

Diversified Energy PLC

United States / Energy
 London Stock Exchange
 Bloomberg: DEC LN
 ISIN: GB00BYX7JT74

Update

RATING BUY
PRICE TARGET GBp180.00
 Return Potential 37.3%
 Risk Rating Medium

VERY CASH GENERATIVE, ROBUST DOWNSIDE PROTECTION, 11.8% YIELD

On the basis of the current hedging portfolio and commodity futures strips, we expect DEC to report hedged EBITDA margins of close to 50% in both 2022 and 2023. Including swaps, collars and sold calls, 86% of our 2023 output forecast is hedged. For 2024 this figure was 73% as of the end of July but is rising as management takes advantage of favourable market conditions to layer on additional hedges. The 2023 NYMEX gas futures strip has fallen over the past month on concerns that slowing economic growth will bite into domestic US natural gas demand next year. However, we calculate that a further 10% decline in 2023 commodity strips would lower next year's hedged adjusted EBITDA margin by only 1.9 percentage points. For good measure, recent sterling weakness has not only pushed the dividend yield to 11.8% but has prompted management to mount a buyback of up to 10% of the share capital. We maintain our Buy recommendation and have raised the price target from GBp160 to GBp180 to reflect increases to our earnings forecasts following the acquisition of assets from Conoco Phillips and the higher sterling value of the dividend following recent depreciation of the British currency.

Adjusted EBITDA margin to strengthen in H2/22 The latest available information on DEC's hedging portfolio dates from end July. On the basis of these numbers, we calculate that, including sold calls, 90% of our 2022 49.6m BOE production estimate is hedged. DEC's adjusted H1/22 EBITDA margin came in at 48.0% (H1/21:50.2%). DEC acquired assets in East Texas in late April and closed the acquisition of assets from ConocoPhillips on 28 September. Taken together, these acquisitions boosted output by ca. 9%. Both asset packages were acquired unhedged. We expect DEC's adjusted EBITDA margin to widen to 51.4% by the full-year stage due to higher average gas prices in H2/22 and hedging of the acquisitions' output at favourable rates.

Commodity price sensitivity greatly reduced by hedging Figure 1 overleaf shows our 2023 forecast on a unit basis by commodity and shows... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021	2022E	2023E
Revenue (unhedged) (\$ m)	289.77	462.26	408.69	1007.56	2038.41	1524.28
Y-o-y growth	593.6%	59.5%	-11.6%	146.5%	102.3%	-25.2%
Adj. EBITDA (hedged) (\$ m)	146.22	273.27	300.59	343.15	536.35	431.33
Adj. EBITDA margin (hedged)	53.3%	53.4%	54.3%	50.0%	51.4%	47.2%
Net income (\$ m)	201.12	99.40	-23.47	-325.21	125.63	-94.63
EPS (diluted) (\$)	0.52	0.15	-0.03	-0.41	0.15	-0.11
DPS (\$)	11.23	13.92	15.25	16.50	17.00	17.00
FCF (\$m)	66.88	244.30	217.32	267.13	209.37	215.93
Net gearing	66.0%	67.7%	81.7%	152.1%	138.1%	199.8%
Liquid assets (\$ m)	1.37	1.66	1.38	12.56	7.53	15.49

RISKS

Acquisitions are a vital part of DEC's strategy for protecting and growing its cashflow. There can be no guarantee that the group will be able to continue to source acquisitions at attractive valuations.

COMPANY PROFILE

Diversified Energy PLC is an established, independent owner and operator of producing natural gas & oil wells in the United States. Natural gas accounts for ca. 85% of total production. Ca. two thirds of total production derive from the Appalachian Basin and the balance from the "Central Region" (Arkansas, Louisiana, Oklahoma, Texas) which DEC entered in 2021.

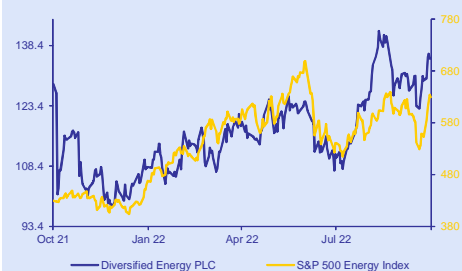
MARKET DATA

As of 10 Oct 2022

Closing Price	GBp 131.10
Shares outstanding	850.39m
Market Capitalisation	GBP1115m
52-week Range	GBp 98.50 / 142.00
Avg. Volume (12 Months)	2,508,099

Multiples	2021	2022E	2023E
P/E	n.a.	11.2	n.a.
EV/Sales	2.4	1.2	1.6
EV/EBITDA	7.0	4.5	5.6
Div. Yield	11.4%	11.8%	11.8%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2022

Liquid Assets	\$ 187.34m
Current Assets	\$ 616.54m
Intangible Assets	\$ 14.75m
Total Assets	\$ 4,033.38m
Current Liabilities	\$ 1,565.02m
Shareholders' Equity	\$ 354.08m

SHAREHOLDERS

abrdrn plc	5.6%
BlackRock Inc	5.1%
Pendal Group Ltd	5.1%
Man Group Ltd	5.0%
Free float and other	79.1%



...the contributions of hedged and unhedged revenues. Including sold calls, which at the end of July accounted for 20% of hedged gas volume, we estimate that 85.9% of our forecast 2023 production of 47.8m BOE is hedged. As figure 2 shows, sensitivity of our 2023 hedged adjusted EBITDA margin forecast to the first 10% decline in unhedged commodity prices is ca. 1.9 percentage points.

Figure 1: 2023 forecast on a unit basis by commodity

	Production (mBOE)	% volume	% hedged	Hedge price (USD/BOE)	Hedged volume contribution to unit revenue (USD/BOE)	Futures price (USD/BOE)	Unhedged volume contribution to unit revenue (USD/BOE)	Total unit revenue/cost (USD/BOE)
Gas	41,212	85.0%	90.5%	19.33	14.86	33.44	2.71	17.57
NGLs	4,891	10.0%	68.8%	36.80	2.53	37.41	1.17	3.70
Oil	1,711	5.0%	25.0%	60.75	0.76	67.96	2.55	3.31
Total gas, NGLs, oil	47,814	100.0%	85.9%	21.19	18.16	35.56	6.42	24.58
Non-commodity revenue								0.58
Differential								-6.03
Hedged revenue								19.12
Recurring expenses								10.10
Hedged adjusted EBITDA Margin								9.02 47.2%

Source: First Berlin Equity Research estimates

Figure 2: Sensitivity of 2023 hedged adjusted EBITDA margin forecast to unhedged commodity prices

	+30%	+20%	+10%	0%	-10%	-20%	-30%
Total unit revenue commodity revenue (USD/BOE)	26.50	25.86	25.22	24.58	23.93	23.29	22.65
Hedged adj. EBITDA margin	52.0%	50.5%	48.9%	47.2%	45.3%	43.4%	41.3%

Source: First Berlin Equity Research estimates

Proforma available liquidity of USD260m at end June Net debt at the end of June adjusted for working capital was USD1,150m. Proforma leverage based on proforma adjusted EBITDA as reported for the twelve months ended 30 June 2022, including the full twelve month impact of acquisitions made during this period, was 2.2x. This is in line with DEC's targeted range of 2.0x-2.5x. DEC completed three asset-backed securitisations (ABS) during H1/22, raising net proceeds of USD924m. The company used the proceeds to eliminate end December 2021 reserved-based lending (RBL) liabilities of USD571m. The interest rates on the ABS notes range between 4.88% and 5.78% compared with 3.36% to 4.25% for the RBL liabilities. However, the amortising structure of the ABS notes is more closely aligned with the cashflow generation of DEC's assets than the RBL liabilities which feature bullet repayment. DEC had cash on hand of USD187m at the end of June. Including an undrawn RBL borrowing base of USD282m, available liquidity was USD469m. Adjusted for the USD210m payment for the Conoco Phillips acquisition, this figure is USD260m.

DEC announces buyback of up to 10% of the share capital DEC announced a share buyback at the end of September. The buyback is to be completed at the earlier of 1 June 2023 or the date of the 2023 AGM (the 2022 AGM was held on 26 April). The company has signalled that the buyback should not exceed 85.0m shares (10% of the capital) or an aggregate value of GBP108m (USD120m). At the current share price of GBp131.1, the company could buy back 82.3m shares or 9.7% of the share capital.

Hedged EBITDA forecasts increased due to higher volume/lower hedging losses

Figure 3 shows changes to our forecasts since our most recent study of 25 May. These reflect the acquisition of the ConocoPhillips assets which was first announced at the end of July as well as lower hedging losses due to a) a decline in commodity prices b) the addition of hedges at more favourable rates c) a reduction in DEC's natural gas sold call position. At the end of April this position included 73,456 MMBtu/d for 2022 at USD2.76/MMBtu and 193,350 MMBtu/d for 2023 at USD2.76/MMBtu. By the end of August these numbers had become 48,000 MMBtu/d for 2022 at USD2.79/MMBtu and 109,000 MMBtu/d for 2023 at USD2.76/MMBtu.



Figure 3: Changes to our forecasts

USD 000s	2022E		New vs. Old % Δ	2023E		New vs. Old % Δ
	FBe Old	FBe New		FBe Old	FBe New	
Mboe	48,881	49,644	1.6%	44,913	47,814	6.5%
Total revenue (unhedged)	2,095,103	2,038,415	-2.7%	1,495,235	1,524,279	1.9%
Natural gas	1,721,931	1,689,357	-1.9%	1,210,385	1,270,675	5.0%
NGLs	240,020	179,748	-25.1%	174,617	109,679	-37.2%
Oil	104,980	133,732	27.4%	82,733	116,425	40.7%
Total commodity revenue	2,066,932	2,002,837	-3.1%	1,467,735	1,496,779	2.0%
Midstream revenue	26,571	30,102	13.3%	26,000	26,000	0.0%
Other	1,600	5,476	242.3%	1,500	1,500	0.0%
Base lease operating expenses	156,807	171,412	9.3%	143,722	170,219	18.4%
Gathering & compression, owned	63,466	67,850	6.9%	58,387	67,896	16.3%
Gathering & transportation, 3rd party	107,524	119,392	11.0%	98,809	114,754	16.1%
Production taxes	79,854	78,011	-2.3%	67,734	57,923	-14.5%
Recurring admin. expenses	75,276	71,441	-5.1%	79,047	72,199	-8.7%
Total recurring expenses	482,926	508,106	5.2%	447,700	482,991	7.9%
Adjusted EBITDA (unhedged)	1,612,177	1,530,309	-5.1%	1,047,535	1,041,288	-0.6%
Settled hedges	-1,139,063	-993,959	n.a.	-746,229	-609,955	n.a.
Natural gas	-976,706	-886,737	n.a.	-685,830	-604,711	n.a.
NGLs	-132,666	-82,848	n.a.	-50,479	-2,114	n.a.
Oil	-29,691	-24,375	n.a.	-9,920	-3,130	n.a.
Total revenue (hedged)	956,040	1,044,456	9.2%	749,005	914,324	22.1%
Adjusted EBITDA (hedged)	473,113	536,350	13.4%	301,306	431,334	43.2%
<i>margin (%)</i>	49.5%	51.4%	-	40.2%	47.2%	-
per BOE (USD)						
Total revenue (hedged)	19.56	21.04	7.6%	16.68	19.12	14.7%
Total recurring expenses	9.88	10.23	3.6%	9.97	10.10	1.3%
of which:						
Base LOE	3.21	3.45	7.6%	3.20	3.56	11.3%
Gathering & compression, owned	1.30	1.37	5.3%	1.30	1.42	9.2%
Gathering & transportation, 3rd party	2.20	2.40	9.3%	2.20	2.40	9.1%
Production taxes	1.63	1.57	-3.8%	1.51	1.21	-19.7%
Recurring admin. expenses	1.54	1.44	-6.6%	1.76	1.51	-14.2%
Adjusted EBITDA (hedged)	9.68	10.80	11.6%	6.71	9.02	34.5%
<i>margin (%)</i>	49.5%	51.4%	-	40.2%	47.2%	-
Av no shares (000s)	850,340	850,340	0.0%	849,650	849,650	0.0%
Adj EBITDA (hedged) per share (USD)	0.56	0.63	13.4%	0.35	0.51	43.2%

Source: First Berlin Equity Research estimates



VALUATION MODEL

Figure 4: Dividend payout and return on capital employed

USD 000s	2019A	2020A	2021A	2022E	2023E
Adjusted EBITDA (hedged)	273,266	300,590	343,145	536,350	431,334
Recurring capital expenditures	-17,255	-15,981	-35,490	-65,956	-88,888
Cash interest expenses	-32,715	-34,335	-41,623	-55,000	-75,000
Asset retirement (plugging)	-2,541	-2,442	-2,879	-5,045	-5,122
Cash paid for income taxes	-1,989	-5,850	-10,880	-13,997	-9,810
Free cashflow (adjusted)	218,766	241,982	252,273	396,352	252,514
Net fixed assets	1,816,982	2,137,188	2,944,058	3,053,339	2,742,791
Net working capital	-18,573	-42,499	-135,110	-82,166	37,636
Total capital employed	1,798,409	2,094,689	2,808,948	2,971,172	2,780,427
Average capital employed	1,614,279	1,946,549	2,451,819	2,890,060	2,875,800
Free cashflow (adjusted) ROCE	13.6%	12.4%	10.3%	13.7%	8.8%
Dividends paid and declared	86,605	104,305	132,333	144,433	144,433
as % free cashflow (adjusted)	39.6%	43.1%	52.5%	36.4%	57.2%
Dividends paid and declared per share (USD)	0.1382	0.1475	0.1558	0.1700	0.1700
Dividends declared per share (USD)	0.1392	0.1525	0.1650	0.1700	0.1700

Source: First Berlin Equity Research estimates

We have updated our dividend discount valuation of DEC which is based on the formula:

$$p^0 = d^1 / (r - g) \text{ where:}$$

p^0 is our assessment of the fair value of the DEC share today

d^1 is the value of dividends over the next year

r is the required rate of return

g is the expected long term organic growth rate

Price target raised from GBp160 to GBp180. Buy rating maintained. We derive g from ROCE adjusted for the production decline rate and payout ratio. Our estimate for the long term rate of production decline is unchanged at 7.0%. Adjusting our average return on capital employed forecast for 2022-23 of 11.2% by 7.0% to reflect declining production produces a return of 3.5%. If we then reduce this number by 30% to reflect the dividend payout, we arrive at a sustainable growth rate in free cashflow (adjusted) of 2.4%. Plugging our estimates for d^1 (USD0.17), r (11.0%) and g (2.4%) into the formula above produces a valuation (see figures 5 and 6 below) for the DEC share of GBp180 (previously: GBp160).

The increase in our price target mainly reflects the upward revisions to our hedged adjusted EBITDA forecasts detailed in figure 4. We maintain our Buy recommendation.

Figure 5: Sensitivity of valuation to growth rates and return requirements (GBp)

		return requirement						
		8.0%	9.0%	10.0%	11.0%	12.0%	13.0%	14.0%
growth rate	0.4%	204	180	161	146	133	123	114
	1.4%	235	204	180	161	146	133	123
	2.4%	277	235	204	180	161	146	133
	3.4%	337	277	235	204	180	161	146
	4.4%	432	337	277	235	204	180	161
	5.4%	599	432	337	277	235	204	180

Source: First Berlin Equity Research



Figure 6: Sensitivity of valuation to growth rates and return requirements (USD)

		return requirement						
		8.0%	9.0%	10.0%	11.0%	12.0%	13.0%	14.0%
growth rate	0.4%	224	198	177	161	147	135	125
	1.4%	258	224	198	177	161	147	135
	2.4%	305	258	224	198	177	161	147
	3.4%	371	305	258	224	198	177	161
	4.4%	475	371	305	258	224	198	177
	5.4%	659	475	371	305	258	224	198

Source: First Berlin Equity Research



INCOME STATEMENT

All figures in USD '000	2018A	2019A	2020A	2021A	2022E	2023E
Revenues	289,769	462,256	408,693	1,007,561	2,038,415	1,524,279
Operating expense	-107,793	-202,385	-203,963	-291,213	-436,665	-410,791
Depreciation and depletion	-41,988	-98,139	-117,290	-167,644	-281,301	-349,060
Gross profit	139,988	161,732	87,440	548,704	1,320,449	764,428
Administrative expenses	-40,524	-55,889	-77,234	-102,326	-159,478	-92,199
Allowance for expected credit losses	0	-730	-8,490	4,265	0	0
Gain on oil/gas programme and equipment	4,079	0	-2,059	-901	0	0
Gain (loss) on derivative financial instruments	17,981	73,854	-94,397	-974,878	-993,959	-609,955
Gain on bargain purchase	173,473	1,540	17,172	58,072	0	0
Operating income (EBIT)	294,997	180,507	-77,568	-467,064	167,012	62,274
Finance costs	-17,743	-36,667	-43,327	-50,628	-65,956	-88,888
Loss on early retirement of debt	-8,358	0	0	0	0	0
Accretion of asset retirement obligation	-7,101	-12,349	-15,424	-24,396	-45,431	-53,017
Other income (expense)	0	0	-421	-8,812	0	0
Income before taxation	261,795	131,491	-136,740	-550,900	55,626	-79,631
Taxation on income	-60,676	-32,091	113,266	225,694	70,000	-15,000
Net income / loss	201,119	99,400	-23,474	-325,206	125,626	-94,631
Diluted EPS (in USD)	0.52	0.15	-0.03	-0.41	0.15	-0.11
Adjusted EBITDA (hedged)*	146,217	273,266	300,590	343,145	536,350	431,334
Ratios						
Gross margin	48.3%	35.0%	21.4%	54.5%	64.8%	50.2%
Adjusted EBITDA margin (hedged)	53.3%	53.4%	54.3%	50.0%	51.4%	47.2%
Net margin	69.4%	21.5%	-5.7%	-32.3%	6.2%	-6.2%
Tax rate	23.2%	24.4%	82.8%	41.0%	-125.8%	-18.8%
Expenses as % of revenues						
Y-Y Growth						
Revenues	593.6%	59.5%	-11.6%	146.5%	102.3%	-25.2%
Adjusted EBITDA (hedged)	734.9%	86.9%	10.0%	14.2%	56.3%	-19.6%
Net income/ loss	632.6%	-50.6%	n.m.	n.m.	n.m.	n.m.

* adjusted for non-recurring items such as gain on the sale of assets, acquisition-related expenses and integration costs, mark-to-market adjustments related to the company's hedge portfolio, non-cash equity compensation charges and items of a similar nature.



BALANCE SHEET

All figures in USD '000	2018A	2019A	2020A	2021A	2022E	2023E
Assets						
Current assets, total	111,596	160,360	94,474	337,139	457,657	452,239
Cash and cash equivalents	1,372	1,661	1,379	12,558	7,534	15,493
Restricted cash	1,730	1,207	250	1,033	620	1,274
Receivables	78,451	73,924	66,991	282,922	428,067	419,177
Derivative financial instruments	17,573	73,705	17,858	1,052	1,052	1,052
Other current assets	12,470	9,863	7,996	39,574	20,384	15,243
Non-current assets, total	1,445,376	1,845,580	2,196,208	3,157,070	3,352,385	3,014,562
Oil and gas properties, net	1,092,951	1,496,029	1,755,085	2,530,078	2,576,044	2,301,674
Property, plant & equipment, net	327,749	320,953	382,103	413,980	477,294	441,117
Intangible assets		15,981	19,213	14,134	11,904	6,661
Restricted cash	0	6,505	20,100	18,069	32,615	27,437
Indemnification receivable	2,133	2,133	1,837	0	0	0
Derivative financial instruments	21,745	3,803	717	219	219	219
Deferred tax asset		0	14,777	176,955	246,955	231,955
Other non-current assets	798	176	2,376	3,635	7,354	5,499
Total assets	1,556,972	2,005,940	2,290,682	3,494,209	3,810,042	3,466,801
Shareholders' equity & debt						
Current liabilities, total	84,471	126,855	196,506	773,600	644,101	507,122
Short-term debt	286	23,723	64,959	58,820	80,998	82,047
Accounts payable	9,383	17,053	19,366	62,418	61,152	45,728
Capital lease	842	798	5,013	9,627	25,003	18,697
Derivative financial instruments	0	0	15,858	251,687	15,858	15,858
Other current liabilities	73,960	85,281	91,310	391,048	461,089	344,792
Long-term liabilities, total	723,638	940,950	1,207,518	2,056,659	2,165,113	2,260,832
Long-term debt	482,528	598,778	652,281	951,535	1,310,311	1,327,287
Capital lease	2,694	1,015	13,865	18,177	61,152	45,728
Asset retirement obligation	140,190	196,871	344,242	522,190	609,396	707,530
Deferred tax liability	95,033	124,112	15,746	0	0	0
Uncertain tax position	2,133	2,133	1,837	0	0	0
Derivative financial instruments	0	15,706	168,524	556,982	168,524	168,524
Other non-current liabilities	1,060	2,335	11,023	7,775	15,730	11,762
Shareholders' equity	748,863	938,135	886,658	663,950	1,000,827	698,846
Total consolidated equity and debt	1,556,972	2,005,940	2,290,682	3,494,209	3,810,042	3,466,801
Ratios						
Current ratio (x)	1.32	1.26	0.48	0.44	0.71	0.89
Quick ratio (x)	1.32	1.26	0.48	0.44	0.71	0.89
Net debt	493,998	635,039	724,757	1,010,005	1,381,851	1,396,440
Net gearing	66.0%	67.7%	81.7%	152.1%	138.1%	199.8%
Book value per share (in GBP)	1.08	1.09	1.04	0.63	0.95	0.66
Return on equity (ROE)	46.9%	11.8%	-2.6%	-41.9%	15.1%	-11.1%



CASH FLOW STATEMENT

All figures in USD '000	2018A	2019A	2020A	2021A	2022E	2023E
Net profit	201,119	99,400	-23,474	-325,206	125,626	-94,631
Depreciation and depletion	41,988	98,139	117,290	167,644	281,301	349,060
Accretion of asset retirement obligation	7,101	12,349	15,424	24,396	45,431	53,017
Deferred income taxes	60,676	32,091	-113,266	-225,694	-70,000	15,000
(Gain)/loss on derivative financial instruments	-32,768	-20,270	238,795	652,465	0	0
Asset retirement, plugging	-1,171	-2,541	-2,442	-2,879	-2,500	-2,800
Gain on oil/gas properties and equipment	-4,079	0	1,356	901	0	0
Gain on bargain purchase	-173,473	-1,540	-17,172	-58,072	0	0
Finance costs	17,743	36,677	43,327	50,628	65,956	88,888
Cancellation/retirement of debt	8,358	0	0	0	0	0
Changes in working capital	-39,713	21,786	-10,129	40,680	-52,944	-119,802
Non cash equity compensation	783	3,065	5,007	7,400	0	0
Cash paid for income taxes	0	-1,989	-5,850	-10,880	-46,000	-15,000
Integration of acquisitions	0	0	0	0	-30,000	0
Adjustment to pipeline contract terms	0	0	0	0	-35,000	0
Other adjustments	0	1,989	-7,156	-1,201	0	0
Operating cash flow	86,564	279,156	241,710	320,182	281,869	273,731
Oil and gas properties and equipment	-18,515	-32,313	-21,947	-50,175	-70,000	-55,000
Free cash flow	66,878	244,302	217,321	267,128	209,369	215,931
Acquisitions	-750,256	-439,272	-223,091	-574,134	-260,000	0
Increase in restricted cash	-986	-5,302	-12,637	1,838	-14,132	4,523
Proceeds from disposal of assets	4,079	10,000	3,712	88,887	0	0
Other acquired intangibles	0	0	-2,900	0	0	0
Contingent consideration payments	0	0	-893	-10,822	0	0
Payments associated with potential acquisitions	0	0	0	-25,002	0	0
Acquisition-related debt and hedge extinguishment	0	0	0	-56,466	0	0
Investment cash flow	-765,678	-466,887	-257,756	-625,874	-344,132	-50,477
Repayment of borrowings	-280,890	-618,010	-705,314	-1,432,566	380,955	18,025
Proceeds of borrowings	581,221	765,236	799,650	1,727,745	0	0
Financing expense	-15,433	-32,715	-34,335	-41,623	-65,956	-88,888
Cost incurred to secure financing	-17,176	-11,574	-7,799	-10,255	-24,579	0
ABS note hedge modifications	0	0	0	0	-88,000	0
Proceeds from capital lease	4,401	0	0	0	0	0
Principal element of lease payments	-1,093	-1,724	-3,684	-8,606	0	0
Proceeds from equity issuance, net	425,601	221,860	81,407	213,844	0	0
Cancellation of warrants	0	0	0	-1,429	0	0
Dividends to shareholders	-31,313	-82,151	-98,527	-130,239	-144,433	-144,433
Repurchase of shares	0	-52,902	-15,634	0	-748	0
Financing cash flow	665,318	188,020	15,764	316,871	57,239	-215,295
Other	0	0	0	0	0	0
Net cash flows	-13,796	289	-282	11,179	-5,024	7,959
Cash, start of the year	15,168	1,372	1,661	1,379	12,558	7,534
Cash, end of the year	1,372	1,661	1,379	12,558	7,534	15,493
Y-Y Growth						
Operating cash flow	1164.8%	222.5%	-13.4%	32.5%	-12.0%	-2.9%
Free cash flow	1745.7%	365.3%	89.0%	122.9%	78.4%	103.1%
EBITDA/share	159.5%	12.6%	3.0%	-1.4%	45.9%	-19.6%

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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.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	30 June 2020	GBp94.40	Buy	GBp130.00
2...6	↓	↓	↓	↓
7	14 June 2021	GBp100.80	Buy	GBp140.00
8	23 July 2021	GBp98.50	Buy	GBp140.00
9	15 November 2021	GBp103.20	Buy	GBp150.00
10	24 November 2021	GBp108.20	Buy	GBp150.00
11	15 February 2022	GBp113.80	Buy	GBp150.00
12	1 April 2022	GBp118.60	Buy	GBp150.00
13	5 May 2022	GBp125.00	Add	GBp150.00
14	25 May 2022	GBp122.30	Buy	GBp160.00
15	Today	GBp131.10	Buy	GBp180.00

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- key sources of information in the preparation of this research report
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