas price after hedges increased by 59,8% to USD 4.22/MMBtu in Q1 FY23 from USD 2.64/MMBtu in Q1 FY22. USD/EUR rose from 0.89 in Q1 FY22 to 0.93 in Q1 FY23, an increase of 4.7%.

EBITDA increased by 28.2% to EUR 32.3m in Q1 FY23, compared to EUR 25.2m in the same period last year. Net debt to EBITDA decreased from 4.4x in Q1 FY22 to 1.5x in Q1 FY23.

The EBIT margin decreased from 60.6% in Q1 FY22 to 48.3% in Q1 FY23 as OPEX increased by 22.9% from USD 7,42/BOE to USD 9,12/BOE.

Net income increased by 14.1% to EUR 14.6m in Q1 FY23, compared to EUR 12.8m in the same period last year.

P&L data	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Sales	20.9	14.4	20.1	28.1	44.2	46.0	47.2	42.7
yoy growth in %	108.9%	131.4%	217.0%	56.7%	111.4%	219.7%	134.7%	52.0%
Gross profit	16.0	10.0	14.7	23.4	36.7	38.2	36.7	34.3
Gross margin in %	76.6%	69.7%	73.0%	83.3%	83.2%	83.1%	77.7%	80.4%
EBITDA	18.6	12.2	14.0	25.2	38.8	38.3	36.8	32.3
EBITDA margin in %	89.2%	84.8%	69.5%	89.8%	87.8%	83.4%	77.8%	75.7%
EBIT	8.2	5.1	5.0	17.0	26.0	26.3	22.1	20.6
EBIT margin in %	39.3%	35.3%	24.7%	60.6%	58.9%	57.2%	46.9%	48.3%
EBT	6.8	4.0	3.3	15.1	25.0	24.9	20.9	19.2
taxes paid	1.0	0.1	-1.7	2.8	4.8	4.8	7.3	4.6
tax rate in %	14.1%	2.0%	-52.1%	18.3%	19.3%	19.3%	35.1%	23.8%
net profit	5.5	3.8	4.4	11.9	17.8	17.9	13.2	14.3
yoy growth in %	na%	na%	na%	7.8%	222.7%	367.0%	197.8%	20.4%
EPS	**1.11**	**0.77**	**0.89**	**2.36**	**3.56**	**3.58**	**2.64**	**2.86**

Source: Company data; AlsterResearch

Operating income breakeven oil prices

Breakeven oil prices for US producers are the prices operators need to cover all their cash expenses. Depreciation, depletion and amortisation (DD&A) is a non-cash expense that is very important.

E&P companies have a finite asset, the oil and gas reservoirs from which they drill and produce. The accounting treatment is to treat the oil and gas in the ground as a depreciable asset. But it doesn't lose its quality by staying in the ground. What happens is that the asset is depleted - oil companies like DRAG extract the oil and gas, leaving less for future extraction. That's what largely accounts for the DD&A costs on an operator's income statement.

DD&A costs can range from 25% to 50% of total operating costs, according to Pinnacle.

In this break-even analysis, DD&A is added to cash costs, which consist of direct production costs, production taxes, general and administrative expenses and interest expense. Impairments, asset sales or purchases, restructuring costs and other one-off charges are not included.

The break-even oil price for DRAG's operating result is approx. USD 48.05/BOE in Wyoming and USD 37.09/BOE in Colorado/Utah, as can be seen in the following table.

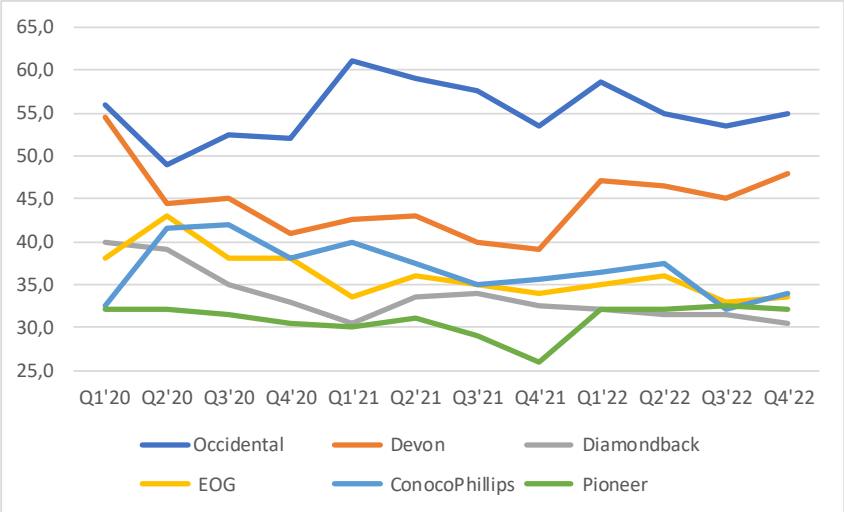
	Colorado/Utah	Wyoming
Assumed WTI oil price (USD/bbl)	**63,46**	**63,46**
Oil share in total production (%)	**40%**	**70%**
Natural Gas Liquids (NGL) Composite Price (USD/MMBtu)	**7,80**	**7,80**
NGL (USD/BOE)	**41,05**	**41,05**
NGL share of total production (%)	**30,0%**	**15,0%**
Natural Gas (USD/MMBtu)	**3,56**	**3,56**
Natural Gas (USD/BOE)	**18,74**	**18,74**
Natural Gas share of total production (%)	**30,0%**	**15,0%**
Blended Oil and Gas price per BOE	**43,32**	**53,39**
Differential (Fees to buyers like pipeline companies etc) USD/BOE	**1,90**	**0,00**
Production taxes USD/BOE (10%)	**4,33**	**5,34**
Blended Oil and Gas price per BOE after taxes	**37,09**	**48,05**

Source: Company data; AlsterResearch

While the break-even oil price is higher in Wyoming than in Colorado/Utah, the share of oil in production is higher in Wyoming, which is also more profitable than gas production. The volumes per well are also higher in Wyoming, which means a shorter payback period.

The following chart shows the operating breakeven prices for ConocoPhillips, Devon Energy, Diamondback Energy, EOG Resources, Oxy, Pioneer and Natural Resources at end of 2022.

Operating income breakeven oil price (USD/b)



Source: Pinnacle

Occidental (Oxy) has the highest breakeven oil price based on operating income at USD 55/bbl, followed by Devon at USD 47/bbl, ConocoPhillips at USD 36/bbl, EOG at USD 35/bbl, Pioneer at USD 34/bbl and Diamondback at USD 31/bbl.

DRAG's break-even oil price of USD 37.09/bbl in Colorado/Utah is relatively low compared to an average of USD 39.7/bbl for these competitors. DRAG's break-even oil price of USD 48.05/bbl in Wyoming however is slightly higher than this mean price for these competitors.

Planning assumptions

Our forecasts are based on oil, gas and NGL production volumes and the price of the WTI oil, Rocky Mountain region gas and NGL composite index.

The basis for the FY23 and FY24 production guidance has the following key components:

2023:
- The wells already producing in 2022.
- Start of production from 15 wells (45% share) at Salt Creek in joint venture with Oxy
- Start of production from 5 gross wells (80% share) in Wyoming, 3 of which have already been drilled
- 45 wells with approximately 2.5% share in Salt Creek in Utah

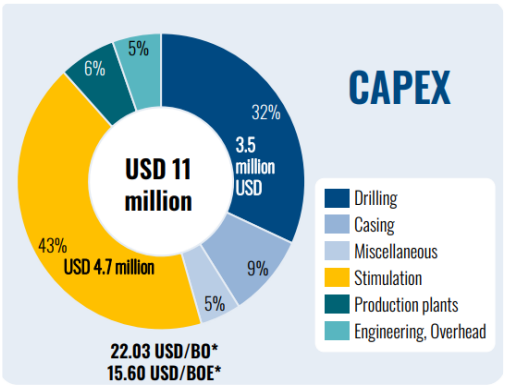
2024:
- The wells already producing in 2023.
- Start of production from 10 additional wells (45% share) at Salt Creek in joint venture with Oxy
- Start of production from 6 gross wells in Wyoming (90% share)

AlsterResearch estimates 7 new wells p.a. in Wyoming from FY25 to FY45. The oil and gas production from one new well in Wyoming is estimated to be 864k BOE over its production life. Total production in Wyoming from new wells from FY25 to FY45 is estimated at 36.8m BOE.

Total production from existing wells in Colorado (CO) and Utah (UT) is estimated at 11.8m BOE over the life of the wells.

The base case capital expenditure per new well in Wyoming is estimated to be c. USD 11m, as shown in the graph below. It refers to a 2.0 mile horizontal Niobrara well in the Powder River Basin, Wyoming, with a total production of c. 500k BO / 700k BOE. But production in Wyoming have been higher than 700k BOE in Wyoming.

Capex of a typical well in Wyoming



Source: Company data

To arrive at our blended oil and gas price after taxes and royalties in Colorado and Utah of USD 37.09/BOE, as can be seen in the following graph, we start with a WTI oil price of USD 63,46/bbl, which is the average 5 year strip price as of 30 May 2023. Oil share in total production is c. 40% in CO/UT. We use a NGL Composite Price of USD 7.80/MMBtu and convert it into USD 41,05/BOE. NGL share of total production is estimated at 30%. We deduct differential fees of USD 1.9/BOE charged to DRAG by purchasers such as pipeline companies in Colorado and Utah. There are no differential fees in Wyoming after the purchase of the pipeline infrastructure by DRAG in May 2023. We have deducted USD 4.33/BOE for production taxes, which is c. 10% of the blended oil and gas price per BOE.

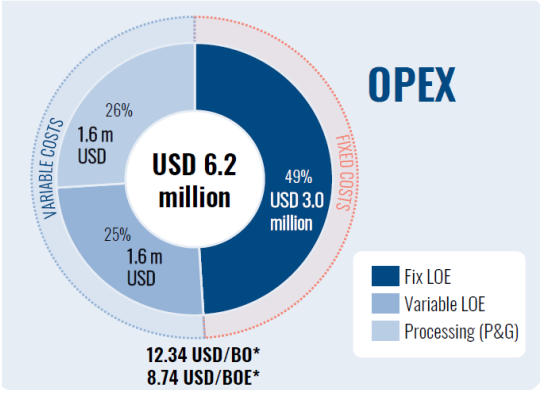
Our blended oil and gas price after taxes and royalties for the new wells in Wyoming is estimated at USD 48.05/BOE. The difference in Wyoming compared to the existing wells in CO/UT is oil share of 70% of total production. NGLs share of total production in WY is lower with 15% and the share for natural gas is also 15%. Furthermore, production taxes of USD 5.34/BOE is deducted. Royalties of 19% have been already deducted from production volumes.

	Colorado/Utah	Wyoming
Assumed WTI oil price (USD/bbl)	63,46	63,46
Oil share in total production (%)	40%	70%
Natural Gas Liquids (NGL) Composite Price (USD/MMBtu)	7,80	7,80
NGL (USD/BOE)	41,05	41,05
NGL share of total production (%)	30,0%	15,0%
Natural Gas (USD/MMBtu)	3,56	3,56
Natural Gas (USD/BOE)	18,74	18,74
Natural Gas share of total production (%)	30,0%	15,0%
Blended Oil and Gas price per BOE	43,32	53,39
Differential (Fees to buyers like pipeline companies etc) USD/BOE	1,90	0,00
Production taxes USD/BOE (10%)	4,33	5,34
Blended Oil and Gas price per BOE after taxes	37,09	48,05

Source: Company data, AlsterResearch

We arrive at a depreciation of USD 12.74/BOE by dividing a per well capex of USD 11m by a total well production of 863k BOE in WY. We then calculate the operating costs per BOE by dividing the operating costs per well of USD 6.2m by the total production for a new well in WY of 863k BOE, which equates to an operating cost of USD 9.1/BOE.

Operating expenses at a new well in Wyoming



Source: Company data

Valuation

We use **3 valuation methods**:

1) based on **oil and gas reserves**
2) based on a **DCF model**
3) based on a **peer group**

1) Oil and Gas Reserves

DRAG's DCF model based on oil and gas reserves results in a **fair value of EUR 64,60 per share**: DRAG's **present value of proved reserves increased to USD 351.8m** (= EUR 323.2m) as at 31 December 2022, equivalent to EUR 64.60 per share. These DCF reserves values are based on the average of 5 year future strips as of 31 Dec. 2022 and reflect an average WTI oil price of USD 72/bbl over the next 5 years, natural gas price of USD 4/MMBtu, an exchange rate of 1.06 EUR/USD and a discount rate of 10%, as shown in the graph below.

Reserves as of 1 Jan. 2023

	Proved			Probable	Total
in million USD	Proved Developed	Proved Undeveloped	Proved	Probable	
BOE in millon	14.8	20.9	35.7	13.7	49.4
Revenue[2]	626.1	1,058.7	1,684.8	698.1	2,382.9
Production tax	63.2	127.4	190.6	83.1	273.7
OPEX	209.6	232.1	441.7	147.8	589.5
Operational Cash Flow	353.0	698.5	1,051.5	467.0	1,518.6
CAPEX	1.6	399.4	401.1	317.7	718.7
Cash Flow	**351.4**	**299.1**	**650.5**	**149.3**	**799.8**
Discounted Cash Flow (10%)	**246.5**	**105.3**	**351.8**	**20.2**	**372.0**
Net wells	94.1	38.5	132.6	28.7	161.4
Discounted Cash Flow (10%) for different price scenarios					
60 USD/bbl and 3 USD/MMBtu	175.4	38.7	214.1	5.0	219.0
80 USD/bbl and 4 USD/MMBtu	277.7	190.1	467.8	95.0	562.8

Source: Company data

2) DCF Model

The DCF model results in a **fair value of EUR 47.07 per share**:

Top-line growth: We expect DRAG to grow revenues at a CAGR of 0.1% between 2023E and 2030E. The long-term growth rate is set at negative -10.0% to reflect the fact that oil demand is expected to peak in 2030.

ROCE. Returns on capital are developing from 24.6% in 2023E to 12.6% in 2030E.

WACC. Starting point is a historical equity beta of 0.79. Unleverering and correcting for mean reversion yields an asset beta of 1.09 (which also is the unlevered beta for U.S. companies in sector Oil/Gas). Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 13.6%. With pre-tax cost of borrowing at 6.0%, a tax rate of 23.0% and target debt/equity of 1.0 this results in a long-term WACC of 9.1%.

AlsterResearch

DCF (EURm) (except per share data and beta)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal value
NOPAT	62.9	72.4	63.0	65.7	68.1	70.6	73.0	71.9	
Depreciation & amortization	50.5	51.3	43.5	43.8	44.5	45.3	46.3	45.2	
Change in working capital	-11.4	-8.3	-5.2	-7.0	-0.7	-0.7	-0.7	0.4	
Chg. in long-term provisions	-0.5	2.5	-4.9	0.7	0.8	0.9	0.9	-0.6	
Capex	-138.7	-96.1	-75.2	-75.3	-75.4	-75.5	-75.7	-65.5	
Cash flow	-37.1	21.9	21.2	27.9	37.3	40.5	43.7	51.4	242.0
Present value	-35.3	19.1	16.9	20.4	25.0	24.8	24.5	26.4	125.0
WACC	9.1%	9.1%	9.1%	9.1%	9.1%	9.2%	9.2%	9.2%	9.1%

DCF per share derived from	
Total present value	247.0
Mid-year adj. total present value	258.0
Net debt / cash at start of year	55.7
Financial assets	34.2
Provisions and off b/s debt	1.0
Equity value	235.5
No. of shares outstanding	5.0
Discounted cash flow / share	**47.07**
upside/(downside)	**77.9%**
Share price	**26.45**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2023E-2030E)	0.1%
Terminal value growth (2030E - infinity)	-10.0%
Terminal year ROCE	12.6%
Terminal year WACC	9.1%

Terminal WACC derived from	
Cost of borrowing (before taxes)	6.0%
Long-term tax rate	23.0%
Equity beta	0.79
Unlevered beta (industry or company)	1.09
Target debt / equity	1.0
Relevered beta	1.93
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	13.6%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth -11.0%	-10.5%	-10.0%	-9.5%	-9.0%
2.0%	38.1	38.7	39.3	39.9	40.6
1.0%	41.6	42.3	42.9	43.7	44.4
0.0%	45.5	46.3	47.1	47.9	48.8
-1.0%	49.9	50.8	51.7	52.7	53.8
-2.0%	54.8	55.8	57.0	58.2	59.4

Share of present value	
2023E-2026E	8.6%
2027E-2030E	40.8%
terminal value	50.6%

Source: AlsterResearch

3) Peer Group

AlsterResearch has carried out a peer group analysis using **US oil E&P companies,** as shown in the table below. DRAG's ROCE of 35.95% in 2022 is higher than the peer group average of 27.6%. DRAG is lower valued than its peers based on an EV/BOEPD of 24,675 for FY22 compared to an average peer group EV/BOEPD of 52,974.

	Company name	Sales	ROCE	Market data				BOEPD	EV/BOEPD
				price	52 wk	Cap	EV		
		2022	2022	EUR		EURm	EURm	2022	2022
REI	Ring Energy Inc	331	15,2%	1,64	-61%	297	672	12.364	54.347
CHRD	Chord Energy Corp	3.472	33,9%	129,16	-5%	5.377	5.198	171.880	30.242
AMPY	Amplify Energy Corp	436	23,6%	6,27	-27%	243	415	20.700	20.055
NOG	Northern Oil and Gas Inc	1.890	44,4%	30,10	-7%	2.569	3.951	75.511	52.326
CIVI	Civitas Resources Inc	3.609	25,3%	62,66	-10%	5.031	4.691	170.000	27.596
HPK	Highpeak Energy Inc	719	23,5%	17,93	-42%	2.029	2.641	24.485	107.847
ESTE	Earthstone Energy Inc	1.614	32,5%	12,30	-33%	1.728	3.307	78.167	42.311
OXY	Occidental Petroleum Corporati	35.019	22,3%	55,83	-12%	50.146	76.111	1.159.000	65.669
DVN	Devon Energy Corp	18.248	32,4%	48,48	-26%	31.709	36.584	610.000	59.973
eog	EOG Resources Inc	24.397	23,5%	108,41	-13%	63.723	62.911	906.849	69.373
	Mean		**27,6%**			**16.285**	**19.648**	**322.896**	**52.974**
DR0:GR	Deutsche Rohstoff AG	165	35,9%	28,90	-15%	147	237	9.600	24.675

Source: AlsterResearch, Sentieo

The description of the peer group companies is given here:

Ring Energy, Inc. is an independent exploration and production company based in The Woodlands, Texas. The Company is engaged in oil and natural gas development, production, acquisition, and exploration activities focused on Texas and New Mexico. Its primary drilling operations target the oil and liquids-rich producing formations in the Northwest Shelf, the Central Basin Platform, and the Delaware Basin, all of which are part of the Permian Basin in Texas and New Mexico. Its leasehold acreage positions totalled approximately 124,217 gross (102,175 net) acres, and it holds interests in approximately 1,056 gross (888 net) producing wells. Its proved reserves are oil-weighted with approximately 64% consisting of oil, 19% consisting of natural gas, and 17% consisting of natural gas liquids. Of those reserves, approximately 65% are classified as proved developed and 35% are classified as proved undeveloped. Its proved reserves are approximately 138.1 million barrels of oil equivalent (BOE).

Chord Energy Corporation is an independent exploration and production company with assets in the North Dakota and Montana regions of the Williston Basin. The Company produces and markets crude oil, natural gas liquids (NGLs) and natural gas. It has approximately 963,009 net leasehold acres in the Williston Basin, of which approximately 99% is held by production. It focuses on the Middle Bakken and Three Forks formations, which are present across a substantial portion of its acreage. It has approximately 3,583 gross (2,742.8 net) operating producing wells, including 2,558.6 net operated producing wells in the Williston Basin. Its working interest for producing wells averaged 46% in total and 77% in the wells it operates. The Company has an average daily production of 119,785 net barrels of oil equivalent per day (Boepd), including average daily production of 171,880 net Boepd with crude oil production of approximately 95,992 barrels of oil per day (Bopd).

Amplify Energy Corp. is an independent oil and natural gas company engaged in the acquisition, development, exploitation and production of oil and natural gas properties. The Company's assets consist primarily of producing oil and natural gas properties located in Oklahoma, the Rockies (Bairoil), federal waters offshore Southern California (Beta), East Texas/North Louisiana, and Eagle Ford (Non-op). The Company's properties consist primarily of operated and non-operated working interests in producing and undeveloped leasehold acreage and working interests in identified producing wells. The Company's estimated proved reserves were approximately 124.0 One million barrels of oil equivalent (MMBoe).

Northern Oil and Gas, Inc is an independent energy company. The Company is engaged in the acquisition, exploration, development and production of oil and

natural gas properties. Its properties are primarily located in the Bakken and Three Forks formations within the Williston Basin in North Dakota and Montana. The Company's primary focus is oil exploration and production through non-operated working interests in wells drilled and completed in spacing units that include its acreage. The Company also holds interest in assets and wells in Lea County, in the Delaware Basin. Also it holds interest in upstream assets of Marcellus shale play, which is in the south-western Pennsylvania in the United States.

Civitas Resources, Inc. is an independent exploration and production company. The Company is focused on the acquisition, development, and production of oil and associated liquids-rich natural gas in the Rocky Mountain region, primarily in the Denver-Julesburg Basin of Colorado (the DJ Basin). The Company has interests in a total of 3,702 gross producing wells, of which 3,116 were horizontal. The Company also has total acreage position consisting of approximately 826,500 gross (525,900 net) acres. The Company's midstream assets provide reliable gathering, treating, and storage for the Company's operated production.

HighPeak Energy, Inc. is an independent crude oil and natural gas company. The Company is engaged in the acquisition, development and production of crude oil, natural gas liquid (NGL) and natural gas reserves. The Company's assets are primarily located in Howard and Borden Counties, Texas, which lie within the northeastern part of the crude oil-rich Midland Basin. Its acreage is composed of two core areas, Flat Top to the north and Signal Peak to the south. The Company, through Priority Power Management, LLC develops an electric high-voltage (EHV) substation, medium voltage distribution systems and a 13-megawatt direct current solar photovoltaic facility located on approximately 80 acres of land owned by the Company north of Big Spring, Texas in Howard County to provide for the Company's electrical power needs in its Flat Top operating area including powering drilling rigs and day-to-day operations. It has over 100,000 net acres located primarily in Howard County.

Earthstone Energy, Inc. is an independent oil and gas company. The Company is engaged in the acquisition and development of oil and gas reserves through activities that include drilling and development of undeveloped leases, as well as asset and corpora
te acquisitions and mergers. The Company operates through the oil and natural gas exploration and production segment. Its operations are all in the upstream segment of the oil and natural gas industry and all its properties are onshore in the United States. Its primary assets are located in the Midland Basin in West Texas and the Delaware Basin in New Mexico. It has approximately 167,000 net acres in the Midland Basin that are highly contiguous on a project-by-project basis which allows the Company to drill multi-well pads. The Company has approximately 45,000 net acres in the Delaware Basin in New Mexico that are highly contiguous on a project-by-project basis which allows the Company to drill multi-well pads.

Occidental Petroleum Corporation is an international energy company with assets primarily in the United States, the Middle East and North Africa. The Company operates through three segments: oil and gas, chemical and midstream and marketing. The oil and gas segment explores for, develops and produces oil, which includes condensate, natural gas liquids (NGL) and natural gas. The chemical segment primarily manufactures and markets basic chemicals and vinyl's. The midstream and marketing segment purchases, markets, gathers, processes, transports, and stores oil, NGL, natural gas, carbon dioxide (CO2) and power. Midstream and marketing segment also includes Occidental's low-carbon venture businesses (OLCV). OLCV develops carbon capture, utilization and storage (CCUS) projects, including the commercialization of DAC technology, and invests in other low-carbon technologies intended to reduce GHG emissions from its operations and partners with other industries to help reduce their emissions.

Devon Energy Corporation is an independent energy company. The Company is engaged primarily in the exploration, development and production of oil, natural gas and natural gas and natural gas liquids. The Company's oil and gas properties include the Delaware Basin, Anadarko Basin, Williston Basin, Eagle Ford, and Powder River Basin. The Delaware Basin operates approximately 16 rigs that offer exploration and development opportunities from geologic reservoirs, including the Wolfcamp, Bone Spring, Avalon, and Delaware formations. The Company's

Anadarko Basin is located primarily in Oklahoma's Canadian, Kingfisher and Blaine counties. It operates approximately four rig programs associated with this joint venture. The Williston Basin is located on the Fort Berthold Indian Reservation in North Dakota, and its operations are focused on the oil-prone Bakken and Three Forks formations. The Eagle Ford operations are located in Texas DeWitt and Karnes counties.

EOG Resources, Inc. (EOG) is an independent (non-integrated) crude oil and natural gas company. The Company is engaged in exploration, development, production and marketing crude oil, natural gas liquids (NGLs) and natural gas primarily in producing basins in the United States of America, The Republic of Trinidad and Tobago (Trinidad), the Sultanate of Oman and other international areas. Its operations are all crude oil, NGLs and natural gas exploration and production related. Its operations are focused on the productive basins in the United States with a focus on crude oil and, to a lesser extent, liquids-rich natural gas plays. The Company has operations in offshore Trinidad and Oman, as well as it is executing an abandonment and reclamation program in Canada.

DRAG is the smallest of these companies in terms of sales. But its **EBITDA and EBIT margins are above the peer average:**

	Company name	Sales	ROCE	EBITDA Margin			EBIT margin		
		2022	2022	2022	2023	2024	2022	2023	2024
REI	Ring Energy Inc	331	15,2%	56,2%	68,1%	70,7%	40,2%	43,1%	46,7%
CHRD	Chord Energy Corp	3.472	33,9%	43,3%	56,5%	59,6%	31,8%	41,6%	43,4%
AMPY	Amplify Energy Corp	436	23,6%	20,5%	28,5%		15,7%	18,1%	
NOG	Northern Oil and Gas Inc	1.890	44,4%	54,7%	72,1%	72,3%	41,8%	50,7%	50,4%
CIVI	Civitas Resources Inc	3.609	25,3%	61,9%	66,0%	64,2%	54,9%	39,2%	43,8%
HPK	Highpeak Energy Inc	719	23,5%	76,4%	79,6%	82,1%	55,9%	47,2%	48,8%
ESTE	Earthstone Energy Inc	1.614	32,5%	65,3%	67,5%	70,0%	56,7%	41,9%	46,2%
OXY	Occidental Petroleum Corporati	35.019	22,3%	61,1%	51,9%	52,7%	42,2%	28,2%	30,4%
DVN	Devon Energy Corp	18.248	32,4%	50,0%	51,5%	52,4%	41,9%	36,3%	36,5%
eog	EOG Resources Inc	24.397	23,5%	54,7%	55,7%	54,4%	40,9%	39,9%	39,7%
	Mean		**27,6%**	**54,4%**	**59,7%**	**64,3%**	**42,2%**	**38,6%**	**42,9%**
DR0:GR	Deutsche Rohstoff AG	165	35,9%	84,1%	77,8%	79,1%	55,3%	46,9%	49,9%

Source: AlsterResearch, Sentieo

A valuation on **EV/EBITDA** shows that DRAG is **trading at a discount of between 39% (FY23E) and 54% (FY24E)** compared to the peer group mean.

	Company name	EV/EBITDA		
		2022	2023	2024
REI	Ring Energy Inc	3,1x	2,8x	
CHRD	Chord Energy Corp	3,3x	2,7x	3,0x
AMPY	Amplify Energy Corp	4,5x		
NOG	Northern Oil and Gas Inc	3,3x	3,0x	3,2x
CIVI	Civitas Resources Inc	3,0x	2,9x	3,3x
HPK	Highpeak Energy Inc	2,7x	2,1x	
ESTE	Earthstone Energy Inc	3,1x	2,7x	2,9x
OXY	Occidental Petroleum Corporati	5,3x	5,0x	5,4x
DVN	Devon Energy Corp	4,6x	4,3x	4,6x
eog	EOG Resources Inc	4,9x	4,5x	4,6x
	Mean	**3,8x**	**3,3x**	**3,9x**
DR0:GR	Deutsche Rohstoff AG	1,4x	2,0x	1,8x

Source: AlsterResearch, Sentieo

Valuation on the mean EV/EBITDA results in **fair values between EUR 73,56 and EUR 96,28 per share** of DRAG.

Deutsche Rohstoff AG	EBITDA		
	2022	2023	2024
Financial data (eAR)	139	127	139
Fair multiple	**3,8x**	**3,3x**	**3,9x**
Fair EV	525	425	538
Net debt (cash)	56	56	56
Pension provisions	1	1	1
Fair equity value	**468**	**368**	**482**
Number of shares	5,0	5,0	5,0
Fair value per share	**93,61**	**73,56**	**96,28**

Source: AlsterResearch, Sentieo

Net debt to equity ratio

A company's net debt to equity ratio is the ratio of net financial debt to shareholders equity. The following historical analysis and comparison with the US peer group shows the development of DRAG's ratio relative to its peers for the FY20 to FY22.

	Net debt to equity ratio (x)		
Company	2020	2021	2022
Ring Energy Inc	0,74	0,91	0,63
Chord Energy Corp	0,56	0,18	-0,04
Northern Oil and Gas Inc	-4,22	3,69	2,04
Civitas Resources Inc	0,01	0,06	-0,07
Highpeak Energy Inc	0,04	0,11	0,58
Earthstone Energy Inc	0,12	0,30	0,46
Occidental Petroleum C(	1,97	1,38	0,67
Devon Energy Corp	0,76	0,59	0,54
Continental Resources, I	0,86	0,87	1,14
EOG Resources Inc	0,14	0,00	-0,04
Median	0,35	0,45	0,56
Mean	0,09	0,90	0,66
Deutsche Rohstoff AG	2,32	1,17	0,38

Source: Company data, AlsterResearch

DRAG's net debt to equity ratio of 0.38x is lower than the peer group median of 0.56x and mean of 0.66x for FY22. **The ratio for DRAG has also improved from 2.32x to 0.38x since 2020,** driven by higher oil prices and production volumes. The ratio is negative for Chord Energy, Civitas Resources and EOG because they have more cash than total debt.

Return on assets

DRAG's return on assets (ROA) of 22.3% for FY22 is again higher than the peer group median of 18.2%, as shown in the graph below. DRAG's and the peer group's ROA has improved over the last 3 years due to higher oil prices, oil/gas production volumes and reserve values.

	ROA		
Company	2020	2021	2022
Ring Energy	-31,0%	0,5%	14,2%
Chord Energy	-76,4%	12,3%	38,4%
Northern Oil and Gas	-66,3%	-0,7%	35,1%
Civitas Resources	8,7%	4,5%	17,0%
Highpeak Energy	-19,6%	8,3%	15,3%
Earthstone Energy	-1,2%	2,7%	16,5%
Occidental Petroleum	-15,7%	3,0%	16,9%
Devon Energy	-22,6%	18,2%	27,3%
Continental Resources	-4,0%	10,0%	20,4%
EOG Resources	-1,7%	12,6%	19,5%
Median	**-17,6%**	**6,4%**	**18,2%**
Mean	**-23,0%**	**7,1%**	**22,1%**
Deutsche Rohstoff AG	-6,6%	11,2%	22,3%

Source: Company data, AlsterResearch

Deloitte identified that increasing gross margin generated a greater ROA advantage for US oil E&P companies than reducing other costs or increasing asset turnover. Oil and gas companies tend to have a profitability formula that is more efficient at translating a relative gross margin improvement into an ROA advantage than the other components of ROA, such as asset turnover or other costs.

Return on capital employed

DRAG's FY22 Return on capital employed (ROCE) of approx. 30.1% is above the peer group median of 27.5%, as can be seen in the graph below. DRAG's ROCE has improved from -8.8% in FY20 due to higher oil and gas prices as well as higher oil and gas production. The reserve values have increased substantially.

	ROCE		
Company name	2020	2021	2022
Ring Energy	-44,5%	15,8%	17,0%
Chord Energy	-272,6%	44,9%	30,1%
Northern Oil and Gas	-121,9%	6,5%	33,7%
Civitas Resources	3,9%	4,5%	24,3%
Highpeak Energy	-5,6%	14,2%	21,0%
Earthstone Energy	24,2%	13,5%	27,1%
Occidental Petroleum	-21,8%	4,4%	20,1%
Devon Energy	-36,5%	16,2%	38,6%
Continental Resources	-4,0%	14,4%	30,1%
EOG Resources	-1,7%	17,8%	27,8%
Median	**-13,7%**	**14,3%**	**27,5%**
Deutsche Rohstoff AG	-8,8%	15,2%	30,1%

Source: Company data, AlsterResearch

Valuation Summary

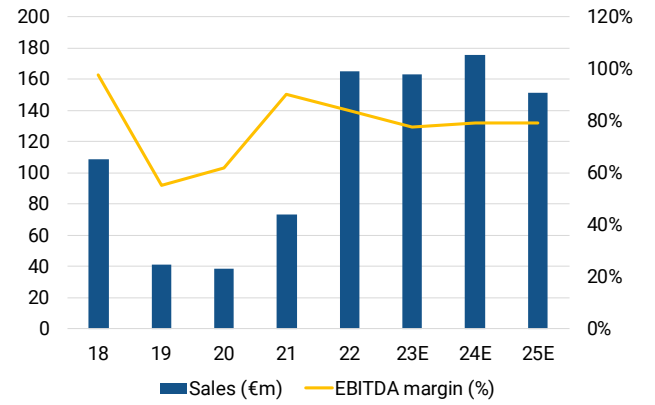
The different valuation models result in the following fair values:

- DRAG's DCF model based on oil and gas reserves: EUR 64.60
- **AlsterResearch DCF model: EUR 47.10**
- Peer group mean EV/EBITDA 23E: EUR 73.56.

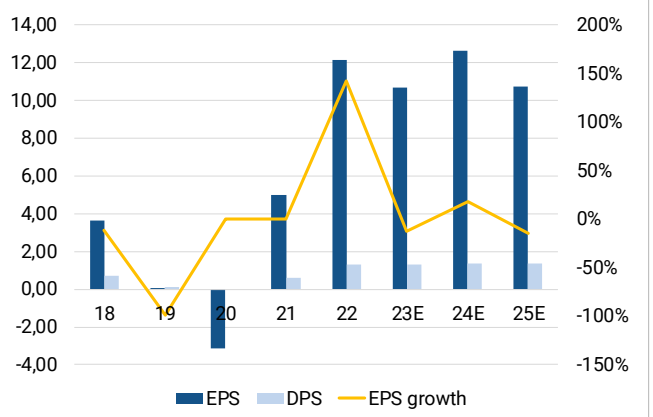
All three valuation methods have their merits. Given that they all point to significant upside, **we conservatively base our price target on the lowest of the three, DCF.**

Financials in six charts

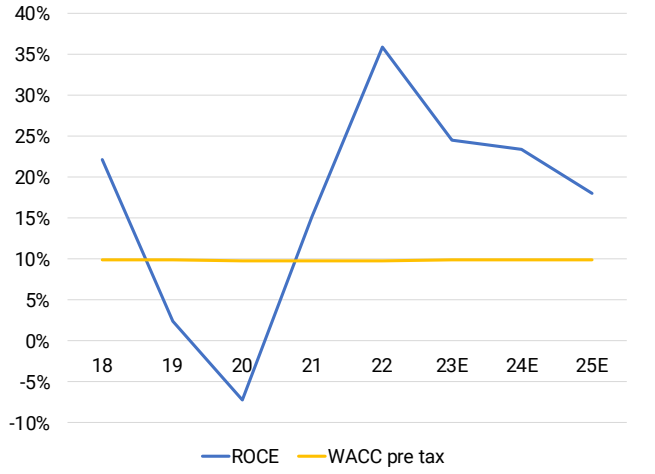
Sales vs. EBITDA margin development



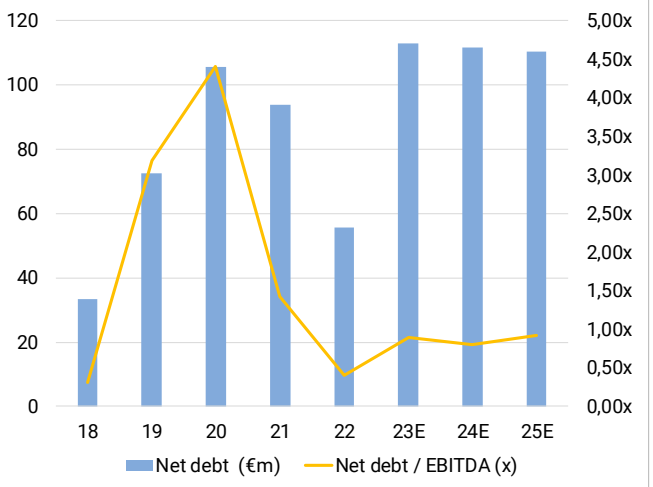
EPS, DPS in EUR & yoy EPS growth



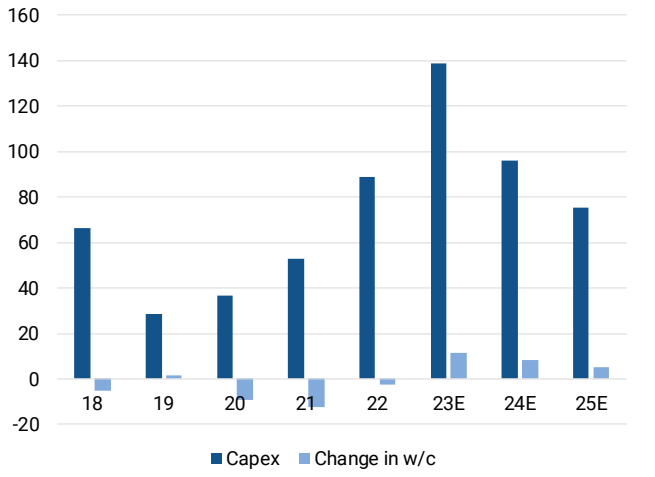
ROCE vs. WACC (pre tax)



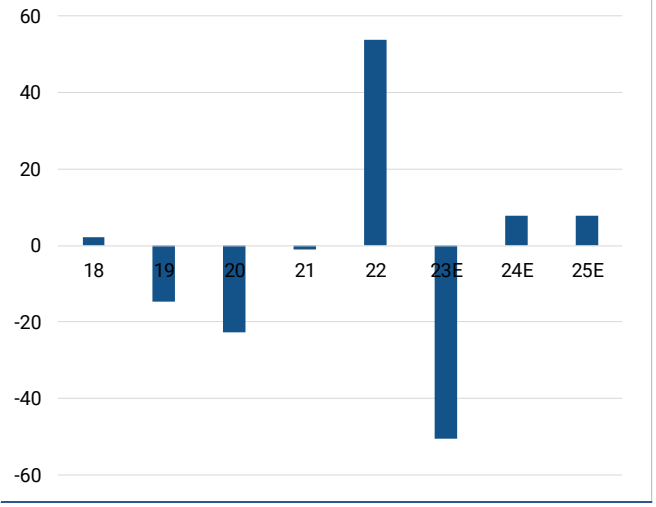
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



AlsterResearch

Financials

Profit and loss (EURm)	2020	2021	2022	2023E	2024E	2025E
Net sales	**38.7**	**73.3**	**165.4**	**163.1**	**175.9**	**151.1**
Sales growth	-6.1%	89.5%	125.6%	-1.4%	7.8%	-14.1%
Change in finished goods and work-in-process	0.0	-0.0	-0.0	-0.0	-0.0	-0.0
Total sales	**38.7**	**73.3**	**165.4**	**163.1**	**175.9**	**151.1**
Material expenses	11.6	18.1	30.4	23.0	21.7	17.5
Gross profit	**27.1**	**55.2**	**135.0**	**140.0**	**154.1**	**133.6**
Other operating income	7.7	23.0	25.9	0.0	0.0	0.0
Personnel expenses	3.6	5.1	6.5	6.5	7.9	7.6
Other operating expenses	7.2	7.0	15.3	6.5	7.0	6.0
EBITDA	**23.9**	**66.1**	**139.1**	**127.0**	**139.2**	**120.0**
Depreciation	31.5	30.3	42.2	48.9	49.5	41.5
EBITA	-7.5	35.7	96.9	78.1	89.6	78.4
Amortisation of goodwill and intangible assets	8.6	3.2	5.5	1.6	1.8	2.0
EBIT	**-16.1**	**32.6**	**91.4**	**76.4**	**87.9**	**76.5**
Financial result	-6.4	-5.5	-5.5	-12.3	-12.1	-12.1
Recurring pretax income from continuing operations	-22.5	27.1	85.9	64.2	75.8	64.4
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-22.5	27.1	85.9	64.2	75.8	64.4
Taxes	-6.4	0.7	19.8	14.7	17.4	14.8
Net income from continuing operations	-16.1	26.4	66.2	49.4	58.3	49.6
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**-16.1**	**26.4**	**66.2**	**49.4**	**58.3**	**49.6**
Minority interest	0.6	1.6	5.4	4.0	4.8	4.1
Net profit (reported)	-15.5	24.8	60.8	53.5	63.1	53.6
Average number of shares	4.95	4.95	5.00	5.00	5.00	5.00
EPS reported	**-3.13**	**5.01**	**12.15**	**10.68**	**12.62**	**10.72**

Profit and loss (common size)	2020	2021	2022	2023E	2024E	2025E
Net sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Change in finished goods and work-in-process	0%	-0%	-0%	-0%	-0%	-0%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Material expenses	30%	25%	18%	14%	12%	12%
Gross profit	**70%**	**75%**	**82%**	**86%**	**88%**	**88%**
Other operating income	20%	31%	16%	0%	0%	0%
Personnel expenses	9%	7%	4%	4%	4%	5%
Other operating expenses	19%	10%	9%	4%	4%	4%
EBITDA	**62%**	**90%**	**84%**	**78%**	**79%**	**79%**
Depreciation	81%	41%	25%	30%	28%	27%
EBITA	-19%	49%	59%	48%	51%	52%
Amortisation of goodwill and intangible assets	22%	4%	3%	1%	1%	1%
EBIT	**-42%**	**44%**	**55%**	**47%**	**50%**	**51%**
Financial result	-17%	-8%	-3%	-8%	-7%	-8%
Recurring pretax income from continuing operations	-58%	37%	52%	39%	43%	43%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	-58%	37%	52%	39%	43%	43%
Taxes	-17%	1%	12%	9%	10%	10%
Net income from continuing operations	-42%	36%	40%	30%	33%	33%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	**-42%**	**36%**	**40%**	**30%**	**33%**	**33%**
Minority interest	2%	2%	3%	2%	3%	3%
Net profit (reported)	**-40%**	**34%**	**37%**	**33%**	**36%**	**35%**

Source: Company data; AlsterResearch

Balance sheet (EURm)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (exl. Goodwill)	**20.6**	**28.6**	**32.5**	**35.8**	**39.2**	**41.8**
Goodwill	1.3	1.3	1.2	1.2	1.2	1.2
Property, plant and equipment	112.8	149.1	192.6	277.6	318.9	347.9
Financial assets	37.2	35.1	34.2	34.2	34.2	34.2
FIXED ASSETS	**171.8**	**214.0**	**260.5**	**348.7**	**393.5**	**425.1**
Inventories	0.2	0.2	0.1	0.1	0.1	0.1
Accounts receivable	3.5	16.8	28.6	28.2	30.5	26.2
Other current assets	0.0	1.1	5.0	5.0	5.0	5.0
Liquid assets	22.8	23.5	54.2	27.2	28.4	34.5
Deferred taxes	0.0	0.0	1.0	1.0	1.0	1.0
Deferred charges and prepaid expenses	8.4	9.4	0.9	0.8	0.9	0.8
CURRENT ASSETS	**34.9**	**51.0**	**89.8**	**62.3**	**65.8**	**67.5**
TOTAL ASSETS	**206.7**	**265.0**	**350.3**	**411.0**	**459.3**	**492.6**
SHAREHOLDERS EQUITY	**39.4**	**72.7**	**129.0**	**171.9**	**223.6**	**266.5**
MINORITY INTEREST	6.2	7.4	3.4	3.4	3.4	3.4
Long-term debt	114.4	97.8	109.8	120.0	110.0	115.0
Provisions for pensions and similar obligations	0.0	0.0	1.0	1.0	1.1	0.9
Other provisions	22.5	36.8	31.6	31.2	33.6	28.9
Non-current liabilities	**136.9**	**134.6**	**142.5**	**152.2**	**144.7**	**144.8**
short-term liabilities to banks	14.0	19.6	0.1	20.0	30.0	30.0
Accounts payable	2.9	20.8	11.4	8.6	8.1	6.5
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	-7.9	-8.1	28.7	19.6	14.1	6.0
Deferred taxes	15.2	18.0	35.2	35.2	35.2	35.2
Deferred income	0.0	0.0	0.2	0.2	0.2	0.2
Current liabilities	**24.2**	**50.3**	**75.5**	**83.6**	**87.6**	**77.9**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**206.7**	**265.0**	**350.3**	**411.0**	**459.3**	**492.6**

Balance sheet (common size)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (excl. Goodwill)	**10%**	**11%**	**9%**	**9%**	**9%**	**8%**
Goodwill	1%	0%	0%	0%	0%	0%
Property, plant and equipment	55%	56%	55%	68%	69%	71%
Financial assets	18%	13%	10%	8%	7%	7%
FIXED ASSETS	**83%**	**81%**	**74%**	**85%**	**86%**	**86%**
Inventories	0%	0%	0%	0%	0%	0%
Accounts receivable	2%	6%	8%	7%	7%	5%
Other current assets	0%	0%	1%	1%	1%	1%
Liquid assets	11%	9%	15%	7%	6%	7%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	4%	4%	0%	0%	0%	0%
CURRENT ASSETS	**17%**	**19%**	**26%**	**15%**	**14%**	**14%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**19%**	**27%**	**37%**	**42%**	**49%**	**54%**
MINORITY INTEREST	3%	3%	1%	1%	1%	1%
Long-term debt	55%	37%	31%	29%	24%	23%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	11%	14%	9%	8%	7%	6%
Non-current liabilities	**66%**	**51%**	**41%**	**37%**	**32%**	**29%**
short-term liabilities to banks	7%	7%	0%	5%	7%	6%
Accounts payable	1%	8%	3%	2%	2%	1%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	-4%	-3%	8%	5%	3%	1%
Deferred taxes	7%	7%	10%	9%	8%	7%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	**12%**	**19%**	**22%**	**20%**	**19%**	**16%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

Cash flow statement (EURm)	2020	2021	2022	2023E	2024E	2025E
Net profit/loss	-16.1	26.4	66.2	49.4	58.3	49.6
Depreciation of fixed assets (incl. leases)	37.7	32.8	39.8	48.9	49.5	41.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	1.6	1.8	2.0
Others	-16.7	-19.8	34.2	-0.5	2.5	-4.9
Cash flow from operations before changes in w/c	4.9	39.4	140.2	99.5	112.2	88.2
Increase/decrease in inventory	0.0	0.0	-3.3	0.0	0.0	0.0
Increase/decrease in accounts receivable	0.0	0.0	-3.3	0.4	-2.2	4.3
Increase/decrease in accounts payable	-2.2	19.4	9.2	-2.8	-0.5	-1.6
Increase/decrease in other w/c positions	11.3	-7.0	0.0	-9.1	-5.6	-7.9
Increase/decrease in working capital	9.1	12.4	2.5	-11.4	-8.3	-5.2
Cash flow from operating activities	**14.0**	**51.8**	**142.7**	**88.1**	**103.9**	**83.0**
CAPEX	-36.8	-52.8	-88.9	-138.7	-96.1	-75.2
Payments for acquisitions	0.0	0.0	-3.7	0.0	0.0	0.0
Financial investments	-12.0	21.9	14.0	0.0	0.0	0.0
Income from asset disposals	0.1	1.6	6.5	0.0	0.0	0.0
Cash flow from investing activities	**-48.7**	**-29.3**	**-72.2**	**-138.7**	**-96.1**	**-75.2**
Cash flow before financing	-34.7	22.5	70.6	-50.6	7.8	7.8
Increase/decrease in debt position	-9.3	-12.7	-8.1	30.1	0.0	5.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.9	0.0	0.0	0.0
Dividends paid	-0.5	0.0	-2.7	-6.5	-6.6	-6.7
Others	-7.2	-7.6	-23.2	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.6	0.6	-0.0	0.0	0.0	0.0
Cash flow from financing activities	**-17.7**	**-19.7**	**-34.7**	**23.6**	**-6.6**	**-1.7**
Increase/decrease in liquid assets	-52.4	2.8	35.8	-27.0	1.2	6.1
Liquid assets at end of period	**8.2**	**11.6**	**47.4**	**20.4**	**21.6**	**27.7**

Source: Company data; AlsterResearch

Regional sales split (EURm)	2020	2021	2022	2023E	2024E	2025E
Domestic	0.0	0.0	0.0	0.0	0.0	0.0
Europe (ex domestic)	0.0	0.0	0.0	0.0	0.0	0.0
The Americas	38.7	73.3	165.4	163.1	175.9	151.1
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**38.7**	**73.3**	**165.4**	**163.1**	**175.9**	**151.1**

Regional sales split (common size)	2020	2021	2022	2023E	2024E	2025E
Domestic	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Europe (ex domestic)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
The Americas	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

Ratios	2020	2021	2022	2023E	2024E	2025E
Per share data						
Earnings per share reported	-3.13	5.01	12.15	10.68	12.62	10.72
Cash flow per share	-3.53	4.34	20.10	7.83	10.87	8.29
Book value per share	7.96	14.68	25.78	34.35	44.69	53.26
Dividend per share	0.00	0.60	1.30	1.32	1.34	1.37
Valuation						
P/E	-8.5x	5.3x	2.2x	2.5x	2.1x	2.5x
P/CF	-7.5x	6.1x	1.3x	3.4x	2.4x	3.2x
P/BV	3.3x	1.8x	1.0x	0.8x	0.6x	0.5x
Dividend yield (%)	0.0%	2.3%	4.9%	5.0%	5.1%	5.2%
FCF yield (%)	-13.3%	16.4%	76.0%	29.6%	41.1%	31.3%
EV/Sales	6.2x	3.1x	1.1x	1.5x	1.4x	1.6x
EV/EBITDA	9.9x	3.4x	1.4x	1.9x	1.8x	2.0x
EV/EBIT	-14.7x	6.9x	2.1x	3.2x	2.8x	3.2x
Income statement (EURm)						
Sales	38.7	73.3	165.4	163.1	175.9	151.1
yoy chg in %	-6.1%	89.5%	125.6%	-1.4%	7.8%	-14.1%
Gross profit	27.1	55.2	135.0	140.0	154.1	133.6
Gross margin in %	70.0%	75.3%	81.6%	85.8%	87.6%	88.4%
EBITDA	23.9	66.1	139.1	127.0	139.2	120.0
EBITDA margin in %	61.9%	90.1%	84.1%	77.8%	79.1%	79.4%
EBIT	-16.1	32.6	91.4	76.4	87.9	76.5
EBIT margin in %	-41.7%	44.4%	55.3%	46.9%	49.9%	50.6%
Net profit	-15.5	24.8	60.8	53.5	63.1	53.6
Cash flow statement (EURm)						
CF from operations	14.0	51.8	142.7	88.1	103.9	83.0
Capex	-36.8	-52.8	-88.9	-138.7	-96.1	-75.2
Maintenance Capex	31.5	30.3	42.2	48.9	49.5	41.5
Free cash flow	-22.9	-1.0	53.8	-50.6	7.8	7.8
Balance sheet (EURm)						
Intangible assets	21.9	29.8	33.7	36.9	40.4	43.0
Tangible assets	112.8	149.1	192.6	277.6	318.9	347.9
Shareholders' equity	39.4	72.7	129.0	171.9	223.6	266.5
Pension provisions	0.0	0.0	1.0	1.0	1.1	0.9
Liabilities and provisions	150.9	154.2	142.5	172.2	174.7	174.8
Net financial debt	105.6	93.9	55.7	112.8	111.6	110.5
w/c requirements	0.8	-3.8	17.4	19.7	22.5	19.7
Ratios						
ROE	-40.8%	36.2%	51.3%	28.7%	26.1%	18.6%
ROCE	-8.2%	13.9%	33.3%	22.0%	21.9%	17.2%
Net gearing	267.8%	129.1%	43.2%	65.7%	49.9%	41.5%
Net debt / EBITDA	4.4x	1.4x	0.4x	0.9x	0.8x	0.9x

Source: Company data; AlsterResearch

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