

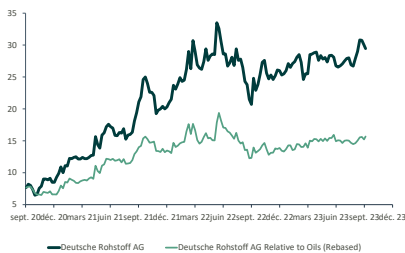
Deutsche Rohstoff AG

Outperform → | **Target price: 44.0 € vs 40.0 €** ↗
 Price (04/10/2023): 29.45 € | Upside: 49%

Revision	12/23e	12/24e
EPS	9.1%	12.5%

Increased production and a higher oil price drive earnings. Target price raised to € 44.00. Rating Outperform

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Sources: ODDO BHF Securities, SIX

Share data

DRO GR DROG.DE	
Market Cap (€m)	147
Enterprise value (€m)	202
Extrema 12 months (€)	22.60 - 31.20
Free Float (%)	64.0

Performance (%)	1m	3m	12m
Absolute	5.2	9.9	29.2
Perf. rel. Country Index	9.5	15.2	18.3
Perf. rel. Oils	6.6	6.6	21.6

P&L	12/23e	12/24e	12/25e
Sales (€m)	189	195	188
EBITDA (€m)	142	148	141
Current EBIT (€m)	86.7	90.5	82.7
Attr. net profit (€m)	58.2	56.9	53.1
Adjusted EPS (€)	26.94	36.74	45.73
Dividend (€)	1.35	1.40	1.45

P/E (x)	1.1	0.8	0.6
P/B (x)	0.8	0.6	0.5
Dividend Yield (%)	4.6	4.8	4.9
FCF yield (%)	ns	36.5	38.2
EV/Sales (x)	1.07	0.84	0.64
EV/EBITDA (x)	1.4	1.1	0.9
EV/Current EBIT (x)	2.3	1.8	1.5
Gearing (%)	35	11	-6
Net Debt/EBITDA (x)	0.5	0.2	-0.1

Next Events

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

New guidance implies higher earnings

Deutsche Rohstoff (DRAG) has raised its guidance for 2023 and 2024 due to the following reasons: 1) the strong rise in the WTI oil price and the US dollar, 2) strong operational development and 3) as a consequence of the increased planning certainty from the successful issuance of the corporate bond 2023/2028, an accelerated completion of the current drilling programme with increased working interest in current development wells. Revenues in 2023 are now expected in a range of € 188m to € 198m which is above “the upper end of the previous guidance range for the base scenario of € 150m to € 170m” (ODDO BHF € 168.1m; cons. € 163.5m). FY 2023 EBITDA is now seen at € 138m to 148m which is also above “the upper end of the previous guidance range for the base scenario of € 115m to € 130m” (ODDO BHF € 124.3m; cons. € 124.5m). For 2024, the company projects revenues of € 190m to € 210m (vs € 170m to € 190m earlier) and EBITDA of € 145m to € 160m (vs. € 130m to 145m earlier). Both numbers were also above our and cons. estimates. Please see tables overleaf for details.

We raise our estimates to account for the strong business momentum

Based on DRAG’s ability to bring the ongoing drilling projects into production even faster, we think that daily production in 2023e will rise by almost 32% y-o-y to 12,617 BOEPD (old: 11,628 BOEPD). Our new 2023e BOEPD is in line with the company’s recent statement which sees 2023 production higher than in its previous guidance (11,000 to 12,000 BOEPD). As a result of the new higher 2023e BOEPD base, our 2024e and 2025e BOEPD will increase by 6% and 5% respectively. Including the attractive price environment and a record hedge book of 1.6m BOE, we raise our revenue estimates for 2023e to 2025e by 4-12% and our EBITDA expectations by 4-14%. For 2023e and 2024e, we are in line with the guidance range, but above cons revenues and EBITDA. Please see tables overleaf for details.

Main assumptions behind our forecast

- WTI crude oil trading at an average price of \$ 80/b (2023e), \$ 75/b (2024e), \$ 70/b (2025e)
- Henry Hub natural gas trading at an average price (\$/cubic feet) of 2.80 (2023e), 3.25 (2024e), 3.25 (2025e)
- Production (BOEPD): 12,617 (2023e); 13,158 (2024e); 13,326 (2025e)
- Exchange rate €/\$: 1.08 (2023e), 1.11 (2024e), 1.13 (2025e)
- Hedge book as of 27 September 2023

Outperform reiterated. Target price raised to € 44.0

We believe that Deutsche Rohstoff is well positioned to benefit from the ongoing high demand for oil and gas in the coming years. Based on our updated estimates, we derive a new target price of € 44.00 which is determined by using a DCF model. We reiterate our Outperform rating. DRAG is trading at a 2024e P/E of 1.5x which is below its 3-year historical average of 3.1x and also below the selected peer group average (Callon Petroleum, Ring Energy, HighPeak Energy, Earthstone Energy) of 4.8x.

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Deutsche Rohstoff's increased 2023 guidance is based on the following assumptions:
WTI \$ 85/b in Q4 and \$ 2.5/cubic feet gas price, €/ \$ 1.08

Deutsche Rohstoff – 2023 guidance new vs old

€ m	2023 new		2023 old		Change	
	Low	High	Low	High	Low	High
Sales	188.0	198.0	150.0	170.0	25.3%	32.0%
EBITDA	138.0	148.0	115.0	130.0	20.0%	28.7%
Margin	73.4%	74.7%	76.7%	76.5%		

Source: Deutsche Rohstoff

Deutsche Rohstoff's increased 2024 guidance (base scenario) is based on the following assumptions:

WTI \$ 75/b and \$ 3.0/cubic feet gas price, €/ \$ 1.12

Deutsche Rohstoff – 2024 guidance new vs old

€ m	2024 new		2024 old		Change	
	Low	High	Low	High	Low	High
Sales	190.0	210.0	170.0	190.0	11.8%	23.5%
EBITDA	145.0	160.0	130.0	145.0	11.5%	23.1%
Margin	76.3%	76.2%	76.5%	76.3%		

Source: Deutsche Rohstoff

Changes to our estimates

€ m	2023e new	2023e old	Delta	2024e new	2024e old	Delta	2025e new	2025e old	Delta
Sales (€ m)	188.6	168.1	12%	195.1	175.3	11%	188.1	180.8	4%
EBITDA (€ m)	141.6	124.3	14%	147.8	130.2	14%	140.7	135.3	4%
Margin	75.1%	73.9%		75.7%	74.3%		74.8%	74.8%	
BOEPD	12,617	11,628	9%	13,158	12,416	6%	13,326	12,733	5%

Source: ODDO BHF Securities

Company guidance vs estimates, 2023e

€ m	2022	2023 guidance		2023e	Chg. y-o-y	ODDO BHF vs guidance		2023e Consensus	ODDO BHF vs Consensus
		Low	High			Low	High		
Sales	165.4	188.0	198.0	188.6	14.0%	0.3%	-4.8%	176.3	7.0%
EBITDA	139.1	138.0	148.0	141.6	1.8%	2.6%	-4.3%	131.6	7.6%
margin	84.1%	73.4%	74.7%	75.1%				74.6%	

Sources: Deutsche Rohstoff, ODDO BHF Securities, FactSet

Company guidance (base scenario) vs estimates, 2024e

€ m	2023e	2024 guidance		2024e	Chg. y-o-y	ODDO BHF vs guidance		2024e Consensus	ODDO BHF vs Consensus
		Low	High			Low	High		
Sales	188.6	190.0	210.0	195.1	3.5%	2.7%	-7.1%	188.9	3.3%
EBITDA	141.6	145.0	160.0	147.8	4.4%	1.9%	-7.6%	144.0	2.6%
Margin	75.1%	76.3%	76.2%	75.7%				76.2%	

Sources: Deutsche Rohstoff, ODDO BHF Securities, FactSet



- **Valuation method**

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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Recommendation and target price changes history over the last 12 months for the company analysed in this re

Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
02/10/23	Outperform	44.00	31.00	Klaus Breitenbach
24/07/23	Outperform	40.00	26.70	Klaus Breitenbach

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		Outperform	Neutral	Underperform
Our whole coverage	(679)	52%	37%	11%
Liquidity providers coverage	(81)	52%	37%	11%
Research service coverage	(49)	67%	22%	10%
Investment banking services	(25)	48%	44%	8%

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