

Deutsche Rohstoff AG

Germany / Energy
 Frankfurt
 Bloomberg: DR0 GR
 ISIN: DE000A0XYG76

2024 Guidance
 Upgrade

RATING
BUY

PRICE TARGET
€ 54.00

Return Potential 33.3%
 Risk Rating High

HIGH OUTPUT/EXPANDED DRILL PROGRAMME PROMPT GUIDANCE RAISE

DRAG has raised its 2024 guidance. Management is now looking for revenue of €210m-€230m (previously: €175m-€195m) and EBITDA of €160m-€180m (previously: €130m-€145m). The guidance upgrade is based on strong volume from existing wells and expansion of the drilling programme. The wells which came on stream in late 2023 have maintained high output levels into the new year and Q1/24 production was 14% above budget. DRAG is now guiding towards full-year production of 14,700-15,700 barrels of oil equivalent per day (boepd). The mid-point of this guidance is 20% above last year's production figure of 12,700 boepd and is all the more spectacular when one considers that the Utah transaction at the end of 2023 entailed the disposal of assets which generated 10% of last year's production. Higher than expected cashflows so far this year have prompted management to add 6 to 7 wells to the original 2024 drilling schedule. DRAG is now guiding towards 2024 investment volume of €145m-€165m (previously: €110m), but despite the hefty rise in production, we still expect net gearing to fall this year. The upward revision to DRAG's sales and EBITDA guidance is based solely on volume. Management's 2024 oil price assumption is unchanged at USD75/bbl and the gas price assumption is now USD2/MMBtu (previously: USD3/MMBtu). The oil price has averaged USD78/bbl so far this year. Clearly, if the oil price remains at its current level of USD85/bbl, there could be further upside to 2024 guidance. We have moved our forecasts into line with 2024 guidance and also reworked our medium term numbers to reflect DRAG's capacity to shoulder a substantial drilling programme without overstressing its balance sheet. DRAG will publish first 2025 guidance in the annual report on 23 April. On the basis of current commodity strips, we believe that DRAG is capable of sustaining revenue above €200m in the mid-term, while reducing net gearing. We maintain our Buy recommendation and raise the price target to €54.0 (previously: €46.0).

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2022	2023P	2024E	2025E	2026E	2027E
Revenue (€m)	165.44	196.50	230.95	213.14	215.53	223.17
Y-o-y growth	125.6%	18.8%	17.5%	-7.7%	1.1%	3.5%
EBITDA (€m)	139.09	158.20	170.37	151.12	157.86	162.22
EBITDA margin	84.1%	80.5%	73.8%	70.9%	73.2%	72.7%
Net income (€m)	60.77	65.10	67.29	56.94	72.17	71.14
EPS (diluted) (€)	12.15	13.01	13.45	11.38	14.42	14.22
DPS (€)	1.30	1.30	1.30	1.30	1.30	1.30
FCF (€m)	60.27	-10.00	-9.46	16.22	23.08	28.86
Net gearing	42.1%	42.2%	34.3%	26.0%	17.5%	10.2%
Liquid assets (€m)	54.20	82.20	4.83	14.44	30.92	53.17

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 fast-growing oil and gas producer with 100% of its production in the United States. Critical metals such as tungsten account for around 10% of the company's assets. DRAG is based in Mannheim, Germany.

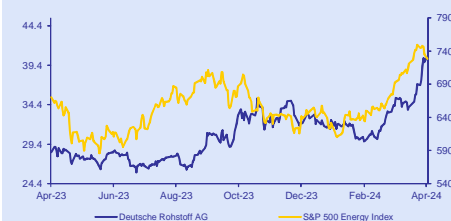
MARKET DATA

As of 15 Apr 2024

Closing Price	€ 40.50
Shares outstanding	5.00m
Market Capitalisation	€ 202.64m
52-week Range	€ 25.80 / 40.50
Avg. Volume (12 Months)	7,643

Multiples	2023P	2024E	2025E
P/E	3.1	3.0	3.6
EV/Sales	1.4	1.2	1.3
EV/EBITDA	1.8	1.7	1.9
Div. Yield	3.2%	3.2%	3.2%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2023

Liquid Assets	€ 76.15m
Current Assets	€ 115.86m
Intangible Assets	€ 31.79m
Total Assets	€ 472.56m
Current Liabilities	€ 72.80m
Shareholders' Equity	€ 167.23m

SHAREHOLDERS

Management	10.0%
Institutional shareholders	19.0%
Free float	71.0%



Above-budget production/cashflows prompt expansion of 2024 CAPEX programme

In Q4/23 DRAG's subsidiary 1876 Resources began production from four wells in Wyoming and five new wells came on stream at the Occidental JV, also in Wyoming. A further two 1876 Resources wells began production in January this year. Due mainly to sustained high production from the wells which came on line in Q4 last year and good results from the two new wells which began producing this year, Q1/24 output was 14% above budget. DRAG's new guidance for 2024 production of 14,700 to 15,700 boepd is based on the strong Q1/24 numbers and the start of production at further new wells subsequent to the end of March. Ten wells drilled by Salt Creek as part of the JV with Occidental started production earlier this month. DRAG's Bright Rock subsidiary is scheduled to complete three Wyoming wells over the next few weeks and bring them on stream towards the middle of this year. These three wells are located on acreage close to the Buster well drilled by Bright Rock in 2021, which proved to be one of the most productive wells in DRAG's history. Two of the wells have been drilled into Niobrara formation from which the Buster well also produces. The third has been drilled into the deeper Mowry formation. So far DRAG has not booked any reserves for the Mowry formation and so the success of this well would substantially increase the potential and value of Bright Rock's acreage. The incremental cashflow generated by better than expected output from recently drilled wells and the current high oil price have prompted management to expand the 2024 drilling programme. DRAG is now guiding towards 2024 investment volume of €145m-€165m (previously: €110m). The company is now planning for 8-10 new 1876 wells (previously: 2-3). We assume that an additional 7 new 1876 wells will begin producing in September.

Average 2024 oil futures strip is 9.4% above DRAG guidance Figure 1 below compares DRAG's new guidance with the guidance issued on 14 November following the announcement of the disposal of the Utah assets. Our 2024 volume forecast is slightly lower than DRAG's guidance. But our sales and EBITDA forecasts are higher because the average level of the oil and gas futures strips on which our numbers are based is higher than DRAG's commodity price assumptions.

Figure 1: DRAG 2024 guidance and First Berlin forecasts

€m	DRAG 14.11.23 (base case)	DRAG 10.04.24 (base case)	DRAG Apr. vs. DRAG Nov. base case	FBe 15.04.24	FBe vs. DRAG Apr. base case
2024 volume (boepd)	n.a.	14,700-15,700	n.a.	14,933	-1.8%
2024 revenue	175-195	210-230	18.9%	231	5.0%
2024 EBITDA	130-145	160-180	19.3%	170	0.2%
2024 oil price assumption (USD/bbl)	75.00	75.00	0.0%	82.08	9.4%
2024 gas price assumption (USD/MMBtu)	3.00	2.00	-33.3%	2.38	19.2%
2024 EURUSD exchange rate	1.12	1.12	0.0%	1.07	-4.5%

Source: DRAG; First Berlin Equity Research estimates

Figure 2: Summarised First Berlin forecasts 2024-2027

€000s	2024E	2025E	2026E	2027E
Volume (boepd)	14,933	14,870	13,825	14,612
Revenue	230,951	213,145	215,528	223,172
EBITDA	170,372	151,116	157,859	162,219
2024 oil price assumption (USD/bbl)	82.08	76.39	71.16	67.80
2024 gas price assumption (USD/MMBtu)	2.38	3.24	3.60	3.65
EURUSD exchange rate	1.07	1.06	1.06	1.06

Source: First Berlin Equity Research estimates



We assume annual CAPEX of USD110m during 2025-27 (equates to 10 100% working interest 2-mile wells each year) We have moved our 2024 forecasts into line with DRAG's guidance (see figure 3 below). For the first time, we also show detailed forecasts for 2025-2027. The projections are based on the assumption of annual drilling CAPEX of USD110m (€103m), equating to 10 new 100% working interest 2-mile wells each year. On our numbers, this CAPEX programme will be sufficient to keep revenue over the €200m mark, while reducing net gearing from an estimated 42.2% at end 2023 to 10.2% at end 2027.

Figure 3: Changes to our forecasts

All figures in € 000s	2024E New	2024E Old	Δ	2025E New	2026E New	2027E New
Volume (boepd)	14,933	12,884	15.9%	14,870	13,825	14,612
Revenue	230,951	180,463	28.0%	213,145	215,528	223,172
EBITDA	170,372	132,942	28.2%	151,116	157,859	162,219
Dep. and amort.	73,782	56,586	30.4%	70,558	58,030	64,001
Op. income (EBIT)	96,590	76,356	26%	80,558	99,829	98,218
Net financial result	-9,438	-9,438	n.a.	-7,500	-7,500	-7,500
Pre-tax income (EBT)	87,152	66,918	30.2%	73,058	92,329	90,718
Income taxes	-18,302	-14,053	n.a.	-15,342	-19,389	-19,051
Net before mins.	68,850	52,865	30.2%	57,716	72,940	71,667
Minority interests	-1,560	-1,211	n.a.	-771	-771	-529
Net inc. after mins.	67,291	51,655	30.3%	56,944	72,168	71,138
EPS (€)	13.45	10.32	30.3%	11.38	14.42	14.22

Source: First Berlin Equity Research estimates

Buy recommendation maintained and price target raised to €54.0 (previously: €46.0)

The average value of the 2024 oil futures strip has risen by 6.6% since our most recent note of 18 March. For the five year period January 2024 to December 2028 this figure is 3.9%. These price increases and higher volume forecasts cause us to raise our price target for the DRAG share from €46.0 to €54.0. We maintain our Buy recommendation.

Figure 4: Changes to our valuation model

€m	New	Old	% Δ
PV11 1876 Resources (DRAG's stake 96.09%)	198.0	159.5	24.2%
PV11 Elster Oil & Gas (DRAG's stake: 93.0%)	14.3	13.5	5.9%
PV11 Salt Creek Oil & Gas/Bright Rock Energy (DRAG's stakes: 100.0%/ 98.49%)	69.1	62.3	11.0%
PV11 other proven reserves (DRAG's stake:100%)	59.7	56.9	5.0%
PV11 hedging gains/(losses)	-6.4	-1.9	239.1%
Subtotal: US oil and gas activities	334.8	290.4	15.3%
Almonty (12.65% equity stake plus promissory notes and debentures)	24.0	23.5	2.5%
Ceritech (DRAG's stake: 72.46%)	0.4	0.4	7.4%
Total enterprise value	359.2	314.2	0.3
Cash and securities held in current assets	82.2	82.2	0.0%
Proceeds from option exercise	5.8	5.8	0.5%
Bonds	120.5	120.5	0.0%
Bank debt	40.8	40.8	
Net debt	73.3	73.3	0.0%
Equity value	285.9	240.9	18.7%
No. shares outstanding (m)	5.00	5.00	0.0%
Fully diluted no shares	5.29	5.29	0.0%
Equity value per share (€)	54.00	45.50	18.7%

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in € 000s	2022A	2023P	2024E	2025E	2026E	2027E
Revenues	165,439	196,500	230,951	213,145	215,528	223,172
Cost of materials	30,343	34,300	41,884	43,359	40,312	42,607
Personnel/G&A expenses	21,719	24,700	34,018	33,973	31,585	33,384
Other operating income	25,710	20,700	15,323	15,303	14,228	15,038
EBITDA	139,088	158,200	170,372	151,116	157,859	162,219
Depreciation and amortisation	47,656	65,100	73,782	70,558	58,030	64,001
Operating income (EBIT)	91,431	93,100	96,590	80,558	99,829	98,218
Net financial result	-5,493	-9,700	-9,438	-7,500	-7,500	-7,500
Other financial items	0	0	0	0	0	0
Pre-tax income (EBT)	85,938	83,400	87,152	73,058	92,329	90,718
Taxes	-19,752	-15,900	-18,302	-15,342	-19,389	-19,051
Profit before minorities	66,186	67,500	68,850	57,716	72,940	71,667
Minority interests	-5,420	-2,400	-1,560	-771	-771	-529
Net income / loss	60,766	65,100	67,291	56,944	72,168	71,138
EPS (in €)	12.15	13.01	13.45	11.38	14.42	14.22
Ratios						
EBITDA margin on revenues	84.1%	80.5%	73.8%	70.9%	73.2%	72.7%
EBIT margin on revenues	55.3%	47.4%	41.8%	37.8%	46.3%	44.0%
Net margin on revenues	36.7%	33.1%	29.1%	26.7%	33.5%	31.9%
Tax rate	23.0%	19.1%	21.0%	21.0%	21.0%	21.0%
Y-Y Growth						
Revenues	125.6%	18.8%	17.5%	-7.7%	1.1%	3.5%
Operating income	180.6%	1.8%	3.7%	-16.6%	23.9%	-1.6%
Net income/ loss	145.1%	7.1%	3.4%	-15.4%	26.7%	-1.4%



BALANCE SHEET

All figures in € 000s	2022A	2023P	2024E	2025E	2026E	2027E
Assets						
Current assets, total	89,814	124,549	54,426	60,295	77,267	101,130
Cash and cash equivalents	54,196	82,200	4,830	14,444	30,915	53,170
Inventories	130	469	551	509	514	533
Receivables	28,733	35,960	42,264	39,006	39,442	40,841
Prepayments	863	1,965	2,310	2,131	2,155	2,232
Other current assets	4,884	2,948	3,464	3,197	3,233	3,348
Deferred tax assets	1,008	1,008	1,008	1,008	1,008	1,008
Non-current assets, total	260,512	368,960	454,384	492,209	542,563	586,945
Intangible assets	33,652	35,996	38,340	40,684	43,028	45,372
Advanced payments	277	277	277	277	277	277
Producing oil plants	161,897	232,789	302,611	332,430	372,778	408,108
Exploration and evaluation	30,357	43,650	56,742	62,333	69,899	76,524
Plant and machinery	276	397	516	567	636	696
Other equipment	109	157	204	224	251	275
Equity investments	15,407	37,157	37,157	37,157	37,157	37,157
Loans to other investors	6,489	6,489	6,489	6,489	6,489	6,489
Securities classified as fixed assets	12,048	12,048	12,048	12,048	12,048	12,048
Total assets	350,326	493,509	508,810	552,504	619,830	688,075
Shareholders' equity & debt						
Current liabilities, total	49,865	55,174	40,763	37,620	38,041	139,390
Bank debt	0	0	0	0	0	0
Bond debt	9,815	20,500	0	0	0	100,000
Accounts payable	11,376	5,895	6,929	6,394	6,466	6,695
Other current liabilities	28,674	28,779	33,834	31,226	31,575	32,695
Long-term liabilities, total	100,077	140,800	100,000	100,000	100,000	0
Bond debt	100,000	100,000	100,000	100,000	100,000	0
Bank debt	77	40,800	0	0	0	0
Other long term liabilities	0	0	0	0	0	0
Provisions	32,653	75,060	55,428	51,155	51,727	53,561
Minority interests	3,403	5,803	7,363	8,134	8,905	9,434
Shareholders' equity	128,962	181,498	270,083	320,421	385,984	450,516
Consolidated equity	132,365	187,301	277,445	328,555	394,889	459,950
Accruals and deferrals	174	174	174	174	174	174
Deferred tax liabilities	35,192	35,000	35,000	35,000	35,000	35,000
Total consolidated equity and debt	350,326	493,509	508,810	552,504	619,830	688,075
Ratios						
Current ratio (x)	1.80	2.26	1.34	1.60	2.03	0.73
Quick ratio (x)	1.80	2.25	1.32	1.59	2.02	0.72
Financial leverage	42.1%	42.2%	34.3%	26.0%	17.5%	10.2%
Book value per share (€)	25.78	36.27	53.98	64.04	77.14	90.04
Net cash (debt)	-55,696	-79,100	-95,170	-85,556	-69,085	-46,830
Return on equity (ROE)	62.3%	42.2%	29.6%	19.0%	20.2%	16.8%



CASH FLOW STATEMENT

All figures in € 000s	2022A	2023P	2024E	2025E	2026E	2027E
Net profit before minorities	66,186	67,500	68,850	57,716	72,940	71,667
Writedowns/writeups of fixed assets	39,790	65,100	73,782	70,558	58,030	64,001
Increase/decrease in provisions	18,882	0	0	0	0	0
Changes in working capital	2,527	2,400	7,109	-3,670	491	1,576
Gains/losses from disposal of fixed assets	-10,145	0	0	0	0	0
Gains/losses from disposal of securities	1,868	0	0	0	0	0
Interest expense/income	5,493	0	0	0	0	0
Tax paid/received	17,863	0	0	0	0	0
Income tax payments	0	0	0	0	0	0
Other	267	0	0	0	0	0
Operating cash flow	142,732	135,000	149,741	124,604	131,461	137,244
Investment in property, plant equipment	-82,915	-195,000	-154,206	-103,383	-103,383	-103,383
Investment in intangible assets	-6,034	-5,000	-5,000	-5,000	-5,000	-5,000
Proceeds from disposal of tangible/intangible assets	6,490	55,000	0	0	0	0
Free cash flow	60,273	-10,000	-9,464	16,220	23,077	28,860
Management of short term financial assets, other	10,295	0	0	0	0	0
Investing cash flow	-72,164	-145,000	-159,206	-108,383	-108,383	-108,383
Equity financing	-16,173	0	0	0	0	0
Debt financing	21,334	51,408	0	0	0	0
Debt repayment	-29,439	0	-61,300	0	0	0
Interest paid	-6,725	0	0	0	0	0
Dividends, share buybacks	-3,728	-6,606	-6,606	-6,606	-6,606	-6,606
Other	0	0	0	0	0	0
Financing cash flow	-34,732	44,802	-67,906	-6,606	-6,606	-6,606
Other	-5,132	-6,798	0	0	0	0
Change in cash and equivalents	30,704	28,004	-77,370	9,614	16,471	22,254
FX/consolidation effects	0	0	0	0	0	0
Cash and current cash equivs., start of the year	23,492	54,196	82,200	4,830	14,444	30,915
Cash and current cash equivs., end of the year	54,196	82,200	4,830	14,444	30,915	53,170
EBITDA/share (in €)	27.80	31.62	34.05	30.20	31.55	32.42
Y-Y Growth						
Operating cash flow	175.4%	-5.4%	10.9%	-16.8%	5.5%	4.4%
Free cash flow	9528.3%	n.m.	n.m.	n.m.	42.3%	25.1%
EBITDA/share	108.5%	13.7%	7.7%	-11.3%	4.5%	2.8%

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First Berlin Equity Research

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PRICE TARGET DATES

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

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.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	22 July 2010	€7.45	Buy	€13.20
2...40	↓	↓	↓	↓
41	11 November 2022	€26.20	Buy	€38.00
42	19 December 2022	€25.10	Buy	€34.00
43	23 March 2023	€25.70	Buy	€38.00
44	4 May 2023	€27.20	Buy	€40.00
45	25 August 2023	€26.15	Buy	€44.00
46	25 October 2023	€32.00	Buy	€50.00
47	8 November 2023	€31.25	Buy	€47.00
48	18 March 2024	€35.25	Buy	€46.00
49	Today	€40.50	Buy	€54.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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