

# Deutsche Rohstoff AG

Outperform → | Target price : 40.0 €

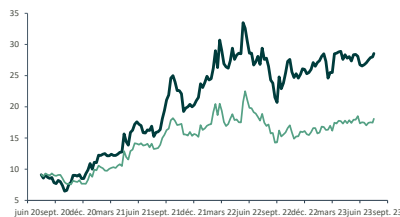
Price (15/08/2023) : 28.55 € | Upside : 40%

Revision	12/23e	12/24e
EPS	ns	ns

## Q2 2023 results – Record production, but lower operating performance

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Sources : ODDO BHF Securities, SIX

Share data	
DRO GR   DROG.DE	
Market Cap (€m)	143
Enterprise value (€m)	182
Extrema 12 months (€)	20.30 - 29.30
Free Float (%)	64.0

Performance (%)	1m	3m	12m
Absolute	6.7	1.8	0.9
Perf. rel. Country Index	8.0	4.3	-2.0
Perf. rel. Oils	3.5	3.1	-1.8

P&L	12/23e	12/24e	12/25e
Sales (€m)	168	175	181
EBITDA (€m)	124	130	135
Current EBIT (€m)	73.7	76.1	79.8
Attr. net profit (€m)	47.0	47.7	53.0
Adjusted EPS (€)	24.70	32.66	41.63
Dividend (€)	1.35	1.40	1.45

P/E (x)	1.2	0.9	0.7
P/B (x)	0.8	0.7	0.6
Dividend Yield (%)	4.7	4.9	5.1
FCF yield (%)	4.8	25.3	34.2
EV/Sales (x)	1.09	0.92	0.67
EV/EBITDA (x)	1.5	1.2	0.9
EV/Current EBIT (x)	2.5	2.1	1.5
Gearing (%)	30	14	-3
Net Debt/EBITDA (x)	0.4	0.2	-0.1

### Next Events

15/11/2023	Q3 Results
30/04/2024	FY Results

### Lower prices for oil & gas weigh on results

Deutsche Rohstoff (DRAG) reported a record production of BOEPD during the first half of 2023, but as expected, revenues and earnings declined y-o-y due to a sharp drop in oil (-26.5% y-o-y) and gas prices (-60% y-o-y). As a result, revenues in the second quarter fell by 26.4% to € 32.5m and EBITDA by 38.9% to € 23.7m. Both numbers were slightly ahead of our forecast. 2Q 2023 revenues include hedging profit of ca. € 1.5m vs a loss of ca. € 16.3m a year ago. The record production of 10,533 BOEPD (+12% y-o-y) topped expectations (10,325 BOEPD).

### Q2 2023 results review

€ m	Q2 23	Q2 22	y-o-y	ODDO BHF	Δ
Sales	32.5	44.2	-26.4%	32.2	+0.8%
EBITDA	23.7	38.8	-38.9%	23.4	+1.4%
Margin	73.0%	87.9%	ns	72.6%	+40bp

Sources: ODDO BHF Securities, company

### Drilling programmes expand operating base even further

Until early August 2023, the company commissioned a total of 30 wells with an average share of 28% (equivalent to 8.4 new net wells). We believe that the scheduled implementation of the 2023 drilling programme (11.9 new net wells in total) will lead to higher production (2023e: ca. 11,600 BOEPD, +21% y-o-y, vs company guidance of 11,000 to 12,000 BOEPD) and increase revenues and earnings in the remainder of the year.

### Guidance for 2023 at the upper end of the range – no changes to our estimates

Based on the operating development and the forecast oil price of WTI (\$ 75/b), the company expects revenues and earnings at the upper end of the guidance range (base scenario) of € 150m to € 170m in revenues and € 115m to € 130m in EBITDA. This compares to our 2023e of € 168.1m in revenues and € 124.3m in EBITDA. We make no changes to our 2023e, confirm our Outperform recommendation and target price of € 40. For 2023e, we are in line with the company's base scenario, but slightly below consensus EBITDA.

Klaus Breitenbach (Analyst)

+49 (0) 69 718 1011

klaus.breitenbach@oddo-bhf.com

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**DROG.DE | DRO GR**  
**Energy Companies | Germany**

**Outperform**

Price 28.55 €

Upside 40.11%

TP 40.0 €

PER SHARE DATA (€)	12/18	12/19	12/20	12/21	12/22	12/23e	12/24e	12/25e
Adjusted EPS	5.81	5.15	1.92	6.92	16.82	24.70	32.66	41.63
Reported EPS	2.81	0.06	-3.13	5.00	12.15	9.39	9.53	10.59
Growth in adjusted EPS	59.3%	-11.3%	-62.7%	ns	ns	46.8%	32.2%	27.5%
Net dividend per share	0.70	0.10	0.00	0.60	1.30	1.35	1.40	1.45
FCF to equity per share	8.28	-2.98	-4.58	0.13	12.05	1.38	7.22	9.78
Book value per share	13.32	12.98	7.96	14.68	25.78	33.65	41.61	50.58
Number of shares market cap (m)	5.06	5.08	5.08	5.08	5.00	5.00	5.00	5.00
Number of diluted shares (m)	5.06	5.08	5.08	5.08	5.00	5.00	5.00	5.00
VALUATION (€m)	12/18	12/19	12/20	12/21	12/22	12/23e	12/24e	12/25e
12m highest price (€)	25.90	19.80	15.95	25.60	33.50	29.15		
12m lowest price (€)	13.86	12.45	6.22	8.70	20.20	24.60		
(*) Reference price (€)	21.19	15.84	9.45	16.18	26.36	28.55	28.55	28.55
Capitalization	107	80.5	48.0	82.2	132	143	143	143
Restated Net debt	33.4	72.5	106	93.9	55.7	51.5	29.5	-8.9
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	10.0	6.7	10.3	15.8	14.3	11.9	11.9	11.9
Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Enterprise Value</b>	<b>131</b>	<b>146</b>	<b>143</b>	<b>160</b>	<b>173</b>	<b>182</b>	<b>160</b>	<b>122</b>
P/E (x)	3.6	3.1	4.9	2.3	1.6	1.2	0.9	0.7
P/CF (x)	1.5	55.0	1.7	1.6	0.8	1.1	1.1	1.1
Net Yield	3.3%	0.6%	0.0%	3.7%	4.9%	4.7%	4.9%	5.1%
FCF yield	39.1%	ns	ns	0.8%	45.7%	4.8%	25.3%	34.2%
P/B incl. GW (x)	1.59	1.22	1.19	1.10	1.02	0.85	0.69	0.56
P/B excl. GW (x)								
EV/Sales (x)	1.20	3.55	3.70	2.19	1.05	1.09	0.92	0.67
EV/EBITDA (x)	1.3	6.4	6.0	2.4	1.2	1.5	1.2	0.9
EV/Current EBIT (x)	4.0	26.0	ns	4.9	1.9	2.5	2.1	1.5
(*) historical average price								
PROFIT AND LOSS (€m)	12/18	12/19	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales	109	41.2	38.7	73	165	168	175	181
EBITDA	98	22.7	23.9	66	139	124	130	135
Depreciations	-65.2	-17.1	-40.1	-33.5	-47.7	-50.7	-54.1	-55.5
<b>Current EBIT</b>	<b>32.7</b>	<b>5.6</b>	<b>-16.1</b>	<b>32.6</b>	<b>91</b>	<b>74</b>	<b>76</b>	<b>80</b>
Published EBIT	32.7	5.6	-16.1	32.6	91	74	76	80
Net financial income	-6.2	-5.4	-6.4	-5.5	-5.5	-4.9	-6.3	-2.4
Corporate Tax	-8.5	-0.1	6.4	-0.7	-19.8	-20.6	-20.9	-23.2
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	-4.1	0.1	0.6	-1.6	-5.4	-1.2	-1.2	-1.2
Attributable net profit	13.9	0.3	-15.5	24.8	61	47.0	47.7	53
<b>Adjusted attributable net profit</b>	<b>28.7</b>	<b>25.5</b>	<b>9.5</b>	<b>34.3</b>	<b>84</b>	<b>124</b>	<b>163</b>	<b>208</b>
BALANCE SHEET (€m)	12/18	12/19	12/20	12/21	12/22	12/23e	12/24e	12/25e
Goodwill	1.7	1.6	1.3	1.3	1.2	1.2	1.2	1.2
Other intangible assets	15.2	20.6	20.6	28.6	32.8	35.8	38.8	41.8
Tangible fixed assets	110	140	113	149	193	271	307	334
WCR	7.8	-4.7	9.2	6.7	23.2	14.6	14.9	15.2
Financial assets	23.2	38.2	37.2	35.1	35.0	-2.5	-24.0	-47.8
Ordinary shareholders equity	65.8	64.3	39.4	72.7	129	168	208	253
Minority interests	8.1	7.2	6.2	7.4	3.4	3.4	3.4	3.4
Shareholders equity	73.8	71.5	45.6	80.1	132	172	212	256
Non-current provisions	50.8	51.2	29.9	46.8	96.7	96.7	96.7	96.7
<b>Net debt</b>	<b>33.4</b>	<b>72.5</b>	<b>106</b>	<b>93.9</b>	<b>55.7</b>	<b>51.5</b>	<b>29.5</b>	<b>-8.9</b>
CASH FLOW STATEMENT (€m)	12/18	12/19	12/20	12/21	12/22	12/23e	12/24e	12/25e
<b>EBITDA</b>	<b>97.9</b>	<b>22.7</b>	<b>23.9</b>	<b>66.1</b>	<b>139.1</b>	<b>124.3</b>	<b>130.2</b>	<b>135.3</b>
Change in WCR	-1.6	12.5	-13.9	2.4	-16.5	8.7	-0.4	-0.3
Interests & taxes	15.0	5.6	0.0	6.3	23.4	25.5	27.3	25.6
Others	-42.6	-26.9	4.0	-23.0	-3.2	-19.6	-28.0	-26.2
Operating Cash flow	68.7	13.9	14.0	51.8	142.7	138.9	129.1	134.4
CAPEX	-27.8	-28.7	-36.7	-51.2	-82.5	-132.0	-93.0	-85.5
<b>Free cash-flow</b>	<b>40.9</b>	<b>-14.7</b>	<b>-22.7</b>	<b>0.6</b>	<b>60.3</b>	<b>6.9</b>	<b>-22.7</b>	<b>48.9</b>
Acquisitions / disposals	0.1	-2.8	-3.9	-0.3	7.6	0.0	0.0	0.0
Dividends	-6.2	-3.9	-0.7	-0.3	-3.7	-7.6	-7.8	-8.1
Net capital increase	-0.5	0.0	-0.1	-0.1	-16.2	0.0	0.0	0.0
Others	-6.9	-6.6	-7.5	-6.5	-6.7	-6.9	-6.5	-1.7
Change in net cash	43.5	-39.1	-33.1	11.7	38.2	4.1	22.0	38.5
GROWTH MARGINS PRODUCTIVITY	12/18	12/19	12/20	12/21	12/22	12/23e	12/24e	12/25e
Sales growth	ns	-62.2%	-6.1%	89.5%	ns	1.6%	4.3%	3.1%
Lfl sales growth	-	-	-	-	-	-	-	-
Current EBIT growth	ns	-82.8%	ns	ns	ns	-19.4%	3.4%	4.8%
Growth in adjusted EPS	59.3%	-11.3%	-62.7%	ns	ns	46.8%	32.2%	27.5%
Net margin	26.3%	61.9%	24.6%	46.8%	50.9%	73.5%	93.2%	ns
<b>EBITDA margin</b>	<b>89.8%</b>	<b>55.2%</b>	<b>61.9%</b>	<b>90.1%</b>	<b>84.1%</b>	<b>73.9%</b>	<b>74.3%</b>	<b>74.8%</b>
<b>Current EBIT margin</b>	<b>30.0%</b>	<b>13.7%</b>	<b>-41.7%</b>	<b>44.4%</b>	<b>55.3%</b>	<b>43.8%</b>	<b>43.4%</b>	<b>44.1%</b>
CAPEX / Sales	-60.7%	-69.7%	-95.2%	-72.1%	-53.8%	-78.5%	-53.0%	-47.3%
WCR / Sales	7.2%	-11.4%	23.7%	9.2%	14.0%	8.7%	8.5%	8.4%
Tax Rate	32.2%	29.1%	28.5%	2.6%	23.0%	30.0%	30.0%	30.0%
Normative tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Asset Turnover	0.8	0.3	0.3	0.4	0.8	0.6	0.5	0.5
<b>ROCE post-tax (normative tax rate)</b>	<b>15.8%</b>	<b>2.7%</b>	<b>-7.5%</b>	<b>13.8%</b>	<b>29.4%</b>	<b>18.0%</b>	<b>15.6%</b>	<b>14.8%</b>
ROCE post-tax hors GW (normative tax rate)	16.1%	2.7%	-7.6%	14.0%	29.6%	18.1%	15.6%	14.9%
ROE	49.8%	39.2%	18.3%	61.2%	83.5%	83.1%	86.8%	90.3%
DEBT RATIOS	12/18	12/19	12/20	12/21	12/22	12/23e	12/24e	12/25e
Gearing	45%	ns	ns	ns	42%	30%	14%	-3%
Net Debt / Market Cap	0.31	0.90	2.20	1.14	0.42	0.36	0.21	-0.06
<b>Net debt / EBITDA</b>	<b>0.34</b>	<b>3.19</b>	<b>4.41</b>	<b>1.42</b>	<b>0.40</b>	<b>0.41</b>	<b>0.23</b>	<b>-0.07</b>
EBITDA / net financial charges	15.7	4.2	3.7	11.9	25.3	25.5	20.6	56.0

Sources: ODDO BHF Securities, SIX



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Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on ODDO BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

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Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
24/07/23	Outperform	40.00	26.70	Klaus Breitenbach

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		Outperform	Neutral	Underperform
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Liquidity providers coverage	(81)	49%	41%	10%
Research service coverage	(51)	67%	24%	10%
Investment banking services	(26)	62%	31%	8%

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