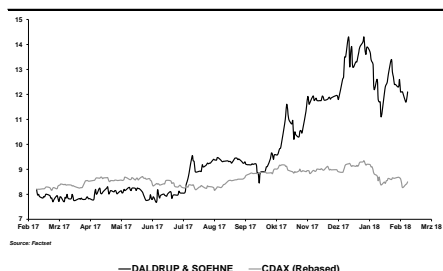


Flash Note

Buy			
Recommendation unchanged			
Share price: EUR	12.10		
closing price as of 07/03/2018			
Target price: EUR	14.50		
from Target Price: EUR 10.10			
Upside/Downside Potential	19.8%		
Reuters/Bloomberg 4DSG.DE/4DS GR			
Market capitalisation (EURm)	72		
Current N° of shares (m)	6		
Free float	41%		
Daily avg. no. trad. sh. 12 mth	4		
Daily avg. trad. vol. 12 mth (m)	2.89		
Price high/low 12 months	7.68 / 14.30		
Abs Perfs 1/3/12 mths (%)	3.42/2.11/47.56		
Key financials (EUR)	12/16	12/17e	12/18e
Sales (m)	31	37	51
EBITDA (m)	4	5	7
EBITDA margin	12.6%	12.7%	14.4%
EBIT (m)	1	1	4
EBIT margin	3.2%	3.1%	8.6%
Net Profit (adj.)(m)	0	0	2
ROCE	1.8%	2.1%	8.3%
Net debt/(cash) (m)	28	18	30
Net Debt/Equity	0.6	0.4	0.5
Net Debt/EBITDA	7.1	4.0	4.0
Int. cover(EBITDA/Fin.int)	0.7	4.1	3.1
EV/Sales	2.3	2.5	2.0
EV/EBITDA	18.1	19.4	13.9
EV/EBITDA (adj.)	18.1	19.4	13.9
EV/EBIT	70.9	78.3	23.2
P/E (adj.)	nm	nm	42.9
P/BV	0.9	1.5	1.3
OpFCF yield	5.2%	13.0%	10.3%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.07	0.02	0.28
BVPS	8.39	7.69	9.04
DPS	0.00	0.00	0.00

Shareholders

DALDRUP Family 59%;



Analyst(s)

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Reason: Company newsflow

8 March 2018

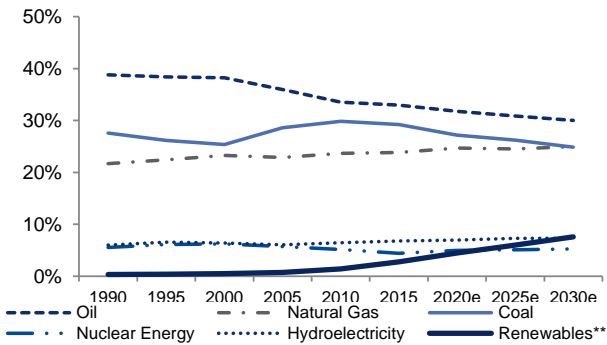
Business model in transition

Daldrup will continue with its strategic shift to move from being a specialist geothermal drilling project company (remains as a core activity) towards a mid-sized energy supplier. The increase towards a majority shareholding in the Taufkirchen and Landau power plants clearly is a huge step forward in this direction. 2018 will mark the start of the regular electricity production for both the Taufkirchen and Landau plant and Daldrup can harvest first fruits. This has been long-time awaited by investors and is clearly supporting our investment. We increased our target price to EUR 14.50 per share (from EUR 10.10) and confirm our “Buy”-rating.

- ✓ **Shareholding in Taufkirchen power plant increased to 73.61%:** End of January the Daldrup group has increased its stake to 73.61% from 38.61% by taking over the 35% stake from Axpo of Switzerland. The other two partners in Taufkirchen, Gemeindewerke Oberhaching GmbH with 26.31% and Bioenergie Taufkirchen GmbH & Co. KG with 0.08% will remain as shareholders with unchanged stakes. Financing is done by a loan in the lower double-digit Euro million value area according to the company.
- ✓ **Majority control of Landau Power plant:** By having reached a settlement agreement with Pfalzwerke AG, Daldrup’s subsidiary Geysir Europe GmbH controls 90% (from 40%) in the power plant operator company geox GmbH since early February. A purchase price has not been disclosed. The agreement is a further milestone forward on Daldrup’s way to become a mid-sized geothermal power supplier. The capital increase from February with gross proceeds of EUR 6.4m will be used for the development of further planned new power plants at Neuried and Puchheim (both in Germany).
- ✓ **Valuation update:** We have modified our valuation concept for the group and now have three individual DCF-models for the drilling business and the currently two power plants in operation. On the enterprise value level the drilling business currently contributes 29% while the remaining 71% are allocated to the Taufkirchen and Landau power plants.
- ✓ **Further margin increase expected:** For FY 2018e we expect sales of EUR 51m including the fully consolidated power plants. The EBIT-margin should reach a sound level of 8.6% related to sales. Based on the favourable project situation in drilling and a higher output from the power plants a further margin-uplift in upcoming years is likely in our view.
- ✓ **Higher Free float of 41%:** Following the capital increase the group’s free float increases to 41.3% (from 35%). Furthermore the Daldrup shares as of 19 March will become a member of the Scale 30-index.
- ✓ **Key risks** comprise e.g. 1) General unexpected risks of the drilling project business could lead to delays, cost overruns or other burdening factors. 2) Governments could tighten the already detailed and long-lasting approval procedures for geothermal projects. 3) Regulatory changes in Germany within the EEG could make geothermal energy projects less commercial as it is today and thus could have a negative impact on new project activities.

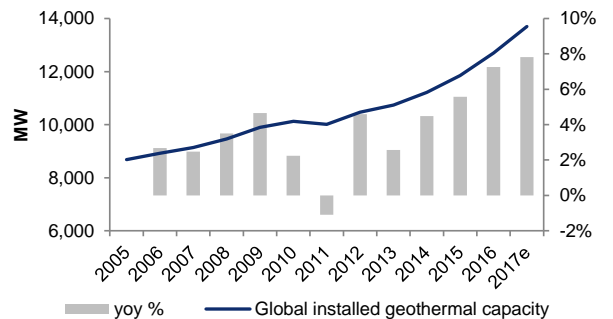
Investment Case in Charts

Exhibit 1: Renewables will gain in importance



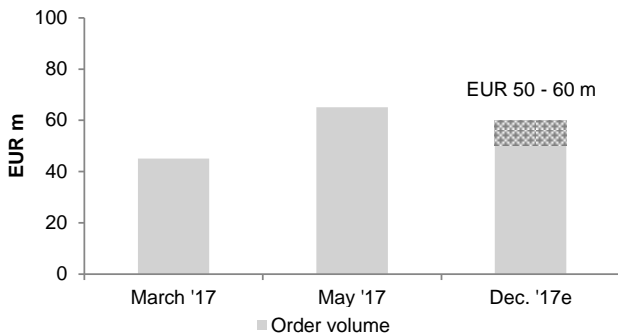
Source: BP – Energy report 2017

Exhibit 2: Geothermal energy capacity is growing



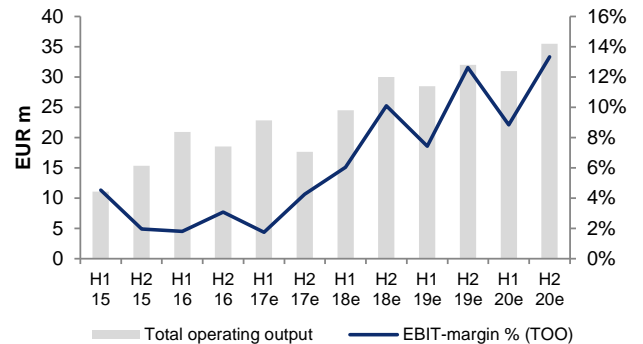
Source: Intl. Renewables Energy Agency (IRENA)

Exhibit 3: Daldrup's order book remains on high level



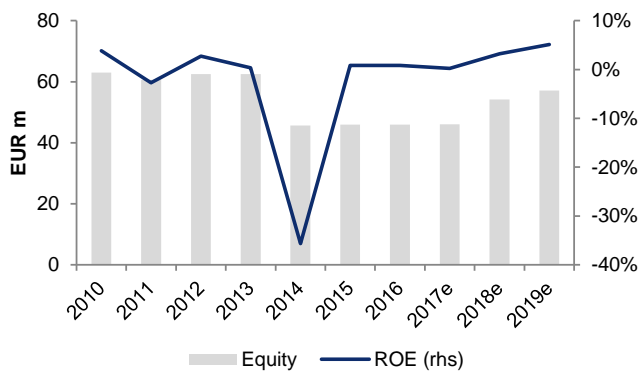
Source: Company data, equinet research

Exhibit 4: EBIT-margin is improving



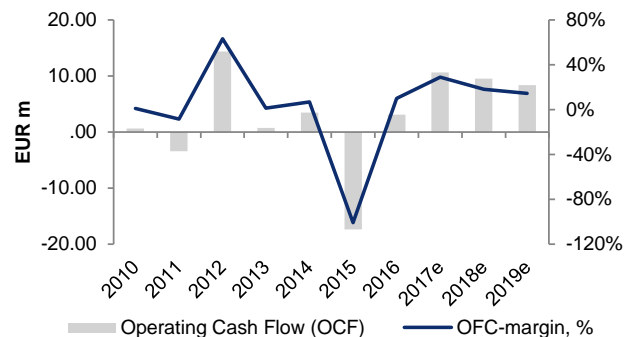
Source: Company data, equinet research

Exhibit 5: Daldrup with solid equity ratio



Source: Company data, equinet research

Exhibit 6: OFC is expected to become less volatile



Source: Company data, equinet research

Valuation update

- New target price increased to rounded EUR 14.50 (old: EUR 10.10) per share
- Further significant upside potential to current share price of 19.6%
- Recommendation confirmed with “Buy”
- Two power plants currently contribute 71% of the group’s EV

Valuation summary

We have revised our valuation methodology for the Daldrup group. Due to the changing business model from now on the individual contributions from the drilling business and from the currently two geothermal power plants in operation become more transparent. Both Taufkirchen and Landau (Pfalz) from 2018 onwards will presumably start with the regular electricity production in addition to district heating output. Neuried in this respect is in a very early stage of the project and with regard to valuation at this point in time we classify it as a claim.

Exhibit 7: Daldrup: DCF-valuation summary

Activity (EUR m)	Enterprise value 100%	Equity value Daldrup shareholding	Value per Daldrup share, EUR
Drilling business *	43.4	39.9	6.65
Geothermal power plants			
Taufkirchen	85.1	44.2	5.54
Landau (Pfalz)	22.0	18.2	2.28
Daldrup & Söhne Group	150.5	102.3	14.47
Current Price (€)			12.10
Upside			19.6%

* Geothermal Energy, EDS, Raw Materials & Exploration, Water Procurement

Source: equinet research

Based on publicly available information and our own assumptions we have made twenty years projections for the two geothermal power plants for both electricity and district heating production (see paragraph “Projections for Daldrup’s geothermal power plants”). These projections deliver the input factors for the DCF models. In addition we set up a third DCF-model for the drilling business of the Daldrup group. The aggregated value per Daldrup share comes out at rounded EUR 14.50 per share. That will give the shares currently an upside potential of 19.6% and we clearly maintain our “Buy”-recommendation for the Daldrup shares. Long-term the number of geothermal power plants under the control of Daldrup should increase in our view but is not yet factored in in our valuation.

With regard to our base assumptions we are using in all models a risk free rate of 3.5% and a premium equity rate of 5.0%. Our beta factor varies and for the more cyclical drilling business we use 1.3, while for the two geothermal power plants we use betas of 0.5. This in particular reflects the fact that there is no risk with regard to selling electricity volumes for the next twenty years. Concerning the terminal growth rate we use 2%.

The drilling business includes the four segments Geothermal Energy, EDS, Raw Materials & Exploration and Water Procurement. These activities currently are faced with strong demand from European markets. The project pipeline is in a range of more than EUR 100m according to our assessment. That gives us confidence that Daldrup’s drilling equipment is

utilized on high levels well until mid of 2019 or even longer. Orders came from important customers in Bavaria, Germany or from Belgium and the Netherlands e.g. for greenhouses.

Exhibit 8: Daldrup – DCF-model: Drilling business

EUR m	Phase I					Phase II					Phase III
	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	
Total operating output	40.5	43.4	49.3	54.5	56.0	57.5	58.9	60.3	61.7	63.0	
growth rate	2.6%	7.3%	13.6%	10.5%	2.8%	2.6%	2.5%	2.4%	2.3%	2.1%	
EBIT	1.2	1.8	2.2	2.7	3.3	3.6	3.9	4.1	4.4	4.7	
EBIT margin	2.8%	4.1%	4.5%	5.0%	5.9%	6.2%	6.5%	6.9%	7.2%	7.5%	
Tax	-0.3	-0.5	-0.7	-0.8	-1.0	-1.1	-1.2	-1.2	-1.3	-1.4	
Tax rate	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Depr. & Amort.	3.5	3.0	2.8	2.4	2.7	1.9	1.6	1.4	1.3	1.2	
% of sales	8.6%	6.8%	5.6%	4.4%	4.8%	3.4%	2.6%	2.3%	2.1%	1.9%	
Capex	-1.5	-1.8	-1.8	-1.7	-1.7	-1.4	-1.3	-1.3	-1.3	-1.3	
% of sales	3.6%	4.3%	3.6%	3.0%	3.0%	2.5%	2.2%	2.1%	2.1%	2.0%	
Change in WC & P	-0.5	0.1	-0.8	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
% of sales	13%	-0.1%	16%	0.8%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	
Free Cash Flow	2.3	2.4	1.8	2.2	3.2	2.8	2.8	2.8	2.9	3.1	49.8
growth rate	nm	5.3%	-26.7%	24.1%	44.5%	-11.1%	-3.1%	19%	4.5%	4.3%	2.0%
Present Value FCF	2.3	2.3	1.5	1.8	2.4	1.9	1.7	1.6	1.6	1.5	24.7

PV Phase I	10.3	Risk free rate	3.50%	Targ. equity ratio	75%			
PV Phase II	8.4	Premium Equity	5.00%	Beta	1.3			
PV Phase III	24.7	Premium Debt	2.00%	WACC	8.28%			
Enterprise value	43.4	Sensitivity		Growth in phase III				
- Net Debt (Cash)	21.2			1.0%	1.5%	2.0%	2.5%	3.0%
- Pension Provisions	0.8	7.45%	6.9	7.3	7.7	8.3	8.9	
- Minorities & Peripherals	0.1	7.86%	6.4	6.8	7.1	7.6	8.1	
+ MV of financial assets	18.6	WACC	8.28%	6.1	6.3	6.7	7.0	7.5
- Paid-out dividends for last FY	0.0	8.69%	5.7	5.9	6.2	6.5	6.9	
+/- Other EV items		9.10%	5.4	5.6	5.8	6.1	6.4	
Equity value	39.9							
Number of shares	5.990							
Value per share (€)	6.65							

Source: equinet research

Long-term renewable energy sources will gain in importance in Europe and that is in our view a solid basis for further long-term growth. Daldrup as one of the technological leading geothermal drilling companies in Europe, in particular for deep geothermal projects (up to 6,000 meters), is in a leading position to participate from this rise in demand.

We calculate an EV of EUR 43.4m; the equity value came out EUR 39.9m or EUR 6.65 per share. This represents 46% of our current target price. The market value of financial assets includes a loan receivable of EUR 8.6m. Furthermore Daldrup group holds four claims for the development of further geothermal power plants. According to former company presentations we have identified four claims, among them Starnberg and Scheftlarn, all located in Bavaria. We value each of these claims with EUR 2m and have not yet factored in a much higher value for a power plant in full operation, because it is too far away from operation. With regard to its early project stage we have also classified Neuried as a "claim" with a value of EUR 2m too.

The 10% capital increase without subscription rights from February 2018 resulted in a gross cash inflow of EUR 6.4m. It will be used for two further geothermal power plants in Neuried and Puchheim, both in Germany. On one hand the higher capital will dilute all per share data (new number of shares: 5.989500) while we have included the new cash in the "net debt (cash)"-line of our DCF-model.

For the Taufkirchen plant we expect after a ramp-up phase long-term steady sales per year (equal to total operating output) of EUR 8.8m both from electricity and district heating. We have assumed a linear depreciation of EUR 2.3m per year (from 2028e onwards EUR 2.2m) and maintenance capex of EUR 0.1m for the plant. Working capital items are negligible. We use an individual tax rate for Taufkirchen of 26.7%, including corporation tax, solidarity tax and trade tax. For the first four years of operation we assume the company is able to use tax losses carried forward.

Exhibit 9: Daldrup – DCF-model: Power plant Taufkirchen

EUR m	Phase I					Phase II					Phase III
	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026-2037e	
Total operating output	0.0	7.1	8.0	8.8	8.8	8.8	8.8	8.8	8.8	105.7	5.4
growth rate	0.0%	0.0%	13.3%	10.0%	0.0%	0.3%	0.7%	10%	13%		-39.0%
EBIT	0.0	2.0	2.9	3.6	3.6	3.6	3.6	3.6	3.6	44.3	2.6
EBIT margin	0.0%	28.6%	36.3%	40.8%	40.8%	40.7%	40.7%	40.7%	40.6%		40.6%
Tax	0.0	-0.1	-0.1	-0.2	-0.2	-1.0	-1.0	-1.0	-1.0	-11.8	-0.7
Tax rate	0.0%	5.0%	5.0%	5.0%	5.0%	26.7%	26.7%	26.7%	26.7%		26.7%
Depr. & Amort.	0.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	26.0	1.5
% of sales	0.0%	32.5%	28.7%	26.1%	26.1%	26.1%	26.1%	26.1%	26.1%		27.9%
Capex	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-1.1	-0.1
% of sales	0.0%	1.4%	1.2%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%		1.9%
Change in WC & P	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%
Free Cash Flow	0.0	4.1	5.0	5.6	5.6	4.8	4.8	4.8	4.8	57.3	3.3
growth rate	0.0%	0.0%	20.4%	13.1%	0.0%	-13.9%	0.0%	0.0%	0.0%		-29.7%
Present Value FCF	0.0	4.0	4.5	4.9	4.6	3.8	3.6	3.4	3.3	26.9	1.2
PV Phase I		18.0									
PV Phase II		44.0									
PV Phase III		23.0									
Risk free rate						3.50%					
Premium Equity						5.00%					
Premium Debt						2.00%					
Targ. equity ratio											60.00%
Beta											0.5
WACC											5.1%
Enterprise value		85.1									
- Net Debt (Cash)		25.0									
- Pension Provisions		0.0									
- Minorities & Peripherals		15.9									
+ MV of financial assets		0.0									
- Paid-out dividends for last FY		0.0									
+/- Other EV items		0.0									
Equity value		44.2									
Number of shares		5.990									
Value per share (€)		7.38									
Minorities (Geysir E 25%)		1.85									
Value per share (€) group level		5.54									

Source: equinet research

We arrive at an EV for Taufkirchen of EUR 85.1m. As mentioned financing of the takeover of the 35% stake from the Swiss Axpo is done by a loan and we assume a volume of EUR 25m (derived from 35% of the total investment for Taufkirchen of ~EUR 70m) at an interest rate of ~4% p.a. with a term of 20 years. That is congruent to the length of the fixed feed-in-tariffs.

As mentioned in Daldrup's adhoc message the stake was acquired by the newly founded Geothermie Taufkirchen GmbH & Co. KG (75.01% owned by Geysir Europe GmbH). This company is also the borrower of the loan and therefore we have allocated the EUR 25m financial debt fully in our Taufkirchen DCF-model. Finally we deduct the minorities held by other shareholders in Geysir Europe GmbH. Not yet included in our projections is the possibility to expand the output by two further boreholes.

We use the same systematic approach and input parameters for the other power plant in Landau. With regard to ownership it is worth to mention that for Landau Daldrup's shareholding most recently increased to 90% held by geox GmbH and on a consolidated basis it is 67.51% (75% of 90%). For Landau we calculate a value per Daldrup share of EUR 2.28 or 16% of our new target price of EUR 14.50.

Exhibit 10: Daldrup – DCF-model: Power plant Landau (Pfalz)

EUR m	Phase I					Phase II					Phase III
	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026-2037e	
Total operating output	0.0	3.0	3.1	3.2	3.2	3.2	3.2	3.2	3.2	38.1	0.9
growth rate	0.0%	0.0%	5.6%	1.1%	0.0%	0.3%	0.7%	10%	13%		-718%
EBIT	0.0	0.6	0.8	0.8	0.8	0.8	0.8	0.8	0.8	9.4	0.5
EBIT margin	0.0%	20.2%	24.4%	25.1%	25.1%	25.0%	25.0%	24.9%	24.9%		58.8%
Tax	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-2.8	-0.2
Tax rate	0.0%	10.0%	10.0%	10.0%	10.0%	30.0%	30.0%	30.0%	30.0%		30.0%
Depr. & Amort.	0.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	12.0	0.1
% of sales	0.0%	33.6%	31.8%	31.5%	31.5%	31.5%	31.5%	31.5%	31.5%		112%
Capex	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.6	-0.1
% of sales	0.0%	17%	16%	16%	16%	16%	16%	16%	16%		5.6%
Change in WC & P	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%
Free Cash Flow	0.0	1.5	1.6	1.7	1.7	1.5	1.5	1.5	1.5	18.0	0.4
growth rate	0.0%	0.0%	9.9%	17%	-0.1%	-9.6%	-0.1%	-0.1%	-0.1%		-719%
Present Value FCF	0.0	1.4	1.5	1.4	1.4	1.2	1.1	1.1	1.0	8.9	0.1
PV Phase I		5.8				Risk free rate	3.50%		Targ. equity ratio		60.00%
PV Phase II		13.4				Premium Equity	5.00%		Beta		0.5
PV Phase III		2.8				Premium Debt	2.00%		WACC		5.1%
Enterprise value		22.0									
- Net Debt (Cash)		1.8									
- Pension Provisions		0.0									
- Minorities & Peripherals		2.0									
+ MV of financial assets		0.0									
- Paid-out dividends for last FY		0.0									
+/- Other EV items		0.0									
Equity value		18.2									
Number of shares		5.990									
Value per share (€)		3.04									
Minorities (Geysir E 25%)		0.76									
Value per share (€) group level		2.28									

Source: equinet research

Projections for Daldrup's geothermal power plants

Exhibit 11: Basic data Taufkirchen plant

Geothermal power plant:	Taufkirchen
Shareholding Daldrup:	73.61% *
Technology:	Kalina technology
Temperature:	Approx. 140° Celsius; depth: > 4,000 meters
Customers:	local district heating network operators; EEG**-plant
Energy selling:	21,000 MWh electricity; 61,000 MWh district heating
Feed-in tariff (fixed), electricity:	EUR 0.252 per kWh (§45 (1) EEG)

* held by Geysir Europe GmbH

** EEG = Erneuerbare Energien Gesetz

Source: Company data, equinet research

The Taufkirchen plant ranks among the biggest geothermal power plants in Europe. According to company data the energy selling can be separated into 57% for electricity and 43% for district heating. After long-lasting teething trouble it is planned to start with electricity production in 2018 according to Daldrup what is the basis for our projections.

Exhibit 12: Projections for the Taufkirchen plant

EUR m	2018e	2019e	2020e	2021e	...	2036e	2037e
Revenues electricity	5.29	6.09	6.88	6.88		6.88	6.88
Revenues district heating	1.78	1.93	1.93	1.93		1.93	1.93
Revenues total: (1) + (2)	7.08	8.01	8.81	8.81		8.81	8.81
EBIT	2.03	2.91	3.59	3.59		3.75	3.74
Net profit (100%)	0.69	1.53	2.18	2.18		1.79	1.79
EBIT-margin, %	28.6%	36.3%	40.8%	40.8%		42.5%	42.5%
Net margin, %	9.7%	19.1%	24.7%	24.7%		20.4%	20.3%

Source: Company data, equinet research

Over a 20 years period we calculate with stable feed-in-tariffs for electricity of EUR 252 per MWh. After a ramp-up phase from 2020e onwards we forecast stable electricity revenues of EUR 6.9m per year without having any selling risk due to legislation. Due to competitive pricing the sales contribution from district heating is much lower. Operating costs and depreciation are expected to be nearly stable over time and from 2025e onwards the EBIT-margin can reach a level of 40% or slightly more.

Having visited the Taufkirchen plant in December 2017 it is our impression that it is already designed for an increase in capacity. Physical and geological conditions would allow a third and fourth borehole in order to increase output capacity and the sales volume. Capex per borehole can be estimated in a range of EUR 3-5m according to our assumptions. But up to now there are now concrete plans made public if and when this might happen.

Exhibit 13: Basic data Landau (Pfalz) plant

Geothermal power plant:	Landau (Pfalz)
Shareholding Daldrup:	90.00% * (geox GmbH)
Technology:	ORC-technology (from Ormat Tech. Inc.) **
Temperature:	Approx. 160° Celsius; depth: > 3,000 meters
Customers:	Municipal utilities: Electricity, district heating
Energy selling:	15,300 MWh electricity; 7,000 MWh district heating
Feed-in tariff (fixed), electricity:	EUR 0.205 per kWh (EEG***)

* held by Geysir Europe GmbH

** ORC = Organic Rankine Cycle

*** EEG = Erneuerbare Energien Gesetz

Source: Company data, equinet research

Using the same methodology we have also calculated projections for Landau. The Landau plant is completely different compared to Taufkirchen. It mainly will produce electricity and is smaller in its technical capacity. A maximum of 15,300 MWh of electricity selling compares to 21,000 MWh for Taufkirchen. The difference is much larger for district heating: Taufkirchen: 61,000 MWh; Landau: 7,000 MWh. Electricity sales are more stable during the year while district heating is more volatile due to lower sales during the summer season and in contrast higher volume in winter.

Exhibit 14: Projections for the Landau (Pfalz) plant

EUR m	2018e	2019e	2020e	2021e	...	2036e	2037e
Revenues electricity	2.82	2.98	3.01	3.01		3.01	3.01
Revenues district heating	0.16	0.17	0.17	0.17		0.17	0.17
Revenues total: (1) + (2)	2.98	3.15	3.18	3.18		3.18	3.18
EBIT	0.60	0.77	0.80	0.80		0.78	0.77
Net profit (100%)	0.09	0.24	0.27	0.27		0.19	0.19
EBIT-margin, %	20.2%	24.4%	25.1%	25.1%		24.4%	24.4%
Net margin, %	3.1%	7.6%	8.4%	8.4%		6.1%	6.0%

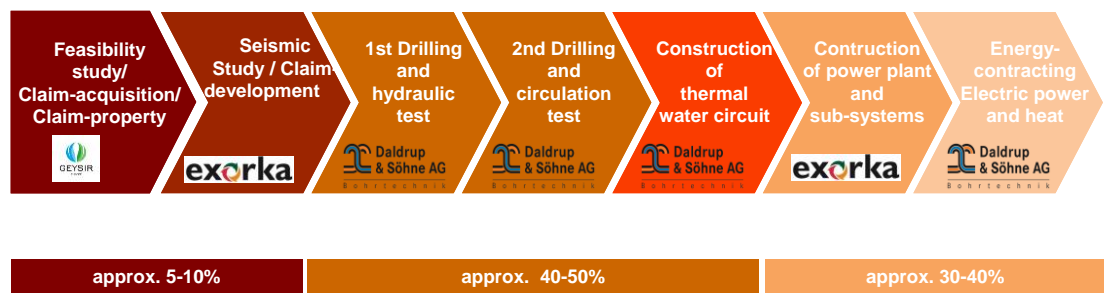
Source: Company data, equinet research

As a consequence the sales contribution from district heating is negligible with some EUR 0.2m per year as can be seen in Exhibit 14. With regard to the net profit line it is worth to mention that we calculate with a higher tax rate of 30%. It is explained by a higher trade tax for Landau of 14.2%. Comparable to the Taufkirchen plant for Landau too we have factored in the use of tax losses carried forward. With regard to the increase of the shareholding to 90% the Landau power plant now is fully consolidated.

Strategy in brief

Daldrup with its long-lasting experience in geothermal projects in Germany and Europe belongs to the leading experts in deep geothermal and related power plant projects. In particular in Bavaria the company has own claims which ideally can be used for the operation of power plants. Daldrup covers the whole value chain from offering feasibility studies up to energy contracting.

Exhibit 15: Daldrup – Value chain in deep geothermics

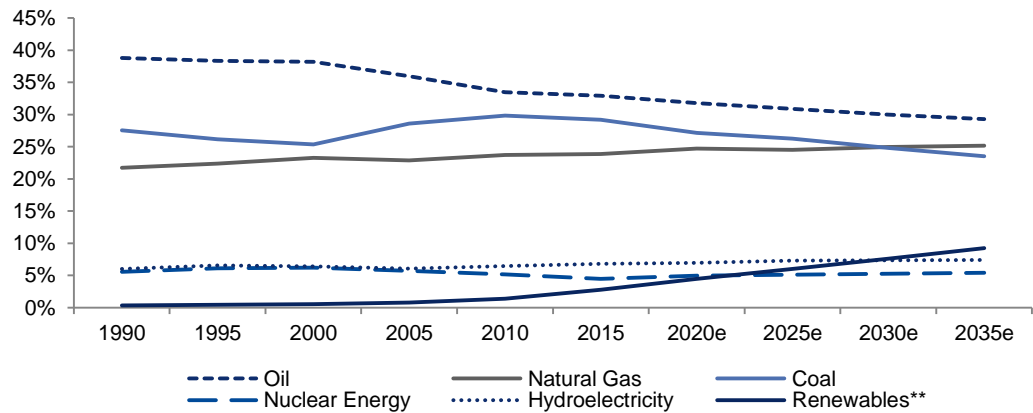


Source: Company data

The company will continue its shift in the overall group strategy. Within the next years the company will continue to move from being a specialist geothermal drilling project company towards a mid-sized energy supplier. In this respect drilling activities will stay as a core business of the group. On this basis the group will generate more steady revenues and cash flows.

Renewables on a growth path

The outlook scenario for renewable energy (wind, solar, **geothermal**, biomass and biofuels) is positive. Global energy consumption by fuel type for 2015 shows a share of 2.8% for all renewables. No other energy type is growing faster but still on a low level in absolute numbers. As the chart below shows there is a further strong growth expected until 2035. According to the BP scenario renewables are expected to reach a share of 9.2% in 2035e. The forecast reflects the efforts of a lot of countries to produce more “green energy” as the problem of CO₂-emissions is growing worldwide.

Exhibit 16: Energy consumption by fuel – renewables will gain in importance


Source: BP – Energy report 2017

Exhibit 16 shows, that the global installed geothermal capacity (source: IRENA) 2016 increased by 7.3% yoy to 12,706 MW. It was the strongest growth rate since the last ten years. By country the hitlist is headed by the US with 2.5 GM, followed by the Philippines with 1.9 GM and Indonesia with 1.5 GW. Currently these markets are not yet covered by Daldrup. According to IRENA a growing number of countries are showing more interest in geothermal projects.

In Germany electricity production from renewables reached 188.3 TWh (terawatt hours) of which a minor of 0.1% was generated by geothermal energy. While the share of total geothermal energy production is on a low level the increase reached 13% yoy up to ~151m kWh. Currently 45 geothermal heating and power plants are in operation with an installed heat output of 303 MW and an electrical power output of 37MW. Daldrup is in several bidding processes for new drilling orders in various European countries and will have good chances in our view to participate in the expected market growth in Europe.

Daldrup & Soehne : Summary tables

PROFIT & LOSS (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Sales	52.3	17.3	31.1	36.7	51.4	58.7
Cost of Sales & Operating Costs	-57.1	-17.3	-27.2	-32.1	-44.0	-50.0
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-4.8	-0.1	3.9	4.7	7.4	8.7
EBITDA (adj.)*	-4.8	-0.1	3.9	4.7	7.4	8.7
Depreciation	-13.5	0.8	-2.9	-3.5	-3.0	-2.8
EBITA	-18.3	0.7	1.0	1.2	4.4	5.9
EBITA (adj)*	-18.3	0.7	1.0	1.2	4.4	5.9
Amortisations and Write Downs <i>of which PPA amortisation</i>	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-18.3	0.7	1.0	1.2	4.4	5.9
EBIT (adj.)*	-18.3	0.7	1.0	1.2	4.4	5.9
Net Financial Interest	-3.6	-4.7	-5.8	-1.1	-2.4	-1.9
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	3.0	4.0	5.0	0.0	0.1	0.4
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	-18.9	0.0	0.2	0.0	2.2	4.4
Tax	-0.1	0.1	-0.1	0.0	-0.6	-1.3
<i>Tax rate</i>	<i>n.m.</i>	<i>n.m.</i>	<i>32.1%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>
Discontinued Operations	3.0	4.0	5.0	0.0	0.0	0.0
Minorities	2.7	0.2	0.2	0.1	0.2	-0.3
Net Profit (reported)	-13.3	4.4	5.4	0.1	1.7	2.7
Net Profit (adj.)	-16.3	0.4	0.4	0.1	1.7	2.7
CASH FLOW (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Cash Flow from Operations before change in NWC	1.1	-7.0	3.1	11.2	9.2	9.1
Change in Net Working Capital	2.4	-10.4	0.0	-0.5	0.1	-0.8
Cash Flow from Operations	3.5	-17.4	3.1	10.6	9.3	8.4
Capex	-1.3	-0.6	-0.9	-1.5	-1.8	-1.8
Net Financial Investments	0.0	0.0	0.0	0.0	-25.0	0.0
Free Cash Flow	2.2	-18.0	2.2	9.2	-17.6	6.6
Dividends	-0.6	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	0.0	0.0	0.0	0.0	0.0	0.0
Change in Net Debt	1.6	-18.0	2.2	9.2	-17.6	6.6
NOPLAT	-12.8	0.5	0.7	0.8	3.1	4.1
BALANCE SHEET & OTHER ITEMS (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Tangible Assets	28.9	26.5	24.6	22.7	21.6	20.6
Net Intangible Assets (incl. Goodwill)	2.7	2.0	1.3	1.2	1.2	1.1
Net Financial Assets & Other	24.4	22.7	21.9	21.9	46.9	46.9
Total Fixed Assets	55.9	51.3	47.9	45.8	69.7	68.7
Inventories	2.1	12.5	17.0	17.6	17.6	18.5
Trade receivables	6.5	5.7	4.9	5.1	5.1	5.3
Other current assets	10.0	16.2	20.9	20.0	20.0	20.0
Cash (-)	-4.5	-3.2	-0.8	-9.9	-22.2	-26.5
Total Current Assets	23.1	37.6	43.5	52.6	64.8	70.4
Total Assets	79.0	88.9	91.4	98.5	135	139
Shareholders Equity	45.6	45.9	45.9	46.0	54.1	56.8
Minority	0.8	0.5	0.1	0.0	-0.2	0.2
Total Equity	46.4	46.5	46.1	46.1	54.0	57.0
Long term interest bearing debt	8.4	20.4	16.4	15.4	37.8	34.5
Provisions	3.8	3.1	3.2	3.0	3.4	3.9
Other long term liabilities	4.7	3.1	4.1	11.0	15.4	18.2
Total Long Term Liabilities	16.9	26.6	23.6	29.4	56.6	56.6
Short term interest bearing debt	10.0	11.0	12.0	13.0	14.0	15.0
Trade payables	5.0	4.2	7.9	8.2	8.2	8.6
Other current liabilities	0.8	0.6	1.8	1.8	1.8	1.8
Total Current Liabilities	15.7	15.8	21.7	23.0	24.0	25.4
Total Liabilities and Shareholders' Equity	79.0	88.9	91.4	98.5	135	139
Net Capital Employed	68.7	80.9	80.9	78.5	102	102
Net Working Capital	3.6	14.0	14.0	14.5	14.5	15.3
GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
<i>Sales growth</i>	<i>-14.0%</i>	<i>-67.0%</i>	<i>80.4%</i>	<i>17.9%</i>	<i>39.9%</i>	<i>14.2%</i>
EBITDA (adj.)* growth	n.m.	n.m.	n.m.	18.9%	59.1%	16.9%
EBITA (adj.)* growth	n.m.	n.m.	42.9%	15.0%	285.0%	32.7%
EBIT (adj.)* growth	n.m.	n.m.	42.9%	15.0%	285.0%	32.7%

Daldrup & Soehne : Summary tables

GROWTH & MARGINS	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Profit growth	n.m.	n.m.	2.3%	-70.1%	1382.4%	61.0%
EPS adj. growth	n.m.	n.m.	2.2%	-72.7%	1382.4%	61.0%
DPS adj. growth	n.m.					n.m.
EBITDA (adj)* margin	n.m.	n.m.	12.6%	12.7%	14.4%	14.7%
EBITA (adj)* margin	-35.0%	4.1%	3.2%	3.1%	8.6%	10.0%
EBIT (adj)* margin	n.m.	4.1%	3.2%	3.1%	8.6%	10.0%
RATIOS	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Net Debt/Equity	0.3	0.6	0.6	0.4	0.5	0.4
Net Debt/EBITDA	-2.9	-458.2	7.1	4.0	4.0	2.7
Interest cover (EBITDA/Fin.interest)	n.m.	n.m.	0.7	4.1	3.1	4.6
Capex/D&A	9.5%	-80.7%	30.7%	41.9%	62.2%	63.4%
Capex/Sales	2.5%	3.6%	2.9%	4.0%	3.6%	3.0%
NWC/Sales	7.0%	81.1%	45.0%	39.6%	28.2%	26.0%
ROE (average)	-30.1%	0.8%	0.8%	0.2%	3.4%	4.9%
ROCE (adj.)	-36.4%	1.2%	1.8%	2.1%	8.3%	11.1%
WACC	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
ROCE (adj.)/WACC	-4.4	0.1	0.2	0.3	1.0	1.3
PER SHARE DATA (EUR)***	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Average diluted number of shares	5.4	5.4	5.4	6.0	6.0	6.0
EPS (reported)	-2.43	0.80	0.98	0.02	0.28	0.45
EPS (adj.)	-2.97	0.07	0.07	0.02	0.28	0.45
BVPS	8.34	8.40	8.39	7.69	9.04	9.49
DPS	0.00	0.00	0.00	0.00	0.00	0.15
VALUATION	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
EV/Sales	1.5	4.3	2.3	2.5	2.0	1.6
EV/EBITDA	n.m.	n.m.	18.1	19.4	13.9	11.2
EV/EBITDA (adj.)*	n.m.	n.m.	18.1	19.4	13.9	11.2
EV/EBITA	-4.4	106.6	70.9	78.3	23.2	16.4
EV/EBITA (adj.)*	-4.4	106.6	70.9	78.3	23.2	16.4
EV/EBIT	n.m.	n.m.	70.9	78.3	23.2	16.4
EV/EBIT (adj.)*	n.m.	n.m.	70.9	78.3	23.2	16.4
P/E (adj.)	n.m.	n.m.	n.m.	n.m.	42.9	26.7
P/BV	1.4	1.0	0.9	1.5	1.3	1.3
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%
EV/CE	2.3	1.8	1.8	2.3	2.8	2.6
OpFCF yield	3.4%	-39.9%	5.2%	13.0%	10.3%	9.1%
OpFCF/EV	2.7%	-24.1%	3.1%	10.2%	7.2%	6.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	33.1%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%
EV AND MKT CAP (EURm)	12/2014	12/2015	12/2016	12/2017e	12/2018e	12/2019e
Price** (EUR)	12.05	8.29	7.77	11.81	12.10	12.10
Outstanding number of shares for main stock	5.4	5.4	5.4	6.0	6.0	6.0
Total Market Cap	66	45	42	71	72	72
Net Debt	14	28	28	18	30	23
<i>o/w Cash & Marketable Securities (-)</i>	-5	-3	-1	-10	-22	-27
<i>o/w Gross Debt (+)</i>	18	31	28	28	52	50
Other EV components	1	1	1	1	1	1
Enterprise Value (EV adj.)	81	75	71	90	103	96

Source: Company, equinet Bank estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Alternative Energy/Renewable Energy Equipment

Company Description: The company was founded in 1946 and went public in 2007. Daldrup today is a specialist supplier in geothermal drilling activities for near-surface and deep geothermal projects. It covers the full added-value chain from first feasibility studies to energy contracting electric power and heat. With its long-lasting expertise the group will continue its strategic shift and stay to be a specialist geothermal drilling project company and add mid-sized energy supply.

Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
2GEnergy	Rüzgar	19.50	Neutral	2/3/5	MLP	Häßler	7.50	Buy	2/3
Aareal Bank	Häßler	42.00	Accumulate		MTU Aero Engines	Rüzgar	142.00	Neutral	2
adidas	Josefson	211.00	Accumulate		Munich Re	Häßler	210.00	Accumulate	
Adler Modemaerkte	Josefson	6.00	Neutral	7	Nemetschek SE	Mildner	47.00	Reduce	5
ADLER Real Estate	Mayer	15.70	Buy		NexusAG	Droste	28.00	Buy	
Aixtron	Sen	11.60	Accumulate	2/3	Norma Group	Schuldt	61.00	Neutral	
Allianz	Häßler	200.00	Neutral		OHB SE	Rüzgar	40.00	Neutral	7
Axel Springer	Josefson	66.50	Reduce		OVH Holding AG	Häßler	20.00	Accumulate	2/5/7
Bayer	Miemietz	118.00	Buy		Patrizia	Mayer	21.50	Accumulate	
BB Biotech	Miemietz	73.00	Buy	7	Pfeiffer Vacuum	Sen	162.00	Accumulate	5
Biotest	Miemietz	18.00	Neutral	2/3	Procredit Holding	Häßler	15.60	Buy	2/3/5
BMW	Schuldt	100.00	Accumulate		PSI SOFTWAREAG	Mildner	20.00	Accumulate	2/3
Brenntag	Hinkel	59.80	Buy	2	Puma	Josefson	430.00	Buy	
Ceconomy AG	Bruns	10.70	Reduce		PWO	Schuldt	51.00	Buy	2/3
Centit	Droste	22.50	Buy		Rheinmetall	Rüzgar	110.00	Accumulate	
comdirect	Häßler	11.20	Neutral		RIB Software	Mildner	16.50	Buy	2/3
Commerzbank	Häßler	13.00	Neutral		RTL Group	Josefson	72.00	Accumulate	
Continental	Schuldt	270.00	Buy		S&TAG	Sen	21.00	Buy	2/3
CORESTATE Capital Holding S.A.	Mayer	69.00	Buy	2/5	SAF-Holland	Schuldt	17.00	Accumulate	7
CTS Eventim	Heilmann	41.00	Neutral		SCOUT24	Heilmann	31.00	Reduce	2
Daimler AG	Schuldt	80.00	Accumulate		Siegfried Holding AG	Miemietz	295.00	Accumulate	
Daldrup & Soehne	Becker	14.50	Buy	2/3/5	SLM Solutions	Sen	24.00	Sell	
Demire	Mayer	4.55	Buy	2/5	SMT Scharf AG	Rüzgar	16.70	Buy	2/3
Deutsche Bank	Häßler	18.00	Buy		Software AG	Mildner	30.00	Sell	
Deutsche EuroShop	Mayer	33.00	Neutral		Stabilus	Tanzer	89.00	Buy	
Deutsche Pfandbriefbank	Häßler	13.50	Neutral		Suedzucker	Bruns	15.50	Reduce	
Deutsche Telekom	Sen	15.50	Neutral		SuessMicroTec	Sen	14.30	Reduce	2/3
Drillisch	Sen	66.00	Buy		Surteco	Mildner	30.00	Buy	2/3
Duerr	Augustin	120.00	Buy		Symrise AG	Hinkel	67.00	Neutral	
EringKlinger	Schuldt	12.40	Reduce		Syzygy AG	Heilmann	12.00	Accumulate	2/3
elumeo SE	Josefson	10.90	Accumulate		TAKKTAG	Bruns	22.30	Neutral	2
EpigenomicsAG	Miemietz	4.72	Accumulate	2/3	Talanx Group	Häßler	40.00	Accumulate	
Euromicron AG	Droste	13.00	Buy	2/3/5	Technotrans	Becker	45.70	Neutral	2/3
Ferratum	Häßler	30.00	Buy		TELECOLUMBUS	Sen	11.00	Buy	
Fielmann	Heilmann	79.00	Accumulate		Telefonica Deutschland	Sen	3.70	Sell	
Freenet	Sen	36.00	Buy	2	United Internet	Sen	63.00	Buy	
FuchsPetrolub	Hinkel	47.00	Neutral		Vapiano	Bruns	26.50	Buy	2/7
Gea Group	Augustin	39.00	Neutral		va-Q-tec	Sen	17.00	Neutral	2/3/5
Gerrheimer AG	Rüzgar	75.00	Neutral		Viscom	Rüzgar	29.50	Accumulate	2/3
Gerry Weber	Josefson	8.00	Neutral		Volkswagen	Schuldt	170.00	Neutral	
Gesco	Becker	36.00	Accumulate	2/3/5	Wacker Neuson SE	Becker	27.20	Neutral	
GFT Technologies	Mildner	15.50	Buy	2/3	windeln.de	Josefson	3.10	Buy	2
Gigaset	Sen	0.85	Accumulate	2/3	XINGAG	Heilmann	315.00	Buy	
Grenke	Häßler	90.00	Neutral		Zalando	Josefson	44.50	Neutral	
Hannover Re	Häßler	110.00	Neutral						
Heidelberg Pharma	Miemietz	3.50	Buy	2/3					
Heidelberger Druck	Augustin	3.60	Buy						
HELLA GmbH & Co. KGaA	Tanzer	57.00	Accumulate						
Hornbach Holding	Bruns	89.00	Buy						
Hugo Boss	Josefson	80.00	Buy						
Hypoport AG	Häßler	164.00	Buy	7					
INDUS Holding AG	Becker	64.50	Neutral						
K+S AG	Hinkel	24.40	Accumulate						
Koenig & Bauer	Augustin	67.00	Accumulate						
KronesAG	Augustin	121.00	Accumulate						
KWS SAAT	Hinkel	348.00	Neutral						
Lanxess	Hinkel	83.00	Buy						
Leoni	Schuldt	57.00	Neutral						
Linde	Hinkel	175.00	Neutral						
Logwin	Mildner	148.00	Neutral	2/3/5					
Manz AG	Rüzgar	37.00	Neutral	2/3					
MAXAutomationAG	Becker	9.40	Buy	2/3/5					
Merck	Miemietz	112.00	Buy						
Merkur Bank	Häßler	9.30	Buy	2/7					
Metro AG	Bruns	29.00	Buy	2					

* =Coverage suspended

Source: equinet Recommendations

Notice according to § 34 b (German) Securities Trading Act ("Wertpapierhandelsgesetz")

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Recommendation System

Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.

Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.

Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon

Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon

Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

Basis of Valuation

Equinet Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

Sources

Equinet Bank has made any effort to carefully research all information contained in the analysis. The information on which the analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant press as well as the company which is the subject of the analysis. Only that part of the research note is made available to the issuer, who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this result in considerable changes a reference is made in the research note.

Actualizations

Opinions expressed in this analysis are our current opinions as of the issuing date indicated on this document. We do not commit ourselves in advance to whether and in which intervals updates are made.

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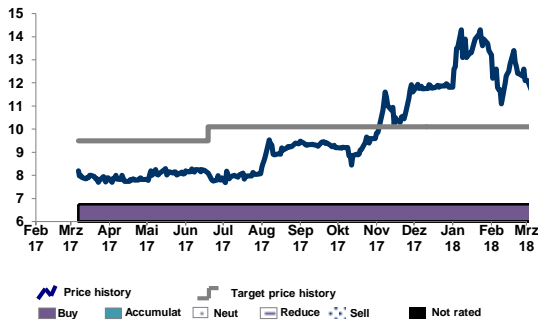
Competent Supervisory Authority:
Bundesanstalt für Finanzdienstleistungsaufsicht
-BaFin- (Federal Financial Supervisory Authority)
Graurheindorfer Straße 108, 53117 Bonn and
Marie-Curie-Str. 24-28, 60439 Frankfurt am Main

Recommendation history for DALDRUP & SOEHNE

Date	Recommendation	Target price	Price at change date
08. Mrz 18	Buy	14.50	12.10
19. Jun 17	Buy	10.10	8.10
08. Feb 17	Buy	9.50	8.30

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Winfried Becker (since 11/01/2017)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

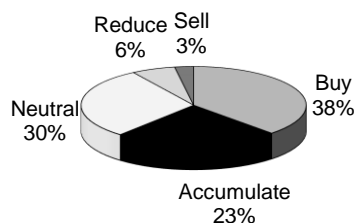
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Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

Equinet Bank Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

Date and time of production: 8 March 2018: 17:54 CET

First date and time of dissemination: 8 March 2018: 17:59 CET

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