

# Deutsche Rohstoff Reduce (Buy)

Germany | Oil &amp; gas

**Beta Profile:**  **MOMENTUM**
**MCap: EUR174.6m****Target Price:** EUR30.00 (56.50)**Current Price:** EUR34.90**Up/downside:** -14.0%**Market data:** 30 October 2024**Change in TP:** -46.9%**Change in Sales:** -1.1% 24E/-15.6% 25E**Change in Adj EBIT:** -1.4% 24E/-33.9% 25E**Change in Adj. EPS:** -1.8% 24E/-38.7% 25E

Bloomberg: DR0 GR

Free float

Avg. daily volume (EURm)

YTD abs performance

52-week high/low (EUR)

Reuters: DR0G.DE

90.0%

0.8

7.6%

44.90/29.90

## Operational gains undermined by oil outlook

### Why this report?

Deutsche Rohstoff's strong operational performance in 2024, coupled with effective capex management, reinforces a positive long-term outlook. However, in light of our bearish outlook on WTI price development, detailed in our recent sector report, we are downgrading DRAG from Buy to Reduce, in line with our sector recommendation to sell oil positions during price rallies.

### Key findings

- **Changes in oil price assumptions:** We anticipate potential challenges in the oil sector with a downturn in Brent oil prices toward USD60 per barrel. The lower oil price assumption significantly impacts DRAG's profitability projections despite operational improvements and production growth.
- **Solid production to continue:** Our production model suggests that DRAG could continue to produce over 14,000 BOE on average per year until 2028, reflecting operational improvements and a continuous expansion of its drilling programme.

### Deconstructing the forecasts

- **Forecasts:** We cut our estimates due to lower oil price assumptions. Our FY 2025 sales and EBITDA estimates are now EUR15-20m below management's mid-point of its base-case scenario. We thus see a risk to 2025 guidance should oil prices fall to our assumed levels, as management continues to expect USD75 WTI per barrel.
- **Increased production and hedging strategy:** We have raised our 2024 production estimates, with the well count rising from 10 to 12 at the 1876 site, showing strong operational momentum. C. 1.3m barrels of expected production through to FY 2026 are hedged at USD72.60, with remaining barrels priced based on market projections.
- **Capex adjustments and FCF outlook:** Capex for FY 2024E is raised, while FY 2025E is lowered by c. 5% due to efficiency gains. Despite higher production, lower oil price assumptions keep FCF negative for FY 2025, with potential for improvement should our working capital forecast prove conservative.

### Valuation and investment conclusion

- **Valuation:** DR0 is still trading below its significantly larger US peers, but the valuation gap has decreased, as the median multiple of its peers has come down in recent months.
- **Rating downgrade:** We downgrade our rating to Reduce as our bearish oil price estimates significantly impact DRAG's profitability projections despite operational improvements and production growth.
- **Consensus and guidance risk:** We also believe there is a risk to 2025 consensus and guidance, as management still expects a WTI of USD75/barrel in 2025 (compared to our estimate of USD61/barrel).

### Price performance



FY to 31/12 (EUR)	12/24E	12/25E	12/26E
Sales (m)	219.1	171.7	148.9
EBITDA adj (m)	168.3	119.3	100.0
EBIT adj (m)	98.3	57.3	43.7
Net profit adj (m)	63.7	34.8	25.8
Net financial debt (m)	130.7	154.3	166.0
FCF (m)	-29.4	-16.3	-7.3
EPS adj. and ful. dil.	12.97	7.09	5.25
Consensus EPS	9.96	8.51	8.57
Net dividend	1.48	0.88	0.65

FY to 31/12	12/24E	12/25E	12/26E
P/E adj and ful. dil.	2.7	4.9	6.6
EV/EBITDA	1.9	2.8	3.5
EV/EBIT	3.2	5.9	8.1
FCF yield	-18.1%	-10.0%	-4.7%
Dividend yield	4.2%	2.5%	1.9%
ND(F+IFRS16)/EBITDA	0.8	1.3	1.7
Gearing	55.0%	57.9%	57.5%
ROIC	23.6%	11.2%	7.8%
EV/IC	0.9	0.8	0.8

### Sector Most Pref. vs Sector Least Pref.

Sector Most Pref.	Sector Least Pref.
ENI	Aker BP
Repsol	Galp

**Sven Sauer**  
Equity Research Analyst  
+49 69 7 56 96 131

### Changes in oil price assumptions lead to double downgrade and TP cut

We anticipate potential challenges in the oil sector with a downturn in Brent oil prices toward USD60 per barrel. While OPEC+ might attempt to stabilise oil prices by extending their voluntary cuts through the first half of 2025 and the recent reduction in supply, which could prop up prices temporarily, our structural analysis leads us to recommend that investors consider selling positions in the sector during any price rallies.

Even with the potential extension of OPEC+'s voluntary cuts until the end of 2025, our in-house analysis shows an anticipated oversupply of 0.8m barrels per day throughout the year. In our analysis of the oil supply/demand balance to 2029 in a "business as usual environment" (i.e. Brent USD75-80/bbl), we see a theoretical oil oversupply of 3.1mb/d by 2029. This oversupply situation leaves no room for OPEC to increase production if they aim to maintain Brent prices within the USD75-80 per barrel range. For a balanced oil market in 2025, OPEC+ would need not only to extend cuts but also to adhere strictly to their quotas and compensation plans – a scenario we find highly improbable.

Consequently, we have adjusted our 2025 WTI oil price forecast downward from USD75 per barrel to USD61, and our long-term outlook from USD72 to USD56 per barrel, which is c. 20% below the market consensus as well as below WTI future curves (Chart 1).

### TP cut from EUR56.50 to EUR30, downgrade to Reduce, risk to 2025 guidance

As a result, we lower our TP from EUR56.50 to EUR30 and downgrade our rating from Buy to Reduce given our bearish oil price assumptions, which we do not believe have been priced in yet accordingly. Furthermore, we believe there is a risk to FY 2025 consensus and guidance, as management will have to revise its outlook should oil prices develop as we expect. Despite Deutsche Rohstoff's recent update to market, the group is sticking to its FY 2025 EBITDA guidance and WTI price assumption of USD/75 per barrel and a Henry Hub price of USD2/mcf.

**Notably, if Deutsche Rohstoff's internal oil price assumption of USD75/BOEPD holds, we would likely not downgrade the stock, as WTI prices above USD70 still generate attractive returns for the company.**

### Upside potential to our bearish scenario

Despite our double downgrade, we see two major positive catalysts that could lead to a re-evaluation of the stock. Firstly, the company's ability to capitalise on additional non-operated interests, combined with continued expansion of its land holdings, offers potential upside for future drilling campaigns. Secondly, we see upside potential should management be able to continue to lower its average drilling costs in Wyoming to USD9.5m or even USD9m per well.

### Upcoming OPEC meeting and US elections to be pivotal for future price development

The upcoming OPEC meeting on 1 December is critical and may serve as a pivotal moment for future oil price directions. The US elections will also play a major role. A victory for Kamala Harris should be seen as beneficial for OPEC+, as her track record of promoting policies that constrain oil and gas production would potentially weaken American oil and gas production.

### Hedging strategy to continue

We acknowledge that Deutsche Rohstoff has slightly reduced its hedge book, covering 1.3m barrels at an average price of USD72.60 per barrel for 2024-26, of which 70-75% is frontloaded for the coming 12 months. While this reflects strong financial scrutiny should oil prices fall in the coming months, it includes c. 10% of DRAG's estimated production until 2026.

### Expanded drilling to yield higher 2024 capex and medium-term cost savings

Deutsche Rohstoff's operational shift in focus from Colorado to Wyoming is proving fruitful, with the Powder River Basin wells outperforming initial expectations. This region offers lower costs and higher output potential, reinforcing the strategic rationale behind this move.

The 2024 drilling programme is spread across the Wilma site, which has been producing since July with three Niobrara wells, the Cottonwood site with seven wells, including three in the Teapot Formation and four in the Niobrara Formation, and the Lost Springs site with two wells in the Niobrara Formation.

*Deutsche Rohstoff's operational improvements cannot fully compensate for our bearish oil price scenario*

The company has further successfully expanded its land position by 5,000 acres since 2023, laying the groundwork for future growth by means of various (and previously undisclosed) smaller and selective transactions. Based on the currently held production rights for the Teapot formation, up to ten additional Teapot wells are currently being evaluated.

Capex guidance has been revised up to EUR175-180m for FY 2024 (from EUR145-165m). The increased expenditure is partially offset by operational efficiencies. The company expects these additional investments to yield cost savings in the medium term, particularly with Niobrara wells now costing below planned levels, as DRAG achieved significant cost reductions in its drilling programme. Niobrara well costs are down 10% YOY to USD10m, while Teapot Formation drilling costs have been reduced by 35% to under USD7m per well. This efficiency is supported by higher drilling speeds (12.5 days per well), which improves overall profitability.

### Q3 preliminary results

Production levels in Q3 averaged around 14,700 BOEPD, underscoring stable output. Initial production results from the new wells, including Teapot and Niobrara formations, met or exceeded expectations, supporting the company's production forecasts.

### Changes to our estimates

#### Lower oil price and higher gas price assumptions with a lower USD/EUR exchange rate

Our FY 2025 sales and EBITDA are below management's base-case scenario due to our lower WTI oil price assumption (USD61/barrel versus company's USD75/barrel), while our 2025 Henry Hub gas price assumption is higher (USD3/mcf versus company's USD2/mcf) and our EUR/USD exchange rate is also slightly lower (1.10 versus company's 1.12).

**Table 1: Cut in our fin. estimates for Deutsche Rohstoff's FY 2024-26E is driven by our bearish oil price estimates**

	2024			2025			2026		
	Old	New	change	Old	New	change	Old	New	change
Revenues	222	219	-1.1%	203	172	-15.6%	183	149	-18.6%
EBITDA adj.	167.2	168.3	0.7%	144	119	-17.4%	126	100	-20.9%
EBIT	99.7	98.3	-1.4%	87	57	-33.9%	75	44	-41.6%
EPS adj.	13.21	12.97	-1.8%	11.56	7.09	-38.7%	10.09	5.25	-47.9%

Source: Kepler Cheuvreux estimates

Our estimates are thus below consensus and guidance, and we see a risk to the company's FY 2025 guidance.

**Table 2: Our FY 2024-25E estimates and assumptions versus consensus and company guidance**

	2024			2025		
	KECH	Consensus	Guidance	KECH	Consensus	Guidance
Sales	219	220	210-230	172	201	180-200
EBITDA	168	165	160-180	119	138	124-145
EBIT	98	77	na	57	72	na
EPS	12.97	11.82	na	7.09	10.20	na
Oil price (USD)	75	na	75	61	na	75
Gas price (USD)	2.31	na	2.00	3.00	na	2.00
USD/EUR	1.09	na	1.12	1.1	na	1.12

Source: Bloomberg, Deutsche Rohstoff, Kepler Cheuvreux estimates

### Increased well count and hedging

We have raised our estimate for wells beginning production in H2 2024, as the total number of wells for the year has increased from ten to 12 at the 1876 site, reflecting strong operational momentum.

We have priced the company's oil production through 2026 based on both market conditions and hedging strategies. The company's total expected production from H2 2024 through to FY 2026 is c. 13-14m barrels. Of this, 1.3m barrels are hedged at a price of USD72.60, reflecting an early peak due to the nature of oil well outputs. For the remaining barrels, prices are set according to the yearly market projections: USD75 per barrel in 2024, USD61 in 2025, and USD56 thereafter.

We raise our FY 2024E capex estimates accordingly and lower our FY 2025E capex estimate by c. 5% given the drilling and cost efficiencies generated.

### FCF

We expect FCF in 2025 to remain negative, broadly consistent with FY 2024, due to a reduction in our oil price assumptions compared to the company's internal estimate (USD61/BOEPD versus USD75/BOEPD). While higher production volumes and capital expenditure efficiencies from operational improvements provide some relief, they are not enough to offset the impact of significantly lower oil price expectations.

We note that making WC estimates for companies in the oil and gas sector is more difficult than for companies in other sectors. Should our WC estimate turn out to be too conservative, Deutsche Rohstoff's FCF could potentially already come out of the red by FY 2025.

### FY 2025 guidance

Deutsche Rohstoff has not provided any updates or revisions to its FY 2025 guidance in its recent market update. Given our lower oil price assumptions, we have adjusted our estimates for FY 2025 accordingly. While WTI price movements are typically reflected quickly in DRAG's share price, should our lower oil price forecast hold, we anticipate a downward revision of FY 2025 guidance.

### Valuation

#### TP cut to EUR30 per share driven by lower price estimates; parameters unchanged

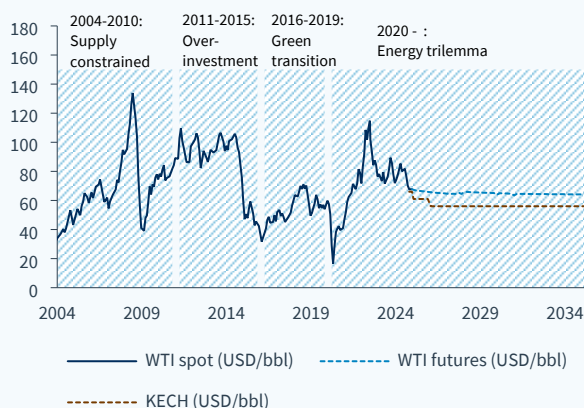
We lower our TP to EUR30 and downgrade the stock to Reduce given our bearish oil price estimates for 2025 and beyond. For Almonty, we assume a fair value of c. EUR33m (Deutsche Rohstoff has a c. 12% stake and is owed EUR15.3m in a loan and debentures). We also roll over our DCF models as well as our SOP model to FY 2025 and make no changes to our industry-standard 10% WACC. We continue to account for a WTI discount and Henry Hub premium c. USD1-3 below the WTI price and USD0.5 above the Henry Hub gas price, mainly due to transportation costs. Royalties paid for DRAG's new pads in Wyoming are on average in line with our 17-19% estimate.

#### Valuation gap to peers has declined, continued soft multiples versus peers

On 15 April 2024 we updated our model after the group raised its sales and EBITDA guidance as well as its drilling programme. At that time, the median of Deutsche Rohstoff's peers were trading at above 5x +12m EV/EBITDA, while Deutsche Rohstoff was trading at 2x. As of the final week of October, the median 2025 EV/EBITDA of DRAG's peers (which at this time is roughly equivalent to the next-twelve-months blended forward multiple) amounts to 4.2x, while Deutsche Rohstoff's multiple has risen slightly to 2.1x. While we acknowledge that Deutsche Rohstoff is still trading below most of its peers, it is also significantly smaller with no peer producing less than 100,000 BOEPD (Deutsche Rohstoff: c. 15,000 BOEPD).

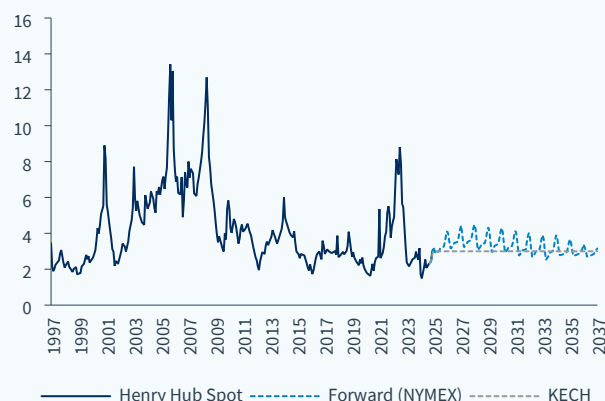
## Investment case in six charts

**Chart 1: WTI future prices are still above our bearish oil price estimates, despite already coming down over the past weeks...**



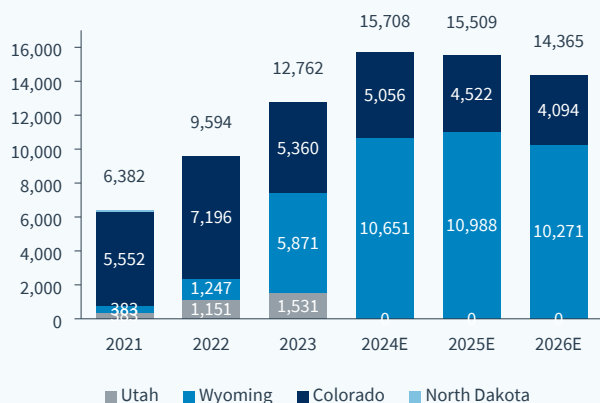
Source: Kepler Cheuvreux

**Chart 2: ...while Henry Hub Natural gas forward prices are broadly in line with our in-house estimates (USD/mcf)**



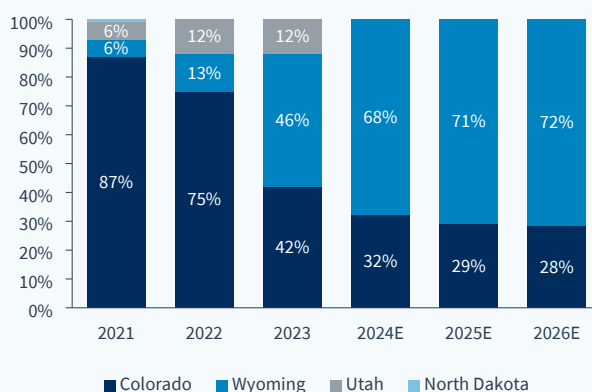
Source: Kepler Cheuvreux

**Chart 3: Our estimates for Deutsche Rohstoff's production (BOEPD)**



Source: Deutsche Rohstoff, Kepler Cheuvreux

**Chart 4: Our estimates for Deutsche Rohstoff's share of production (BOEPD) by state**



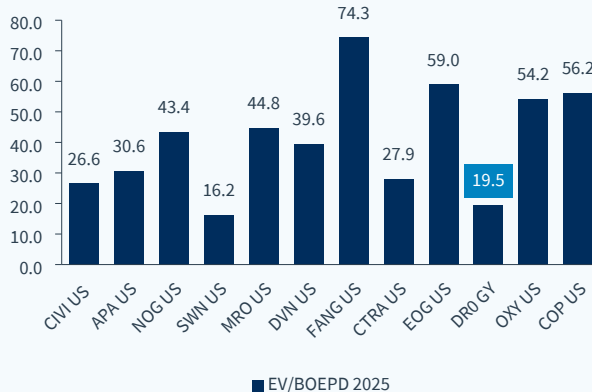
Source: Deutsche Rohstoff, Kepler Cheuvreux

**Chart 5: EV/EBITDA 2025 of Deutsche Rohstoff (DR0 GY) versus US peers**



Source: Bloomberg

**Chart 6: EV/BOEPD 2025 of Deutsche Rohstoff (DR0 GY) versus US peers**



Source: Bloomberg, Visible Alpha

### Company description

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

### Management

Jan-Philipp Weitz, CEO  
Henning Döring, CFO

### Key shareholders

Free float	90.00%
Management and Supervisory Board	9.00%

### Investment case

- Deutsche Rohstoff AG’s strong operational performance in 2024 reinforces a positive long-term outlook. However, in light of our bearish outlook on WTI price development, we advise investors to sell their positions despite operational improvements.
- Assuming a c. 30% success rate for the acquired acreage in Wyoming’s Powder River Basin (+100 well locations), our play-by-play model suggests this could lead to a sustainable high production level for DRAG in the medium term.
- The minority stake in Almonty Industries, which is expected to ramp up production at one of the largest tungsten mines outside China in the coming years, should generate stable, long-term returns.

### Catalysts

- Higher-than-assumed economic viability in Wyoming as well as efficiencies in drilling costs.
- Price movements in the WTI benchmark.
- Production start at Almonty's Sangdong mine in S. Korea.

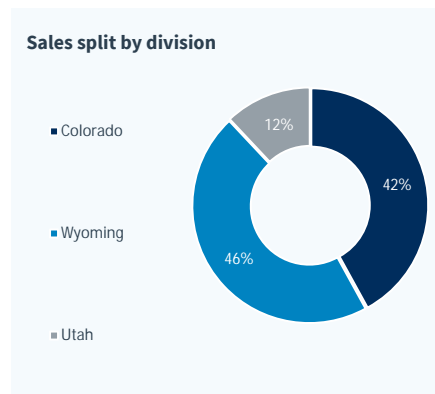
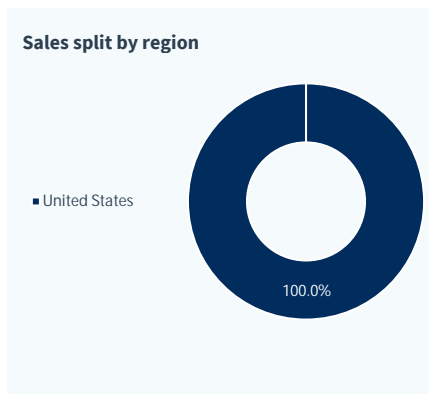
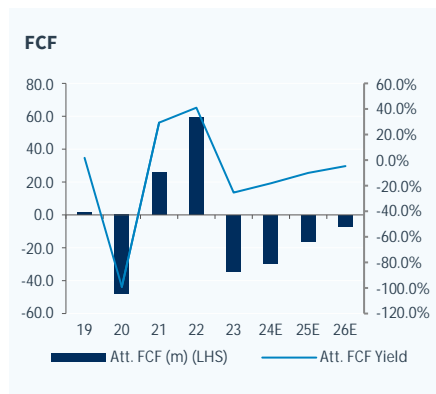
### Valuation methodology

- Our valuation is based on an SOP of its oil & gas assets, Deutsche Rohstoff’s minority investments in metals, and its investment portfolio.
- We value the group's core oil and gas assets by US state using a 25-year NPV model with a 10% WACC.
- Under our current long-term WTI oil price assumption of USD56/bbl, our SOP points to a fair value of EUR30.

### Risks to our rating

- Weaker-than-expected US dollar. Each USD0.1 move in our long-term EUR/USD assumption impacts our SOP by up to EUR6 per share.
- Lower demand leading to negative price movements in the WTI benchmark. Each USD2/bbl move in our long-term WTI oil price assumptions impacts our SOP by up to EUR2 per share.

### Key data charts



### SWOT analysis

#### Strengths

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

#### Opportunities

- Efficiency gains in drilling could allow additional costs savings
- New land acquisitions
- Further increase in non-operative wells.

#### Weaknesses

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

#### Threats

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



## Valuation table

Market data as of: 30 October 2024

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
<b>Per share data (EUR)</b>										
EPS adjusted	1.10	2.74	0.06	-3.74	1.40	9.35	9.31	12.97	7.09	5.25
% Change	5328.9%	150.5%	-97.8%	-chg	+chg	569.6%	-0.4%	39.3%	-45.4%	-25.9%
EPS adjusted and fully diluted	1.10	2.74	0.06	-3.74	1.40	9.35	9.31	12.97	7.09	5.25
% Change	5328.9%	150.5%	-97.8%	-chg	+chg	569.6%	-0.4%	39.3%	-45.4%	-25.9%
EPS reported	1.10	2.74	0.06	-3.05	4.88	12.15	13.03	12.97	7.09	5.25
% Change	5328.9%	150.5%	-97.8%	-chg	+chg	148.9%	7.3%	-0.4%	-45.4%	-25.9%
EPS Consensus								9.96	8.51	8.57
Cash flow per share	9.42	17.27	5.91	-2.23	15.44	29.67	32.87	29.07	16.03	14.71
Book value per share	9.73	12.99	12.66	7.76	14.31	25.78	36.05	46.48	52.06	56.42
DPS	0.65	0.70	0.10	0.00	0.60	1.30	1.75	1.48	0.88	0.65
Number of shares, YE (m)	5.1	5.1	5.1	5.1	5.1	5.0	5.0	5.0	5.0	5.0
Nbr of shares, fully diluted, YE (m)	5.1	5.1	5.1	5.1	5.1	5.0	5.0	4.9	4.9	4.9
<b>Share price</b>										
Latest price / year end	19.9	14.0	15.0	8.5	20.3	26.0	32.5	34.9	34.9	34.9
52 week high	26.3	25.9	19.8	16.0	25.6	33.5	35.3	44.9		
52 week low	16.1	13.9	12.5	6.2	8.7	20.2	24.6	29.9		
Average price (Year)	20.4	21.2	15.8	9.4	16.2	26.4	28.8	34.9	34.9	34.9
<b>Enterprise value (EURm)</b>										
Market capitalisation	103.5	107.3	80.5	48.0	82.2	131.9	144.2	174.6	174.6	174.6
Net financial debt	78.2	47.7	77.8	120.2	104.7	62.4	85.5	130.7	154.3	166.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS 16 debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Market value of minorities	7.4	8.1	7.2	6.2	7.4	3.4	7.1	9.4	10.6	11.5
MV of equity affiliates (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise value	189.1	163.1	165.5	174.3	194.3	197.7	236.8	314.6	339.5	352.1
<b>Valuation</b>										
P/E adjusted	18.6	7.7	na	na	11.6	2.8	3.1	2.7	4.9	6.6
P/E adjusted and fully diluted	18.6	7.7	na	na	11.6	2.8	3.1	2.7	4.9	6.6
P/E consensus								3.5	4.1	4.1
P/BV	2.1	1.6	1.3	1.2	1.1	1.0	0.8	0.8	0.7	0.6
P/CF	2.2	1.2	2.7	na	1.0	0.9	0.9	1.2	2.2	2.4
Dividend yield (%)	3.2%	3.3%	0.6%	0.0%	3.7%	4.9%	6.1%	4.2%	2.5%	1.9%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Share buybacks over market cap (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Attributable FCF yield (%)	-5.9%	16.0%	1.8%	-99.1%	29.3%	41.0%	-25.4%	-18.1%	-10.0%	-4.7%
ROE (%)	10.5%	24.2%	0.5%	-36.6%	12.7%	46.4%	30.1%	31.2%	14.4%	9.7%
ROIC (%)	4.6%	24.8%	4.2%	-13.8%	9.6%	40.7%	27.2%	23.6%	11.2%	7.8%
EV/Sales	3.52	1.50	4.02	4.51	2.65	1.20	1.20	1.44	1.98	2.36
EV/EBITDA adj.	5.2	1.7	7.3	8.5	4.0	1.6	1.7	1.9	2.8	3.5
EV/EBIT adj.	35.6	5.0	29.4	na	13.0	2.6	3.1	3.2	5.9	8.1
EV/NOPAT	47.5	6.6	39.2	na	17.4	3.4	4.2	4.3	7.9	10.8
EV/IC	1.7	1.8	1.5	1.7	1.5	1.3	0.9	0.9	0.8	0.8
ROIC/WACC	0.5	2.5	0.4	na	1.0	4.1	2.7	2.4	1.1	0.8
EV/IC over ROIC/WACC	3.8	0.7	3.5	na	1.5	0.3	0.3	0.4	0.8	1.0

## Income statement

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
<b>Sales</b>	<b>53.7</b>	<b>109.1</b>	<b>41.2</b>	<b>38.7</b>	<b>73.3</b>	<b>165.4</b>	<b>196.7</b>	<b>219.1</b>	<b>171.7</b>	<b>148.9</b>
Sales % Change	486.1%	103.0%	-62.2%	-6.1%	89.5%	125.6%	18.9%	11.4%	-21.6%	-13.3%
Gross profit	48.1	91.3	30.0	27.1	55.2	135.0	162.4	188.0	140.6	120.0
Gross profit margin (%)	89.5%	83.7%	72.7%	70.0%	75.3%	81.6%	82.6%	85.8%	81.9%	80.6%
EBITDA reported	36.1	98.0	22.7	23.9	66.1	139.1	158.3	168.3	119.3	100.0
<b>EBITDA adjusted</b>	<b>36.1</b>	<b>98.0</b>	<b>22.7</b>	<b>20.4</b>	<b>48.4</b>	<b>125.1</b>	<b>139.7</b>	<b>168.3</b>	<b>119.3</b>	<b>100.0</b>
<b>EBITDA margin (%)</b>	<b>67.2%</b>	<b>89.8%</b>	<b>55.2%</b>	<b>52.8%</b>	<b>66.0%</b>	<b>75.6%</b>	<b>71.0%</b>	<b>76.8%</b>	<b>69.5%</b>	<b>67.2%</b>
EBITDA adjusted % Change	467.0%	171.1%	-76.8%	-10.1%	136.6%	158.7%	11.6%	20.5%	-29.1%	-16.1%
Depreciation and amortisation	-30.8	-65.2	-17.1	-40.1	-33.5	-47.7	-64.3	-70.0	-62.0	-56.4
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT reported	5.3	32.7	5.6	-16.1	32.6	91.4	94.0	98.3	57.3	43.7
<b>EBIT adjusted</b>	<b>5.3</b>	<b>32.7</b>	<b>5.6</b>	<b>-19.6</b>	<b>14.9</b>	<b>77.4</b>	<b>75.4</b>	<b>98.3</b>	<b>57.3</b>	<b>43.7</b>
<b>EBIT margin (%)</b>	<b>9.9%</b>	<b>30.0%</b>	<b>13.7%</b>	<b>-50.8%</b>	<b>20.3%</b>	<b>46.8%</b>	<b>38.3%</b>	<b>44.8%</b>	<b>33.4%</b>	<b>29.3%</b>
EBIT adjusted % Change	+chg	516.6%	-82.8%	-chg	+chg	420.0%	-2.7%	30.4%	-41.7%	-23.8%
Net financial items	-4.0	-6.2	-5.4	-6.4	-5.5	-5.5	-8.2	-10.3	-9.2	-8.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before tax	1.3	26.5	0.3	-22.5	27.1	85.9	85.7	88.0	48.1	35.6
Tax	6.4	-8.5	-0.1	6.4	-0.7	-19.8	-18.3	-22.0	-12.0	-8.9
Tax rate (%)	-493%	32%	29%	29%	3%	23%	21%	25%	25%	25%
Net profit from continuing op.	7.7	18.0	0.2	-16.1	26.4	66.2	67.5	66.0	36.1	26.7
Net profit from disc. activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	7.7	18.0	0.2	-16.1	26.4	66.2	67.5	66.0	36.1	26.7
Minorities	-2.1	-4.1	0.1	0.6	-1.6	-5.4	-2.3	-2.3	-1.2	-0.9
<b>Net profit reported</b>	<b>5.5</b>	<b>13.9</b>	<b>0.3</b>	<b>-15.5</b>	<b>24.8</b>	<b>60.8</b>	<b>65.2</b>	<b>63.7</b>	<b>34.8</b>	<b>25.8</b>
Adjustments	0.0	0.0	0.0	-3.5	-17.7	-14.0	-18.6	0.0	0.0	0.0
<b>Net profit adjusted</b>	<b>5.5</b>	<b>13.9</b>	<b>0.3</b>	<b>-19.0</b>	<b>7.1</b>	<b>46.8</b>	<b>46.6</b>	<b>63.7</b>	<b>34.8</b>	<b>25.8</b>
<b>Net profit margin (%)</b>	<b>10.3%</b>	<b>12.7%</b>	<b>0.7%</b>	<b>-49.1%</b>	<b>9.7%</b>	<b>28.3%</b>	<b>23.7%</b>	<b>29.1%</b>	<b>20.3%</b>	<b>17.3%</b>
Net profit adjusted % Change	5329.0%	150.5%	-97.8%	-chg	+chg	559.2%	-0.4%	36.8%	-45.4%	-25.9%
EPS reported (EUR)	1.10	2.74	0.06	-3.05	4.88	12.15	13.03	12.97	7.09	5.25
EPS adjusted (EUR)	1.10	2.74	0.06	-3.74	1.40	9.35	9.31	12.97	7.09	5.25
EPS adj. and fully diluted (EUR)	1.10	2.74	0.06	-3.74	1.40	9.35	9.31	12.97	7.09	5.25
EPS adj. and fully diluted % Change	5328.9%	150.5%	-97.8%	-chg	+chg	569.6%	-0.4%	39.3%	-45.4%	-25.9%
DPS (EUR)	0.65	0.70	0.10	0.00	0.60	1.30	1.75	1.48	0.88	0.65
DPS % Change	8.3%	7.7%	-85.7%	-chg	+chg	116.7%	34.6%	-15.6%	-40.4%	-25.9%
Payout ratio (%)	59%	26%	165%	0%	43%	14%	19%	11%	12%	12%
DPS, preference shares (EUR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consensus Sales (EURm)								218.3	199.8	198.4
Consensus EBITDA (EURm)								164.6	144.2	143.2
Consensus EBIT (EURm)								76.8	65.3	64.9
Consensus EPS (EUR)								9.96	8.51	8.57



## Cash flow statement

Market data as of: 30 October 2024

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
Net profit before minorities	7.7	18.0	0.2	-16.1	26.4	66.2	67.5	66.0	36.1	26.7
Depreciation and amortisation	30.8	65.2	17.1	40.1	33.5	47.7	64.3	70.0	62.0	56.4
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	9.2	4.2	12.7	-35.3	18.7	34.6	32.7	6.8	-19.3	-10.8
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Levered post tax CF before capex</b>	<b>47.7</b>	<b>87.4</b>	<b>30.0</b>	<b>-11.3</b>	<b>78.5</b>	<b>148.4</b>	<b>164.4</b>	<b>142.8</b>	<b>78.7</b>	<b>72.3</b>
% Change	35.2%	83.3%	-65.7%	-chg	+chg	89.1%	10.8%	-13.2%	-44.9%	-8.2%
Capex	-51.7	-66.2	-28.7	-36.8	-52.8	-88.9	-198.7	-172.2	-95.0	-79.5
Capex / Sales (%)	96.2%	60.7%	69.7%	95.2%	72.1%	53.8%	101.1%	78.6%	55.3%	53.4%
<b>Free cash flow</b>	<b>-4.0</b>	<b>21.2</b>	<b>1.3</b>	<b>-48.2</b>	<b>25.7</b>	<b>59.5</b>	<b>-34.3</b>	<b>-29.4</b>	<b>-16.3</b>	<b>-7.3</b>
% Change	+chg	+chg	-93.9%	-chg	+chg	131.9%	-chg	+chg	+chg	+chg
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0	6.0	0.0	0.0	0.0	0.0
Dividend paid	-3.0	-3.2	-3.2	-0.5	0.0	-3.7	-6.7	-8.8	-7.4	-4.4
Share buy back	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	-20.7	12.4	-28.2	6.3	-10.2	-19.5	17.9	-7.0	0.0	0.0
<b>Change in net financial debt</b>	<b>27.6</b>	<b>-30.5</b>	<b>30.1</b>	<b>42.3</b>	<b>-15.5</b>	<b>-42.3</b>	<b>23.1</b>	<b>45.1</b>	<b>23.7</b>	<b>11.7</b>
Change in cash and cash equiv.	3.7	17.3	15.6	-53.1	4.5	34.8	28.3	-45.1	-23.7	-11.7
Attributable FCF	-6.1	17.2	1.4	-47.6	24.1	54.1	-36.6	-31.6	-17.5	-8.2
Attributable FCF / Net profit(%)	-110.7%	123.5%	460.2%	250.2%	339.6%	115.6%	-78.6%	-49.6%	-50.3%	-31.7%
Cash flow per share (EUR)	9.42	17.27	5.91	-2.23	15.44	29.67	32.87	29.07	16.03	14.71
% Change	35.2%	83.3%	-65.8%	-chg	+chg	92.1%	10.8%	-11.6%	-44.9%	-8.2%
Attributable FCF per share (EUR)	-1.21	3.39	0.28	-9.36	4.74	10.80	-7.32	-6.44	-3.56	-1.67
% Change	+chg	+chg	-91.8%	-chg	+chg	127.9%	-chg	+chg	+chg	+chg

## Balance sheet

FY to 31/12 (EUR)	12/17	12/18	12/19	12/20	12/21	12/22	12/23	12/24E	12/25E	12/26E
Cash and cash equivalents	28.4	45.6	61.3	8.2	12.7	47.5	75.8	30.7	7.0	-4.7
Inventories	0.2	0.2	0.2	0.2	0.2	0.1	1.5	1.4	1.4	1.3
Accounts receivable	8.8	11.6	8.9	3.5	16.8	28.6	29.6	33.0	25.8	22.4
Other current assets	3.8	4.1	4.8	9.9	12.7	6.8	8.7	9.7	7.6	6.6
<b>Current assets</b>	<b>41.2</b>	<b>61.5</b>	<b>75.1</b>	<b>21.7</b>	<b>42.4</b>	<b>83.1</b>	<b>115.7</b>	<b>74.8</b>	<b>41.9</b>	<b>25.6</b>
Tangible assets	114.5	110.1	139.6	112.8	149.1	192.6	317.6	419.8	452.8	476.0
Goodwill	3.3	1.7	1.6	1.3	1.3	1.2	1.0	1.0	1.0	1.0
Other Intangible assets	30.6	15.2	20.6	20.6	28.6	32.8	22.6	22.6	22.6	22.6
Financial assets	24.0	36.3	42.1	50.3	43.8	40.7	36.9	36.9	36.9	36.9
Other non-current assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Non-current assets</b>	<b>172.4</b>	<b>163.3</b>	<b>203.8</b>	<b>185.0</b>	<b>222.6</b>	<b>267.2</b>	<b>378.1</b>	<b>480.3</b>	<b>513.3</b>	<b>536.5</b>
Short term debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	5.2	6.8	17.1	2.9	20.8	11.4	26.6	24.1	24.1	22.4
Other short term liabilities	16.9	31.5	26.0	22.5	27.9	63.9	69.8	77.8	61.0	52.9
<b>Current liabilities</b>	<b>22.1</b>	<b>38.3</b>	<b>43.1</b>	<b>25.4</b>	<b>48.7</b>	<b>75.2</b>	<b>96.4</b>	<b>101.9</b>	<b>85.0</b>	<b>75.3</b>
Long term debt	106.6	93.4	139.1	128.4	117.4	109.9	161.3	161.3	161.3	161.3
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term provisions	28.2	19.3	25.2	7.3	18.8	32.7	48.5	54.1	42.4	36.7
Other long term liabilities	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.1
<b>Non-current liabilities</b>	<b>134.8</b>	<b>112.7</b>	<b>164.3</b>	<b>135.7</b>	<b>136.2</b>	<b>142.7</b>	<b>209.9</b>	<b>215.5</b>	<b>203.8</b>	<b>198.1</b>
Shareholders' equity	49.2	65.8	64.3	39.4	72.7	129.0	180.4	228.4	255.8	277.2
Minority interests	7.4	8.1	7.2	6.2	7.4	3.4	7.1	9.4	10.6	11.5
<b>Total equity</b>	<b>56.7</b>	<b>73.8</b>	<b>71.5</b>	<b>45.6</b>	<b>80.1</b>	<b>132.4</b>	<b>187.5</b>	<b>237.7</b>	<b>266.4</b>	<b>288.7</b>
<b>Balance sheet total</b>	<b>213.6</b>	<b>224.8</b>	<b>278.9</b>	<b>206.7</b>	<b>265.0</b>	<b>350.3</b>	<b>493.8</b>	<b>555.1</b>	<b>555.2</b>	<b>562.1</b>
% Change	10.3%	5.3%	24.1%	-25.9%	28.2%	32.2%	40.9%	12.4%	0.0%	1.3%
Book value per share (EUR)	9.73	12.99	12.66	7.76	14.31	25.78	36.05	46.48	52.06	56.42
% Change	-12.9%	33.5%	-2.5%	-38.7%	84.5%	80.1%	39.9%	28.9%	12.0%	8.4%
Net financial debt	78.2	47.7	77.8	120.2	104.7	62.4	85.5	130.7	154.3	166.0
IFRS16 Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	78.2	47.7	77.8	120.2	104.7	62.4	85.5	130.7	154.3	166.0
Net fi. debt (+IFRS16) / EBITDA (x)	2.2	0.5	3.4	5.9	2.2	0.5	0.6	0.8	1.3	1.7
Trade working capital	3.8	5.0	-8.1	0.8	-3.8	17.4	4.6	10.3	3.2	1.3
Net working capital	-9.3	-22.4	-29.3	-11.9	-19.0	-39.6	-56.5	-57.8	-50.2	-45.0
NWC/Sales	-17.4%	-20.6%	-71.0%	-30.7%	-25.9%	-24.0%	-28.7%	-26.4%	-29.2%	-30.2%
Inventories/sales	0.3%	0.1%	0.4%	0.5%	0.2%	0.1%	0.8%	0.6%	0.8%	0.9%
Invested capital	108.5	89.3	111.9	102.2	131.3	154.2	262.1	363.0	403.6	432.0
Net fin. debt / FCF (x)	-19.5	2.2	60.1	-2.5	4.1	1.0	-2.5	-4.4	-9.5	-22.8
Gearing (%)	138.0%	64.7%	108.9%	263.6%	130.7%	47.2%	45.6%	55.0%	57.9%	57.5%
Goodwill / Equity (%)	5.8%	2.3%	2.2%	2.9%	1.6%	0.9%	0.5%	0.4%	0.4%	0.3%

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#### Kepler Cheuvreux rating split as of 31 October 2024

Rating Breakdown	A	B
Buy	54%	63%
Hold	35%	27%
Reduce	8%	4%
Not Rated/Under Review/Accept Offer	3%	6%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

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

### 12 months rating history

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

Company Name	Date	Business Line	Rating	Target Price	Closing Price
Deutsche Rohstoff (EUR)	27/11/2023 05:35	Equity Research	Buy	48.00	34.10
	29/01/2024 05:31	Equity Research	Buy	42.00	32.10
	15/04/2024 04:31	Equity Research	Buy	47.00	40.00
	25/04/2024 06:12	Equity Research	Buy	49.00	43.20
	26/04/2024 05:26	Equity Research	Buy	56.50	42.40

Credit research does not issue target prices. Left intentionally blank.

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## Equity research

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

**Hold:** The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

**Reduce:** There is an expected downside.

**Accept offer:** In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offer price is considered to be fairly valuing the shares.

**Reject offer:** In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offered price is considered to be undervaluing the shares.

**Under review:** An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

**Not rated:** The stock is not covered.

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## Europe

 **Amsterdam**  
Kepler Cheuvreux Benelux  
Johannes Vermeerstraat 9  
1071 DK Amsterdam  
**+31 20 563 2365**

 **London**  
Kepler Cheuvreux UK  
5th Floor  
95 Gresham Street  
London EC2V 7NA  
**+44 20 7621 5100**

 **Paris**  
Kepler Cheuvreux France  
112 Avenue Kleber  
75016 Paris  
**+33 1 53 65 35 00**


 **Brussels**  
Kepler Cheuvreux Belgium  
Rogier Tower  
Place Rogier 11  
1210 Brussels  
**+32 11 491460**

 **Madrid**  
Kepler Cheuvreux Espana  
Paseo de la Castellana, 52  
28046 Madrid  
**+34 914 36 5100**


 **Stockholm**  
Kepler Cheuvreux Sweden  
Malmskillnadsgatan 23  
11157 Stockholm  
**+46 8 723 51 00**

 **Frankfurt**  
Kepler Cheuvreux Germany  
Taunusanlage 19  
60325 Frankfurt  
**+49 69 756 960**

 **Milan**  
Kepler Cheuvreux Italia  
Via C. Cornaggia 10  
20123 Milan  
**+39 02 8550 7201**

 **Vienna**  
Kepler Cheuvreux Austria  
Schottenring 16/2  
1010 Vienna  
**+43 1 537 124 147**

 **Geneva**  
Kepler Cheuvreux SA  
Avenue Perdtemps 23,  
1260 Nyon  
Switzerland  
**+41 22361 5151**

 **Oslo**  
Kepler Cheuvreux Norway  
Munkedamsveien 59B  
0270 Oslo  
**+47 23 13 9080**

 **Zurich**  
Kepler Cheuvreux Switzerland  
Stadelhoferstrasse 22  
8001 Zurich  
**+41 43 333 66 66**

## North America

 **New York**  
Kepler Capital Markets, Inc.  
Tower 49  
12 East 49th Street, Floor 36  
10017 New York, NY USA  
**+1 212 710 7600**

## United Arab Emirates

 **Dubai (DIFC)**  
Office 104, Level 1, Tower 1,  
Al Fattan Currency House,  
Plot No. GB02, Al Fattan Area,  
Emirate of Dubai  
Dubai International Financial  
Centre,  
Dubai, UAE