

July 30th, 2025  
Research comment

# SMC Research

## Small and Mid Cap Research



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# Daldrup & Söhne AG

## Large order with signal character

**Rating:** Buy (unchanged) | **Price:** 14.15 € | **Price target:** 17.20 € (prev.: 15.30 €)

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Please take notice of the disclaimer at the end of the document!

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# Current development



## Basic data

Based in:	Oberhaching
Sector:	Drilling services
Headcount:	152
Accounting:	HGB
ISIN:	DE0007830572
Ticker:	4DS:GR
Price:	14.15 Euro
Market segment:	Scale
Number of shares:	5.99 m
Market Cap:	84.8 m Euro
Enterprise Value:	80.0 m Euro
Free Float:	41.6 %
Price high/low (12 M):	14.60 / 6.80 Euro
Øturnover (12 M Xetra):	28,400 Euro

FY ends: 31.12.	2024e	2025e	2026e
Total output (m Euro)	54.6	52.0	66.0
EBIT (m Euro)	7.0	5.3	8.6
Net profit	2.5	4.4	7.2
EpS	0.42	0.74	1.21
Dividend per share	0.15	0.15	0.16
Total output growth	12.8%	-4.7%	26.9%
Profit growth	179.5%	78.3%	63.3%
PSR	1.57	1.66	1.32
PER	34.1	19.1	11.7
PCR	7.0	12.6	9.0
EV / EBIT	11.5	15.0	9.3
Dividend yield	1.1%	1.0%	1.1%

## First dividend since 2014

Daldrup & Söhne has developed very positively in recent years and has significantly improved its profitability in particular. On this basis, the executive bodies have proposed a dividend of EUR 0.15 per share for the last financial year to the Annual General Meeting, the first distribution since 2014. This will allow shareholders to participate in the successful development in this way too. However, the company's focus remains clearly on growth and therefore also on investments to take advantage of the great opportunities currently offered by the market.

## Major tender won

D&S recently underlined its high potential with the acquisition of a major contract. The company prevailed in an EU-wide tender and won the contract from Innovative Energie für Pullach GmbH for seven geothermal wells, with three further wells possible depending on the results. The project is to make use of the new KfW concept for exploration insurance, which is expected to be made possible in September when the federal budget is passed. Drilling is scheduled to start this December and will be carried out at two locations (Pullach South and Baierbrunn). D&S estimates the order volume to be in the high double-digit million range, which will be billed successively using the day-rate method. This will lead to a continuous inflow of funds from the project, so that there is no final billing risk for the company. In return, the client benefits from increased efficiency during the provision of services.

## Numerous projects in preparation

In southern Germany, the geological conditions for tapping geothermal energy are very favourable in some areas, which is why numerous other projects are currently in the planning phase. The sector could receive an additional boost from the new insurance to cover exploration risks. We see the fact that D&S has now won such a large project in an EU-wide tender in

this environment as a strong signal that the company will play an important role in future market development thanks to its extensive experience and existing capacities. There is an emerging trend towards larger projects – including cooperation between several municipalities – which is advantageous for the company as it enables further efficiency gains and represents a high barrier for smaller competitors. We therefore expect D&S to acquire further major orders. Due to the new project the order backlog has already risen from EUR 31 million in March to EUR 130 million. This success also underpins the relevant market volume quantified by the company, which shows the volume of orders in the negotiation stage weighted by the probability of occurrence and amounted to EUR 405 million in March, part of which has now been transferred to the order backlog.

### Stimulus from 2026 onwards

The major project does not yet play a significant role in the current year, which is why the management's forecast of total operating performance of around EUR 52 million and an EBIT margin of 9% to 12% has not been changed. From 2026 onwards, however, a positive stimulus from project realization is expected for around two and a half years, both for total output

and EBIT. We are therefore leaving our estimate for 2025 (total operating performance EUR 52 million, EBIT margin 10.2%) unchanged but are significantly raising our estimates for the subsequent periods. While we had previously forecast – very conservatively – an increase in total operating performance for the next three years from EUR 58.5 million in 2026 to EUR 64.5 million in 2028, we are now assuming EUR 66 million in the next financial year and EUR 73 million in 2028. Subsequently, we expect further moderate growth, which assumes that D&S will be able to acquire further major projects – which we also consider likely due to its strong market position and positive market development. We believe that the development outlined above can be realized without the purchase of a new large drilling rig, as D&S is currently investing in rigs for medium-deep drilling and intends to develop further capacities through strategic partnerships.

### Target margin raised

We continue to expect that the company will be able to significantly increase its EBIT margin next year and are now assuming a slightly higher figure of 13.0% (previously: 12.9%). We then leave the margin constant at this level, which we believe is justified by the

m Euro	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030	12 2031	12 2032
Total output	52.0	66.0	71.0	73.0	74.5	76.0	77.5	79.0
Total output growth	-4.7%	26.9%	7.6%	2.8%	2.1%	2.0%	2.0%	1.9%
EBIT margin	10.2%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
<b>EBIT</b>	<b>5.3</b>	<b>8.6</b>	<b>9.2</b>	<b>9.5</b>	<b>9.7</b>	<b>9.9</b>	<b>10.1</b>	<b>10.3</b>
Tax rate	10.0%	10.0%	10.0%	25.0%	30.0%	30.0%	30.0%	30.0%
Adjusted tax payments	0.5	0.9	0.9	2.4	2.9	3.0	3.0	3.1
<b>NOPAT</b>	<b>4.8</b>	<b>7.7</b>	<b>8.3</b>	<b>7.1</b>	<b>6.8</b>	<b>6.9</b>	<b>7.1</b>	<b>7.2</b>
+ Depreciation & Amortisation	2.0	2.1	2.4	2.6	2.7	2.8	2.9	3.0
+ Increase long-term accruals	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross operating cash flow</b>	<b>6.9</b>	<b>9.9</b>	<b>10.7</b>	<b>9.8</b>	<b>9.5</b>	<b>9.8</b>	<b>10.1</b>	<b>10.2</b>
- Increase Net Working Capital	-0.3	-0.7	-0.5	-0.4	-0.4	-0.4	-0.5	-0.5
- Investments in fixed assets	-3.6	-3.9	-3.5	-3.1	-3.2	-3.3	-3.3	-3.4
<b>Free cash flow</b>	<b>3.1</b>	<b>5.4</b>	<b>6.8</b>	<b>6.3</b>	<b>5.9</b>	<b>6.1</b>	<b>6.3</b>	<b>6.4</b>

*SMC estimation model*

positive market outlook. As a precautionary measure, we had previously assumed a slight degression to 12.6% by the end of the detailed forecast period. The table at the bottom of the page before shows the development of the key cash flow figures resulting from our model up to 2032; further details can be found in the appendix.

### New price target: EUR 17.20

Discounting the estimates with an unchanged discount rate (WACC 6.5%) and unchanged parameters for determining the terminal value (safety margin discount of 15%, perpetual growth of 1%) results in a new fair value of EUR 102.8 million or EUR 17.16 per share, from which we derive the new price target of EUR 17.20 (a sensitivity analysis for determining the price target can be found in the appendix). The increase in our price target (previously: EUR 15.30) is the result of higher estimates for total operating performance and margin development following the acquisition of the major order. On a scale of 1 (very low) to 6 (very high), we classify the forecast risk as slightly above average at four points due to the project nature of the business.

### Conclusion

Last year, Daldrup & Söhne already benefited from a strong market position in the drilling business and a positive market trend. And there are signs that this trend will continue and probably even accelerate. The company has now acquired a very large order for geothermal drilling with a volume in the high double-digit million range, which should make a substantial contribution to total output and EBIT in the years 2026 to 2028.

Further large-scale projects could follow, as the geothermal market in Germany is currently gaining significant momentum, whereby development could receive an additional boost from a KfW concept for an insurance to cover exploration risks, which should be available following the adoption of the federal budget in September.

In response, we have raised our estimates and now expect an even more significant increase in total output and EBIT from 2026 onwards. As a result, our price target has increased from EUR 15.30 to EUR 17.20. Even after the recent very pleasing performance of the share, the resulting upside potential of more than 20% continues to justify a "Buy" rating.

## Annex I: SWOT-analysis

### Strengths

- Very experienced management team and staff with great expertise.
- The company has a strong market position in the drilling business in its core markets. A large equipment park enables a wide range of services.
- Longstanding track-record in the successful implementation of drilling projects, especially at depths of up to 6 thousand metres.
- D&S is strongly positioned in the field of geothermal energy, which is one of the most promising renewable energies, especially for the heating market.
- With an equity ratio of 69 percent, the company has a very solid balance sheet structure.

### Opportunities

- The good order situation not only secures capacity utilization for the current year, but the recently acquired major order and potential further projects are also expected to provide a boost for the coming years.
- Tight capacities in the drilling market and strong demand are a good basis for sustainably high margins.
- Geothermal energy could play an important role in municipal heating planning, which would involve high investments.
- The search for a final repository for radioactive waste offers great order potential for D&S, especially in Germany.
- In the future, D&S could participate in promising medium-sized geothermal heating plants.

### Weaknesses

- Delays in legislative processes have temporarily slowed market development somewhat, meaning that the total operating performance and margin of D&S could be down on the previous year in 2025, according to the forecast.
- The project business is volatile; individual drilling projects can have a strong impact on the figures for a financial year.
- D&S has yet to prove that the efficiency gains currently achieved in the management of large drilling projects are sustainable.
- The growth in total output is limited by the existing drilling capacities, which are already heavily utilised. Replacement or supplementary investments in large drilling rigs (for very deep wells) are associated with a high investment volume.

### Threats

- Contrary to expectations, the implementation of an insurance to coverage exploration risks could still be halted, which would put a damper on market prospects.
- The roll-out of the infrastructure spending package in Germany could be delayed and be slow overall due to bureaucratic hurdles.
- Fixed-price contracts in the drilling business carry the risk of losses if there are delays for which the company is responsible.
- The acquisition of qualified personnel is becoming increasingly difficult.
- There are still small residual balance sheet risks from the sold power plant business in the form of outstanding receivables totalling EUR 2.0 m and components held for sale with a value of EUR 1.25 m.

## Annex II: Balance sheet and P&L estimation

### Balance sheet estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
<b>ASSETS</b>									
I. Total non-current	9.5	11.1	12.8	13.9	14.4	14.9	15.3	15.8	16.2
1. Intangible assets	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
2. Tangible assets	8.6	10.2	11.9	13.0	13.5	14.0	14.5	14.9	15.3
II. Total current assets	24.4	30.3	38.0	47.3	55.7	63.7	69.2	75.0	80.8
<b>LIABILITIES</b>									
I. Equity	23.5	27.1	33.4	40.0	45.5	50.6	53.0	55.5	58.0
II. Accruals	2.2	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9
III. Liabilities									
1. Long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Short-term liabilities	8.5	12.3	15.3	18.9	22.3	25.6	29.1	32.7	36.4
<b>TOTAL</b>	<b>34.2</b>	<b>41.6</b>	<b>51.1</b>	<b>61.4</b>	<b>70.3</b>	<b>78.8</b>	<b>84.8</b>	<b>91.0</b>	<b>97.2</b>

### P&L estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
Sales	54.1	51.0	64.2	69.1	71.1	72.5	74.0	75.5	76.9
Total output	54.6	52.0	66.0	71.0	73.0	74.5	76.0	77.5	79.0
Gross profit	31.5	28.3	36.5	39.6	41.1	42.3	43.5	44.4	45.2
EBITDA	11.0	7.4	10.7	11.6	12.1	12.4	12.7	13.0	13.2
EBIT	7.0	5.3	8.6	9.2	9.5	9.7	9.9	10.1	10.3
EBT	2.8	5.0	8.1	8.5	8.6	8.7	8.7	8.8	8.8
EAT (before minorities)	2.5	4.4	7.2	7.6	6.4	6.0	6.1	6.1	6.1
EAT	2.5	4.4	7.2	7.6	6.4	6.0	6.1	6.1	6.1
EPS	0.42	0.74	1.21	1.27	1.08	1.01	1.02	1.02	1.02

## Annex III: Cash flows estimation and key figures

### Cash flows estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
CF operating	12.1	6.7	9.4	10.5	9.8	9.7	10.1	10.4	10.7
CF from investments	-2.5	-3.6	-3.9	-3.5	-3.1	-3.2	-3.3	-3.3	-3.4
CF financing	-1.0	1.8	0.7	0.9	0.6	0.3	-2.4	-2.6	-2.7
Liquidity beginning of year	3.5	6.4	11.3	17.6	25.5	32.8	39.6	44.0	48.5
Liquidity end of year	6.4	11.3	17.6	25.5	32.8	39.6	44.0	48.5	53.1

### Key figures

percent	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
Total output growth	12.8%	-4.7%	26.9%	7.6%	2.8%	2.1%	2.0%	2.0%	1.9%
Sales growth	10.2%	-5.8%	25.9%	7.6%	2.8%	2.1%	2.0%	2.0%	1.9%
Gross margin	57.7%	54.4%	55.3%	55.8%	56.3%	56.8%	57.3%	57.3%	57.3%
EBITDA margin	20.2%	14.1%	16.2%	16.3%	16.6%	16.6%	16.7%	16.8%	16.8%
EBIT margin	12.8%	10.2%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
EBT margin	5.2%	9.5%	12.2%	11.9%	11.8%	11.6%	11.5%	11.4%	11.1%
Net margin (after minorities)	4.6%	8.5%	11.0%	10.7%	8.8%	8.1%	8.0%	7.9%	7.8%

## Annex IV: Sensitivity analysis

WACC	Perpetual cash flow growth				
	2.0%	1.5%	1.0%	0.5%	0.0%
5.5%	25.05	22.70	20.87	19.41	18.21
6.0%	22.01	20.25	18.83	17.68	16.71
6.5%	19.64	18.28	17.16	16.23	15.44
7.0%	17.74	16.67	15.77	15.01	14.35
7.5%	16.19	15.32	14.58	13.95	13.41



# Disclaimer

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## *Charts*

The charts were made with Tai-Pan ([www.lp-software.de](http://www.lp-software.de)).

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## *II) Preparation and updating*

The present financial analysis was prepared by: Dipl.-Kfm. Holger Steffen

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 29.07.2025 at 6:30 pm and published on 30.07.2025 at 8:15 am.

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Date	Investment recomm.	Target price	Conflict of interests
06.06.2025	Buy	15.30 Euro	1), 3), 4), 10)
25.03.2025	Buy	14.60 Euro	1), 3), 10)
07.10.2024	Buy	11.20 Euro	1), 3), 10)
29.08.2024	Buy	11.20 Euro	1), 3), 4), 10)
06.06.2024	Buy	10.50 Euro	1), 3), 10)
06.10.2023	Buy	11.40 Euro	1), 3), 4)

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The publishing dates for the financial analyses are not yet fixed at the present moment.

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