

Deutsche Rohstoff AG

Germany / Energy

Frankfurt

Bloomberg: DR0 GR

ISIN: DE000A0XYG76

Update

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 43.00**

34.4%

High

HIGHER OIL/GAS FUTURES CURVES STILL NOT PRICED IN

The oil and gas NYMEX futures strips have both risen steadily in recent months. For 2022, average realised/futures oil pricing is 63% above its mid-December level while the equivalent figure for natural gas is 81%. Meanwhile the average levels of the 2023-30 oil and gas futures strips have risen by 21% and 59% respectively over the same period. Based on DRAG's published expansion plans in Utah and Wyoming, we now see fair value for the share at €43.00 (previously: €31.00) and maintain our Buy recommendation. Our price target does not include additional upside potential from further drilling of the still substantially undeveloped land DRAG acquired in Utah (3,000 acres) and Wyoming (67,500 acres) during 2018-21 when commodity prices were much lower than they are now. By comparison, the Cub Creek subsidiary's Colorado land package, which has been the mainstay of the group's production during the past five years, is only 5,000 acres. DRAG's growing land position is reflected in its oil and gas reserves. Proven reserves climbed 43.0% to 29.2mBOE in 2021 while probable reserves jumped from 3.8mBOE to 19.4mBOE. We estimate North Dakota/Utah/Wyoming accounted for 80% of the increase in proven reserves and 100% of the increase in probable reserves. Further reserve growth in these states is likely as DRAG and other industry players continue developing their land in Utah and Wyoming.

We expect oil/gas/NGL volumes to climb 35% this year Figure 1 overleaf shows our oil, gas and NGL (natural gas liquids) output forecast to 2023E for each of DRAG's US subsidiaries. In 2021 total output climbed 67.9% to 2.589m BOE (barrel of oil equivalent) compared with 1.542m BOE in 2020. The increase was driven mainly by the resumption of production from Cub Creek's Olander pad, which was shut in for most of 2020 because of low oil prices. However, output from Bright Rock also climbed by nearly 130,000 BOE. Production by Bright Rock in Wyoming increased on the back of new wells acquired in 2020 and first output from the Buster Well. New wells drilled by partners in Utah also helped grow the Bright Rock total.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021	2022E	2023E
Revenue (€m)	109.05	41.20	38.68	73.32	165.30	174.67
Y-o-y growth	102.9%	-62.2%	-6.1%	89.5%	125.4%	5.7%
EBITDA (€m)	97.93	22.73	23.93	66.06	140.54	148.91
EBITDA margin	89.8%	55.2%	61.9%	90.1%	85.0%	85.3%
Net income (€m)	13.87	0.31	-15.51	24.79	58.84	74.63
EPS (diluted) (€)	2.81	0.06	-3.13	5.00	11.88	15.07
DPS (€)	0.70	0.10	0.00	0.60	0.80	1.00
FCF (€m)	2.47	-14.79	-22.85	-1.01	42.10	65.65
Net gearing	37.2%	75.9%	202.6%	100.2%	25.0%	-10.5%
Liquid assets (€m)	59.99	66.64	22.82	23.49	79.15	130.13

RISKS

Risks include negative movements in the oil price and other raw materials prices, dry well risk, mechanical failure, loss of key personnel.

COMPANY PROFILE

Deutsche Rohstoff AG (DRAG) is a resources company with a portfolio of properties in oil/gas and so-called high tech metals such as tin and tungsten. The business model is based on production in well-explored areas in politically stable countries. DRAG is based in Mannheim, Germany.

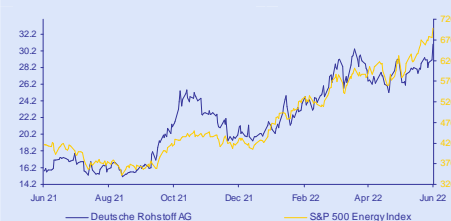
MARKET DATA

As of 08 Jun 2022

Closing Price	€ 32.00
Shares outstanding	4.95m
Market Capitalisation	€ 158.53m
52-week Range	€ 15.05 / 32.00
Avg. Volume (12 Months)	18,374

Multiples	2021	2022E	2023E
P/E	n.a.	2.7	2.1
EV/Sales	3.4	1.5	1.4
EV/EBITDA	3.7	1.8	1.7
Div. Yield	1.9%	2.5%	3.1%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2022

Liquid Assets	€ 30.01m
Current Assets	€ 66.57m
Intangible Assets	€ 31.36m
Total Assets	€ 293.58m
Current Liabilities	€ 24.58m
Shareholders' Equity	€ 95.20m

SHAREHOLDERS

Management	10.0%
Institutional shareholders	30.0%
Free float	60.0%



Management guidance for 2022 is for output of 3.40m BOE to 3.65m BOE (daily production of 9,300-10,000 BOE), equivalent to an increase of 31%-41% over the 2021 figure. Our own forecast of 3.48m BOE is roughly in the middle of this range. The output increase this year will derive from several different sources. Production at Cub Creek's Knight pad began slowly in November last year, but exceeded 100,000 barrels of oil in March and is expected to peak in the current quarter. Production from Salt Creek's ca. 40% participation in the first six of eighteen two-mile wells to be drilled in Wyoming by Occidental Petroleum is expected to come on stream during Q4/22. The remaining 12 wells will start production in H1/23. In addition DRAG plans to invest in new wells drilled by Bright Rock's partners in Utah. Full year contributions from 17 wells acquired by Cub Creek in Wyoming last autumn, from the wells drilled by Bright Rock's partners in Utah last year and from the Buster Well in Wyoming will generate further growth.

Figure 1: 2020 and 2021 oil/gas output by subsidiary and forecasts for 2022E-2023E

BOE	FY/20A	FY/21A	FY/22E	FY/23E
Cub Creek Energy	807,470	1,963,641	2,739,168	1,988,752
change	0.1%	143.2%	39.5%	-27.4%
of which:				
oil	392,221	821,221	1,276,290	1,064,750
gas + NGL	415,249	1,142,420	1,462,878	924,002
gas + NGL as % total	51.4%	58.2%	53.4%	46.5%
Elster Oil & Gas	592,187	341,561	278,739	239,299
change	-20.2%	-42.3%	-18.4%	-14.1%
of which:				
oil	198,342	112,731	88,691	71,356
gas + NGL	393,845	228,830	190,048	167,943
gas + NGL as % total	66.5%	67.0%	68.2%	70.2%
Salt Creek Oil & Gas	21,688	24,074	90,794	661,398
change	-45.5%	11.0%	277.1%	628.5%
of which:				
oil	16,682	14,960	68,029	490,763
gas + NGL	5,006	9,114	22,765	170,635
gas + NGL as % total	23.1%	37.9%	25.1%	25.8%
Bright Rock Energy	120,729	259,913	376,147	228,754
change	111.7%	115.3%	44.7%	-39.2%
of which:				
oil	96,774	210,176	316,971	189,979
gas + NGL	23,955	49,737	59,175	38,775
gas + NGL as % total	19.8%	19.1%	15.7%	17.0%
Total	1,542,074	2,589,189	3,484,847	3,118,203
change	-6.3%	67.9%	34.6%	-10.5%
of which:				
oil	704,019	1,159,088	1,749,981	1,816,848
gas + NGL	1,100,208	1,435,947	1,734,866	1,301,356
gas + NGL as % total	54.3%	55.5%	49.8%	41.7%
Total BOEPD	4,225	7,094	9,548	8,543
change	-6.3%	67.9%	34.6%	-10.5%

Source: DRAG; First Berlin Equity Research estimates

Higher realised prices to keep revenue rising in 2023 despite lower volume 2023 output will be boosted by the 18 Occidental wells and also the start of production at midyear from five new Cub Creek wells in Wyoming (working interest: 80%). However, we do not expect new production so far scheduled for 2023 to stop overall output falling. The good news is that, on the basis of the current futures strips, reduced hedging cover will lead to improved realised pricing. As figure 2 shows, we expect realised oil and gas prices before transport costs to be respectively 14.1% and 14.5% higher in 2023 than in 2022.



Figure 2: FBe oil and gas prices realised by DRAG 2022 and 2023

	FY/22E	FY/23E
Oil		
Hedged barrels (000s)	923	143
% FBe production	53%	8%
Av. hedging price/barrel (USD)	62.22	69.72
Mkt. price/NYMEX futures strip (USD)	105.75	96.61
Average realised price before transport costs (USD)	82.79	94.49
% chng.	n.a.	14.1%
EUR hedging gain/(loss) (m)	-36.99	-3.59
USD hedging gain/(loss) (m)	-40.18	-3.85
Gas		
Hedged mcf (000s)	3,884	1,220
% FBe production	54%	23%
Av hedging price/mcf (USD)	2.92	3.65
Mkt. price/NYMEX futures strip (USD/mcf)	7.70	6.56
Average realised price before transport costs (USD)	5.14	5.89
% chng.	n.a.	14.5%
EUR hedging gain/(loss) (m)	-14.64	-3.04
USD hedging gain/(loss) (m)	-15.71	-3.26
Total hedging gain (loss) (m)		
EUR hedging gain/(loss) (m)	-51.63	-6.63
USD hedging gain/(loss) (m)	-55.89	-7.12

Source: First Berlin Equity research forecasts

In addition, the ratio of oil to gas/NGLs produced by new wells is higher than from existing wells. The same holds true for wells in Wyoming and Utah in comparison with wells in Colorado. As figure 1 shows, we expect new production and an increase in the proportion of output from Wyoming/Utah to raise the share of oil in DRAG's production from 44% in 2021 to 58% in 2023. A BOE of oil is currently twice as valuable as a BOE of gas. Higher realised pricing and the shift towards oil explain why we expect DRAG's revenue and EBITDA to keep rising in 2023 vs. 2022 (see figure 3) despite a forecast 11% decline in production on a BOE basis.

Figure 3: DRAG guidance and FB forecasts

€m	25.04.22	25.04.22	FB Forecast		New FB forecast vs. (DRAG higher oil/ gas price scenario)
	(base case)	(higher oil/ gas price scenario)	13.12.21	08.06.22	
2022 volume (mBOE)	3.40-3.65	3.40-3.65	3.58	3.48	-1.3%
2023 volume (mBOE)	n.a.	n.a.	2.33	3.12	n.a.
2022 revenue	130-140	140-150	119	166	14.3%
2022 EBITDA	110-120	120-130	82	146	16.7%
2023 revenue	125-135	140-150	74	176	21.1%
2023 EBITDA	100-110	115-125	47	151	26.1%
2022 oil price assumption (USD)	85.00	92.00	65.80	107.20	16.5%
2022 gas price assumption (USD)	4.00	4.00	3.83	6.92	73.0%
2023 oil price assumption (USD)	75.00	85.00	60.72	96.61	13.7%
2023 gas price assumption (USD)	4.00	4.00	3.42	6.05	51.3%
USDEUR exchange rate	0.89	0.89	0.89	0.93	4.7%

Source: DRAG; First Berlin Equity Research estimates

Futures curves currently above DRAG's higher oil/gas price scenario guidance On 25 April, on publication of the 2021 annual report, DRAG updated its revenue and EBITDA guidance for 2022 and provided first guidance for 2023. DRAG provided a base case scenario and also a higher oil/gas price scenario. The oil and gas futures curves are currently above the levels in DRAG's higher oil/gas price scenario. This explains why our 2022 and 2023 forecasts are above DRAG's higher oil/gas price scenario guidance.



EBITDA margin of 90% in Q1/22 Q1/22 results (see figure 4) showed a 56.7% jump in revenue to €28.1m (Q1/21: €17.9m) on the back of a 22.6% increase in volume to 709,511 BOE (578,912 BOE) and increases in the oil and gas prices of 63.7% and 37.7% respectively. Revenue growth would have been higher still without a hedging loss of €10.5m (Q1/21: a loss of €1.6m). Bright Rock Energy/Salt Creek Oil & Gas accounted for over three quarters of the Q1/22 volume increase. The main contributor to the volume increase was the Buster well which was drilled on acreage acquired in Wyoming in 2020 and came on stream in October last year. Rising production from the Knight pad, which came on line in mid-November raised production at Cub Creek by 23.2% to 487,967 BOE compared with Q4/21 (396,039 BOE). But the increase vs. the prior year quarter was only 5.9% because, as mentioned above, Q1/21 saw the resumption of production from the Olander pad. The EBITDA margin narrowed to 90% from 119% due mainly to lower income from the sale of securities. This figure came in at €3.4m in Q1/22 (Q1/21: €8.8m). At the end of March DRAG had unrealised gains of €4.0m in its equity portfolio.

Figure 4: Q1/22 results

All figures in € 000s	Q1 21A	Q1 22A	Δ %
Oil price (USD/barrel)	58.13	95.17	63.7%
Gas price (USD/MMBtu)	3.37	4.64	37.7%
Revenue	17,924	28,083	56.7%
Change in work in progress	0	0	n.a.
Other operating income	9,501	4,173	-56.1%
Cost of materials	-3,444	-4,698	-36.4%
Personnel expenses	-1,130	-1,013	10.4%
Other operating expenses	-1,559	-1,334	14.4%
EBITDA	21,293	25,212	18.4%
Depreciation on tangible & intangible assets	-6,764	-8,170	-20.8%
Amortisation of financial assets	-203	-21	89.7%
Total depreciation and amortisation	-7,710	-31,319	-306.2%
EBIT	14,326	17,021	n.a.
Other interest	387	200	-48.3%
Interest expense	-1,676	-1,680	0.2%
Pretax	13,037	15,541	19.2%
Tax	1,356	2,773	n.a.
Net profit before minorities	11,681	12,768	9.3%
Minorities	-663	-891	n.a.
Net profit after minorities	11,018	11,877	7.8%
Oil/gas/NGLs production (BOE)	578,912	709,511	22.6%
Oil	293,302	380,795	29.8%
Gas/NGLs	285,610	328,716	15.1%
by subsidiary:			
Cub Creek Energy	460,788	487,967	5.9%
of which:			
Oil	237,040	233,567	-1.5%
Gas/NGLs	223,748	254,400	13.7%
Elster Oil & Gas	72,999	75,451	3.4%
of which:			
Oil	21,674	21,606	-0.3%
Gas/NGLs	51,325	53,845	4.9%
Bright Rock Energy/Salt Creek Oil & Gas	45,125	146,093	223.8%
of which:			
Oil	34,588	125,622	263.2%
Gas/NGLs	10,537	20,471	94.3%

Source: DRAG

**Figure 5: Evolution of DRAG's net debt position**

€000's	FY/20	FY/21	Q1/22	Q2-Q4 22E	FY/22E	FY/23E
Cash at bank	8,210	12,700	17,247	n.a.	68,356	119,339
Securities classified as current assets	14,606	10,792	12,766	n.a.	10,792	10,792
Total liquid assets	22,816	23,492	30,013	n.a.	79,148	130,131
Securities classified as non-current assets	13,214	13,630	11,485	n.a.	13,630	13,630
Total cash, current/non-current securities	36,030	37,122	41,498	n.a.	92,778	143,761
Bonds	114,419	97,761	110,700	n.a.	110,700	100,000
Bank liabilities	13,962	19,631	19,697	n.a.	19,697	19,697
Total interest bearing debt	128,381	117,392	130,397	n.a.	130,397	119,697
Equity	45,589	80,074	95,197	n.a.	150,722	229,954
Net interest-bearing debt	92,351	80,270	88,899	n.a.	37,619	-24,064
Net gearing	202.6%	100.2%	93.4%	n.a.	25.0%	-10.5%
Op. cashflow before working cap. expenditure	11,279	44,915	24,276	86,657	110,933	120,613
Cash inflow/(outflow) from working capital	2,712	6,907	-17,445	13,611	-3,834	1,033
Op. cashflow after working cap. expenditure	13,991	51,822	6,831	100,268	107,099	121,646
Investments in intangibles	-6,110	-10,953	-1,479	-3,521	-5,000	-5,000
Investments in PPE	-30,731	-41,876	-16,440	-43,560	-60,000	-51,000
Other cashflow from investing	-11,889	23,483	3,524	0	3,524	0
Cashflow from investing activities	-48,730	-29,346	-14,395	-47,081	-61,476	-56,000
Cashflow after investing	-34,740	22,477	-7,564	53,187	45,623	65,646

Source: DRAG

2021 net debt reduction driven by securities portfolio profits As figure 5 shows, in 2021 operating cashflow of €51.8m was very close to investments of €52.8m. Cub Creek Energy invested €34.2m in drilling and completion of the Knight pad and the acquisition of 30,000 acres in the Powder River Basin in Wyoming. Meanwhile, Bright Rock Energy invested €18.4m in drilling and completion of the Buster well and in partner-operated wells in Utah. Net debt fell by €12.1m last year mainly due to realised net profits of €17.2m on the securities portfolio set up in spring 2020 at the start of the pandemic.

Q1/22 operating cashflow came in at €6.8m (Q1/21: €14.0m) due mainly to working capital consumption of €17.4m (Q1/21: cash consumption of €6.3m) in connection with investments in the Occidental wells in Wyoming and the partner-operated wells in Utah. These projects were the main element in capital expenditure of €17.9m (Q1/21: €2.8m). Cashflow after investing amounted to €-7.6m in Q1/22 (Q1/21: €13.4m).

Current commodity pricing and CAPEX plans suggest net cash position by end 2023

Investments for 2022 and 2023 announced so far by DRAG are shown in figure 6. Assuming no further project announcements, we expect cash generation from increasing volume at higher prices, and a reduction in DRAG's working capital position, to turn the company's current net debt position into a net cash position by the end of 2023.

Figure 6: Planned investments 2022 and 2023

(USDm)	2022	2023
Cub Creek 5-well drilling programme in Wyoming	20	20
Salt Creek participation in 18 Occidental wells in Wyoming	30	35
Bright Rock participation in partner-operated wells in Utah	15	0

Source: DRAG



Figure 7: Changes to our forecasts

All figures in € 000s	2022E		Δ	2023E		Δ
	New	Old		New	Old	
Revenue	165,298	119,416	38.4%	174,669	74,128	135.6%
EBITDA	140,544	82,104	71.2%	148,914	47,417	214.1%
Dep. and amort.	41,818	42,903	-2.5%	37,418	28,009	33.6%
Op. income (EBIT)	98,725	39,201	152%	111,496	19,408	474%
Net financial result	-6,778	-6,099	n.a.	-6,186	-4,668	n.a.
Pre-tax income (EBT)	91,947	33,102	177.8%	105,310	14,741	614.4%
Income taxes	-19,309	-6,951	n.a.	-22,115	-3,096	n.a.
Net before mins.	72,638	26,151	177.8%	83,195	11,645	614.4%
Minority interests	-13,796	-3,262	n.a.	-8,562	-1,338	n.a.
Net inc. after mins.	58,842	22,889	157.1%	74,633	10,307	624.1%
EPS (€)	11.88	4.62	157.1%	15.07	2.08	624.1%

Source: First Berlin Equity Research estimates

2022/2023 forecasts revised up on higher volume/price assumptions Upward revisions to our 2022 and 2023 forecasts since our last note of 13 December stem from the higher volume and price assumptions detailed in figure 3. Our 2023 volume forecast is 34% higher than in December due to the announcement of the new Cub Creek and Salt Creek drilling programmes in February and April 2022 respectively.

Figure 8: Oil/gas/NGL reserves

mBOE	2020	2021*	% Δ
Total reserves	24.25	48.60	100.4%
Regional breakdown:			
Colorado	15.77	17.50	11.0%
N. Dakota, Utah, Wyoming	8.48	31.10	266.7%
Proven reserves	20.42	29.20	43.0%
PD/PUD breakdown:			
Proven developed	n.a.	14.40	n.a.
Proven undeveloped	n.a.	14.80	n.a.
Regional breakdown:			
Colorado	15.77	17.50	11.0%
% of proven reserves	77.2%	59.9%	-
N. Dakota, Utah, Wyoming	4.65	11.70	151.6%
% of proven reserves	22.8%	40.1%	-
Probable reserves	3.83	19.40	406.5%
Regional breakdown:			
Colorado	0.0	0.0	-
% of probable reserves	0.0%	0.0%	-
N. Dakota, Utah, Wyoming	3.83	19.40	406.5%
% of probable reserves	100.0%	100.0%	-

* regional breakdowns for 2021 are FB estimates

Source: DRAG, First Berlin Equity Research estimates

Proven reserves climbed 43.0% to 29.2mBOE in 2021 (2020: 20.4mBOE) while probable reserves jumped from 3.8mBOE to 19.4mBOE. We estimate that North Dakota/Utah/Wyoming respectively accounted for 80% and 100% of these increases. Further reserve growth in these states is likely as DRAG and other industry players continue to develop their acreage in Utah and Wyoming.



VALUATION

Price target raised from €31.00 to €43.00. Buy recommendation maintained Figure 9 shows changes to our valuation model. The upward shift in the oil and gas futures curves and our volume forecasts from 2023 raises our valuation for both Cub Creek and Elster. However, our valuation of Salt Creek/Bright Rock is lower because we now base our calculation on announced investment plans rather than an assumed 75 well investment programme. For the first time we also include the present value of gains/losses on hedge contracts in our valuation. Our valuations of DRAG's stakes in Almonty and Northern Oil and Gas (NOG) have moved in line with these companies' share prices. The net debt calculation shown in figure 9 is based on cash and cash equivalents held in current assets, as we have valued most of the securities held in non-current assets (Almonty, NOG) individually. We now see fair value for the DRAG share at €43.00 (previously: €31.00). We maintain our Buy recommendation.

Figure 9: Changes to our valuation model

€m	New	Old	% Δ
DCF valuation Cub Creek Energy (DRAG's stake 88.5%)	249.1	113.3	119.8%
DCF valuation Elster Oil & Gas (DRAG's stake: 93.0%)	29.2	15.5	88.3%
DCF valuation Salt Creek Oil & Gas/Bright Rock Energy (DRAG's stakes: 100.0%/ 98.86%)	43.8	71.0	-38.3%
of which: potential additional Powder River Basin wells	0.0	53.7	n.a.
PV10 hedging gains/(losses)	-45.4	n.a.	n.a.
Subtotal: US oil and gas activities	276.6	199.7	38.5%
Almonty (12.18% equity stake plus promissory notes and debentures)	27.2	25.8	5.5%
Ceritech (DRAG's stake: 72.46%)	2.0	1.5	34.1%
Hammer Metals	0.0	0.7	n.a.
Northern Oil and Gas (DRAG's stake: 0.56%)	14.7	13.0	13.3%
Rhein Petroleum (DRAG's stake: 10%)	2.5	3.0	-16.7%
Tin International (DRAG's stake: 94.4%)	0.3	1.0	-67.1%
Holding company costs	-10.0	-10.0	0.0%
Total enterprise value	313.4	234.7	33.5%
Cash and securities held in current assets	30.0	18.6	61.4%
Bonds	110.7	97.8	13.2%
Other debt	19.7	2.0	884.9%
Net debt	100.4	81.1	23.8%
Total equity value	213.0	153.6	38.7%
No shares (m)	4.95	4.95	0.0%
Equity value per share (€)	43.00	31.00	38.7%

Source: First Berlin Equity Research estimates



Figure 10: DCF Valuation of Cub Creek Energy*

USD 000s	2022E	2023E	2024E	2025E	2026E
Net revenue (working interest after royalty and ad valorem tax)	179,617	119,381	79,027	55,249	43,956
Cash operating costs	21,073	17,600	18,608	15,349	13,051
EBITDA	158,543	101,781	60,419	39,900	30,905
Depreciation	38,348	27,843	21,892	17,329	14,735
EBIT	120,195	73,938	38,527	22,571	16,171
NOPLAT	94,954	58,411	30,436	17,831	12,775
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
CAPEX	-20,000	-20,000	0	0	0
Working capital expenditure	-4,827	-367	-3,817	-2,369	-1,137
Free cashflow	108,475	65,886	48,511	32,791	26,373
PV free cashflow (10% discount rate)	102,821	56,775	38,002	23,352	17,074
Sum PV free cashflows	301,540				

Source: DRAG; First Berlin Equity Research estimates

Figure 11: DCF Valuation of Elster Oil & Gas*

USD 000s	2022E	2023E	2024E	2025E	2026E
Net revenue (working interest after royalty and ad valorem tax)	16,123	11,619	8,559	6,943	5,950
Cash operating costs	2,144	2,118	2,521	2,363	2,149
EBITDA	13,979	9,501	6,038	4,580	3,802
Depreciation	2,787	2,393	2,118	1,906	1,733
EBIT	11,192	7,108	3,920	2,675	2,069
NOPLAT	8,841	5,615	3,097	2,113	1,634
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
CAPEX	0	0	0	0	0
Working capital expenditure	-411	111	-694	-431	-207
Free cashflow	11,218	8,119	4,521	3,588	3,160
PV free cashflow (10% discount rate)	10,633	6,996	3,541	2,555	2,046
Sum PV free cashflows	33,624				

Source: DRAG; First Berlin Equity Research estimates

Figure 12: DCF Valuation of Salt Creek Oil & Gas, Bright Rock Energy*

USD 000s	2022E	2023E	2024E	2025E	2026E
Net revenue (working interest after royalty and ad valorem tax)	39,177	63,274	36,932	22,895	16,424
EBITDA	35,584	55,396	29,672	17,617	12,299
Depreciation	4,669	8,902	6,100	4,256	3,326
EBIT	30,915	46,494	23,572	13,361	8,973
NOPLAT	24,423	36,731	18,622	10,555	7,089
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
CAPEX	-45,000	-35,000	0	0	0
Working capital expenditure	-1,145	-455	-611	-1,507	-723
Free cashflow	-17,053	10,177	24,111	13,304	9,692
PV free cashflow (10% discount rate)	-16,164	8,770	18,888	9,474	6,274
Sum PV free cashflows	47,623				

Source: DRAG; First Berlin Equity Research estimates

* our valuation models for CCE, EOG, SCOG and BRE extend to 2039 but for reasons of space we show numbers only out to 2026



INCOME STATEMENT

All figures in € 000s	2018A	2019A	2020A	2021A	2022E	2023E
Revenues	109,052	41,204	38,683	73,321	165,298	174,669
Cost of materials	19,019	11,342	11,630	18,106	18,984	17,461
Personnel/G&A expenses	12,378	11,559	10,832	12,118	9,170	8,294
Net other operating income	20,278	4,422	7,713	22,962	3,400	0
EBITDA	97,933	22,725	23,935	66,058	140,544	148,914
Depreciation and amortisation	58,037	17,095	40,070	33,469	41,818	37,418
Operating income (EBIT)	39,896	5,630	-16,135	32,590	98,725	111,496
Net financial result	-13,432	-5,368	-6,388	-5,533	-6,778	-6,186
Other financial items	0	0	0	0	0	0
Pre-tax income (EBT)	26,464	262	-22,524	27,056	91,947	105,310
Taxes	-8,520	-76	6,425	-699	-19,309	-22,115
Profit before minorities	17,944	186	-16,099	26,357	72,638	83,195
Minority interests	-4,072	122	589	-1,563	-13,796	-8,562
Net income / loss	13,872	308	-15,509	24,794	58,842	74,633
EPS (in €)	2.81	0.06	-3.13	5.00	11.88	15.07
Ratios						
EBITDA margin on revenues	89.8%	55.2%	61.9%	90.1%	85.0%	85.3%
EBIT margin on revenues	36.6%	13.7%	-41.7%	44.4%	59.7%	63.8%
Net margin on revenues	12.7%	0.7%	-40.1%	33.8%	35.6%	42.7%
Tax rate	32.2%	29.0%	-28.5%	2.6%	21.0%	21.0%
Y-Y Growth						
Revenues	102.9%	-62.2%	-6.1%	89.5%	125.4%	5.7%
Operating income	652.2%	-85.9%	n.m.	n.m.	202.9%	12.9%
Net income/ loss	150.0%	-97.8%	n.m.	n.m.	137.3%	26.8%



BALANCE SHEET

All figures in € 000s	2018A	2019A	2020A	2021A	2022E	2023E
Assets						
Current assets, total	75,860	80,455	36,354	53,151	115,993	168,942
Cash and cash equivalents	59,990	66,637	22,815	23,492	79,148	130,131
Inventories	156	165	186	175	795	840
Receivables	13,443	9,935	3,505	17,898	24,795	26,200
Prepayments	711	1,156	1,047	893	1,653	1,747
Other current assets	337	1,161	7,327	8,529	7,438	7,860
Deferred tax assets	1,223	1,401	1,474	2,164	2,164	2,164
Non-current assets, total	148,985	198,470	170,368	211,840	235,022	253,603
Intangible assets	16,932	22,136	21,892	29,821	32,165	34,509
Land and buildings	0	0	0	0	0	0
Producing oil plants	107,878	138,433	110,203	143,612	163,689	179,334
Exploration and evaluation	2,048	648	2,227	5,225	5,955	6,525
Plant and machinery	36	143	123	111	127	139
Other equipment	91	331	225	107	122	134
Equity investments	14,385	16,688	17,773	14,552	14,552	14,552
Loans to other investors	1,724	1,902	4,711	4,782	4,782	4,782
Securities classified as fixed assets	5,891	18,189	13,214	13,630	13,630	13,630
Total assets	224,845	278,925	206,722	264,991	351,014	422,545
Shareholders' equity & debt						
Current liabilities, total	38,912	26,927	27,077	31,790	22,271	112,227
Bank debt	16,086	22	190	1,089	0	0
Bond debt	0	0	16,658	0	10,700	100,000
Accounts payable	6,840	17,114	2,901	20,764	4,959	5,240
Other current liabilities	15,986	9,791	7,328	9,937	6,612	6,987
Long-term liabilities, total	77,299	139,089	111,533	116,303	119,697	19,697
Bond debt	66,599	131,077	97,761	97,761	100,000	0
Bank debt	10,700	8,012	13,772	18,542	19,697	19,697
Other long term liabilities	0	0	0	0	0	0
Provisions	19,312	25,222	7,336	18,842	41,324	43,667
Minority interests	8,087	7,184	6,170	7,351	21,147	29,709
Shareholders' equity	65,750	64,317	39,419	72,723	129,575	200,245
Consolidated equity	73,837	71,501	45,589	80,074	150,722	229,954
Deferred tax liabilities	15,485	16,186	15,187	17,982	17,000	17,000
Total consolidated equity and debt	224,845	278,925	206,722	264,991	351,014	422,545
Ratios						
Current ratio (x)	1.95	2.99	1.34	1.67	5.21	1.51
Quick ratio (x)	1.95	2.98	1.34	1.67	5.17	1.50
Financial leverage	37.2%	75.9%	202.6%	100.2%	25.0%	-10.5%
Book value per share (€)	13.32	12.98	7.96	14.68	26.16	40.42
Net cash (debt)	-27,504	-54,285	-92,352	-80,270	-37,619	24,064
Return on equity (ROE)	27.5%	0.3%	-27.5%	41.9%	62.9%	43.7%



CASH FLOW STATEMENT

All figures in € 000s	2018A	2019A	2020A	2021A	2022E	2023E
Net profit before minorities	17,944	186	-16,099	26,357	72,638	83,195
Writedowns/writeups of fixed assets	59,637	16,307	37,702	32,805	41,818	37,418
Increase/decrease in provisions	7,316	17,380	-11,411	-927	0	0
Changes in working capital	-889	-9,195	2,712	6,907	-3,834	1,033
Gains/losses from disposal of fixed assets	-15,132	-31	-286	-736	0	0
Gains/losses from disposal of securities	0	0	-1,433	-18,093	-3,524	0
Interest expense/income	6,227	5,368	6,388	5,533	0	0
Tax paid/received	8,519	76	-6,425	792	0	0
Income tax payments	218	158	0	0	0	0
Other	-15,166	-16,311	2,843	-816	0	0
Operating cash flow	68,674	13,938	13,991	51,822	107,099	121,646
Investment in property, plant equipment	-63,754	-22,513	-30,731	-41,876	-60,000	-51,000
Investment in intangible assets	-2,454	-6,214	-6,110	-10,953	-5,000	-5,000
Free cash flow	2,466	-14,789	-22,850	-1,007	42,099	65,646
Proceeds from disposal of intangible assets	38,391	0	119	1,633	0	0
Management of short term financial assets, other	-451	-5,511	-12,008	21,850	3,524	0
Investing cash flow	-28,268	-34,238	-48,730	-29,346	-61,476	-56,000
Equity financing	-493	-18	-97	0	0	0
Debt financing	15,241	62,000	7,322	19,006	14,094	0
Debt repayment	-30,239	-16,115	-16,658	-31,729	-1,089	-10,700
Interest paid	-6,925	-6,638	-7,515	-6,515	0	0
Dividends, share buybacks	-6,210	-3,937	-743	-328	-2,972	-3,963
Other	0	0	0	-145	3,524	0
Financing cash flow	-28,626	35,292	-17,691	-19,711	13,557	-14,663
Other	18,511	1,004	8,608	-2,088	-3,524	0
Change in cash and equivalents	30,291	6,647	-43,822	677	55,656	50,983
FX/consolidation effects	0	0	0	0	0	0
Cash and current cash equivs., start of the year	29,699	59,990	66,637	22,815	23,492	79,148
Cash and current cash equivs., end of the year	59,990	66,637	22,815	23,492	79,148	130,131
EBITDA/share (in €)	19.84	4.60	4.83	13.33	28.37	30.06
Y-Y Growth						
Operating cash flow	81.4%	-79.7%	0.4%	270.4%	106.7%	13.6%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	55.9%
EBITDA/share	177.9%	-76.8%	5.1%	176.0%	112.8%	6.0%

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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Initial Report	22 July 2010	€7.45	Buy	€13.20
2...30	↓	↓	↓	↓
31	30 September 2019	€13.85	Buy	€18.10
32	24 March 2020	€6.66	Buy	€8.70
33	15 April 2020	€8.36	Add	€9.50
34	19 October 2020	€7.82	Add	€9.50
35	20 April 2021	€12.05	Buy	€17.00
36	29 July 2021	€15.50	Buy	€24.00
37	7 October 2021	€21.10	Buy	€28.00
38	13 December 2021	€20.50	Buy	€31.00
39	Today	€32.00	Buy	€43.00

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