



Accumulate

Recommendation unchanged

Share price: EUR 13.20

closing price as of 31/07/2012

Target price: EUR 15.00

Target Price unchanged

Reuters/Bloomberg

4DSG.DE/4DS GR

Market capitalisation (EURm)	72
Current N° of shares (m)	5
Free float	34%
Daily avg. no. trad. sh. 12 mth	2,938
Daily avg. trad. vol. 12 mth (m)	0
Price high 12 mth (EUR)	21.00
Price low 12 mth (EUR)	11.37
Abs. perf. 1 mth	11.86%
Abs. perf. 3 mth	-12.58%
Abs. perf. 12 mth	-39.67%

Key financials (EUR)	12/11	12/12e	12/13e
Sales (m)	40	49	62
EBITDA (m)	2	10	13
EBITDA margin	4.0%	20.1%	20.6%
EBIT (m)	(2)	5	6
EBIT margin	nm	10.0%	9.3%
Net Profit (adj.)(m)	(2)	3	4
ROCE	-2.2%	3.1%	3.5%
Net debt/(cash) (m)	5	34	35
Net Debt/Equity	0.1	0.4	0.4
Debt/EBITDA	2.8	3.4	2.7
Int. cover(EBITDA/Fin. int)	3.4	7.4	5.6
EV/Sales	2.8	2.5	1.9
EV/EBITDA	69.4	12.2	9.4
EV/EBITDA (adj.)	69.4	12.2	9.4
EV/EBIT	nm	24.6	21.0
P/E (adj.)	nm	28.1	20.6
P/BV	1.5	1.1	1.1
OpFCF yield	-8.1%	4.0%	1.5%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.30)	0.47	0.64
BVPS	11.14	11.61	12.25
DPS	0.00	0.00	0.00



Source: Factset

Shareholders: Daldrup Family 66%;

Triple-win JV for ultra deep geothermal drilling formed

The facts: Daldrup&Söhne yesterday reported the formation of a new 50:50 JV in ultra deep drilling with MND Group from the Czech Republic, primarily focused on geothermal projects. We take the JV as a bold triple-win move forward for Daldrup.

Our analysis: Gaining access to future growth areas ... The new JV invests into a new Bentec AC 450 ultra drill rig, targeting a well depth of up to 6,000 md based on a maximum hook load of 450 t. This complements, also technology-wise, to Daldrup's current Bentec AC 350 drill rig. The latest move keeps Daldrup at the forefront of geothermal drilling, increasingly going ultra deep.

... at limited stretch to Daldrup's balance sheet ... Total capex accumulate to EUR 20m as well as EUR 4m Working Capital funds. Financing primarily relies on mid-term debt financing at rates significantly below 5% while Daldrup provides EUR 3.5m of the EUR 7m total equity. The JV is accounted at equity, i.e. the stretch to Daldrup's balance sheet is limited.

... while keeping potential competitor at arm's length: MND Group has plenty of experience in oil and gas drilling activities in Eastern Europe. Nevertheless, expansion into geothermal drilling on their own would have been a strategic option and threat for Daldrup&Söhne. Hence, the new JV keeps a potential competitor at arm's length while Daldrup may benefit from qualified engineers.

New drill rig ready for action in Q4 12e at former Daldrup project: Daldrup confirmed that construction of the new Bentec AC 450 is almost finished with delivery scheduled for Q4 12e. The geothermal project in Wolfratshausen, originally developed by Daldrup will be the first well to drill. Total drilling project volume amounts to EUR 25m. Hence, the JV starts with a well-covered order book for 2013e.

Outlook for H2 12e results – turnaround in the cards: Daldrup confirmed an operating turnaround in H2 12e, without becoming more specific. This confirms our view on an operational turnaround compared to an EBIT of EUR -0.3m in H1 11.

Conclusion & Action: We strongly welcome Daldrup's triple-win move into ultra deep drilling, addressing one of our concerns like 'leaving growth potential untouched on a lack of financing'. We reiterate our ACCUMULATE recommendation and our PT of EUR 15.

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