

Deutsche Rohstoff AG

Germany / Raw materials
 Frankfurt
 Bloomberg: DR0 GR
 ISIN: DE000A0XYG76

Update

| | |
|---------------------|----------------|
| RATING | ADD |
| PRICE TARGET | € 24.70 |
| Return Potential | 18.8% |
| Risk Rating | High |

RESERVE ESTIMATES CUT BUT BALANCE SHEET STRENGTHENED

In its preliminary H1 report DRAG raised full year revenue and EBITDA guidance. Management now expects revenue of €90-100m (previously: €75-85m; 2017: €53.7m) and EBITDA of €85-90m (previously: €65-70m; 2017: €36.1m). The increase in guidance is largely due to the successful start of production at DRAG's Elster subsidiary. Despite higher guidance, the DRAG share has fallen 12% since the results release. We believe the negative market response has been caused by the large increase in depreciation from €7.8m in Q1/18 (50% of revenues) to €27.4m in Q2/18 (70% of revenues). This meant that only a quarter of the sequential (Q2/18 vs. Q1/18) increase in EBITDA flowed through to net profit before minorities. The depreciation charge rose sharply because new wells came on stream but also because management lowered its estimate of the lifetime production of some of the company's established wells. Our revised valuation of €24.7 per share (previously €2.3 per share) takes account both of our lower overall production expectations (-17% for existing wells, -51% for planned wells) and the 17% rise in the average level of the oil futures curve since our last note in January. At the same time we estimate that net debt has fallen from €75.2m at end 2017 to €45.1m currently, equivalent to a reduction in net gearing from 133% to 68%. Over three quarters of gross debt is comprised of bonds maturing after mid-2021. Our recommendation is Add (previously: Buy).

New wells push Q2/18 production 144% above Q1/18 level As figure 1 overleaf shows, Q2/18 BOE (barrel of oil equivalent) production after royalties of 1.20m BOE was 144% above the Q1/18 level of 0.49m BOE. The jump in production was attributable to a first full quarter's contribution from ca. 18 net 1-mile equivalent wells at the Elster subsidiary (production start: February/March) and also to new production from ca. 13 net 1-mile equivalent wells at the Cub Creek subsidiary's Litzenger project (production start: end April). We estimate that these two projects accounted for around three quarters of Q2/18 BOE output. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

| | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E |
|--------------------|--------|--------|--------|--------|--------|--------|
| Revenue (€m) | 1.90 | 9.17 | 53.75 | 98.23 | 100.98 | 107.63 |
| Y-o-y growth | -91.7% | 383.4% | 486.1% | 971.2% | 87.9% | 9.6% |
| EBITDA (€m) | 4.91 | 6.37 | 36.13 | 86.36 | 70.98 | 76.63 |
| EBITDA margin | 258.6% | 69.5% | 67.2% | 87.9% | 70.3% | 71.2% |
| Net income (€m) | 1.16 | 0.10 | 5.55 | 9.59 | 5.07 | 14.46 |
| EPS (diluted) (€) | 0.23 | 0.02 | 1.10 | 1.90 | 1.00 | 2.86 |
| DPS (€) | 0.55 | 0.60 | 0.65 | 0.80 | 0.80 | 1.00 |
| FCF (€m) | -12.11 | -57.26 | -13.05 | 26.65 | 9.37 | 33.84 |
| Net gearing | -21.1% | 69.9% | 132.6% | 58.3% | 49.7% | 15.2% |
| Liquid assets (€m) | 71.04 | 28.09 | 29.70 | 34.39 | 39.71 | 69.51 |

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, base metals and rare earths. The business model is based on production in well explored areas in politically stable countries. DRAG is based in Mannheim, Germany.

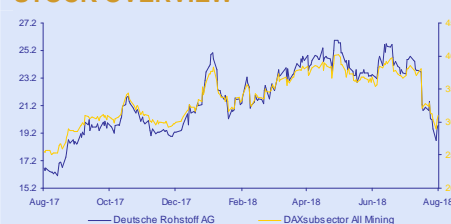
MARKET DATA

As of 23 Aug 2018

| | |
|-------------------------|-----------------|
| Closing Price | € 20.80 |
| Shares outstanding | 5.06m |
| Market Capitalisation | € 105.31m |
| 52-week Range | € 16.13 / 25.95 |
| Avg. Volume (12 Months) | 11,956 |

| Multiples | 2017 | 2018E | 2019E |
|------------|------|-------|-------|
| P/E | 19.0 | 11.0 | 20.8 |
| EV/Sales | 2.8 | 1.5 | 1.5 |
| EV/EBITDA | 4.2 | 1.7 | 2.1 |
| Div. Yield | 3.1% | 3.8% | 3.8% |

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2018

| | |
|----------------------|-----------|
| Liquid Assets | € 21.40m |
| Current Assets | € 35.69m |
| Intangible Assets | € 33.00m |
| Total Assets | € 241.01m |
| Current Liabilities | € 12.03m |
| Shareholders' Equity | € 47.77m |

SHAREHOLDERS

| | |
|------------|-------|
| Management | 9.7% |
| BASF-VC | 6.3% |
| Free float | 84.0% |



Figure 1: Q2/18 and H1/18 preliminary results

| € 000s | Q1 17A | Q2 17A | H1 17A | 2017A | Q1 18A | Q2 18P | Q2 18P vs. Q2 17A | H1 18P | H1 18P vs. H1 18P |
|-------------------------------------|----------------|----------------|------------------|------------------|----------------|------------------|----------------------|------------------|----------------------|
| Net production (BOE) | 582,994 | 417,770 | 1,000,764 | 1,871,694 | 491,074 | 1,198,926 | 187.0% | 1,690,000 | 68.9% |
| of which: | | | | | | | | | |
| Oil | 74.8% | 52.3% | 65.4% | 58.6% | 56.2% | 55.4% | | 55.6% | |
| Gas | 25.2% | 47.7% | 34.6% | 41.4% | 43.8% | 44.6% | | 44.4% | |
| Sales | 20,928 | 11,192 | 32,120 | 53,746 | 15,661 | 39,439 | 252.4% | 55,100 | 71.5% |
| EBITDA | 17,246 | 6,238 | 23,484 | 36,138 | 10,636 | 41,964 | 572.7% | 52,600 | 124.0% |
| <i>margin</i> | 82.4% | 55.7% | 73.1% | 67.2% | 67.9% | 106.4% | | 95.5% | |
| Depreciation | -8,725 | -6,445 | -15,171 | -30,001 | -7,773 | -27,427 | | -35,200 | |
| <i>% revenue</i> | 41.7% | 57.6% | 47.2% | 55.8% | 49.6% | 69.5% | | 63.9% | |
| EBIT | 8,521 | -207 | 8,313 | 6,137 | 2,863 | 14,537 | n.a. | 17,400 | 109.3% |
| <i>margin</i> | 40.7% | -1.9% | 25.9% | 11.4% | 18.3% | 36.9% | | 31.6% | |
| Financial items | -865 | -881 | -1,746 | -4,842 | -1,573 | -1,727 | | -3,300 | |
| Pretax | 7,655 | -1,088 | 6,567 | 1,294 | 1,290 | 12,810 | | 14,100 | |
| Tax | -2,602 | 1,074 | -1,528 | 6,378 | -228 | -3,772 | | -4,000 | |
| Tax rate (%) | 34% | 99% | 23% | -493% | 18% | 29% | | 28% | |
| Net profit before minorities | 5,054 | -15 | 5,039 | 7,672 | 1,061 | 9,039 | n.a. | 10,100 | 100.4% |

Source: DRAG AG

Oil:gas ratio at new Elster project more favourable than type curve The first month of production from the new Elster wells at ca. 12,700 BOE per well (on a 100% working interest basis) was in line with the type curve but the oil/gas ratio at 80:20 was above the type curve figure of ca. 70:30. This is positive because a barrel of oil is around 4 times more valuable than a BOE gas. At Litzenberger average output of 10,560 BOE per well (100% working interest basis) during the first month of production was around 19% below the type curve. DRAG has not given the oil/gas split for Litzenberger.

Production at new Elster project holding up well According to management, production at the new Elster project has so far not declined as fast as the type curve. 30% of DRAG's oil output is currently hedged by a costless collar between USD45 and USD52. The new Elster project's output is unhedged and so benefits from the currently higher spot price. We see these two factors as motivating management's increase in full year guidance. H2/18 revenue will also benefit from the sale of oil/gas produced in the first half at the new Elster project but not sold. A significant part of the project's output could not be sold during Q2/18 because of bottlenecks in the marketing partner's pipeline infrastructure. DRAG expect the sale of output held over from the first half will boost H2 revenue by USD9m.

Mixed recent production record at Cub Creek The recent production record of DRAG's Cub Creek subsidiary is mixed. Cub Creek is currently producing from four drilling pads - Vail, Markham, Haley and Litzenberger. In November last year lower than expected third quarter production from the Vail and Markham pads prompted management to reduce full year guidance for sales from a range of €55-€65m to €50m and for EBITDA from €40m to a range of €35-€37m. At the same time, however, DRAG reported that the seven Haley wells had reached daily production rates of 3,000 BOE and that output had continued to rise. This put production at Haley (five wells in the Niobrara horizon, two wells in the Codell horizon) above the blended Niobrara/Codell type curve. On the other hand, as we have seen above, the first month of production from the Litzenberger pad in May 2018 was below the type curve.

Production optimisation planned at Cub Creek In its Q1/18 report DRAG announced that it had raised depletion (depreciation) of Cub Creek assets by 10% to account for continued weak performance of some of the subsidiary's wells.



In the Q2/18 report management again made reference to recent results from some of Cub Creek Energy's wells which were not in line with the expected production trend and therefore led to higher than expected depreciation. DRAG plans to use gaslifts to optimise production so that depreciation levels will not have to be adjusted further.

We lower remaining lifetime time production forecast for existing wells by 17.3%

Reported Q2/18 production was 1.2m BOE. This figure represents DRAG's working interest in production after 25% royalties. DRAG's working interest in production before royalties was one third higher at 1.6m BOE. DRAG booked €27.4m or USD32.7m in depreciation in Q2/18. We gather that USD4.2m of this figure was exceptional. Depletion-related depreciation was thus USD28.5m. We estimate the end-March acquisition cost of DRAG's oil producing assets at USD235m. This suggests that Q2/18 production before royalties of 1.6m BOE accounted for around 12% (28.5/235) of remaining lifetime production. On this calculation remaining lifetime production before royalties of existing wells (from end June 2018) would be 11.7m BOE. On the basis of the type curves for the wells at Cub Creek and in view of the recent downward revisions to estimated ultimate recoveries for the wells at this subsidiary, we take a more conservative view and pencil in estimated remaining life time production for DRAG's existing wells of 9.3m BOE.

Figure 2: Life time production forecast for Cub Creek and Elster

| BOEm | New | Old | delta (%) |
|--|-------------|-------------|---------------|
| Working interest in post-June 2018 production | 19.3 | 31.6 | -38.9% |
| <i>of which:</i> | | | |
| Existing wells | 9.3 | 11.2 | -17.3% |
| <i>of which:</i> | | | |
| Cub Creek | 4.9 | 7.6 | -35.5% |
| Elster | 4.4 | 3.6 | 21.1% |
| <i>of which:</i> | | | |
| Planned wells | 10.0 | 20.4 | -50.8% |
| <i>of which:</i> | | | |
| Cub Creek | 10.0 | 20.4 | -50.8% |
| Elster | 0.0 | 0.0 | n.a. |
| Total Cub Creek | 14.9 | 28.0 | -46.7% |
| Total Elster | 4.4 | 3.6 | 21.1% |

Source: First Berlin Equity Research AG, DRAG AG

Q2 numbers did not include any downward revision to reserves at Elster We gather from talking to DRAG's management that the Q2 depreciation charge did not incorporate any downward revision to estimated ultimate recoveries at the Elster wells. Our estimate for Elster rises because in February the subsidiary increased its stake in its new project from 24% to 35% and the number of net wells thus rose from 10.3 to 17.6.

50.8% reduction in our production forecast for planned Cub Creek wells Neither our previous nor our current model incorporates any further production starts at Elster. At Cub Creek we now assume 48 net 1 mile equivalent new wells - a decrease of 16.7% on our previous figure of 57.6. We expect half of these wells to begin production in spring 2019 and the other half in spring 2020. Most of our assumed 50.8% decline in lifetime output at future Cub Creek wells stems from lower lifetime production forecasts. Figure 3 overleaf shows the impact of the increase in our projections for Elster and the decrease in our forecasts for Cub Creek on our overall group numbers.



Figure 3: Changes to our forecasts

| All figures in € 000s | 2018E | 2018E | Δ | 2019E | 2019E | Δ | 2020E |
|--------------------------------|---------------|---------------|---------------|----------------|----------------|---------------|----------------|
| | New | Old | | New | Old | | New |
| Revenues | 98,230 | 88,876 | 10.5% | 100,978 | 161,276 | -37.4% | 107,633 |
| EBITDA | 86,362 | 76,179 | 13.4% | 70,978 | 143,742 | -50.6% | 76,633 |
| Depreciation and amortisation | 67,433 | 32,985 | | 55,643 | 80,759 | | 47,228 |
| Operating income (EBIT) | 18,929 | 43,194 | -56.2% | 15,335 | 62,983 | -75.7% | 29,405 |
| Net financial result | -5,452 | -3,959 | | -4,183 | -6,829 | | -4,223 |
| Pre-tax income (EBT) | 13,477 | 39,235 | | 11,152 | 56,164 | | 25,182 |
| Income taxes | -2,830 | -8,239 | | -2,342 | -11,792 | | -5,288 |
| Net before minorities | 10,647 | 30,996 | | 8,810 | 44,372 | | 19,894 |
| Minority interests | -1,056 | -4,437 | | -3,745 | -6,973 | | -5,434 |
| Net income after mins. | 9,592 | 26,559 | -63.9% | 5,065 | 37,389 | -86.5% | 14,459 |
| EPS (€) | 1.90 | 5.25 | -63.9% | 1.00 | 7.39 | -86.5% | 2.86 |

Source: First Berlin Equity Research AG, DRAG AG

We estimate that net debt has fallen from €75.2m at end 2017 to €45.1m currently As figure 4 shows, DRAG had net debt of €75.2m at the end of 2017. We model this figure at €45.1m by the end of Q2/18 due to the generation of €46.3m in after tax proceeds from the sale at the end of May of most of the acreage held by the Salt Creek subsidiary. The sale helped facilitate the repayment of €28.7m in debt including €10.5m at Salt Creek, €2.5m at Elster and also the outstanding €15.7m of the 8% 2013-18 bond redeemed in July 2018. We also note that over three quarters of gross debt is comprised of bonds maturing after mid-2021.

Figure 4: FY 2017A and August 2018E net debt position

| € 000s | FY 2017A | 23.08.2018E |
|---|----------------|---------------|
| Cash at bank | 28,368 | 50,945 |
| Securities classified as current assets | 1,331 | 1,331 |
| Total liquid assets | 29,699 | 52,276 |
| Loans to other investors | 1,724 | 1,724 |
| Total liquid assets and loans to investors | 31,423 | 54,000 |
| 8% bond July 2018 | 15,741 | 0 |
| 5.625% bond July 2021 | 66,599 | 66,599 |
| 3.625% bond March 2023 | 0 | 10,500 |
| Bank liabilities | 24,236 | 22,000 |
| Total debt | 106,576 | 99,099 |
| Net debt | 75,153 | 45,099 |
| Consolidated equity | 56,675 | 66,775 |
| Net gearing | 132.6% | 67.5% |

Source: First Berlin Equity Research AG, DRAG AG

Price target moved to €24.7 from €29.3. Recommendation now Add (previously: Buy).

Figures 5 and 6 show updated DCF valuations for Cub Creek and Elster while figure 7 shows changes to our sum of the parts valuation since our note of 11 January. Our valuation of continuing US oil and gas businesses falls by 9.5% with a 16.6% rise in the average price of the oil futures strip (USD52.7 to USD61.4) not compensating for a 38.9% reduction in our post June 2018 production forecast for Cub Creek and Elster. Outside the US oil and gas subsidiaries, the only other business which makes currently makes a significant contribution to DRAG's valuation is Almonty. The increase in our valuation from €14.5m to €17.8m mainly reflects the 39% increase in the share price which in turn has been driven by a cyclical upturn in EBITDA from CAD-3.7m (quarter to end September 2017) to CAD9.6m (quarter to end June 2018). We have lowered our price target for the DRAG share from €29.3 to €24.7 and moved the recommendation from Buy to Add as the potential share price upside is now less than 25%.



Figure 5: DCF Valuation of Cub Creek*

| USD 000s | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E |
|--|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| Production (working interest): barrels of oil equivalent (000s) | 1,519 | 2,417 | 3,084 | 1,895 | 1,326 | 1,057 | 891 | 775 |
| Oil price period end (WTI -USD/barrel) | 63.90 | 64.09 | 61.95 | 59.29 | 57.52 | 56.11 | 55.93 | 55.76 |
| No. 1 mile-lateral equivalent wells period end (working interest) | 36.0 | 60.0 | 84.0 | 84.0 | 84.0 | 84.0 | 84.0 | 84.0 |
| Net revenue (working interest after royalty and ad valorem tax) | 44,014 | 91,132 | 112,396 | 66,183 | 45,150 | 35,314 | 29,770 | 25,912 |
| EBITDA | 38,278 | 80,868 | 99,230 | 56,500 | 37,195 | 28,165 | 23,114 | 19,597 |
| Depreciation | 39,591 | 44,345 | 45,789 | 23,702 | 16,064 | 12,760 | 10,760 | 9,361 |
| EBIT | -1,313 | 36,523 | 53,441 | 32,798 | 21,131 | 15,405 | 12,354 | 10,237 |
| NOPLAT | -1,038 | 28,853 | 42,219 | 25,911 | 16,694 | 12,170 | 9,759 | 8,087 |
| Tax Rate (%) | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |
| CAPEX | 50,573 | 62,400 | 37,440 | 0 | 0 | 0 | 0 | 0 |
| Working capital expenditure | 16 | -7,068 | -3,190 | 6,932 | 3,155 | 1,475 | 832 | 579 |
| Free cashflow | -12,003 | 3,730 | 47,378 | 56,544 | 35,912 | 26,406 | 21,351 | 18,026 |
| PV free cashflow (12% discount rate) | -4,314 | 3,192 | 36,198 | 38,572 | 21,873 | 14,360 | 10,367 | 7,815 |
| Sum PV free cashflows | 148,888 | | | | | | | |

Source: DRAG; First Berlin Equity Research estimates

Figure 6: DCF Valuation of Elster*

| USD 000s | 2018E | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Production (working interest): barrels of oil equivalent (000s) | 1,949 | 1,162 | 569 | 441 | 364 | 312 | 274 | 246 |
| Oil price period end (WTI -USD/barrel) | 22.63 | 64.09 | 61.95 | 59.29 | 57.52 | 56.11 | 55.93 | 55.76 |
| No. 1 mile-lateral equivalent wells period end (working interest) | 22.6 | 22.6 | 22.6 | 22.6 | 22.6 | 22.6 | 22.6 | 22.6 |
| Net revenue (working interest after royalty and ad valorem tax) | 63,658 | 25,598 | 12,027 | 8,960 | 7,239 | 6,116 | 5,394 | 4,845 |
| EBITDA | 56,298 | 20,663 | 9,599 | 6,706 | 5,055 | 4,005 | 3,343 | 2,843 |
| Depreciation | 36,293 | 18,822 | 7,650 | 4,094 | 3,381 | 2,900 | 2,550 | 2,281 |
| EBIT | 20,004 | 1,840 | 1,949 | 2,612 | 1,673 | 1,105 | 794 | 562 |
| NOPLAT | 15,803 | 1,454 | 1,540 | 2,064 | 1,322 | 873 | 627 | 444 |
| Tax Rate (%) | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |
| CAPEX | 31,352 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Working capital expenditure | -8,395 | 5,709 | 2,036 | 460 | 258 | 168 | 108 | 82 |
| Free cashflow | 12,350 | 25,985 | 11,226 | 6,617 | 4,962 | 3,942 | 3,285 | 2,808 |
| PV free cashflow (12% discount rate) | 4,439 | 22,236 | 8,577 | 4,514 | 3,022 | 2,143 | 1,595 | 1,217 |
| Sum PV free cashflows | 49,930 | | | | | | | |

Source: DRAG; First Berlin Equity Research estimates

* our valuation models for CCE and EOG extend to 2032 but for reasons of space we show numbers only out to 2025

Figure 7: Sum of the parts model

| €m | New | Old | % Δ |
|---|--------------|--------------|---------------|
| Cub Creek Energy (DRAG's stake 88.5%) | 115.6 | 149.0 | -22.4% |
| Elster Oil & Gas (DRAG's stake: 93.0%) | 40.7 | 23.8 | 71.1% |
| Subtotal: US oil and gas activities | 156.3 | 172.8 | -9.5% |
| Salt Creek Oil & Gas (DRAG's stake: 90.2%) | 0.0 | 24.9 | |
| Almonty (12.8% equity stake) plus CAD6.0m convertible debenture) | 17.8 | 14.5 | |
| Tin International (DRAG's stake: 61.5%) | 1.5 | 1.5 | |
| Rhein Petroleum (DRAG's stake: 10%) | 2.0 | 2.0 | |
| Ceritech (DRAG's stake: 67.9%) | 2.2 | 2.2 | |
| Devonian Metals (DRAG's stake: 47%) | 0.0 | 0.0 | |
| Hammer Metals (DRAG's stake: 17.8%) | 0.4 | 1.0 | |
| Holding company costs | -10.0 | -10.0 | |
| Total enterprise value | 170.2 | 208.9 | -18.5% |
| Cash and financial assets | 54.0 | 50.1 | |
| Debt | 99.1 | 110.7 | |
| Net cash and financial assets | -45.1 | -60.6 | |
| Total equity value | 125.1 | 148.4 | -15.7% |
| No shares (m) | 5.06 | 5.06 | |
| Equity value per share (€) | 24.7 | 29.3 | -15.7% |

Source: First Berlin Equity Research estimates



INCOME STATEMENT

| All figures in € 000s | 2014A | 2015A | 2016A | 2017A | 2018E | 2019E | 2020E |
|--------------------------------|----------------|--------------|---------------|---------------|---------------|----------------|----------------|
| Revenues | 22,871 | 1,897 | 9,170 | 53,746 | 98,230 | 100,978 | 107,633 |
| Cost of purchased services | 5,080 | 59 | 4 | 8,069 | 18,000 | 18,000 | 18,500 |
| General & administrative costs | 14,706 | 5,460 | 13,289 | 10,675 | 12,001 | 12,000 | 12,500 |
| Other operating income | 110,683 | 8,528 | 10,497 | 1,124 | 18,133 | 0 | 0 |
| EBITDA | 113,768 | 4,906 | 6,374 | 36,126 | 86,362 | 70,978 | 76,633 |
| Depreciation and amortisation | 25,042 | 2,487 | 6,915 | 30,822 | 67,433 | 55,643 | 47,228 |
| Operating income (EBIT) | 88,726 | 2,419 | -541 | 5,304 | 18,929 | 15,335 | 29,405 |
| Net financial result | -4,065 | -2,976 | -1,413 | -4,011 | -5,452 | -4,183 | -4,223 |
| Other financial items | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax income (EBT) | 84,661 | -557 | -1,953 | 1,293 | 13,477 | 11,152 | 25,182 |
| Taxes | -30,645 | 1,086 | 2,028 | 6,379 | -2,830 | -2,342 | -5,288 |
| Profit before minorities | 54,016 | 529 | 75 | 7,672 | 10,647 | 8,810 | 19,894 |
| Minority interests | -28,845 | 626 | 28 | -2,124 | -1,056 | -3,745 | -5,434 |
| Net income / loss | 25,171 | 1,155 | 103 | 5,548 | 9,592 | 5,065 | 14,459 |
| EPS (in €) | 4.80 | 0.23 | 0.02 | 1.10 | 1.90 | 1.00 | 2.86 |
| Ratios | | | | | | | |
| EBITDA margin on revenues | 497.4% | 258.6% | 69.5% | 67.2% | 87.9% | 70.3% | 71.2% |
| EBIT margin on revenues | 387.9% | 127.5% | -5.9% | 9.9% | 19.3% | 15.2% | 27.3% |
| Net margin on revenues | 110.1% | 60.9% | 1.1% | 10.3% | 9.8% | 5.0% | 13.4% |
| Tax rate | 36.2% | 195.0% | 103.8% | -493.3% | 21.0% | 21.0% | 21.0% |
| Y-Y Growth | | | | | | | |
| Revenues | 28.8% | -91.7% | 383.4% | 486.1% | 82.8% | 2.8% | 6.6% |
| Operating income | n.m. | -97.3% | n.m. | n.m. | 256.9% | -19.0% | 91.8% |
| Net income/ loss | n.m. | -95.4% | -91.1% | 5311.9% | 72.9% | -47.2% | 185.5% |



BALANCE SHEET

| All figures in € 000s | 2014A | 2015A | 2016A | 2017A | 2018E | 2019E | 2020E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | | | |
| Current assets, total | 98,203 | 79,267 | 51,874 | 42,502 | 53,689 | 65,460 | 100,472 |
| Cash and cash equivalents | 92,821 | 71,041 | 28,090 | 29,699 | 34,393 | 39,715 | 69,506 |
| Inventories | 38 | 55 | 139 | 170 | 965 | 1,287 | 1,548 |
| Receivables | 106 | 2,831 | 7,794 | 9,090 | 15,437 | 20,596 | 24,773 |
| Prepayments | 190 | 276 | 495 | 833 | 965 | 1,287 | 1,548 |
| Other current assets | 726 | 4,530 | 15,105 | 1,324 | 1,930 | 2,575 | 3,097 |
| Deferred tax assets | 4,322 | 534 | 251 | 1,386 | 0 | 0 | 0 |
| Non-current assets, total | 36,493 | 48,786 | 141,598 | 171,072 | 147,594 | 145,931 | 131,091 |
| Intangible assets | 12,279 | 17,501 | 40,614 | 33,837 | 32,837 | 31,837 | 30,837 |
| Land and buildings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Producing oil plants | 0 | 5,314 | 76,172 | 73,760 | 59,283 | 58,856 | 49,942 |
| Exploration and evaluation | 1,647 | 1,596 | 3,493 | 40,557 | 32,597 | 32,362 | 27,461 |
| Plant and machinery | 513 | 444 | 173 | 99 | 80 | 79 | 67 |
| Other equipment | 94 | 119 | 103 | 108 | 87 | 86 | 73 |
| Equity investments | 11,456 | 11,822 | 12,542 | 15,569 | 15,569 | 15,569 | 15,569 |
| Loans to other investors | | | 913 | 1,724 | 1,724 | 1,724 | 1,724 |
| Securities classified as fixed assets | 10,504 | 11,990 | 7,588 | 5,418 | 5,418 | 5,418 | 5,418 |
| Total assets | 134,696 | 128,053 | 193,472 | 213,574 | 201,283 | 211,391 | 231,563 |
| Shareholders' equity & debt | | | | | | | |
| Current liabilities, total | 4,675 | 4,230 | 33,904 | 31,121 | 16,000 | 21,348 | 92,275 |
| Bank debt | 414 | 7 | 0 | 55 | 0 | 0 | 0 |
| Bond debt | 0 | 0 | 0 | 15,741 | 0 | 0 | 66,599 |
| Accounts payable | 217 | 957 | 29,915 | 5,236 | 4,800 | 6,404 | 7,703 |
| Other current liabilities | 4,044 | 3,266 | 3,989 | 10,089 | 11,200 | 14,943 | 17,973 |
| Long-term liabilities, total | 63,147 | 57,955 | 75,243 | 90,780 | 87,835 | 87,835 | 21,236 |
| Bond debt | 57,111 | 51,555 | 66,705 | 66,599 | 77,099 | 77,099 | 10,500 |
| Bank debt | 5,993 | 6,400 | 8,538 | 24,181 | 10,736 | 10,736 | 10,736 |
| Other long term liabilities | 43 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provisions | 1,540 | 1,089 | 5,308 | 27,997 | 2,000 | 2,000 | 2,000 |
| Difference from capital consolidation | 0 | 0 | 0 | 195 | 0 | 0 | 0 |
| Minority interests | 2,331 | 2,566 | 9,698 | 7,427 | 8,483 | 12,227 | 17,662 |
| Shareholders' equity | 60,157 | 59,274 | 56,423 | 49,248 | 80,160 | 81,175 | 91,584 |
| Consolidated equity | 62,488 | 61,840 | 66,121 | 56,675 | 88,642 | 93,402 | 109,245 |
| Deferred tax liabilities | 2,846 | 2,939 | 12,896 | 6,806 | 6,806 | 6,806 | 6,806 |
| Total consolidated equity and debt | 134,696 | 128,053 | 193,472 | 213,574 | 201,283 | 211,391 | 231,563 |
| Ratios | | | | | | | |
| Current ratio (x) | 21.01 | 18.74 | 1.53 | 1.37 | 3.36 | 3.07 | 1.09 |
| Quick ratio (x) | 21.00 | 18.73 | 1.53 | 1.36 | 3.30 | 3.01 | 1.07 |
| Financial leverage | -46.9% | -21.1% | 69.9% | 132.6% | 58.3% | 49.7% | 15.2% |
| Book value per share (€) | 11.89 | 11.71 | 11.15 | 9.73 | 15.84 | 16.04 | 18.10 |
| Net cash (debt) | 29,303 | 13,079 | -46,240 | -75,153 | -51,718 | -46,396 | -16,605 |
| Return on equity (ROE) | 106.6% | 0.9% | 0.1% | 12.5% | 14.7% | 9.7% | 19.6% |



CASH FLOW STATEMENT

| All figures in € 000s | 2014A | 2015A | 2016A | 2017A | 2018E | 2019E | 2020E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| EBIT | 88,726 | 2,419 | -541 | 5,304 | 18,929 | 15,335 | 29,405 |
| Depreciation and amortisation | 25,042 | 2,487 | 6,915 | 30,822 | 67,433 | 55,643 | 47,228 |
| EBITDA | 113,768 | 4,906 | 6,374 | 36,126 | 86,362 | 70,978 | 76,633 |
| Changes in working capital | 1,524 | -4,625 | -5,809 | -6,463 | -7,204 | -1,102 | -892 |
| Interest paid | -4,263 | -2,976 | -1,413 | -4,011 | -5,452 | -4,183 | -4,223 |
| Tax paid/received | -29,091 | 1,086 | 1,724 | 10,735 | -2,830 | -2,342 | -5,288 |
| Profit/loss from sale of Tekton Energy | -103,605 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other adjustments | 2,691 | 2,803 | 2,038 | 0 | 0 | 0 | 0 |
| Operating cash flow | -18,976 | 1,194 | 2,914 | 36,387 | 70,876 | 63,351 | 66,230 |
| Investing cash flow | 101,073 | -13,307 | -60,177 | -49,439 | -44,222 | -53,979 | -32,388 |
| Free cash flow | 82,097 | -12,113 | -57,263 | -13,052 | 26,653 | 9,372 | 33,842 |
| Dividends, share buybacks | -38,929 | -3,100 | -2,714 | -3,038 | -3,291 | -4,050 | -4,050 |
| Equity financing | 0 | 0 | 1,126 | 0 | 0 | 0 | 0 |
| Debt financing | 0 | 0 | 39,233 | 31,333 | 0 | 0 | 0 |
| Debt repayment | -8,540 | -6,182 | -22,148 | 0 | -18,741 | 0 | 0 |
| Other | 999 | -2,712 | -3,981 | 913 | 0 | 7,588 | 7,589 |
| Financing cash flow | -46,470 | -11,994 | 11,516 | 29,208 | -22,032 | 3,538 | 3,539 |
| Other | 0 | 0 | 2,246 | -14,547 | 72 | -7,588 | -7,589 |
| Change in cash and equivalents | 35,627 | -24,107 | -43,501 | 1,609 | 4,694 | 5,322 | 29,792 |
| FX/consolidation effects | 11,131 | 2,327 | 550 | 0 | 0 | 0 | 0 |
| Cash and cash equivalents, start of the year | 46,063 | 92,821 | 71,041 | 28,090 | 29,699 | 34,393 | 39,715 |
| Cash and cash equivalents, end of the year | 92,821 | 71,041 | 28,090 | 29,699 | 34,393 | 39,715 | 69,506 |
| EBITDA/share (in €) | 21.63 | 0.97 | 1.26 | 7.14 | 17.07 | 14.03 | 15.14 |
| Y-Y Growth | | | | | | | |
| Operating cash flow | n.m. | n.m. | 144.1% | 1148.7% | 94.8% | -10.6% | 4.5% |
| Free cash flow | n.m. | n.m. | n.m. | n.m. | n.m. | -64.8% | 261.1% |
| EBITDA/share | n.m. | -95.5% | 29.9% | 466.8% | 139.1% | -17.8% | 8.0% |

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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...25 | ↓ | ↓ | ↓ | ↓ |
| 26 | 16 October 2017 | €19.59 | Buy | €26.90 |
| 27 | 22 November 2017 | €20.33 | Buy | €22.30 |
| 28 | 11 January 2018 | €20.90 | Buy | €29.30 |
| 29 | Today | €20.80 | Add | €24.70 |

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| 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.

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