

Deutsche Rohstoff AG

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

Update

RATING
BUY

PRICE TARGET
€ 17.00

Return Potential 41.1%
 Risk Rating High

UPWARD SHIFT IN OIL FUTURES CURVE NOT YET PRICED IN

Amid a broader boom for commodities, the short end of the NYMEX oil futures curve (to mid-2023) has moved up by USD10-USD20/barrel over the past six months. The spot price is now above USD60/barrel compared with ca. USD40/barrel in mid-October. Cub Creek's Olander pad (eleven 2 mile-horizontal wells) commenced production in December 2019 but was shut in between April and December last year due to oil price weakness. Production at Olander restarted in January and DRAG's management now plan average daily production from the pad at near full capacity or 2,200 barrels/oil. In our most recent study of October 2020 we assumed only 50% of full capacity. The more favourable commodity price environment also makes Cub Creek's Knight pad economic, and in February DRAG began drilling of up to twelve 2.25 mile-horizontal wells from this location. The valuation in our October 2020 study included the Knight pad only on the basis of its option value. We now include the pad in our DCF valuation. In July 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. Five wells are currently producing on this land at an approximate rate of 300 barrels/day but there is potential for a further 100 wells. DRAG plans to confirm the viability of large scale drilling from this acreage later this year by drilling at least one further well. In October, the oil futures curve did not reach the USD50 level required to justify new drilling until the later part of this decade. The current futures curve is above USD50 for the rest of this decade. The oil price rally has brought forward production at DRAG's Olander and Knight pads and also increased the option value of the Wyoming assets. We now see fair value for the DRAG share at €17.00 (previously: €9.50). We raise the recommendation from Add to Buy.

2020 performance supported by hedging/securities portfolio gains

Preliminary 2020 results showed a 6.1% decline in revenue to €38.7m (2019: €41.2m). DRAG has not yet reported production volume figures for 2020. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020E	2021E	2022E	2023E
Revenue (€m)	109.05	41.20	38.70	62.49	67.69	46.53
Y-o-y growth	102.9%	-62.2%	-6.1%	61.5%	8.3%	-31.3%
EBITDA (€m)	97.93	22.73	23.90	56.10	47.78	30.32
EBITDA margin	89.8%	55.2%	61.8%	89.8%	70.6%	65.2%
Net income (€m)	13.87	0.31	-17.55	13.68	6.68	0.02
EPS (diluted) (€)	2.81	0.06	-3.54	2.76	1.35	0.00
DPS (€)	0.70	0.10	0.10	0.70	0.10	0.10
FCF (€m)	2.47	3.00	-45.37	16.71	24.57	18.15
Net gearing	37.2%	75.9%	192.3%	125.2%	87.8%	63.2%
Liquid assets (€m)	59.99	66.64	22.86	15.37	36.48	43.44

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.

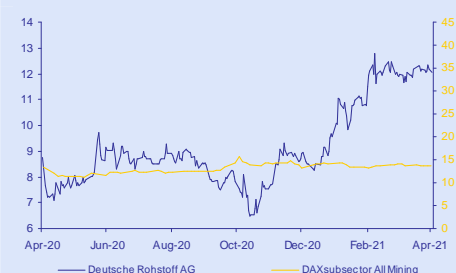
MARKET DATA

As of 19 Apr 2021

Closing Price	€ 12.05
Shares outstanding	4.95m
Market Capitalisation	€ 59.69m
52-week Range	€ 6.48 / 12.80
Avg. Volume (12 Months)	8,189

Multiples	2019	2020E	2021E
P/E	193.6	n.a.	4.4
EV/Sales	4.0	4.2	2.6
EV/EBITDA	7.2	6.9	2.9
Div. Yield	0.8%	0.8%	5.8%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2020

Liquid Assets	€ 26.92m
Current Assets	€ 39.09m
Intangible Assets	€ 19.53m
Total Assets	€ 217.86m
Current Liabilities	€ 18.00m
Shareholders' Equity	€ 52.17m

SHAREHOLDERS

Management	10.0%
Institutional shareholders	30.0%
Free float	60.0%

**Figure 1: Preliminary 2020 results**

€000's	2020P	2019A	% Δ
Revenue	38,700	41,204	-6.1%
EBITDA	23,900	22,725	5.2%
Net profit before minorities	-16,200	186	n.a.

Source: DRAG; First Berlin Equity Research estimates

These will be included in the annual report, publication of which is scheduled for 26 April. The 9M/20 results showed a 4.5% decline in volume to 1.21m BOE (9M/19: 1.27m BOE). DRAG shut in production at Cub Creek's Olander pad in April and also reduced output from Cub Creek's older legacy drilling pads (Vail, Markham, Haley, Litzenberger) by a third. The decline in volume was cushioned by the start of production at Olander at the end of December 2019. DRAG increased production from Cub Creek's older pads from October 2020, but as figure 3 overleaf shows, we expect overall 2020 production to have been 8.1% down on 2019.

2020 EBITDA included a hedging gain of €12m and a share portfolio gain of €3.5m

The spot oil price (West Texas Intermediate) averaged USD39.24 in 2020 - 31% below the prior year figure. 2020 revenue included a €12.0m gain on hedging transactions. DRAG exploited the weakness of resource sector share prices in Q2/20 by investing €19.1m in gold exploration/mining and oil & gas shares and bonds. 2020 EBITDA of €23.9m (2019: €22.7m) was supported by the hedging gain and also by realised gains of €3.5m on the shares and bonds purchased in Q2/20. Unrealised gains on these securities amounted to €8m at year-end. However, net profit before minorities fell to €-16.2m (2019: €0.2m) due to extraordinary writedowns of €17.2m. The €17.2m was comprised of a €10.7m writedown taken against the assets of Elster Oil & Gas as a consequence of low commodity prices and a €6.5m writedown on DRAG's holding in Northern Oil & Gas (NOG) shares to ca. €6.6m. These shares were acquired through the sale of part of Salt Creek Oil & Gas' assets in H1 2018. We calculate that the NOG shares are currently worth €1m more than their written down value.

Three quarters (€87m) of DRAG's €114.4m bond debt does not mature until 2024

DRAG reported cash and cash equivalents (bank balances and securities held as current and non-current assets of €35.3m (2019: €84.8m) in its statement of preliminary 2020 results. Securities classified as non-current assets include the NOG shares as well as promissory notes and convertible debentures issued to Almonty. These were booked at €12.4m in the 9M/20 report. We expect a similar figure at the full-year stage as there were no writedowns in the fourth quarter. Three quarters (€87m) of DRAG's €114.4m bond debt does not mature until 2024, €16.7m is repayable in 2021 and nothing in 2022. The average coupon is 5.2%. At the 9M/20 stage DRAG had €14.4m in bank liabilities of which the main component was a €13m term loan maturing in 2024 (variable interest rate currently at 4%).

**Figure 2: Evolution of DRAG's net debt position**

€000's	FY 19	Q1 20	H1 20A	9M 20A	12M 20E
Cash at bank	61,281	47,286	13,877	11,150	14,980
Securities classified as current assets	5,356	4,639	19,915	15,770	12,000
Securities classified as non-current assets	18,189	18,234	12,443	12,443	12,443
Reported current and non-current cash and cash equivalents	84,826	70,159	46,235	39,363	35,300
5.625% bond July 2021	33,316	16,658	16,658	16,658	16,658
3.625% bond March 2023	10,700	10,700	10,700	10,700	10,700
5.25% bond March 2024	87,061	87,061	87,061	87,061	87,061
Total bonds	131,077	114,419	114,419	114,419	114,419
Bank liabilities	8,034	18,746	14,357	16,740	16,740
Total debt	139,111	133,165	128,776	131,159	131,159
Net debt	54,285	63,006	82,541	91,796	95,859
Equity	71,501	74,826	58,206	52,165	52,369
Net gearing	75.9%	84.2%	141.8%	176.0%	183.0%

Source: DRAG; First Berlin Equity Research estimates

We expect a full year of production from the Olander pad and the start of production at the Knight pad (from December) to be the main drivers of a 72% increase in oil & gas output at DRAG this year. In addition DRAG's subsidiary, Bright Rock, expects to be involved in 10 to 15 new wells in the Uinta Basin in Utah. We expect these new wells to be instrumental in almost doubling the subsidiary's output this year.

Figure 3: 2019 oil and gas output by subsidiary and forecasts for 2020E-2023E

BOE	FY/19A	FY/20E	FY/21E	FY/22E	FY/23E
Cub Creek	806,555	780,293	1,831,630	2,050,817	1,527,122
change (%)	-52.8%	-3.3%	134.7%	12.0%	-25.5%
of which:					
oil	301,533	383,776	879,183	922,868	641,391
gas	367,908	263,867	641,071	779,310	626,120
gas as % total	62.6%	50.8%	52.0%	55.0%	58.0%
Elster	742,441	595,760	509,948	414,104	350,373
change (%)	-53.6%	-19.8%	-14.4%	-18.8%	-15.4%
of which:					
oil	318,136	199,584	168,283	136,654	115,623
gas	298,090	294,897	254,974	207,052	175,187
gas as % total	57.1%	66.5%	67.0%	67.0%	67.0%
Salt Creek	39,798	14,962	12,292	10,448	8,881
change (%)	-78.5%	-62.4%	-17.8%	-15.0%	-15.0%
of which:					
oil	37,140	11,524	9,219	7,836	6,661
gas	-4,108	894	983	836	710
gas as % total	6.7%	23.0%	25.0%	25.0%	25.0%
Bright Rock	57,024	122,091	243,333	255,500	217,175
change (%)	n.a.	114.1%	99.3%	5.0%	-15.0%
of which:					
oil	54,588	95,974	182,500	191,625	162,881
gas	-7,258	5,361	19,467	20,440	17,374
gas as % total	4.3%	21.4%	25.0%	25.0%	25.0%
Total	1,645,818	1,513,106	2,597,205	2,730,869	2,103,551
change (%)	-52.9%	-8.1%	71.6%	5.1%	-23.0%

Source: DRAG; First Berlin Equity Research estimates

Forecasts from 2021 rise due to upward revision of production from Olander pad, first time inclusion of Knight pad Figure 4 overleaf shows changes to our forecasts since our last note of 19 October. 2020 preliminary revenue came in above our forecast because of a stronger rise in the oil price at Cub Creek's legacy wells than we had modelled. EBITDA also benefitted from a €3m gain on the disposal of securities booked in the Q3/20 results. Depreciation and amortisation was above our forecasts because of a €2m writedown on securities also booked at the Q3/20 stage.



Our forecasts for 2021, 2022 and 2023 all rise because production from Cub Creek's Olander pad has resumed at close to full capacity (we previously assumed only 50%) and because we now expect production from Cub Creek's Knight pad to begin in December this year. Our previous valuation of Knight was based on the pad's option value.

Figure 4: Changes to our forecasts

All figures in € 000s	2020E			2021E			2022E			2023E		
	New	Old	Δ	New	Old	Δ	New	Old	Δ	New	Old	Δ
Revenue	38,700	36,979	4.7%	62,493	39,978	56.3%	67,692	28,491	137.6%	46,530	28,491	63.3%
EBITDA	23,900	17,851	33.9%	56,096	27,654	102.8%	47,779	17,193	177.9%	30,315	17,193	76.3%
Dep. and amort.	41,521	36,761	12.9%	30,072	22,081	36.2%	32,028	16,764	91.1%	24,532	16,764	46.3%
Op. income (EBIT)	-17,621	-18,909	-6.8%	26,024	5,572	367.0%	15,751	429	3572%	5,783	429	1248%
Net financial result	-6,145	-6,105	n.a.	-6,426	-6,111	n.a.	-5,624	-5,643	n.a.	-5,333	-5,643	n.a.
Pre-tax income (EBT)	-23,765	-25,014	n.a.	19,597	-538	n.a.	10,128	-5,214	n.a.	451	-5,214	n.a.
Income taxes	5,656	5,292	6.9%	-4,115	0	n.a.	-2,127	0	n.a.	-95	0	n.a.
Net before mins.	-16,200	-19,272	n.a.	15,482	-538	n.a.	8,001	-5,214	-253.4%	356	-5,214	-106.8%
Minority interests	559	121	361.9%	-1,800	609	-395.6%	-1,319	87	-1616%	-336	87	-486.7%
Net inc. after mins.	-17,550	-19,601	n.a.	13,681	70	n.a.	6,682	-5,127	n.a.	20	-5,127	n.a.
EPS (€)	-3.54	-3.96	n.a.	2.76	0.01	n.a.	1.35	-1.03	n.a.	0.00	-1.03	n.a.

Source: First Berlin Equity Research estimates

VALUATION

Price target raised from €9.50 to €17.00 and recommendation from Add to Buy Figure 5 overleaf shows changes to our valuation model. The upwards shift in the oil futures curve raises our valuation of all four of DRAG's major oil and gas producing subsidiaries (see figures 6 to 8 for detail). It also increases the option value of the Wyoming assets held by Bright Rock Energy. We have calculated the option value of Bright Rock's undrilled Wyoming wells using the Black-Scholes method (see figure 9). The underlying price is based on 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, NOG, and Hammer Metals have risen 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 estimate cash and cash equivalents held in current assets at €22.9m at end 2020. To this figure we have added €8.2m in gains on securities realised in Q1/21. We now see fair value for the DRAG share at €17.00 (previously: €9.50) and have raised our recommendation from Add to Buy.



Figure 5: Changes to our valuation model

€m	New	Old	% Δ
DCF valuation Cub Creek Energy (DRAG's stake 88.5%)	81.7	66.1	23.6%
of which: option value of production from Knight pad	0.0	12.4	
DCF valuation Elster Oil & Gas (DRAG's stake: 93.0%)	21.6	19.1	13.2%
DCF valuation Salt Creek Oil & Gas/Bright Rock Energy (DRAG's stakes: 100.0%/ 98.4%)	59.1	35.9	64.7%
of which: option value of production from Wyoming wells	36.7	24.7	
Subtotal: US oil and gas activities	162.4	121.2	34.0%
Almonty (13.7% equity stake plus promissory notes and debentures)	22.8	16.4	
Northern Oil and Gas (DRAG's stake: 1.2%)	7.8	2.8	
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%)	1.6	1.1	
Holding company costs	-10.0	-10.0	
Total enterprise value	188.6	135.4	39.3%
Cash and securities held in current assets	31.1	40.4	
Bonds	114.4	114.4	
Other debt	21.0	14.4	
Net debt	104.4	88.4	
Total equity value	84.2	47.1	78.8%
No shares (m)	4.95	4.95	0.0%
Equity value per share (€)	17.00	9.50	78.8%

Source: First Berlin Equity Research estimates

Figure 6: DCF Valuation of Cub Creek Energy*

USD 000s	2021E	2022E	2023E	2024E	2025E
Production (working interest): barrels of oil equivalent (000s)	1,832	2,051	1,527	1,395	1,169
Unhedged average oil price after transport costs (WTI -USD/barrel)	56.61	53.81	50.36	48.34	47.35
Net revenue (working interest after royalty and ad valorem tax)	58,844	60,369	39,486	34,670	28,343
Cash operating costs	15,569	17,945	14,126	13,602	12,279
EBITDA	43,275	42,424	25,360	21,068	16,064
Depreciation	27,474	30,762	22,907	20,926	17,541
EBIT	15,800	11,662	2,453	143	-1,477
NOPLAT	12,482	9,213	1,938	113	-1,477
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
CAPEX	-45,600	0	0	0	0
Working capital expenditure	15,000	-22,055	3,132	722	949
Free cashflow	9,357	17,920	27,977	21,761	17,013
PV free cashflow (10% discount rate)	8,754	15,241	21,632	15,296	10,872
Sum PV free cashflows	110,758				

Source: DRAG; First Berlin Equity Research estimates

Figure 7: DCF Valuation of Elster Oil & Gas*

USD 000s	2021E	2022E	2023E	2024E	2025E
Production (working interest): barrels of oil equivalent (000s)	510	414	350	309	279
Unhedged average oil price after transport costs (WTI -USD/barrel)	56.61	53.81	50.36	48.34	47.35
Net revenue (working interest after royalty and ad valorem tax)	13,512	10,380	8,001	6,859	6,072
Cash operating costs	4,335	3,623	3,241	3,017	2,925
EBITDA	9,177	6,757	4,760	3,842	3,146
Depreciation	5,609	4,555	3,854	3,403	3,065
EBIT	3,568	2,202	905	439	82
NOPLAT	2,818	1,739	715	347	65
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
CAPEX	0	0	0	0	0
Working capital expenditure	-403	470	357	171	118
Free cashflow	8,024	6,764	4,926	3,921	3,247
PV free cashflow (10% discount rate)	7,508	5,753	3,809	2,756	2,075
Sum PV free cashflows	27,892				

Source: DRAG; First Berlin Equity Research estimates

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

USD 000s	2021E	2022E	2023E	2024E	2025E
Production (working interest): barrels of oil equivalent (000s)	256	266	226	202	184
Unhedged average oil price after transport costs (WTI -USD/barrel)	56.61	53.81	50.36	48.34	47.35
Net revenue (working interest after royalty and ad valorem tax)	10,803	10,734	8,350	7,111	6,313
Cash operating costs	2,173	2,327	2,091	1,966	1,931
EBITDA	8,630	8,407	6,259	5,145	4,381
Depreciation	2,812	2,925	2,487	2,218	2,023
EBIT	5,818	5,481	3,772	2,927	2,358
NOPLAT	4,596	4,330	2,980	2,313	1,863
Tax Rate (%)	21.0%	21.0%	21.0%	21.0%	21.0%
Depreciation	2,812	2,925	2,487	2,218	2,023
CAPEX	-4,000	-4,000	0	0	0
Working capital expenditure	-803	10	358	186	120
Free cashflow	2,605	3,266	5,824	4,716	4,006
PV free cashflow (10% discount rate)	2,437	2,778	4,503	3,315	2,560
Sum PV free cashflows	27,279				

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 undrilled Wyoming wells (USDm)**

	New	Old	Δ %
Underlying price (PV10 of cash inflows based on current futures curve)	9.27	6.73	37.8%
Exercise price (PV10 of cash outflows)	10.96	10.64	3.0%
Expiry date	6 Dec 2024	6 Dec 2024	-
Expected volatility	34.00%	40.00%	-15.0%
Risk free rate	0.50%	0.50%	-
Call option per well	1.87	1.21	53.7%
Total call option value	44.78	29.44	53.7%

** assumes 100% working interest in 80 2-mile lateral wells with 30% probability of success

Source: First Berlin Equity Research estimates



INCOME STATEMENT

All figures in € 000s	2018A	2019A	2020E	2021E	2022E	2023E
Revenues	109,052	41,204	38,700	62,493	67,692	46,530
Cost of materials	19,019	11,342	11,590	14,897	16,363	12,815
Personnel expenses	3,919	4,489	3,304	3,500	3,550	3,400
Net other operating income	11,819	-2,648	94	12,000	0	0
EBITDA	97,933	22,725	23,900	56,096	47,779	30,315
Depreciation and amortisation	58,037	17,095	41,521	30,072	32,028	24,532
Operating income (EBIT)	39,896	5,630	-17,621	26,024	15,751	5,783
Net financial result	-13,432	-5,368	-6,145	-6,426	-5,624	-5,333
Other financial items	0	0	0	0	0	0
Pre-tax income (EBT)	26,464	262	-23,765	19,597	10,128	451
Taxes	-8,520	-76	5,656	-4,115	-2,127	-95
Profit before minorities	17,944	186	-18,109	15,482	8,001	356
Minority interests	-4,072	122	559	-1,800	-1,319	-336
Net income / loss	13,872	308	-17,550	13,681	6,682	20
EPS (in €)	2.81	0.06	-3.54	2.76	1.35	0.00
Ratios						
EBITDA margin on revenues	89.8%	55.2%	61.8%	89.8%	70.6%	65.2%
EBIT margin on revenues	36.6%	13.7%	-45.5%	41.6%	23.3%	12.4%
Net margin on revenues	12.7%	0.7%	-45.4%	21.9%	9.9%	0.0%
Tax rate	32.2%	29.1%	23.8%	21.0%	21.0%	21.0%
Y-Y Growth						
Revenues	102.9%	-62.2%	-6.1%	61.5%	8.3%	-31.3%
Operating income	652.2%	-85.9%	n.m.	n.m.	-39.5%	-63.3%
Net income/ loss	150.0%	-97.8%	n.m.	n.m.	-51.2%	-99.7%



BALANCE SHEET

All figures in € 000s	2018A	2019A	2020E	2021E	2022E	2023E
Assets						
Current assets, total	75,860	80,455	37,873	38,760	61,694	61,207
Cash and cash equivalents	59,990	66,637	22,857	15,374	36,479	43,436
Inventories	156	165	165	266	289	198
Receivables	13,443	9,935	5,000	8,074	8,746	6,012
Prepayments	711	1,156	1,050	1,696	1,837	1,262
Other current assets	337	1,161	7,400	11,949	12,944	8,897
Deferred tax assets	1,223	1,401	1,401	1,401	1,401	1,401
Non-current assets, total	148,985	198,470	184,513	199,458	174,430	152,898
Intangible assets	16,932	22,136	21,977	21,818	21,659	21,500
Land and buildings	0	0	0	0	0	0
Producing oil plants	107,878	138,433	130,446	145,428	120,759	99,558
Exploration and evaluation	2,048	648	611	681	565	466
Plant and machinery	36	143	135	150	125	103
Other equipment	91	331	312	348	289	238
Equity investments	14,385	16,688	16,688	16,688	16,688	16,688
Loans to other investors	1,724	1,902	1,902	1,902	1,902	1,902
Securities classified as fixed assets	5,891	18,189	12,443	12,443	12,443	12,443
Total assets	224,845	278,925	222,386	238,218	236,124	214,105
Shareholders' equity & debt						
Current liabilities, total	38,912	26,927	24,808	26,765	29,538	114,010
Bank debt	16,086	22	0	0	0	14,000
Bond debt	0	0	16,658	0	10,700	87,061
Accounts payable	6,840	17,114	1,250	15,623	6,769	4,653
Other current liabilities	15,986	9,791	6,900	11,142	12,069	8,296
Long-term liabilities, total	77,299	139,089	118,796	111,761	101,061	0
Bond debt	66,599	131,077	97,761	97,761	87,061	0
Bank debt	10,700	8,012	21,035	14,000	14,000	0
Other long term liabilities	0	0	0	0	0	0
Provisions	19,312	25,222	9,700	15,623	16,923	11,633
Minority interests	8,087	7,184	6,625	8,426	9,745	10,081
Shareholders' equity	65,750	64,317	45,457	58,643	61,857	61,381
Consolidated equity	73,837	71,501	52,082	67,069	71,602	71,462
Deferred tax liabilities	15,485	16,186	17,000	17,000	17,000	17,000
Total consolidated equity and debt	224,845	278,925	222,386	238,218	236,124	214,105
Ratios						
Current ratio (x)	1.95	2.99	1.53	1.45	2.09	0.54
Quick ratio (x)	1.95	2.98	1.52	1.44	2.08	0.54
Financial leverage	37.2%	75.9%	192.3%	125.2%	87.8%	63.2%
Book value per share (€)	13.32	12.98	9.18	11.84	12.49	12.39
Net cash (debt)	-31,671	-70,572	-110,695	-94,485	-73,380	-55,723
Return on equity (ROE)	27.5%	0.3%	-29.3%	0.0%	0.0%	0.0%



CASH FLOW STATEMENT

All figures in € 000s	2018A	2019A	2020E	2021E	2022E	2023E
Net profit before minorities	17,944	186	-18,109	15,482	8,001	356
Writedowns/writeups of fixed assets	59,637	17,095	41,521	30,072	32,028	24,532
Increase/decrease in provisions	7,316	0	0	0	0	0
Changes in working capital	-889	31,531	-35,475	16,168	-8,456	-3,735
Gains/losses from disposal of fixed assets	-15,132	0	0	0	0	0
Interest expense/income	6,227	0	0	0	0	0
Tax paid/received	8,519	0	0	0	0	0
Income tax payments	218	0	0	0	0	0
Other	-15,166	0	0	0	0	0
Operating cash flow	68,674	48,812	-12,064	61,722	31,573	21,153
Investment in property, plant equipment	-63,754	-45,809	-33,310	-45,017	-7,000	-3,000
Investment in intangible assets	-2,454	0	0	0	0	0
Free cash flow	2,466	3,003	-45,374	16,705	24,573	18,153
Proceeds from disposal of intangible assets	38,391	0	0	0	0	0
Management of short term financial assets, other	-451	0	0	0	0	0
Investing cash flow	-28,268	-45,809	-33,310	-45,017	-7,000	-3,000
Equity financing	-493	0	0	0	0	0
Debt financing	15,241	64,478	29,681	-7,035	0	0
Debt repayment	-30,239	-18,752	-33,338	-16,658	0	-10,700
Interest paid	-6,925	0	0	0	0	0
Dividends, share buybacks	-6,210	-3,544	-495	-495	-3,468	-495
Other	0	0	0	0	0	0
Financing cash flow	-28,626	42,182	-4,152	-24,188	-3,468	-11,195
Other	18,511	-38,538	5,746	0	0	0
Change in cash and equivalents	30,291	6,647	-43,780	-7,483	21,105	6,958
FX/consolidation effects	0	0	0	0	0	0
Cash and current cash equivalents, start of the year	29,699	59,990	66,637	22,857	15,374	36,479
Cash and current cash equivalents, end of the year	59,990	66,637	22,857	15,374	36,479	43,436
EBITDA/share (in €)	19.84	4.60	4.82	11.32	9.64	6.12
Y-Y Growth						
Operating cash flow	81.4%	-28.9%	n.m.	n.m.	-48.8%	-33.0%
Free cash flow	n.m.	21.8%	n.m.	n.m.	47.1%	-26.1%
EBITDA/share	177.9%	-76.8%	5.0%	134.7%	-14.8%	-36.6%

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

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

Authored 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 20 April 2021 at 15:37

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 ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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

RISK ASSESSMENT

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

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	22 July 2010	€7.45	Buy	€13.20
2...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
39	Today	€12.05	Buy	€17.00

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.