

Deutsche Rohstoff AG

Germany | Oil & Gas | MCap EUR 142.6m

20 June 2023

UPDATE



Should Deutsche Rohstoff pay a higher dividend? Probably not

What's it all about?

A counter-motion proposing a FY22 dividend of EUR 2.60 instead of EUR 1.30 has been filed by Allerthal-Werke AG, a shareholder of Deutsche Rohstoff AG. Given the highly profitable investment opportunities in the Wyoming oilfield, we do not believe that a higher dividend than originally proposed would be in the interest of a majority of shareholders. However, even the higher dividend would not severely limit DRAG's future production plans, limiting the potential risk of the proposal.

BUY (BUY)

Target price	EUR 47.10 (47.10)
Current price	EUR 28.50
Up/downside	65.3%

 **ResearchHub**



MAIN AUTHOR

Dr. Oliver Wojahn, CFA

o.wojahn@alsterresearch.com

+49 40 309 293-58

Deutsche Rohstoff AG

Germany | Oil & Gas | MCap EUR 142.6m | EV EUR 199.3m

BUY (BUY)

Target price EUR 47.10 (47.10)
Current price EUR 28.50
Up/downside 65.3%

MAIN AUTHOR

Dr. Oliver Wojahn, CFA
o.wojahn@alsterresearch.com
+49 40 309 293-58

Should Deutsche Rohstoff pay a higher dividend? Probably not

Counteraction for the FY22 dividend proposal. A shareholder of Deutsche Rohstoff AG (DRAG), Allerthal-Werke AG (ATW), has filed a counteraction for the AGM on June 29 regarding the dividend proposal. Executive and Supervisory Board of DRAG propose a dividend of EUR 1.30 for FY22, which translates into a dividend yield of c. 4.6%. The counteraction proposes a dividend of EUR 2.60, or a dividend yield of 9.1%. (Another counteraction proposes a dividend of EUR 1.75.)

Background on Allerthal-Werke. ATW is an investment company listed in Germany with a market cap of EUR 29m. ATW claims to have been a shareholder of DRAG for several years. ATW does not list DRAG among its 5 largest holdings, so we conclude that the holding is at most in the very low single-digit percentage range.

The rationale of the proposal. ATW argues that the dividend of EUR 1.30 only corresponds to a payout ratio of approx. 11% and complains about the alleged mismatch between the proposed dividend payout (EUR 6.5m) and the planned capex for FY23 and FY24 (EUR 200m combined), especially against the backdrop of recessionary risks and an oil price below DRAG's base case (WTI USD 75.00). ATW therefore proposes a higher dividend at the expense of capex.

Does the request have merit? According to the residual theory of dividends, DRAG should only pay dividends when all investment projects with a positive net present value have been exhausted. At current crude oil spot and futures prices, we estimate that the return on capital for a new well in Wyoming is approximately 25%, well above the cost of capital. By this reasoning, DRAG should not pay a dividend and should continue to invest in new wells at a pace limited only by operational and financial constraints. However, the bird-in-the-hand theory suggests that some shareholders prefer a certain dividend today to an uncertain capital gain tomorrow, which could be the rationale here. Alternatively, it might be profit-maximizing to delay oil production if there is an expectation that oil prices will rise significantly in the future - but that does not seem to be the case here.

Our verdict. All things considered, we do not believe that a higher dividend than originally proposed would be in the interest of a majority of shareholders. However, even the higher proposal would not severely limit DRAG's future production plans.

Deutsche Rohstoff AG	2020	2021	2022	2023E	2024E	2025E
Sales	38.7	73.3	165.4	163.1	175.9	151.1
<i>Growth yoy</i>	-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
<i>Dividend yield</i>	0.0%	2.1%	4.6%	4.6%	4.7%	4.8%
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	10.4x	3.6x	1.4x	2.0x	1.8x	2.1x
EV/EBIT	-15.4x	7.3x	2.2x	3.4x	2.9x	3.3x
PER	-9.1x	5.7x	2.3x	2.7x	2.3x	2.7x
FCF yield	-12.4%	15.2%	70.5%	27.5%	38.1%	29.1%

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch

High/low 52 weeks 33.60 / 20.10
Price/Book Ratio 1.1x

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.

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

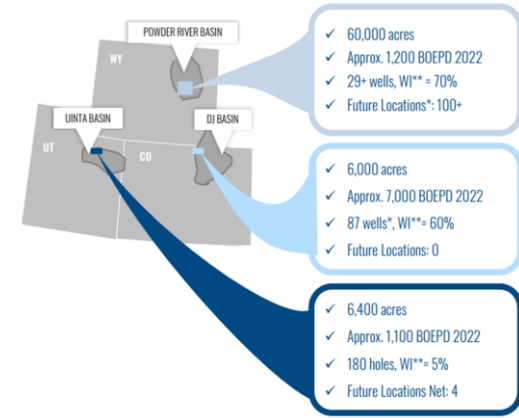
Source: Company data; AlsterResearch

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

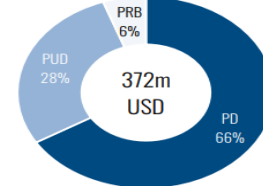
Cash Flow:
USD 799.8m

Discounted Cash Flow:
USD 372.0m

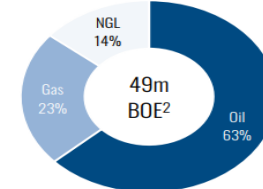
Reserve values by Category

Reserve values by Category¹

NYMEX 31 December 2022



Reserves by Commodity

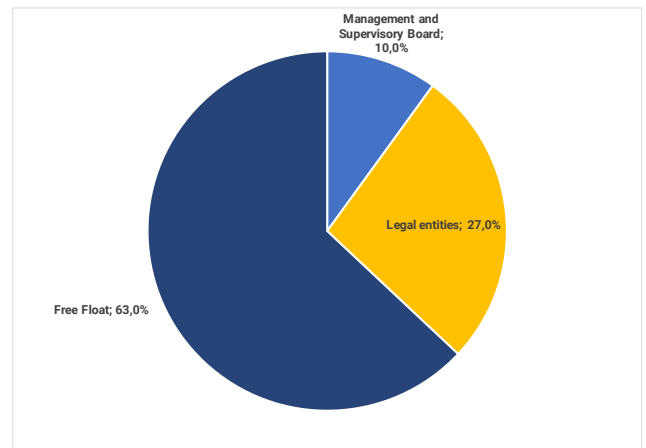


Rising demand, unlikely to peak before 2030

Oil demand to reach 107.5 mbd by 2030



Major shareholder



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

Valuation

DCF Model

The DCF model results in a **fair value of EUR 47.33 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 0.80. Unlevering 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%.

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	-35.5	19.2	17.0	20.5	25.1	25.0	24.7	26.6	125.6
WACC	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%

DCF per share derived from	
Total present value	248.2
Mid-year adj. total present value	259.3
Net debt / cash at start of year	55.7
Financial assets	34.2
Provisions and off b/s debt	1.0
Equity value	236.8
No. of shares outstanding	5.0
Discounted cash flow / share	47.33
upside/(downside)	66.1%

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	0.80
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%

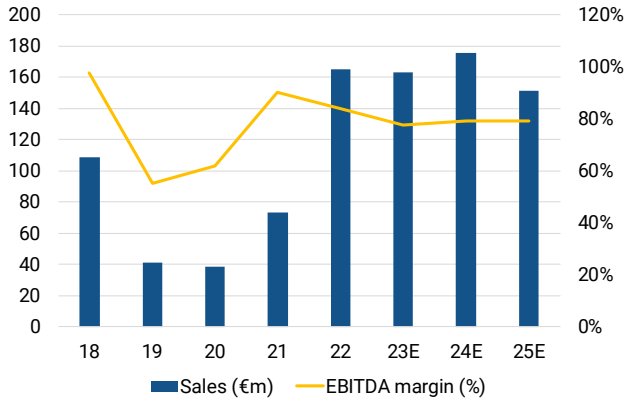
Share price	28.50
--------------------	--------------

Sensitivity analysis DCF									
Change in WACC (%-points)		Long term growth					Share of present value		
		-11.0%	-10.5%	-10.0%	-9.5%	-9.0%	2023E-2026E	2027E-2030E	terminal value
2.0%		38.4	38.9	39.5	40.2	40.8			8.6%
1.0%		41.9	42.5	43.2	43.9	44.7			40.8%
0.0%		45.7	46.5	47.3	48.2	49.1			50.6%
-1.0%		50.1	51.0	52.0	53.0	54.0			
-2.0%		55.0	56.1	57.2	58.4	59.7			

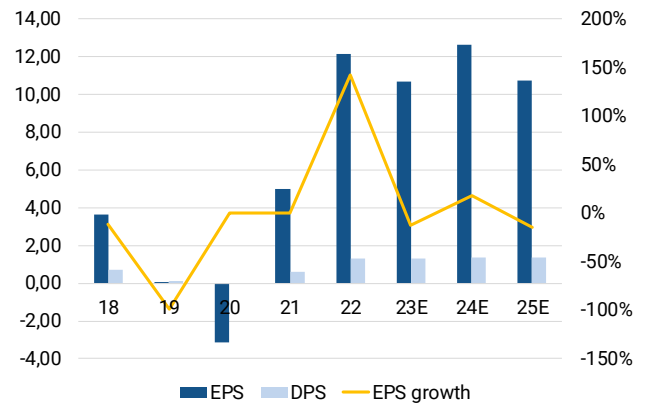
Source: AlsterResearch

Financials in six charts

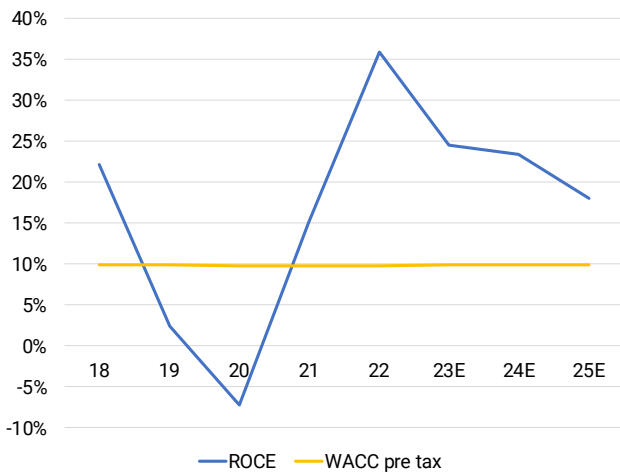
Sales vs. EBITDA margin development



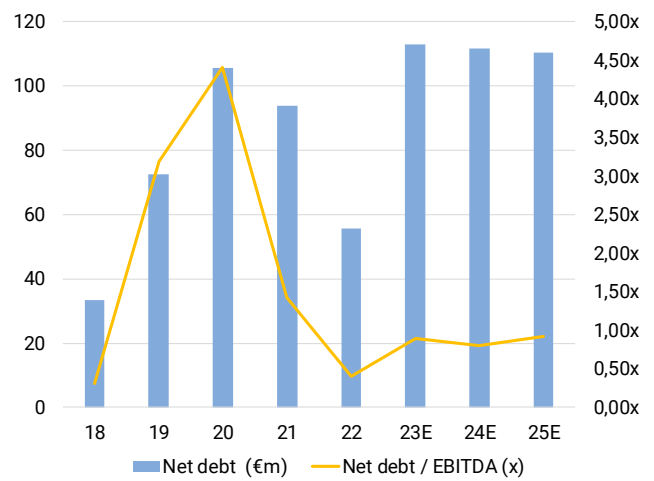
EPS, DPS in EUR & yoy EPS growth



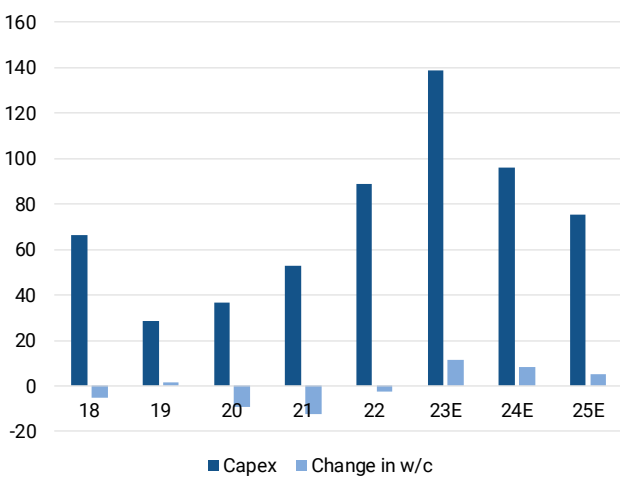
ROCE vs. WACC (pre tax)



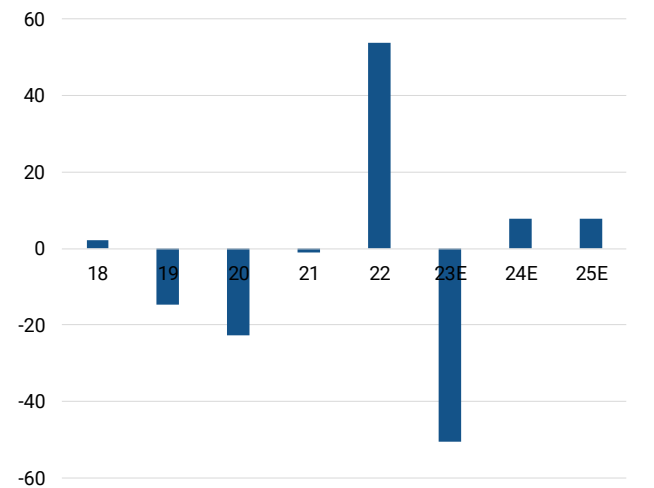
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



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	-9.1x	5.7x	2.3x	2.7x	2.3x	2.7x
P/CF	-8.1x	6.6x	1.4x	3.6x	2.6x	3.4x
P/BV	3.6x	1.9x	1.1x	0.8x	0.6x	0.5x
Dividend yield (%)	0.0%	2.1%	4.6%	4.6%	4.7%	4.8%
FCF yield (%)	-12.4%	15.2%	70.5%	27.5%	38.1%	29.1%
EV/Sales	6.4x	3.2x	1.2x	1.6x	1.5x	1.7x
EV/EBITDA	10.4x	3.6x	1.4x	2.0x	1.8x	2.1x
EV/EBIT	-15.4x	7.3x	2.2x	3.4x	2.9x	3.3x
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

Conflicts of interest

Disclosures regarding research publications of SRH AlsterResearch AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures. It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analyzed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if SRH AlsterResearch AG

- (1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analyzed company,
- (2) has entered into an agreement on the production of the research report with the analyzed company,
- (3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analyzed company or have received services or a promise of services under the term of such an agreement,
- (4) or its affiliate(s) holds a) 5% or more of the share capital of the analyzed company, or b) the analyzed company holds 5% or more of the share capital of SRH AlsterResearch AG or its affiliate(s),
- (5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analyzed company or derivatives thereof,
- (6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analyzed company such as, for example, exercising mandates in the interest of the analyzed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
Deutsche Rohstoff AG	2, 8

Important disclosures

1. General Information/Liabilities This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by SRH AlsterResearch AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of SRH AlsterResearch AG. Reproduction of this document, in whole or in part, is not permitted without prior permission SRH AlsterResearch AG. All rights reserved. Under no circumstances shall SRH AlsterResearch AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analyzed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organizational Requirements SRH AlsterResearch AG took internal organizational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of AlsterResearch AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made. The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate. The operating cash flow is calculated as EBITDA less maintenance capex and taxes. Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value. Detailed information on the valuation principles and methods used and the underlying assumptions can be found at <https://www.alsterresearch.com>.

SRH AlsterResearch AG uses the following three-step rating system for the analyzed companies:

- **Speculative (Spec.) BUY:** Sustainable upside potential of more than 25% within 12 months, above average risk
- **BUY:** Sustainable upside potential of more than 10% within 12 months
- **SELL:** Sustainable downside potential of more than 10% within 12 months.
- **HOLD:** Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of SRH AlsterResearch AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analyzed in this document was solely made by SRH AlsterResearch AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of SRH AlsterResearch AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Date and time of first publication of this financial analysis
20-Jun-23 12:09:37

6. Risk information

- Stock exchange investments and investments in companies (shares) are always speculative and involve the risk of total loss.
- This is particularly true in respect of investments in companies which are not established and/or small and have no established business or corporate assets.
- Share prices may fluctuate significantly. This is particularly true for shares with low liquidity (market breadth). Even small orders can have a significant impact on the share price.
- In the case of shares in narrow markets, it may also happen that there is no or very little actual trading there and that published prices are not based on actual trading but have only been provided by a stockbroker.
- In such markets a shareholder cannot expect to find a buyer for his shares at all and/or at reasonable prices. In such narrow markets there is a very high possibility of manipulating prices and in such markets there are often considerable price fluctuations.
- An investment in shares with low liquidity and low market capitalization is therefore highly speculative and represents a very high risk.
- There is no regulated market for unlisted shares and securities and a sale is not possible or only possible on an individual basis.

7. Major Sources of Information Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. SRH AlsterResearch AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority SRH AlsterResearch AG are under supervision of the BaFin – German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M. This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

9. Specific Comments for Recipients Outside of Germany This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

10. Miscellaneous According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published free of charge under <https://www.alsterresearch.com>.

Contacts

SRH AlsterResearch AG
Mittelweg 142
20148 Hamburg

Tel: +49 40 309 293-52
E-Mail: info@alsterresearch.com

Team Assistant

HANNAH GABERT
Team Assistant
Tel: +49 40 309 293-52
E-Mail: h.gabert@alsterresearch.com

Sales

MARKUS KÖNIG-WEISS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: mkw@alsterresearch.com

mwb fairtrade Wertpapierhandelsbank AG
Rottenbucher Straße 28
82166 Gräfelfing

Tel: +49 89 85852-0
Fax: +49 89 85852-505
E-Mail: info@mwbfairtrade.com

Our research can be found under

Research

HARALD HOF
Senior Analyst
Tel: +49 40 309 293-53
E-Mail: h.hof@alsterresearch.com

LEON MÜHLENBRUCH
Analyst
Tel: +49 40 309 293-57
E-Mail: l.muehlenbruch@alsterresearch.com

LEVENT YILMAZ
Senior Analyst
Tel: +49 40 309 293-158
E-Mail: l.yilmaz@alsterresearch.com

THOMAS WISSLER
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: t.wissler@alsterresearch.com

DR. OLIVER WOJAHN, CFA
Senior Analyst
Tel: +49 40 309 293-55
E-Mail: o.wojahn@alsterresearch.com

ALEXANDER ZIENKOWICZ
Senior Analyst
Tel: +49 40 309 293-56
E-Mail: a.zienkowicz@alsterresearch.com

Equity Capital Markets / Trading

KAI JORDAN
Member of the Board
Tel: +49 40 36 0995-22
E-Mail: kjordan@mwbfairtrade.com

ALEXANDER DEUSS
Head of Institutional Sales
Tel: +49 40 36 0995-22
E-Mail: adeuss@mwbfairtrade.com

SASCHA GUENON
Head of Designated Sponsoring
Tel: +49 40 360 995 - 23
E-Mail: sguenon@mwbfairtrade.com



RESEARCH HUB	www.research-hub.de
BLOOMBERG	www.bloomberg.com
FACTSET	www.factset.com
THOMSON REUTERS / REFINITIV	www.refinitiv.com
CAPITALIQ	www.capitaliq.com