

# Deutsche Rohstoff AG

Germany / Energy  
 Frankfurt  
 Bloomberg: DR0 GR  
 ISIN: DE000A0XYG76

Update

## RATING

### PRICE TARGET

Return Potential  
 Risk Rating

## BUY

€ 28.00

32.7%  
 High

## DEVELOPING WYOMING/UTAH ASSETS AS POST-2022 GROWTH DRIVERS

Twelve wells, each with a horizontal length of 2.25 miles, are due to start producing from the Knight pad in Colorado in December. At a net cost of USD54m this is the most extensive drilling programme undertaken by DRAG so far. We expect these wells to be the main contributors to the ca. 0.9m BOE increase in annual production from 2.7m BOE to 3.6m BOE which we model for 2022. In recent weeks DRAG has made several announcements regarding the acceleration of the development of its oil and gas business in Wyoming and Utah. The acquisition of existing production and the drilling of new wells in these two states accounts for the balance of the output growth we forecast for next year and we expect operations in Wyoming and Utah to be the main drivers of output growth at DRAG post-2022. In July of last year DRAG's Bright Rock subsidiary acquired 28,000 net acres in Wyoming. The area acquired is over five times the size of the 5,000 net acre land package held by Cub Creek and has five wells producing at an approximate rate of 300 barrels/day. DRAG is currently drilling a two-mile horizontal well in Wyoming's Powder River basin to assess the viability of large scale drilling from this acreage. We expect the first month's production from this well in December to come in at 25,000 BOE. DRAG's management sees potential for a further 100 net two-mile horizontal wells on this land if the first well is successful. Recent newsflow causes us to revise upwards our forecasts for the company's oil and gas output in 2022 and 2023 by 20.0% and 16.8%, respectively. Meanwhile, the average level of the oil futures curve for 2022 and 2023 is now 12.1% and 10.4%, respectively, above its level at the time of our most recent 29 July update. We have raised our price target to €28.00 (previously: €24.00) and maintain our Buy recommendation.

**Early acquisition of acreage in Uinta Basin is now paying off** Bright Rock began to acquire acreage in the Uinta Basin in Utah in 2018, taking the view that the field had high, but not yet fully recognised, potential that was likely to be developed in subsequent years. (p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	109.05	41.20	38.68	70.87	124.67	74.16
Y-o-y growth	102.9%	-62.2%	-6.1%	83.2%	75.9%	-40.5%
EBITDA (€m)	97.93	22.73	23.93	60.66	88.19	48.05
EBITDA margin	89.8%	55.2%	61.9%	85.6%	70.7%	64.8%
Net income (€m)	13.87	0.31	-15.51	14.18	26.91	10.66
EPS (diluted) (€)	2.81	0.06	-3.13	2.86	5.43	2.15
DPS (€)	0.70	0.10	0.00	0.70	1.00	0.70
FCF (€m)	2.47	-14.79	-22.85	-11.93	43.77	35.70
Net gearing	37.2%	75.9%	202.6%	170.1%	72.0%	34.6%
Liquid assets (€m)	59.99	66.64	22.82	4.27	20.58	40.62

## 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, so-called high tech metals such as tin and tungsten, and base metals. 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 06 Oct 2021

Closing Price	€ 21.10
Shares outstanding	4.95m
Market Capitalisation	€ 104.53m
52-week Range	€ 6.48 / 21.40
Avg. Volume (12 Months)	9,824

Multiples	2020	2021E	2022E
P/E	n.a.	7.4	3.9
EV/Sales	4.4	2.4	1.4
EV/EBITDA	7.1	2.8	1.9
Div. Yield	0.0%	3.3%	4.7%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Jun 2021

Liquid Assets	€ 41.26m
Current Assets	€ 57.69m
Intangible Assets	€ 20.65m
Total Assets	€ 226.62m
Current Liabilities	€ 26.21m
Shareholders' Equity	€ 66.21m

## SHAREHOLDERS

Management	10.0%
Institutional shareholders	30.0%
Free float	60.0%



During 2020 Bright Rock continued to expand its acreage in the basin to the current position of ca. 3,000 acres both through strategic acquisitions as well as the company's leasing programme. Current daily production from five net two-mile wells is ca. 350 BOE. At the end of August DRAG announced that Bright Rock will invest a total of USD18m in 2021 (of which USD15.6m will be in H2/21) in 32 two-mile wells with an average working interest of 7.1%. These wells are expected to be completed by the end of this year and management expects daily net production to reach 1,500 BOE during Q1/22.

**Latest acquisition looks set to double Wyoming land position** In early September, Cub Creek signed a purchase agreement covering ca. 30,000 net leasehold acres in Wyoming. The transaction is expected to close later this month following the completion of due diligence. The purchase agreement also includes working interest in 17 producing wells with approximately 804 BOE of net daily production (as of August 2021). The transaction more than doubles DRAG's land position in Wyoming to nearly 60,000 acres. The negotiated purchase price for the properties is based on the discounted value of existing production and so does not include potential value stemming from further development drilling, which could be substantial.

In response to Bright Rock's acceleration of development work in the Uinta basin, its drilling of a first well in the Powder River basin, as well as the recent Wyoming acquisition (which we assume will be completed), we arrive at the production forecasts for the period 2021-23 shown in figure 1 below. Our full year numbers for 2021, 2022 and 2023 are respectively 1.2%, 20.0% and 16.8% above the forecasts published in our study of 29 July.

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

BOE	FY/20A	FY/21E	FY/22E	FY/23E
<b>Cub Creek</b>	<b>807,470</b>	<b>2,174,714</b>	<b>2,860,102</b>	<b>1,820,149</b>
change	0.1%	169.3%	31.5%	-36.4%
of which:				
oil	392,221	1,126,977	1,604,412	794,695
gas + NGL	415,249	1,047,737	1,255,690	1,025,454
gas + NGL as % total	51.4%	48.2%	43.9%	56.3%
<b>Elster</b>	<b>592,187</b>	<b>293,451</b>	<b>224,170</b>	<b>193,832</b>
change	-20.2%	-50.4%	-23.6%	-13.5%
of which:				
oil	198,342	104,560	89,668	77,533
gas + NGL	393,845	188,891	134,502	116,299
gas + NGL as % total	66.5%	64.4%	60.0%	60.0%
<b>Salt Creek</b>	<b>21,688</b>	<b>17,794</b>	<b>15,125</b>	<b>12,856</b>
change	-45.5%	-18.0%	-15.0%	-15.0%
of which:				
oil	16,682	13,346	11,344	9,642
gas + NGL	5,006	4,449	3,781	3,214
gas + NGL as % total	23.1%	25.0%	25.0%	25.0%
<b>Bright Rock</b>	<b>120,729</b>	<b>199,298</b>	<b>475,882</b>	<b>307,214</b>
change	111.7%	65.1%	138.8%	-35.4%
of which:				
oil	96,774	163,716	401,170	255,099
gas + NGL	23,955	35,583	74,713	52,115
gas + NGL as % total	19.8%	17.9%	15.7%	17.0%
<b>Total</b>	<b>1,542,074</b>	<b>2,685,258</b>	<b>3,575,279</b>	<b>2,334,051</b>
change	-6.3%	74.1%	33.1%	-34.7%
of which:				
oil	704,019	1,408,598	2,106,594	1,136,969
gas + NGL	1,100,208	1,276,660	1,468,686	1,197,083
gas + NGL as % total	54.3%	47.5%	41.1%	51.3%
<b>Total BOEPD</b>	<b>4,225</b>	<b>7,357</b>	<b>9,795</b>	<b>6,395</b>
change	-6.3%	74.1%	33.1%	-34.7%

Source: DRAG; First Berlin Equity Research estimates



Our forecasts include only production from existing wells or from wells for which drilling and development have already been announced.

**Figure 2: Changes to DRAG guidance and FB forecasts**

€m	26.04.21	06.07.21	DRAG Guidance 16.09.21 (base case)	16.09.21 (higher oil/ gas price scenario)	FB Forecast 29.07.21	04.10.21	New FB forecast vs. DRAG (higher oil/ gas price scenario)
2021 revenue	57-62	68-73	68-73 (upper end of range)	68-73 (upper end of range)	72	71	0.5%
2021 EBITDA	42-47	57-62	57-62 (upper end of range)	57-62 (upper end of range)	58	61	1.9%
2022 revenue	60-65	70-75	98-106	114-122	89	125	5.7%
2022 EBITDA	40-45	47-52	70-76	85-91	59	88	0.2%
2021 oil price assumption (USD)	60.00	65.00	65.00	65.00	66.00	66.96	3.0%
2021 gas price assumption (USD)	n.a.	3.00	3.00	3.00	3.42	3.87	13.3%
2022 oil price assumption (USD)	60.00	60.00	60.00	70.00	66.00	73.81	5.4%
2022 gas price assumption (USD)	n.a.	2.75	3.00	4.00	3.47	4.53	13.2%

Source: DRAG; First Berlin Equity Research estimates

On 16 September DRAG updated its revenue and EBITDA guidance for 2021 and 2022. 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 own 2022 forecasts are slightly above DRAG's guidance.

**Figure 3: Evolution of DRAG's net debt position**

€000's	FY 19	Q1 20	H1 20	9M 20	12M 20	Q1 21	H1 21
Cash at bank	61,281	47,286	13,877	11,150	8,210	16,236	25,559
Securities classified as current assets	5,356	4,639	19,915	15,770	14,606	19,459	15,705
Total liquid assets	66,637	51,925	33,792	26,920	22,816	35,695	41,264
Receivables	11,096	12,112	5,488	12,006	10,832	21,931	16,238
Securities classified as non-current assets	18,189	18,234	12,443	12,443	13,214	13,214	13,770
Total cash, current/non-current securities, receivables	95,922	82,271	51,723	51,369	46,862	70,840	71,272
Total debt	166,016	169,908	143,897	139,316	138,610	140,175	130,073
Equity	71,501	74,826	58,206	52,165	45,589	61,820	66,213
Net debt	54,285	63,006	82,541	91,796	92,351	75,148	65,528
Net gearing	75.9%	84.2%	141.8%	176.0%	202.6%	121.6%	99.0%

Source: DRAG; First Berlin Equity Research estimates

**Net gearing set to fall further in 2022** DRAG generated operating cashflow of €36.8m (H1/20: €15.2m) during H1/21. The increase stemmed from a 55% rise in oil and gas output as well as higher commodity prices. H1/21 cashflow also benefitted from €12m in realised gains on the company's equity and bond portfolio. Net gearing halved from 203% at the end of 2020 to 99% by the end of June 2021. We expect net gearing to fall to 72% by the end of 2022 and 35% by the end of 2023.

**2022/2023 forecasts revised up on higher volume/price assumptions** Figure 4 shows changes to our forecasts since our last study of 29 July. Upward revisions to our 2022 and 2023 forecasts stem from the higher volume and price assumptions detailed in figure 2.



Figure 4: Detailed changes to our forecasts

All figures in € 000s	2021E New	2021E Old	Δ	2022E New	2022E Old	Δ	2023E New	2023E Old	Δ
<b>Revenue</b>	<b>70,866</b>	<b>72,409</b>	<b>-2.1%</b>	<b>124,669</b>	<b>88,779</b>	<b>40.4%</b>	<b>74,164</b>	<b>51,574</b>	<b>43.8%</b>
<b>EBITDA</b>	<b>60,660</b>	<b>57,974</b>	<b>4.6%</b>	<b>88,187</b>	<b>59,102</b>	<b>49.2%</b>	<b>48,047</b>	<b>30,408</b>	<b>58.0%</b>
Dep. and amort.	32,375	31,198	3.8%	42,903	35,764	20.0%	28,009	23,977	16.8%
<b>Op. income (EBIT)</b>	<b>28,284</b>	<b>26,775</b>	<b>5.6%</b>	<b>45,283</b>	<b>23,339</b>	<b>94%</b>	<b>20,038</b>	<b>6,431</b>	<b>212%</b>
Net financial result	-6,090	-6,090	n.a.	-6,099	-4,959	n.a.	-4,668	-4,668	n.a.
Pre-tax income (EBT)	22,194	20,685	7.3%	39,185	18,380	113.2%	15,370	1,764	771.5%
Income taxes	-4,661	-4,344	n.a.	-8,229	-3,860	n.a.	-3,228	-370	n.a.
<b>Net before mins.</b>	<b>17,533</b>	<b>16,341</b>	<b>7.3%</b>	<b>30,956</b>	<b>14,520</b>	<b>113.2%</b>	<b>12,143</b>	<b>1,393</b>	<b>771.5%</b>
Minority interests	-3,353	-2,031	n.a.	-4,050	-2,248	n.a.	-1,480	-385	n.a.
<b>Net inc. after mins.</b>	<b>14,180</b>	<b>14,311</b>	<b>-0.9%</b>	<b>26,907</b>	<b>12,273</b>	<b>119.2%</b>	<b>10,663</b>	<b>1,008</b>	<b>n.a.</b>
<b>EPS (€)</b>	<b>2.86</b>	<b>2.89</b>	<b>-0.9%</b>	<b>5.43</b>	<b>2.48</b>	<b>119.2%</b>	<b>2.15</b>	<b>0.20</b>	<b>n.a.</b>

Source: First Berlin Equity Research estimates

## VALUATION

**Price target raised from €24.00 to €28.00. Buy recommendation maintained** Figure 5 shows changes to our valuation model. Recent acquisition activity and the upward shift in the oil and gas futures curves raise our overall valuation of DRAG's oil and gas producing subsidiaries (see figures 6 to 8 for detail). However, following publication of final H1/21 results, we now take a more conservative view of production at the Elster subsidiary. We have raised our aggregate 2021-23 production forecast for Bright Rock by 37%, but a reduction in near-term numbers contributes to a lowering of our valuation of the subsidiary excluding the option value of the potential Powder River basin wells. Higher commodity prices increase the option value of these wells. We have calculated the option value of the potential Powder River basin wells using the Black-Scholes method (see figure 9). The underlying price is calculated using the PV10 of cash inflows based on the current oil and gas futures curves while the exercise price is based on the PV10 of cash outflows. We have used the maturity date of DRAG's 2024 bond as the expiry date for the options. Expected volatility corresponds with the volatility implied by the current pricing of options on oil futures. Our valuations of DRAG's stakes in Almonty and NOG have moved in line with these companies' share prices. The net debt calculation shown in figure 5 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, Hammer Metals, NOG) individually. We now see fair value for the DRAG share at €28.00 (previously: €24.00). We maintain our Buy recommendation.



Figure 5: Changes to our valuation model

€m	New	Old	% Δ
DCF valuation Cub Creek Energy (DRAG's stake 88.5%)	107.1	88.9	20.5%
DCF valuation Elster Oil & Gas (DRAG's stake: 93.0%)	14.7	15.4	-4.9%
DCF valuation Salt Creek Oil & Gas/Bright Rock Energy (DRAG's stakes: 100.0%/ 98.4%)	62.3	64.9	-4.0%
of which: option value of production from Wyoming wells	46.7	40.6	
<b>Subtotal: US oil and gas activities</b>	<b>184.1</b>	<b>165.3</b>	<b>11.4%</b>
Almonty (13.7% equity stake plus promissory notes and debentures)	25.0	26.7	
Northern Oil and Gas (DRAG's stake: 1.2%)	14.1	10.0	
Tin International (DRAG's stake: 75.4%)	1.0	1.0	
Rhein Petroleum (DRAG's stake: 10%)	3.0	3.0	
Hammer Metals (DRAG's stake: 3.1%)	0.9	1.3	
Holding company costs	-10.0	-10.0	
<b>Total enterprise value</b>	<b>218.0</b>	<b>188.6</b>	<b>15.6%</b>
Cash and securities held in current assets	41.3	42.1	
Bonds	114.4	114.4	
Other debt	6.1	6.1	
Net debt	79.3	78.4	
<b>Total equity value</b>	<b>138.7</b>	<b>118.9</b>	<b>16.7%</b>
No shares (m)	4.95	4.95	0.0%
<b>Equity value per share (€)</b>	<b>28.00</b>	<b>24.00</b>	<b>16.7%</b>

Source: First Berlin Equity Research estimates

Figure 6: DCF Valuation of Cub Creek Energy\*

USD 000s	H2 2021E	2022E	2023E	2024E	2025E
Production (working interest): barrels of oil equivalent (000s)	1,020	2,860	1,820	1,416	1,186
Unhedged average oil price after transport costs (WTI -USD/barrel)	68.95	58.81	62.03	57.22	53.80
<b>Net revenue (working interest after royalty and ad valorem tax)</b>	<b>50,184</b>	<b>113,757</b>	<b>63,489</b>	<b>45,894</b>	<b>36,607</b>
Cash operating costs	12,246	33,749	23,553	18,326	15,343
<b>EBITDA</b>	<b>37,938</b>	<b>80,007</b>	<b>39,936</b>	<b>27,568</b>	<b>21,265</b>
Depreciation	15,307	42,902	27,302	21,244	17,785
<b>EBIT</b>	<b>22,631</b>	<b>37,106</b>	<b>12,634</b>	<b>6,324</b>	<b>3,479</b>
NOPLAT	17,878	29,314	9,981	4,996	2,748
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
<b>CAPEX</b>	<b>-60,000</b>	<b>-6,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Working capital expenditure	5,227	-7,768	-1,129	-386	-200
<b>Free cashflow</b>	<b>-21,587</b>	<b>58,447</b>	<b>36,154</b>	<b>25,854</b>	<b>20,334</b>
PV free cashflow (10% discount rate)	-21,113	51,967	29,223	18,998	13,583
<b>Sum PV free cashflows</b>	<b>145,229</b>				

Source: DRAG; First Berlin Equity Research estimates

Figure 7: DCF Valuation of Elster Oil &amp; Gas\*

USD 000s	H2 2021E	2022E	2023E	2024E	2025E
Production (working interest): barrels of oil equivalent (000s)	127	224	194	172	154
Unhedged average oil price after transport costs (WTI -USD/barrel)	68.95	58.81	62.03	57.22	53.80
<b>Net revenue (working interest after royalty and ad valorem tax)</b>	<b>5,319</b>	<b>8,149</b>	<b>6,491</b>	<b>5,316</b>	<b>4,538</b>
Cash operating costs	1,530	2,645	2,508	2,220	1,997
<b>EBITDA</b>	<b>3,789</b>	<b>5,504</b>	<b>3,983</b>	<b>3,096</b>	<b>2,541</b>
Depreciation	1,402	2,466	2,132	1,887	1,698
<b>EBIT</b>	<b>2,387</b>	<b>3,038</b>	<b>1,851</b>	<b>1,209</b>	<b>843</b>
NOPLAT	1,886	2,400	1,462	955	666
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
<b>CAPEX</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Working capital expenditure	836	-1,051	-168	-70	-36
<b>Free cashflow</b>	<b>4,124</b>	<b>3,815</b>	<b>3,427</b>	<b>2,772</b>	<b>2,327</b>
PV free cashflow (10% discount rate)	4,034	3,392	2,770	2,037	1,555
<b>Sum PV free cashflows</b>	<b>18,904</b>				

Source: DRAG; First Berlin Equity Research estimates

**Figure 8: DCF Valuation of Salt Creek Oil & Gas, Bright Rock Energy\***

USD 000s	H2 2021E	2022E	2023E	2024E	2025E
Production (working interest): barrels of oil equivalent (000s)	125	491	320	225	179
Unhedged average oil price after transport costs (WTI -USD/barrel)	68.95	58.81	62.03	57.22	53.80
<b>Net revenue (working interest after royalty and ad valorem tax)</b>	<b>7,270</b>	<b>23,450</b>	<b>15,784</b>	<b>10,108</b>	<b>7,488</b>
<b>EBITDA</b>	<b>5,767</b>	<b>17,656</b>	<b>11,642</b>	<b>7,200</b>	<b>5,176</b>
Depreciation	1,378	5,401	3,521	2,472	1,965
<b>EBIT</b>	<b>4,388</b>	<b>12,255</b>	<b>8,121</b>	<b>4,729</b>	<b>3,212</b>
NOPLAT	3,467	9,682	6,416	3,736	2,537
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
Depreciation	1,378	5,401	3,521	2,472	1,965
<b>CAPEX</b>	<b>-9,000</b>	<b>-17,600</b>	<b>0</b>	<b>0</b>	<b>0</b>
Working capital expenditure	1,673	-1,687	-380	-246	-127
<b>Free cashflow</b>	<b>-2,482</b>	<b>-4,204</b>	<b>9,557</b>	<b>5,962</b>	<b>4,374</b>
PV free cashflow (10% discount rate)	-2,428	-3,738	7,725	4,381	2,922
<b>Sum PV free cashflows</b>	<b>19,031</b>				

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 2025

**Figure 9: Option value of potential Wyoming wells (USDm)\*\***

	New	Old	Δ %
Underlying price (PV10 of cash inflows based on current futures curve)	10.93	10.15	7.7%
Exercise price (PV10 of cash outflows)	11.29	11.14	1.4%
Expiry date	6 Dec 2024	6 Dec 2024	-
Expected volatility	34.00%	34.00%	0.0%
Risk free rate	0.50%	0.50%	-
Call option per well	2.53	2.20	15.1%
<b>Total call option value</b>	<b>56.95</b>	<b>49.48</b>	<b>15.1%</b>

\*\* assumes 100% working interest in 75 2-mile lateral wells with 30% probability of success

Source: First Berlin Equity Research estimates



## INCOME STATEMENT

All figures in € 000s	2018A	2019A	2020A	2021E	2022E	2023E
<b>Revenues</b>	<b>109,052</b>	<b>41,204</b>	<b>38,683</b>	<b>70,866</b>	<b>124,669</b>	<b>74,164</b>
Cost of materials	19,019	11,342	11,630	19,979	29,232	20,059
Personnel expenses	3,919	4,489	3,647	4,000	4,250	3,559
Net other operating income	11,819	-2,648	529	13,772	-3,000	-2,500
<b>EBITDA</b>	<b>97,933</b>	<b>22,725</b>	<b>23,935</b>	<b>60,660</b>	<b>88,187</b>	<b>48,047</b>
Depreciation and amortisation	58,037	17,095	40,070	32,375	42,903	28,009
<b>Operating income (EBIT)</b>	<b>39,896</b>	<b>5,630</b>	<b>-16,135</b>	<b>28,284</b>	<b>45,283</b>	<b>20,038</b>
Net financial result	-13,432	-5,368	-6,388	-6,090	-6,099	-4,668
Other financial items	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>26,464</b>	<b>262</b>	<b>-22,524</b>	<b>22,194</b>	<b>39,185</b>	<b>15,370</b>
Taxes	-8,520	-76	6,425	-4,661	-8,229	-3,228
Profit before minorities	17,944	186	-16,099	17,533	30,956	12,143
Minority interests	-4,072	122	589	-3,353	-4,050	-1,480
<b>Net income / loss</b>	<b>13,872</b>	<b>308</b>	<b>-15,509</b>	<b>14,180</b>	<b>26,907</b>	<b>10,663</b>
<b>EPS (in €)</b>	<b>2.81</b>	<b>0.06</b>	<b>-3.13</b>	<b>2.86</b>	<b>5.43</b>	<b>2.15</b>
<b>Ratios</b>						
EBITDA margin on revenues	89.8%	55.2%	61.9%	85.6%	70.7%	64.8%
EBIT margin on revenues	36.6%	13.7%	-41.7%	39.9%	36.3%	27.0%
Net margin on revenues	12.7%	0.7%	-40.1%	20.0%	21.6%	14.4%
Tax rate	32.2%	29.1%	28.5%	21.0%	21.0%	21.0%
<b>Y-Y Growth</b>						
Revenues	102.9%	-62.2%	-6.1%	83.2%	75.9%	-40.5%
Operating income	652.2%	-85.9%	n.m.	n.m.	60.1%	-55.8%
Net income/ loss	150.0%	-97.8%	n.m.	n.m.	89.7%	-60.4%



## BALANCE SHEET

All figures in € 000s	2018A	2019A	2020A	2021E	2022E	2023E
<b>Assets</b>						
<b>Current assets, total</b>	<b>75,860</b>	<b>80,455</b>	<b>36,354</b>	<b>29,928</b>	<b>64,597</b>	<b>67,407</b>
Cash and cash equivalents	59,990	66,637	22,815	4,268	20,575	40,622
Inventories	156	165	186	341	599	357
Receivables	13,443	9,935	3,505	8,504	14,960	8,900
Prepayments	711	1,156	1,047	1,918	3,374	2,007
Other current assets	337	1,161	7,327	13,423	23,614	14,047
Deferred tax assets	1,223	1,401	1,474	1,474	1,474	1,474
<b>Non-current assets, total</b>	<b>148,985</b>	<b>198,470</b>	<b>170,368</b>	<b>206,993</b>	<b>185,089</b>	<b>160,081</b>
Intangible assets	16,932	22,136	21,892	19,236	16,580	13,924
Land and buildings	0	0	0	0	0	0
Producing oil plants	107,878	138,433	110,203	149,357	130,549	108,707
Exploration and evaluation	2,048	648	2,227	3,018	2,638	2,197
Plant and machinery	36	143	123	167	146	121
Other equipment	91	331	225	305	267	222
Equity investments	14,385	16,688	17,773	16,985	16,985	16,985
Loans to other investors	1,724	1,902	4,711	4,711	4,711	4,711
Securities classified as fixed assets	5,891	18,189	13,214	13,214	13,214	13,214
<b>Total assets</b>	<b>224,845</b>	<b>278,925</b>	<b>206,722</b>	<b>236,921</b>	<b>249,686</b>	<b>227,488</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>38,912</b>	<b>26,927</b>	<b>27,077</b>	<b>19,134</b>	<b>25,660</b>	<b>95,961</b>
Bank debt	16,086	22	190	0	0	0
Bond debt	0	0	16,658	0	10,700	87,061
Accounts payable	6,840	17,114	2,901	12,756	3,740	2,225
Other current liabilities	15,986	9,791	7,328	6,378	11,220	6,675
<b>Long-term liabilities, total</b>	<b>77,299</b>	<b>139,089</b>	<b>111,533</b>	<b>121,761</b>	<b>87,061</b>	<b>0</b>
Bond debt	66,599	131,077	97,761	97,761	87,061	0
Bank debt	10,700	8,012	13,772	24,000	0	0
Other long term liabilities	0	0	0	0	0	0
Provisions	19,312	25,222	7,336	17,717	31,167	18,541
Minority interests	8,087	7,184	6,170	9,523	13,573	15,053
Shareholders' equity	65,750	64,317	39,419	51,786	75,225	80,934
<b>Consolidated equity</b>	<b>73,837</b>	<b>71,501</b>	<b>45,589</b>	<b>61,309</b>	<b>88,798</b>	<b>95,986</b>
Deferred tax liabilities	15,485	16,186	15,187	17,000	17,000	17,000
<b>Total consolidated equity and debt</b>	<b>224,845</b>	<b>278,925</b>	<b>206,722</b>	<b>236,921</b>	<b>249,686</b>	<b>227,488</b>
<b>Ratios</b>						
Current ratio (x)	1.95	2.99	1.34	1.56	2.52	0.70
Quick ratio (x)	1.95	2.98	1.34	1.55	2.49	0.70
Financial leverage	37.2%	75.9%	202.6%	170.1%	72.0%	34.6%
Book value per share (€)	13.32	12.98	7.96	10.45	15.18	16.34
Net cash (debt)	-27,504	-54,285	-92,352	-104,279	-63,972	-33,225
Return on equity (ROE)	27.5%	0.3%	-27.5%	0.0%	0.0%	0.0%





## CASH FLOW STATEMENT

All figures in € 000s	2018A	2019A	2020A	2021E	2022E	2023E
<b>Net profit before minorities</b>	<b>17,944</b>	<b>186</b>	<b>-16,099</b>	<b>17,533</b>	<b>30,956</b>	<b>12,143</b>
Writedowns/writeups of fixed assets	59,637	16,307	37,702	32,375	42,903	28,009
Increase/decrease in provisions	7,316	17,380	-11,411	0	0	0
Changes in working capital	-889	-9,195	2,712	7,165	-9,085	-1,450
Gains/losses from disposal of fixed assets	-15,132	-31	-286	0	0	0
Interest expense/income	6,227	5,368	6,388	0	0	0
Tax paid/received	8,519	76	-6,425	0	0	0
Income tax payments	218	158	0	0	0	0
Other	-15,166	-16,311	1,410	0	0	0
<b>Operating cash flow</b>	<b>68,674</b>	<b>13,938</b>	<b>13,991</b>	<b>57,073</b>	<b>64,775</b>	<b>38,701</b>
Investment in property, plant equipment	-63,754	-22,513	-30,731	-69,000	-21,000	-3,000
Investment in intangible assets	-2,454	-6,214	-6,110	0	0	0
<b>Free cash flow</b>	<b>2,466</b>	<b>-14,789</b>	<b>-22,850</b>	<b>-11,927</b>	<b>43,775</b>	<b>35,701</b>
Proceeds from disposal of intangible assets	38,391	0	119	0	0	0
Management of short term financial assets, other	-451	-5,511	-12,008	0	0	0
<b>Investing cash flow</b>	<b>-28,268</b>	<b>-34,238</b>	<b>-48,730</b>	<b>-69,000</b>	<b>-21,000</b>	<b>-3,000</b>
Equity financing	-493	-18	-97	0	0	0
Debt financing	15,241	62,000	7,322	0	0	0
Debt repayment	-30,239	-16,115	-16,658	-6,620	-24,000	-10,700
Interest paid	-6,925	-6,638	-7,515	0	0	0
Dividends, share buybacks	-6,210	-3,937	-743	0	-3,468	-4,954
Other	0	0	0	0	0	0
<b>Financing cash flow</b>	<b>-28,626</b>	<b>35,292</b>	<b>-17,691</b>	<b>-6,620</b>	<b>-27,468</b>	<b>-15,654</b>
Other	18,511	1,004	8,608	0	0	0
<b>Change in cash and equivalents</b>	<b>30,291</b>	<b>6,647</b>	<b>-43,822</b>	<b>-18,547</b>	<b>16,307</b>	<b>20,047</b>
FX/consolidation effects	0	0	0	0	0	0
<b>Cash and current cash equivalents, start of the year</b>	<b>29,699</b>	<b>59,990</b>	<b>66,637</b>	<b>22,815</b>	<b>4,268</b>	<b>20,575</b>
<b>Cash and current cash equivalents, end of the year</b>	<b>59,990</b>	<b>66,637</b>	<b>22,815</b>	<b>4,268</b>	<b>20,575</b>	<b>40,622</b>
<b>EBITDA/share (in €)</b>	<b>19.84</b>	<b>4.60</b>	<b>4.83</b>	<b>12.24</b>	<b>17.80</b>	<b>9.70</b>
<b>Y-Y Growth</b>						
Operating cash flow	81.4%	-79.7%	0.4%	307.9%	13.5%	-40.3%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	-18.4%
EBITDA/share	177.9%	-76.8%	5.1%	153.4%	45.4%	-45.5%

## Imprint / Disclaimer

### First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

#### Anschrift:

First Berlin Equity Research GmbH  
 Mohrenstr. 34  
 10117 Berlin  
 Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: [info@firstberlin.com](mailto:info@firstberlin.com)

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

**Authorized by: Simon Scholes, Analyst**

**All publications of the last 12 months were authored by Simon Scholes.**

**Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin**

The production of this recommendation was completed on 7 October 2021 at 14:47

**Person responsible for forwarding or distributing this financial analysis: Martin Bailey**

**Copyright© 2021 First Berlin Equity Research GmbH** No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

### INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

### CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of Deutsche Rohstoff AG the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Deutsche Rohstoff AG for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0,5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

With regard to the financial analyses of Deutsche Rohstoff AG the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Deutsche Rohstoff AG for preparation of a financial analysis for which remuneration is owed.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

**INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).**

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

**PRICE TARGET DATES**

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

**AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY**

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

**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 <sup>1</sup>	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%

<sup>1</sup> 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...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
39	Today	€21.10	Buy	€28.00

**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.

#### **SUBJECT TO CHANGE**

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

#### **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

#### **EXCLUSION OF LIABILITY (DISCLAIMER)**

##### **RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION**

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

##### **RELIABILITY OF ESTIMATES AND FORECASTS**

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

##### **INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES**

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

##### **NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS**

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

##### **NO OBLIGATION TO UPDATE**

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

##### **DUPLICATION**

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

##### **SEVERABILITY**

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

##### **APPLICABLE LAW, PLACE OF JURISDICTION**

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

##### **NOTICE OF DISCLAIMER**

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

##### **QUALIFIED INSTITUTIONAL INVESTORS**

First Berlin financial analyses are intended exclusively for qualified institutional investors.

**This report is not intended for distribution in the USA and/or Canada.**