

# Deutsche Rohstoff AG

Germany / Energy  
 Frankfurt  
 Bloomberg: DR0 GR  
 ISIN: DE000A0XYG76

Q3 results/2<sup>nd</sup>  
 Occidental JV

**RATING**  
**PRICE TARGET** **BUY**  
 € 38.00  
 Return Potential 45.0%  
 Risk Rating High

## ANNUAL EBITDA SET TO EXCEED €100M UNTIL AT LEAST END 2024

Q3 results showed a 220% jump in revenue to €46.0m (Q3/21: €14.4m) while EBITDA more than trebled to €38.3m (Q3/21: €12.2m). The very strong performance was driven by increases in realised pricing, volume and the USDEUR exchange rate of 71%, 60% and 17% respectively. Despite a 12.2% sequential decline in volume, Q3/22 EBITDA was very close to the Q2/22 figure of €38.8m. We estimate that this was a function of a stable realised euro-denominated price for oil and an increase in the realised natural gas price in euro terms. On 10 October DRAG announced a second JV with Occidental Petroleum which will drill and bring into production 15 wells (5 in 2023 and 10 in 2024). We expect these wells to generate revenue of ca. €50m during the 12 months from mid-2024. High commodity prices, robust production from existing wells, and the second Occidental JV have prompted management to raise EBITDA guidance for 2022 and 2023 by 4% to €128m-€133m and 10% to €125m-€140m respectively compared with previous guidance given at the end of April. DRAG have also given first guidance for 2024 which calls for EBITDA of over €100m. We have raised our price target from €36.00 to €38.00 to reflect the positive impact on our forecasts of the second Occidental JV and the recent increase in DRAG's stake in its Cub Creek subsidiary from 88.5% to 98.0%. The increases to our forecasts outweigh an upward revision to our WACC estimate from 10% to 11% due to the rise in the yield on the 10 year German government bond from 1.2% to 2.2% since our most recent note of 13 July. Our valuation is based on DCF methodology and is also supported by EV/EBITDA multiples which are below 2x out to 2024. We maintain our Buy recommendation.

**Q3/22 revenue up vs Q2/22 despite volume decline** As figure 1 overleaf shows, Q3/22 volume was 61% above the Q3/21 figure. The main drivers of the growth were Cub Creek's Knight Pad and Bright Rock's Buster well which respectively began producing in November and October 2021. Q3/22 volume fell 12.2% vs Q2/22 but revenue climbed 4.1%. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Revenue (€m)	41.20	38.68	73.32	156.90	185.24	144.13
Y-o-y growth	-62.2%	-6.1%	89.5%	114.0%	18.1%	-22.2%
EBITDA (€m)	22.73	23.93	66.06	132.06	146.62	109.10
EBITDA margin	55.2%	61.9%	90.1%	84.2%	79.2%	75.7%
Net income (€m)	0.31	-15.51	24.79	62.81	75.65	49.91
EPS (diluted) (€)	0.06	-3.13	5.00	12.68	15.27	10.08
DPS (€)	0.10	0.00	0.60	1.00	1.00	1.00
FCF (€m)	-14.79	-22.85	-1.01	30.27	9.16	49.58
Net gearing	75.9%	202.6%	100.2%	36.3%	21.8%	1.2%
Liquid assets (€m)	66.64	22.82	23.49	43.21	38.60	13.23

### 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 and so-called high tech metals such as tin and tungsten. 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 10 Nov 2022

Closing Price	€ 26.20
Shares outstanding	5.00m
Market Capitalisation	€ 130.95m
52-week Range	€ 19.35 / 33.10
Avg. Volume (12 Months)	19,481

Multiples	2021	2022E	2023E
P/E	5.1	2.0	1.7
EV/Sales	2.6	1.2	1.0
EV/EBITDA	2.9	1.5	1.3
Div. Yield	2.3%	3.8%	3.8%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Sep 2022

Liquid Assets	€ 34.28m
Current Assets	€ 67.23m
Intangible Assets	€ 32.87m
Total Assets	€ 347.08m
Current Liabilities	€ 33.05m
Shareholders' Equity	€ 135.00m

### SHAREHOLDERS

Management	10.0%
Institutional shareholders	30.0%
Free float	60.0%



Figure 1: Recent quarterly results

	Q1 21A	Q2 21A	Q3 21A	9M 21A	Q4 21A	FY 21A	Q1 22A	Q2 22A	Q3 22A	9M 22A
Production (BOE)	578,912	833,107	535,785	1,947,804	611,281	2,589,189	709,511	980,021	859,976	2,549,508
y-o-y % Δ	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	22.6%	17.6%	60.5%	30.9%
sequential % Δ	n.a.	43.9%	-35.7%	n.a.	14.1%	n.a.	16.1%	38.1%	-12.2%	n.a.
Revenue	17,924	20,890	14,374	53,188	20,133	73,321	28,083	44,158	45,951	118,192
y-o-y % Δ	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	56.7%	111.4%	219.7%	122.2%
sequential % Δ	n.a.	16.5%	-31.2%	n.a.	40.1%	n.a.	39.5%	57.2%	4.1%	n.a.
Other operating income	9,501	4,385	3,919	17,805	5,169	22,974	4,173	5,251	5,600	15,069
as % revenue	53.0%	21.0%	27.3%	33.5%	25.7%	31.3%	14.9%	11.9%	12.2%	12.7%
Costs	-6,132	-6,652	-6,098	-18,883	-11,354	-30,237	-7,045	-10,613	-13,259	-30,932
as % revenue	-34.2%	-31.8%	-42.4%	-35.5%	-56.4%	-41.2%	-25.1%	-24.0%	-28.9%	-26.2%
EBITDA	21,293	18,623	12,195	52,110	13,948	66,058	25,212	38,796	38,292	102,330
margin (%)	118.8%	89.1%	84.8%	98.0%	69.3%	90.1%	89.8%	87.9%	83.3%	86.6%

Source: DRAG

Unit pricing increased due partly to slightly higher than expected oil production and lower than expected gas production at Cub Creek's Knight pad. During Q3/22 we estimate that the company received twice as much for a BOE of oil than for a BOE of gas (USD84 vs. USD40). As figure 2 shows, Q3/22 pricing also benefitted from a lower hedge quota in the oil business compared with H1/22. This allowed the company to benefit to a greater extent from market pricing above its hedges. We also estimate that compared with H1/22, Q3/22 saw an 86% increase in the realised natural gas price in euro terms. Meanwhile, the USDEUR exchange rate was 7.7% stronger in Q3/22 than in H1/22. The EBITDA margin came in at 83.3% in Q3/22 vs. 87.9% in Q2/22 and 84.8% in Q3/21. The Q3/22 EBITDA margin narrowed compared with the Q3/21 figure mainly because other operating income accounted for a lower proportion of sales (12.2% in Q3/22 vs. 27.3% in Q3/21). We gather that costs as a percentage of revenue were higher in Q3/22 than in Q2/22 because of higher gas volumes and associated processing fees.

Figure 2: Volume, pricing, hedging: recent history and forecasts by commodity

	H1 22	Q3/22	9M22	Q4/22	FY/22	FY/23	FY/24
Av EURUSD	1.08	1.01	1.06	0.99	1.05	1.02	1.02
<b>Oil volume (BOE)</b>	<b>930,658</b>	<b>420,597</b>	<b>1,351,255</b>	<b>482,719</b>	<b>1,833,974</b>	<b>2,235,485</b>	<b>1,880,870</b>
% total	55.1%	48.9%	53.0%	56.4%	53.9%	61.1%	59.3%
Hedged bbl	633,000	130,000	763,000	171,500	934,500	300,000	23,000
% hedged	68.0%	30.9%	56.5%	35.5%	51.0%	13.4%	1.2%
Average hedging price (USD/bbl)	61.35	64.11	61.82	68	62.95	74.00	79.83
Unhedged bbl	297,658	290,597	588,255	311,219	899,474	1,935,485	1,857,870
Mkt price/NYMEX futures strip (USD/bbl)	101.54	93.32	98.98	87.32	95.91	80.78	73.96
Realised price before hedges (USD/bbl)	96.26	96.26	96.26	82.32	92.59	74.87	69.03
Gain/loss on hedges (USD/bbl)	-23.22	-12.30	-19.82	-6.87	-18.49	-0.91	0.07
<b>Realised price after hedges (USD/bbl)</b>	<b>73.04</b>	<b>83.96</b>	<b>76.44</b>	<b>75.46</b>	<b>74.10</b>	<b>73.40</b>	<b>67.67</b>
<b>Realised price after hedges (€/bbl)</b>	<b>67.36</b>	<b>83.40</b>	<b>71.86</b>	<b>76.24</b>	<b>70.86</b>	<b>71.96</b>	<b>66.35</b>
hedge gain/loss (€)	-19,928,327	-5,137,574	-25,175,667	-3,348,102	-31,808,443	-1,993,873	132,438
hedge gain/loss (USD)	-21,609,879	-5,171,995	-26,781,874	-3,313,952	-33,916,197	-2,033,750	135,087
<b>Gas volume (BOE)</b>	<b>580,577</b>	<b>350,791</b>	<b>931,368</b>	<b>286,369</b>	<b>1,217,737</b>	<b>1,088,199</b>	<b>1,010,731</b>
% total	34.4%	40.8%	36.5%	33.5%	35.8%	29.7%	31.9%
Gas volume (MMBtu)	3,587,968	2,167,888	5,755,856	1,769,761	7,306,424	6,529,192	6,064,386
Hedged MMBtu	2,372,084	657,251	3,029,335	657,251	3,314,762	1,325,000	167,500
% hedged	66.1%	30.3%	52.6%	37.1%	45.4%	20.3%	2.8%
Hedged mcf	2,302,994	843,689	3,146,683	843,689	3,884,000	1,286,408	162,621
Average hedging price (USD/MMBtu)	2.92	3.20	2.98	3.52	3.09	3.90	3.78
Unhedged MMBtu	1,215,885	1,510,636	2,726,521	1,112,510	4,210,855	5,204,192	5,896,886
Mkt price/NYMEX futures strip (USD/MMBtu)	6.06	8.20	6.74	6.25	6.17	5.13	4.63
Realised price before hedges (USD/MMBtu)	5.81	7.95	6.49	6.00	5.92	4.88	4.38
Gain/loss on hedges (USD/MMBtu)	-2.08	-1.51	-1.87	-1.02	-1.26	-0.25	-0.02
<b>Realised price after hedges (USD/MMBtu)</b>	<b>3.73</b>	<b>6.43</b>	<b>4.62</b>	<b>4.99</b>	<b>4.66</b>	<b>4.63</b>	<b>4.35</b>
<b>Realised price after hedges (€/bbl)</b>	<b>3.44</b>	<b>6.39</b>	<b>4.35</b>	<b>5.04</b>	<b>4.46</b>	<b>4.54</b>	<b>4.27</b>
hedge gain/loss (€)	-6,871,673	-3,262,426	-10,134,099	-1,815,221	-10,713,215	-1,591,299	-139,173
hedge gain/loss (USD)	-7,451,505	-3,284,284	-10,735,789	-1,796,706	-9,208,064	-1,623,125	-141,956
<b>NGL volume (BOE - unhedged)</b>	<b>178,298</b>	<b>88,588</b>	<b>266,886</b>	<b>86,098</b>	<b>352,983</b>	<b>336,766</b>	<b>281,346</b>
% total	10.6%	10.3%	10.5%	10.1%	10.4%	9.2%	8.9%
<b>Realised price before/after hedging (USD/bbl)</b>	<b>48.45</b>	<b>29.85</b>	<b>42.25</b>	<b>26.81</b>	<b>38.39</b>	<b>26.02</b>	<b>26.02</b>
<b>Realised price before/after hedging (EUR/bbl)</b>	<b>44.68</b>	<b>29.65</b>	<b>39.71</b>	<b>27.09</b>	<b>36.71</b>	<b>25.51</b>	<b>25.51</b>
<b>All commodities realised price after hedging (USD/BOE)</b>	<b>53.28</b>	<b>60.35</b>	<b>55.38</b>	<b>55.62</b>	<b>54.19</b>	<b>55.72</b>	<b>51.00</b>
<b>All commodities average realised after hedging (EUR/BOE)</b>	<b>49.13</b>	<b>59.95</b>	<b>52.06</b>	<b>56.19</b>	<b>51.82</b>	<b>54.63</b>	<b>50.00</b>
<b>Total hedge gain/loss (€)</b>	<b>-26,800,000</b>	<b>-8,400,000</b>	<b>-35,200,000</b>	<b>-5,163,323</b>	<b>-42,521,658</b>	<b>-3,585,172</b>	<b>-6,735</b>
<b>Total hedge gain/loss (USD)</b>	<b>-29,061,384</b>	<b>-8,456,280</b>	<b>-37,517,664</b>	<b>-5,110,657</b>	<b>-43,124,261</b>	<b>-3,656,875</b>	<b>-6,870</b>

Source: DRAG; First Berlin Equity Research estimates



**Commercial production from first Occidental JV to start this quarter** DRAG announced in February that its Salt Creek subsidiary would participate in 18 wells to be drilled by Occidental in Wyoming. The expected investment was USD65m and we gather that the working interest was originally planned at ca. 40%. Commercial production from the first six of these wells will begin during the current quarter. The balance of the drilling programme now comprises 10 rather than 12 wells. These wells are scheduled to come on stream in H1/23. The expected investment for all 16 wells has risen to USD75m due to a) an increase in DRAG's working interest (we assume 45% rather than 40%) b) optimisation of the well design and c) inflationary pressures. Due to lower well density, management expect higher output per well from these 10 wells than the originally planned 12 wells.

On 10 October DRAG announced that it will participate in a further 15 Occidental wells in Wyoming. Total investment will be USD75m and we assume that the working interest will be similar to that for the first 16 wells. We expect the first five of the 15 wells to come online in early Q4/23 and the remaining 10 in Q2/24. We expect these wells to generate revenue of ca. €50m during the 12 months from mid-2024.

**Figure 3: Announced or currently underway CAPEX programmes**

(USDm)	2022	2023	2024
Cub Creek 5-well drilling programme in Wyoming	15	25	0
Salt Creek participation in 16 Occidental wells in Wyoming	34	33	0
Salt Creek participation in 15 Occidental wells in Wyoming	0	40	35
Salt Creek participation in 46 partner-operated wells in Utah	14	0	0
Investment in minority stakes in Cub Creek and Bright Rock	16	0	0
<b>Total</b>	<b>79</b>	<b>98</b>	<b>35</b>

Source: DRAG; First Berlin Equity Research estimates

**Two Occidental JVs account for ca. 70% of so far announced 2022-24 CAPEX plans**

Figure 3 summarises the CAPEX programmes currently underway or announced by DRAG. The Occidental wells account for ca. 70% of total CAPEX of USD212m. The five new Cub Creek wells in Wyoming (80% working interest) are scheduled to come on line in mid-2023. The partner-operated wells in Utah were until recently housed in DRAG's Bright Rock subsidiary. DRAG transferred them to its Salt Creek subsidiary in keeping with its new policy of managing all partner-operated wells through this company. The first of 46 partner-operated wells in Utah (average working interest: 5%) began producing in September. The remaining wells were originally scheduled to come online in roughly equal increments over the following six months. However, on 14 October, DRAG announced that the start of production from some of these wells has been delayed until Q1/23.

**DRAG raises 2022 sales and EBITDA guidance by 6.6% and 4.4% respectively**

Based on consistently strong commodity prices, robust production figures, as well as the appreciation of the USDEUR exchange rate, DRAG has raised its guidance for 2022 as shown in figure 4 overleaf. 2022 sales and EBITDA guidance are now respectively 6.6% and 4.4% higher than the corresponding figures given as guidance by the company under its higher commodity price scenario in late April. DRAG has increased 2022 guidance despite stating that this year's output will come in at the lower end of the previously guided 3.40-3.65m BOE range due to the above-mentioned late production starts at some Utah wells. Our own numbers are towards the top end of company guidance because our Q4/22 gas price and USDEUR exchange rate assumptions are slightly above DRAG's expectations.



**2023 sales/EBITDA guidance raised by 10.3% and 10.4% respectively** DRAG's new 2023 higher price commodity scenario guidance entails increases in expected sales and EBITDA of 10.3% and 10.4% respectively compared with the corresponding figures published in late April. The increases are based on the recently announced second JV with Occidental and the postponement of the start of production at some Utah wells into 2023.

**Figure 4: DRAG guidance and FB forecasts**

€m	DRAG	DRAG	DRAG	% Δ	DRAG	% Δ	FB Forecast		New FB forecast vs. (higher commodity price scenario)
	25.04.22 (base case)	25.04.22 (higher commodity price scenario)	14.10.22 (base case)		14.10.22 (higher commodity price scenario)		13.07.22	09.11.22	
2022 volume (mBOE)	3.40-3.65	3.40-3.65	3.40-3.65	0.0%	3.40-3.65	0.0%	3.48	3.40	-3.4%
2023 volume (mBOE)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.12	3.66	n.a.
2024 volume (mBOE)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.17	n.a.
2022 revenue	130-140	140-150	152-157	14.4%	152-157	6.6%	157	157	1.6%
2022 EBITDA	110-120	120-130	128-133	13.5%	128-133	4.4%	132	132	1.2%
2023 revenue	125-135	140-150	140-160	15.4%	155-175	10.3%	156	185	12.3%
2023 EBITDA	100-110	115-125	110-125	11.9%	125-140	10.4%	129	147	10.7%
2024 revenue	n.a.	n.a.	155-175	n.a.	>120	n.a.	156	144	20.1%
2024 EBITDA	n.a.	n.a.	100-110	n.a.	>100	n.a.	129	109	9.1%
2022 oil price assumption (USD)*	85.00	92.00	85.00	0.0%	85.00	-7.6%	98.56	87.32	2.7%
2022 gas price assumption (USD)*	4.00	4.00	6.00	50.0%	6.00	50.0%	6.75	6.25	4.2%
2023 oil price assumption (USD)	75.00	85.00	75.00	0.0%	85.00	0.0%	81.48	80.78	-5.0%
2023 gas price assumption (USD)	4.00	4.00	4.00	0.0%	4.00	0.0%	4.60	5.13	28.1%
2024 oil price assumption (USD)	n.a.	n.a.	75.00	n.a.	75.00	n.a.	n.a.	73.96	-1.4%
2024 gas price assumption (USD)	n.a.	n.a.	4.00	n.a.	4.00	n.a.	n.a.	4.63	15.7%
2022 USDEUR exchange rate*	0.89	0.89	1.00	14.4%	1.00	n.a.	0.99	1.01	13.2%
2023 USDEUR exchange rate*	0.89	0.89	0.89	0.0%	0.89	n.a.	0.99	0.98	9.8%
2024 USDEUR exchange rate*	0.89	0.89	0.89	n.a.	0.89	n.a.	0.99	0.98	9.8%

Source: DRAG; First Berlin Equity Research estimates

Our 2023 oil price forecast is based on the NYMEX futures strip. Although the NYMEX futures strip indicates an average 2023 oil price 5.0% below the USD85.00 featured in DRAG's higher commodity price scenario, our forecasts are again near the top end of DRAG's guidance. This is because both the current gas strip and the USDEUR exchange rate are above DRAG's assumptions.

DRAG has also published first guidance for 2024. This calls for revenue and EBITDA of >€120m and >€100m respectively. Our forecasts are above these numbers mainly because we use the current USDEUR rate of 0.98. DRAG's assumption is 0.89.

Figure 5 below summarises our near-term forecasts. Our expectations for 2022 are nearly unchanged, but we have raised our numbers for 2023 to reflect the contribution from the second Occidental JV. As figure 2 shows, we also expect 2023 results to benefit from a 5.4% increase in cross-commodity realised pricing to €54.63/BOE (2022: €51.82/BOE). This is a function of both the lower hedging quota in 2023, which will allow DRAG to realise prices above 2022 hedges, and the higher USDEUR exchange rate. We also present a detailed 2024 forecast for the first time.

**Figure 5: Changes to our forecasts**

All figures in € 000s	2022E	2022E	Δ	2023E	2023E	Δ	2024E
	New	Old		New	Old		New
<b>Revenue</b>	<b>156,903</b>	<b>157,340</b>	<b>-0.3%</b>	<b>185,238</b>	<b>156,311</b>	<b>18.5%</b>	<b>144,130</b>
<b>EBITDA</b>	<b>132,056</b>	<b>131,624</b>	<b>0.3%</b>	<b>146,623</b>	<b>128,715</b>	<b>13.9%</b>	<b>109,103</b>
Dep. and amort.	42,000	41,819	0.4%	44,000	37,418	17.6%	40,047
<b>Op. income (EBIT)</b>	<b>90,056</b>	<b>89,804</b>	<b>0%</b>	<b>102,623</b>	<b>91,297</b>	<b>12%</b>	<b>69,057</b>
Net financial result	-5,778	-6,778	n.a.	-5,250	-6,186	n.a.	-4,896
Pre-tax income (EBT)	84,278	83,026	1.5%	97,373	85,111	14.4%	64,161
Income taxes	-16,434	-17,436	n.a.	-20,448	-17,873	n.a.	-13,474
<b>Net before mins.</b>	<b>67,844</b>	<b>65,591</b>	<b>3.4%</b>	<b>76,925</b>	<b>67,238</b>	<b>14.4%</b>	<b>50,687</b>
Minority interests	-5,030	-11,565	n.a.	-1,279	-6,493	n.a.	-774
<b>Net inc. after mins.</b>	<b>62,813</b>	<b>54,026</b>	<b>16.3%</b>	<b>75,646</b>	<b>60,745</b>	<b>24.5%</b>	<b>49,913</b>
<b>EPS (€)</b>	<b>12.68</b>	<b>10.91</b>	<b>16.3%</b>	<b>15.27</b>	<b>12.26</b>	<b>24.6%</b>	<b>10.08</b>

Source: First Berlin Equity Research estimates



Figure 6 shows the volume assumptions underlying our P&L estimates. In our most recent note of 13 July, we modelled 2023 volume of 3.12mBOE. Due mainly to the start of production from the first new wells at second Occidental JV as well as the postponement of production starts in Utah into 2023, we now model volume of 3.66mBOE. Figure 6 also shows the impact of the transfer of the non-operated wells in Utah from Bright Rock to Salt Creek.

**Figure 6: 2020 and 2021 oil/gas/NGL volume by subsidiary and forecasts for 2022E-2024E**

BOE	FY/20A	FY/21A	FY/22E	FY/23E	FY/24E
<b>Cub Creek Energy</b>	<b>807,470</b>	<b>1,963,641</b>	<b>2,531,023</b>	<b>2,030,949</b>	<b>1,602,240</b>
change	0.1%	143.2%	28.9%	-19.8%	-21.1%
of which:					
oil	392,221	821,221	1,301,296	1,093,762	809,008
gas + NGL	415,249	1,142,420	1,229,727	937,187	793,232
gas + NGL as % total	51.4%	58.2%	48.6%	46.1%	49.5%
<b>Elster Oil &amp; Gas</b>	<b>592,187</b>	<b>341,561</b>	<b>298,974</b>	<b>239,299</b>	<b>211,823</b>
change	-20.2%	-42.3%	-12.5%	-20.0%	-11.5%
of which:					
oil	198,342	112,731	88,618	66,144	54,313
gas + NGL	393,845	228,830	210,356	173,155	157,510
gas + NGL as % total	66.5%	67.0%	70.4%	72.4%	74.4%
<b>Salt Creek Oil &amp; Gas</b>	<b>21,688</b>	<b>24,074</b>	<b>162,629</b>	<b>1,297,499</b>	<b>1,286,625</b>
change	-45.5%	11.0%	575.5%	697.8%	-0.8%
of which:					
oil	16,682	14,960	124,437	996,985	958,341
gas + NGL	5,006	9,114	38,191	300,514	328,284
gas + NGL as % total	23.1%	37.9%	23.5%	23.2%	25.5%
<b>Bright Rock Energy</b>	<b>120,729</b>	<b>259,913</b>	<b>412,069</b>	<b>92,703</b>	<b>72,259</b>
change	111.7%	115.3%	58.5%	-77.5%	-22.1%
of which:					
oil	96,774	210,176	319,623	78,594	59,208
gas + NGL	23,955	49,737	92,447	14,109	13,051
gas + NGL as % total	19.8%	19.1%	22.4%	15.2%	18.1%
<b>Total</b>	<b>1,542,074</b>	<b>2,589,189</b>	<b>3,404,694</b>	<b>3,660,449</b>	<b>3,172,947</b>
change	-6.3%	67.9%	31.5%	7.5%	-13.3%
of which:					
oil	704,019	1,159,088	1,833,974	2,235,485	1,880,870
gas + NGL	838,055	1,435,947	1,570,720	1,424,964	1,292,077
gas + NGL as % total	54.3%	55.5%	46.1%	38.9%	40.7%
NGL as % total		15.1%	10.4%	9.2%	8.9%
<b>Total BOEPD</b>	<b>4,225</b>	<b>7,094</b>	<b>9,328</b>	<b>10,029</b>	<b>8,693</b>
change	-6.3%	67.9%	31.5%	7.5%	-13.3%

Source: DRAG; First Berlin Equity Research estimates

**Our current forecasts suggest DRAG will be close to a net cash position by end 2024**

Based on our current volume/pricing/CAPEX forecasts and assuming no further project announcements, we expect DRAG will be close to a net cash position by the end of 2024 (see figure 7 overleaf).



Figure 7: Evolution of DRAG's net debt position

€000's	FY/20	FY/21	9M/22	FY/22E	FY/23E	FY/24E
Cash at bank	8,210	12,700	25,879	32,421	27,807	2,437
Securities classified as current assets	14,606	10,792	8,405	10,792	10,792	10,792
<b>Total liquid assets</b>	<b>22,816</b>	<b>23,492</b>	<b>34,284</b>	<b>43,213</b>	<b>38,599</b>	<b>13,229</b>
Securities classified as non-current assets	13,214	13,630	9,567	13,630	13,630	13,630
<b>Total cash, current/non-current securities</b>	<b>36,030</b>	<b>37,122</b>	<b>43,851</b>	<b>56,843</b>	<b>52,229</b>	<b>26,859</b>
Bonds	114,419	97,761	109,815	109,815	100,000	0
Bank liabilities	13,962	19,631	26	0	0	30,000
<b>Total interest bearing debt</b>	<b>128,381</b>	<b>117,392</b>	<b>109,841</b>	<b>109,815</b>	<b>100,000</b>	<b>30,000</b>
Equity	45,589	80,074	134,995	145,928	218,889	264,623
<b>Net interest-bearing debt</b>	<b>92,351</b>	<b>80,270</b>	<b>65,990</b>	<b>52,972</b>	<b>47,771</b>	<b>3,141</b>
<b>Net gearing</b>	<b>202.6%</b>	<b>100.2%</b>	<b>48.9%</b>	<b>36.3%</b>	<b>21.8%</b>	<b>1.2%</b>
<b>Op. cashflow before working cap. expenditure</b>	<b>11,279</b>	<b>44,915</b>	<b>112,354</b>	<b>109,844</b>	<b>120,925</b>	<b>90,734</b>
Cash inflow/(outflow) from working capital	2,712	6,907	-4,303	1,427	4,239	-6,150
<b>Op. cashflow after working cap. expenditure</b>	<b>13,991</b>	<b>51,822</b>	<b>108,051</b>	<b>111,271</b>	<b>125,164</b>	<b>84,584</b>
Investments in intangibles	-6,110	-10,953	2,063	-5,000	-5,000	-5,000
Investments in PPE	-30,731	-41,876	-72,287	-76,000	-111,000	-30,000
Other cashflow from investing	-11,889	23,483	5,012	0	0	0
<b>Cashflow from investing activities</b>	<b>-48,730</b>	<b>-29,346</b>	<b>-65,212</b>	<b>-81,000</b>	<b>-116,000</b>	<b>-35,000</b>
<b>Cashflow after investing</b>	<b>-34,740</b>	<b>22,477</b>	<b>42,839</b>	<b>30,271</b>	<b>9,164</b>	<b>49,584</b>

Source: DRAG; First Berlin Equity Research estimates

## VALUATION

Figure 8: Changes to our valuation model

€m	New	Old	% Δ
DCF valuation Cub Creek Energy (DRAG's stake 98.0%)	175.7	188.1	-6.6%
DCF valuation Elster Oil & Gas (DRAG's stake: 93.0%)	18.9	21.8	-13.1%
DCF valuation Salt Creek Oil & Gas/Bright Rock Energy (DRAG's stakes: 100.0%/ 99%)	56.7	42.9	32.1%
PV10 hedging gains/(losses)	-14.3	-30.2	n.a.
<b>Subtotal: US oil and gas activities</b>	<b>237.0</b>	<b>222.6</b>	<b>6.5%</b>
Almonty (12.18% equity stake plus promissory notes and debentures)	25.7	30.0	-14.4%
Ceritech (DRAG's stake: 72.46%)	1.5	2.0	-24.8%
Northern Oil and Gas (DRAG's stake: 0.29%)	8.3	9.8	-14.9%
Rhein Petroleum (DRAG's stake: 10%)	2.5	2.5	0.0%
Tin International (DRAG's stake: 94.4%)	1.7	0.2	759.5%
Holding company costs	-10.0	-10.0	0.0%
<b>Total enterprise value</b>	<b>266.7</b>	<b>257.2</b>	<b>3.7%</b>
Cash and securities held in current assets	34.3	51.6	-33.6%
Bonds	109.8	110.7	-0.8%
Other debt	0.0	19.7	-99.9%
Net debt	75.6	78.8	-4.1%
<b>Total equity value</b>	<b>191.2</b>	<b>178.4</b>	<b>7.2%</b>
No shares (m)	5.00	4.95	0.9%
<b>Equity value per share (€)</b>	<b>38.25</b>	<b>36.00</b>	<b>6.3%</b>

Source: First Berlin Equity Research estimates





**Price target raised from €36.00 to €38.00. Buy recommendation maintained** Figure 8 shows changes to our valuation model. The change in our valuation of DRAG's oil and gas producing subsidiaries is influenced by the following:

- the 15 wells to be drilled by the second JV between Salt Creek and Occidental
- the USD15.5m invested by DRAG since the end of June to raise its stake in Cub Creek from 88.5% to 98%, and its stake in Bright Rock above 98.86%
- the reduction in our estimate of the PV of hedging losses. This is a function of passing of the Q3/22 numbers out of the figures
- the fall in the long end of the oil futures curve
- the increase in our WACC estimate from 10% to 11%

The net impact of these different factors raises our valuation of DRAG's oil and gas business by 6.5% to €237m. Our valuations of DRAG's stakes in Almonty and Northern Oil and Gas (NOG) have moved in line with DRAG's stakes in these companies and their share prices. The net debt calculation shown in figure 9 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, NOG) individually. The share count is now 4.99mm (previously: 4.95m) due to bond conversion. We now see fair value for the DRAG share at €38 (previously: €36). We maintain our Buy recommendation.

**Figure 9: DCF Valuation of Cub Creek Energy\***

USD 000s	Q4 22E	2023E	2024E	2025E	2026E
Production (working interest): barrels of oil equivalent (000s)	645	2,031	1,602	1,261	1,069
Unhedged average oil price after transport costs (WTI -USD/barrel)		75.78	68.96	64.64	61.16
<b>Net revenue (working interest after royalty and ad valorem tax)</b>	<b>35,362</b>	<b>99,107</b>	<b>69,343</b>	<b>50,109</b>	<b>40,301</b>
Cash operating costs	4,970	21,853	18,041	14,824	12,573
<b>EBITDA</b>	<b>30,392</b>	<b>77,254</b>	<b>51,302</b>	<b>35,285</b>	<b>27,728</b>
Depreciation	9,024	28,433	22,431	17,648	14,967
<b>EBIT</b>	<b>21,368</b>	<b>48,821</b>	<b>28,870</b>	<b>17,637</b>	<b>12,761</b>
NOPLAT	16,881	38,569	22,808	13,933	10,081
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
<b>CAPEX</b>	<b>-3,000</b>	<b>-25,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Working capital expenditure	-688	1,181	-3,450	-3,529	-2,216
<b>Free cashflow</b>	<b>22,217</b>	<b>43,183</b>	<b>41,789</b>	<b>28,052</b>	<b>22,833</b>
PV free cashflow (11% discount rate)	21,902	38,351	33,435	20,220	14,827
<b>Sum PV free cashflows</b>	<b>182,892</b>				

Source: DRAG; First Berlin Equity Research estimates



Figure 10: DCF Valuation of Elster Oil &amp; Gas\*

USD 000s	Q4 22E	2023E	2024E	2025E	2026E
Production (working interest): barrels of oil equivalent (000s)	65	239	212	191	173
Unhedged average oil price after transport costs (WTI -USD/barrel)		75.78	68.96	64.64	61.16
<b>Net revenue (working interest after royalty and ad valorem tax)</b>	<b>2,938</b>	<b>9,109</b>	<b>7,184</b>	<b>6,100</b>	<b>5,292</b>
Cash operating costs	502	2,575	2,385	2,241	2,038
<b>EBITDA</b>	<b>2,435</b>	<b>6,534</b>	<b>4,799</b>	<b>3,859</b>	<b>3,254</b>
Depreciation	652	2,393	2,118	1,906	1,733
<b>EBIT</b>	<b>1,784</b>	<b>4,141</b>	<b>2,681</b>	<b>1,953</b>	<b>1,521</b>
NOPLAT	1,409	3,271	2,118	1,543	1,202
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	73	432	-627	-642	-403
<b>Free cashflow</b>	<b>2,133</b>	<b>6,097</b>	<b>3,609</b>	<b>2,807</b>	<b>2,532</b>
PV free cashflow (11% discount rate)	2,103	5,415	2,887	2,024	1,644
<b>Sum PV free cashflows</b>	<b>20,770</b>				

Source: DRAG; First Berlin Equity Research estimates

Figure 11: DCF Valuation of Salt Creek Oil &amp; Gas, Bright Rock Energy\*

USD 000s	Q4 22E	2023E	2024E	2025E	2026E
Production (working interest): barrels of oil equivalent (000s)	145	1,390	1,359	982	693
Unhedged average oil price after transport costs (WTI -USD/barrel)		75.78	68.96	64.64	61.16
<b>Net revenue (working interest after royalty and ad valorem tax)</b>	<b>9,586</b>	<b>81,640</b>	<b>71,400</b>	<b>47,918</b>	<b>31,604</b>
Cash operating costs	1,121	14,959	15,301	11,552	8,149
<b>EBITDA</b>	<b>8,465</b>	<b>66,682</b>	<b>56,099</b>	<b>36,366</b>	<b>23,456</b>
Depreciation	1,454	13,902	13,589	9,823	6,929
<b>EBIT</b>	<b>7,010</b>	<b>52,780</b>	<b>42,510</b>	<b>26,543</b>	<b>16,526</b>
NOPLAT	5,538	41,696	33,583	20,969	13,056
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
<b>CAPEX</b>	<b>-12,000</b>	<b>-73,000</b>	<b>-35,000</b>	<b>0</b>	<b>0</b>
Working capital expenditure	92	-1,783	2,298	-2,246	-1,410
<b>Free cashflow</b>	<b>-4,916</b>	<b>-19,185</b>	<b>14,470</b>	<b>28,547</b>	<b>18,575</b>
PV free cashflow (11% discount rate)	-2,423	-17,039	11,577	20,577	12,062
<b>Sum PV free cashflows</b>	<b>58,388</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 2026





## INCOME STATEMENT

All figures in € 000s	2019A	2020A	2021A	2022E	2023E	2024E
<b>Revenues</b>	<b>41,204</b>	<b>38,683</b>	<b>73,321</b>	<b>156,903</b>	<b>185,238</b>	<b>144,130</b>
Cost of materials	11,342	11,630	18,106	26,504	29,427	26,441
Personnel/G&A expenses	11,559	12,118	12,118	14,985	11,484	10,576
Net other operating income	4,422	8,999	22,962	16,641	2,297	1,991
<b>EBITDA</b>	<b>22,725</b>	<b>23,935</b>	<b>66,058</b>	<b>132,056</b>	<b>146,623</b>	<b>109,103</b>
Depreciation and amortisation	17,095	40,070	33,469	42,000	44,000	40,047
<b>Operating income (EBIT)</b>	<b>5,630</b>	<b>-16,135</b>	<b>32,590</b>	<b>90,056</b>	<b>102,623</b>	<b>69,057</b>
Net financial result	-5,368	-6,388	96	-5,778	-5,250	-4,896
Other financial items	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>262</b>	<b>-22,524</b>	<b>27,056</b>	<b>84,278</b>	<b>97,373</b>	<b>64,161</b>
Taxes	-76	6,425	-699	-16,434	-20,448	-13,474
Profit before minorities	186	-16,099	26,357	67,844	76,925	50,687
Minority interests	122	589	-1,563	-5,030	-1,279	-774
<b>Net income / loss</b>	<b>308</b>	<b>-15,510</b>	<b>24,794</b>	<b>62,813</b>	<b>75,646</b>	<b>49,913</b>
<b>EPS (in €)</b>	<b>0.06</b>	<b>-3.13</b>	<b>5.00</b>	<b>12.68</b>	<b>15.27</b>	<b>10.08</b>
<b>Ratios</b>						
EBITDA margin on revenues	55.2%	61.9%	90.1%	84.2%	79.2%	75.7%
EBIT margin on revenues	13.7%	-41.7%	44.4%	57.4%	55.4%	47.9%
Net margin on revenues	0.7%	-40.1%	33.8%	40.0%	40.8%	34.6%
Tax rate	29.0%	-28.5%	2.6%	19.5%	21.0%	21.0%
<b>Y-Y Growth</b>						
Revenues	-62.2%	-6.1%	89.5%	114.0%	18.1%	-22.2%
Operating income	-85.9%	n.m.	n.m.	176.3%	14.0%	-32.7%
Net income/ loss	-97.8%	n.m.	n.m.	153.3%	20.4%	-34.0%



## BALANCE SHEET

All figures in € 000s	2019A	2020A	2021A	2022E	2023E	2024E
<b>Assets</b>						
<b>Current assets, total</b>	<b>80,455</b>	<b>36,354</b>	<b>53,151</b>	<b>74,779</b>	<b>75,474</b>	<b>42,401</b>
Cash and cash equivalents	66,637	22,815	23,492	43,213	38,599	13,229
Inventories	165	186	175	374	442	344
Receivables	9,935	3,505	17,898	25,104	29,638	23,061
Prepayments	1,156	1,047	893	1,569	1,852	1,441
Other current assets	1,161	7,327	8,529	2,354	2,779	2,162
Deferred tax assets	1,401	1,474	2,164	2,164	2,164	2,164
<b>Non-current assets, total</b>	<b>198,470</b>	<b>170,368</b>	<b>211,840</b>	<b>250,840</b>	<b>322,840</b>	<b>317,793</b>
Intangible assets	22,136	21,892	29,821	32,165	34,509	36,853
Land and buildings	0	0	0	0	0	0
Producing oil plants	138,433	110,203	143,612	178,929	246,042	238,921
Exploration and evaluation	648	2,227	5,225	6,510	8,952	8,693
Plant and machinery	143	123	111	138	190	185
Other equipment	331	225	107	133	183	178
Equity investments	16,688	17,773	14,552	14,552	14,552	14,552
Loans to other investors	1,902	4,711	4,782	4,782	4,782	4,782
Securities classified as fixed assets	18,189	13,214	13,630	13,630	13,630	13,630
<b>Total assets</b>	<b>278,925</b>	<b>206,722</b>	<b>264,991</b>	<b>325,619</b>	<b>398,314</b>	<b>360,195</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>26,927</b>	<b>27,077</b>	<b>31,790</b>	<b>31,311</b>	<b>125,378</b>	<b>19,746</b>
Bank debt	22	190	1,089	0	0	0
Bond debt	0	16,658	0	9,815	100,000	0
Accounts payable	17,114	2,901	20,764	2,354	2,779	2,162
Other current liabilities	9,791	7,328	9,937	19,142	22,599	17,584
<b>Long-term liabilities, total</b>	<b>139,089</b>	<b>111,533</b>	<b>116,303</b>	<b>100,000</b>	<b>0</b>	<b>30,000</b>
Bond debt	131,077	97,761	97,761	100,000	0	0
Bank debt	8,012	13,772	18,542	0	0	30,000
Other long term liabilities	0	0	0	0	0	0
Provisions	25,222	7,336	18,842	31,381	37,048	28,826
Minority interests	7,184	6,170	7,351	12,381	13,660	14,434
Shareholders' equity	64,317	39,419	72,723	133,546	205,229	250,188
<b>Consolidated equity</b>	<b>71,501</b>	<b>45,589</b>	<b>80,074</b>	<b>145,928</b>	<b>218,889</b>	<b>264,623</b>
Deferred tax liabilities	16,186	15,187	17,982	17,000	17,000	17,000
<b>Total consolidated equity and debt</b>	<b>278,925</b>	<b>206,722</b>	<b>264,991</b>	<b>325,619</b>	<b>398,314</b>	<b>360,195</b>
<b>Ratios</b>						
Current ratio (x)	2.99	1.34	1.67	2.39	0.60	2.15
Quick ratio (x)	2.98	1.34	1.67	2.38	0.60	2.13
Financial leverage	75.9%	202.6%	100.2%	36.3%	21.8%	1.2%
Book value per share (€)	12.98	7.96	14.68	26.96	41.43	50.50
Net cash (debt)	-54,285	-92,352	-80,270	-52,972	-47,771	-3,141
Return on equity (ROE)	0.3%	-27.5%	41.9%	60.0%	42.2%	0.0%



## CASH FLOW STATEMENT

All figures in € 000s	2019A	2020A	2021A	2022E	2023E	2024E
<b>Net profit before minorities</b>	<b>186</b>	<b>-16,099</b>	<b>26,357</b>	<b>67,844</b>	<b>76,925</b>	<b>50,687</b>
Writedowns/w riteups of fixed assets	16,307	37,702	32,805	42,000	44,000	40,047
Increase/decrease in provisions	17,380	-11,411	-927	0	0	0
Changes in working capital	-9,195	2,712	6,907	1,427	4,239	-6,150
Gains/losses from disposal of fixed assets	-31	-286	-736	0	0	0
Gains/losses from disposal of securities	0	-1,433	-18,093	0	0	0
Interest expense/income	5,368	6,388	5,533	0	0	0
Tax paid/received	76	-6,425	792	0	0	0
Income tax payments	158	0	0	0	0	0
Other	-16,311	2,843	-816	0	0	0
<b>Operating cash flow</b>	<b>13,938</b>	<b>13,991</b>	<b>51,822</b>	<b>111,271</b>	<b>125,164</b>	<b>84,584</b>
Investment in property, plant equipment	-22,513	-30,731	-41,876	-76,000	-111,000	-30,000
Investment in intangible assets	-6,214	-6,110	-10,953	-5,000	-5,000	-5,000
<b>Free cash flow</b>	<b>-14,789</b>	<b>-22,850</b>	<b>-1,007</b>	<b>30,271</b>	<b>9,164</b>	<b>49,584</b>
Proceeds from disposal of intangible assets	0	119	1,633	0	0	0
Management of short term financial assets, other	-5,511	-12,008	21,850	0	0	0
<b>Investing cash flow</b>	<b>-34,238</b>	<b>-48,730</b>	<b>-29,346</b>	<b>-81,000</b>	<b>-116,000</b>	<b>-35,000</b>
Equity financing	-18	-97	0	0	0	0
Debt financing	62,000	7,322	19,006	-6,488	0	0
Debt repayment	-16,115	-16,658	-31,729	-1,089	-9,815	-70,000
Interest paid	-6,638	-7,515	-6,515	0	0	0
Dividends, share buybacks	-3,937	-743	-328	-2,972	-3,963	-4,954
Other	0	0	-145	0	0	0
<b>Financing cash flow</b>	<b>35,292</b>	<b>-17,691</b>	<b>-19,711</b>	<b>-10,549</b>	<b>-13,778</b>	<b>-74,954</b>
Other	1,004	8,608	-2,088	0	0	0
<b>Change in cash and equivalents</b>	<b>6,647</b>	<b>-43,822</b>	<b>677</b>	<b>19,721</b>	<b>-4,614</b>	<b>-25,370</b>
FX/consolidation effects	0	0	0	0	0	0
<b>Cash and current cash equivalents, start of the year</b>	<b>59,990</b>	<b>66,637</b>	<b>22,815</b>	<b>23,492</b>	<b>43,213</b>	<b>38,599</b>
<b>Cash and current cash equivalents, end of the year</b>	<b>66,637</b>	<b>22,815</b>	<b>23,492</b>	<b>43,213</b>	<b>38,599</b>	<b>13,229</b>
<b>EBITDA/share (in €)</b>	<b>4.60</b>	<b>4.83</b>	<b>13.33</b>	<b>26.66</b>	<b>29.60</b>	<b>22.02</b>
<b>Y-Y Growth</b>						
Operating cash flow	-79.7%	0.4%	270.4%	114.7%	12.5%	-32.4%
Free cash flow	n.m.	n.m.	n.m.	n.m.	-69.7%	441.1%
EBITDA/share	-76.8%	5.1%	176.0%	99.9%	11.0%	-25.6%

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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.

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	22 July 2010	€7.45	Buy	€13.20
2...32	↓	↓	↓	↓
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
37	7 October 2021	€21.10	Buy	€28.00
38	13 December 2021	€20.50	Buy	€31.00
39	9 June 2022	€32.00	Buy	€43.00
40	13 July 2022	€27.40	Buy	€36.00
41	Today	€26.20	Buy	€38.00

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