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Research comment

# SMC Research

## Small and Mid Cap Research



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# Daldrup & Söhne AG

## Efficiency improvements and high demand lead to a jump in margins

**Rating:** Buy (unchanged) | **Price:** 26.20 € | **Price target:** 29.50 € (prev.: 18.20 €)

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# Current development



## Basic data

Based in:	Oberhaching
Sector:	Drilling services
Headcount:	148
Accounting:	HGB
ISIN:	DE0007830572
Ticker:	4DS:GR
Price:	26.20 Euro
Market segment:	Scale
Number of shares:	5.99 m
Market Cap:	156.9 m Euro
Enterprise Value:	152.1 m Euro
Free Float:	41.6 %
Price high/low (12 M):	30.10 / 8.02 Euro
Øturnover (12 M Xetra):	90,200 Euro

FY ends: 31.12.	2025e	2026e	2027e
Total output (m €)	50.8	62.5	78.5
EBIT (m Euro)	8.8	9.0	12.0
Net profit	7.1	7.7	10.3
EpS	1.19	1.29	1.71
Dividend per share	0.20	0.22	0.30
Total output growth	-6.9%	23.0%	25.6%
Profit growth	185.4%	9.1%	32.5%
PSR	3.30	2.53	2.01
PER	22.1	20.3	15.3
PCR	18.6	15.9	12.2
EV / EBIT	17.2	16.8	12.7
Dividend yield	0.8%	0.8%	1.1%

## Margin well above expectations

Daldrup & Söhne has published preliminary key figures for the 2025 financial year. The company achieved total output of EUR 50.8 m, which was slightly below the forecast (EUR 52 m) and the previous year's figure (EUR 54.6 m). The slight downward deviation is attributable to the fact that the start of drilling for the major Pullach project has been postponed to the current year. Nevertheless, the company was able to improve its EBIT very significantly, from EUR 6.9 m to EUR 8.8 m. As a result, the margin increased from 12.7 to 17.4 percent, which was significantly above the target range of 10 to 12 percent. This reflects the management's conservative calculations and also demonstrates that the comprehensive efficiency-enhancing measures implemented in recent years are now having a clear impact. In addition, the project portfolio was very strong last year, featuring several high-margin contracts.

## High demand

Demand for D&S's drilling services remains very high. Municipal heating planning is showing an increasing reliance on geothermal energy, which should lead to further major contracts for the company. This is particularly true given that the general conditions for developing this resource in Germany were significantly improved once again at the end of last year. On the one hand, the Geothermal Acceleration Act was passed, which stipulates simplified procedures, binding deadlines and an 'overriding public interest' for geothermal energy; on the other hand, the KfW financing instrument with combined protection against credit risks has been available since then. Both measures represent a significant improvement in planning certainty for new projects. Furthermore, there are also strong drivers of demand for D&S's services in other areas. For instance, the infrastructure drive currently underway in Germany is accompanied by an increased need for preparatory drilling, and exploration drilling for raw materials has also picked up again. Furthermore, demand in the field of post-mining care

remains high, and the search for a final repository for nuclear waste in Germany is set to become another attractive area of activity in the future.

## Capacities are being expanded

In view of the high demand, the company has already acquired further rigs for medium-depth geothermal energy. The purchase of a rig for deep geothermal energy could also be on the cards in the future, should further large-scale contracts make this necessary. For the time being, current demand can still be met using the company's own fleet of drilling rigs and through strategic partnerships, which the management worked on intensively last year and which allow for the use of large-scale equipment where required.

## Strong position

This means that D&S is well positioned to continue to benefit significantly from the positive market trends. We also assess the jump in margins as an indication that the selective approach to order acquisition – made possible by high demand coupled with limited market capacity – is increasingly paying off. From this year onwards, this will also be reflected in total output thanks to the major Pullach project and generally high

capacity utilisation. We now expect an increase from EUR 50.8 million to EUR 62.5 million. This figure is lower than our previous estimate of EUR 66 million, as the launch in Pullach has been postponed by a few months. For the years ahead, we have significantly revised upwards our forecast for total revenue due to positive market trends, so that it now stands at EUR 104.5 million in 2032 (previously: EUR 79 million). The increase in the margin is also significant following the major progress made last year. We now expect a figure of 14.5 percent for 2026 (previously: 13.6 percent) and anticipate further growth thereafter to a new target margin of 17 percent (previously: 14 percent) by the end of the detailed forecast period. We consider this projection to be well-founded and sufficiently conservative, given the company's strong market position and simultaneously significant growth in demand. Our target margin for 2032 is still below the level the company already achieved last year. The table at the bottom of this page shows the development of the key cash flow figures up to 2032 as derived from our model; further details are provided in the Annex.

## New price target: EUR 29.50

Discounting the estimates using an unchanged discount rate (WACC 6.5 percent) and unchanged pa-

m Euro	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030	12 2031	12 2032
Total output	50.8	62.5	78.5	86.5	92.5	95.5	100.5	104.5
Total output growth	-6.9%	23.0%	25.6%	10.2%	6.9%	3.2%	5.2%	4.0%
EBIT margin	17.4%	14.5%	15.3%	16.2%	16.5%	16.6%	16.9%	17.0%
<b>EBIT</b>	<b>8.8</b>	<b>9.0</b>	<b>12.0</b>	<b>14.0</b>	<b>15.2</b>	<b>15.9</b>	<b>16.9</b>	<b>17.7</b>
Tax rate	10.0%	10.0%	10.0%	25.0%	30.0%	30.0%	30.0%	30.0%
Adjusted tax payments	0.9	0.9	1.2	3.5	4.6	4.8	5.1	5.3
<b>NOPAT</b>	<b>7.9</b>	<b>8.1</b>	<b>10.8</b>	<b>10.5</b>	<b>10.7</b>	<b>11.1</b>	<b>11.9</b>	<b>12.4</b>
+ Depreciation & Amortisation	2.0	2.2	2.4	2.7	2.9	3.1	3.3	3.5
+ 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>10.1</b>	<b>10.4</b>	<b>13.3</b>	<b>13.3</b>	<b>13.6</b>	<b>14.3</b>	<b>15.3</b>	<b>16.0</b>
- Increase Net Working Capital	-1.2	-0.7	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6
- Investments in fixed assets	-3.8	-3.7	-3.9	-3.7	-4.0	-4.1	-4.3	-4.5
<b>Free cash flow</b>	<b>5.0</b>	<b>6.0</b>	<b>8.8</b>	<b>9.1</b>	<b>9.1</b>	<b>9.7</b>	<b>10.4</b>	<b>10.9</b>

*SMC estimation model*

rameters for calculating the terminal value (safety margin discount of 15 percent, perpetual growth of 1 percent) results in a new fair value of EUR 176.7 m or EUR 29.51 per share, from which we derive the new price target of EUR 29.50 (a sensitivity analysis for the price target calculation can be found in the Annex). The significant increase in our price target (previously: EUR 18.20) stems from the very positive margin trend, which we have used in our model as a basis for a substantial increase in our estimates, combined with further improved growth prospects. On a scale of 1 (very low) to 6 (very high), we rate the forecast risk as slightly above average at four points, due to the project-based nature of the business.

## Conclusion

Last year, Daldrup & Söhne significantly improved its EBIT by almost 30 percent to EUR 8.8 m, despite a slight decline in total output. As a result, the margin jumped from 12.7 to 17.4 percent. Even if this cannot be achieved every year – due to the fact that the project portfolio was particularly favourable in this instance –

it demonstrates the significant efficiency gains that have been made.

This creates a strong foundation for the significant growth now on the horizon, including in total output, which will benefit considerably this year from the start of a major multi-year contract. We also anticipate further lucrative major contracts, as market capacity is tight and demand continues to rise, driven in part by a significant improvement in the general conditions for geothermal projects in Germany.

Against this backdrop, we have significantly raised our estimates for the company's future performance, resulting in an increase in our price target from EUR 18.20 to EUR 29.50. Even following the share's strong performance, we still see upside potential of more than 10 percent and, given the company's strong market position, its still moderate valuation with a PER of around 15 for 2027, and its attractive prospects, we confirm our '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

- Given the high level of orders on hand, strong growth in total output is highly likely from this year onwards. Thanks to the efficiency gains achieved, this should also enable a further increase in profits.
- 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

- The project business is volatile; individual drilling projects can have a strong impact on the figures for a financial year.
- Last year, the delayed start of a major project meant that the target figure for total output was not quite met.
- D&S still has to prove that the efficiency gains achieved can be maintained even with a significant increase in total output.
- The growth in total output is limited by the existing drilling capacities, which are already heavily utilised.

## Threats

- The attractive market conditions could draw in further players from related sectors and intensify the currently very comfortable competitive landscape.
- The roll-out of the infrastructure spending package in Germany could be delayed and be slow overall due to bureaucratic hurdles, meaning that there will be no significant boost to the drilling sector.
- Fixed-price contracts in the drilling business carry the risk of losses if there are delays for which the company is responsible.
- Replacement or additional investments in large drilling rigs (for very deep drilling) involve a high investment volume, which is associated with fixed costs and utilisation risks.
- The acquisition of qualified personnel is becoming increasingly difficult.

## 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	11.3	12.8	14.4	15.4	16.4	17.4	18.4	19.4
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	10.4	12.0	13.5	14.5	15.5	16.5	17.5	18.5
II. Total current assets	24.4	30.5	37.6	47.7	57.8	68.0	74.5	81.6	89.0
<b>LIABILITIES</b>									
I. Equity	23.5	29.7	36.3	45.2	53.4	61.8	66.2	71.1	76.0
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	10.1	12.0	14.7	17.4	20.3	23.3	26.5	29.8
<b>TOTAL</b>	<b>34.2</b>	<b>42.0</b>	<b>50.6</b>	<b>62.3</b>	<b>73.4</b>	<b>84.6</b>	<b>92.1</b>	<b>100.3</b>	<b>108.7</b>

### P&L estimation

m Euro	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
Sales	54.1	47.6	62.0	78.0	84.3	90.2	93.1	98.0	101.9
Total output	54.6	50.8	62.5	78.5	86.5	92.5	95.5	100.5	104.5
Gross profit	31.5	29.8	35.2	44.3	48.8	52.3	54.1	57.0	59.4
EBITDA	11.0	10.9	11.2	14.4	16.7	18.1	19.0	20.3	21.2
EBIT	7.0	8.8	9.0	12.0	14.0	15.2	15.9	16.9	17.7
EBT	2.8	7.9	8.6	11.4	13.4	14.5	15.1	16.0	16.7
EAT (before minorities)	2.5	7.1	7.7	10.3	10.0	10.1	10.5	11.2	11.6
EAT	2.5	7.1	7.7	10.3	10.0	10.1	10.5	11.2	11.6
EPS	0.42	1.19	1.29	1.71	1.67	1.69	1.76	1.87	1.94

## 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	8.4	9.8	12.9	13.2	13.6	14.4	15.4	16.2
CF from investments	-2.5	-3.8	-3.7	-3.9	-3.7	-4.0	-4.1	-4.3	-4.5
CF financing	-1.0	-0.4	-0.5	-0.2	-0.8	-0.9	-5.2	-5.5	-6.0
Liquidity beginning of year	3.5	6.4	10.6	16.2	25.0	33.7	42.4	47.5	53.0
Liquidity end of year	6.4	10.6	16.2	25.0	33.7	42.4	47.5	53.0	58.8

### Key figures

percent	2024 act.	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e
Total output growth	12.8%	-6.9%	23.0%	25.6%	10.2%	6.9%	3.2%	5.2%	4.0%
Sales growth	10.2%	-12.1%	30.4%	25.8%	8.1%	7.0%	3.3%	5.3%	4.0%
Gross margin	57.7%	58.6%	56.4%	56.4%	56.5%	56.5%	56.6%	56.7%	56.8%
EBITDA margin	20.2%	21.4%	18.0%	18.3%	19.3%	19.6%	19.9%	20.1%	20.3%
EBIT margin	12.8%	17.4%	14.5%	15.3%	16.2%	16.5%	16.6%	16.9%	17.0%
EBT margin	5.2%	15.6%	13.8%	14.6%	15.5%	15.7%	15.8%	15.9%	16.0%
Net margin (after minorities)	4.6%	14.0%	12.4%	13.1%	11.6%	11.0%	11.0%	11.1%	11.1%

## Annex IV: Sensitivity analysis

WACC	Perpetual cash flow growth				
	2.0%	1.5%	1.0%	0.5%	0.0%
5.5%	43.47	39.24	35.95	33.31	31.15
6.0%	38.15	34.96	32.41	30.31	28.57
6.5%	34.01	31.54	<b>29.51</b>	27.82	26.39
7.0%	30.69	28.73	27.09	25.71	24.52
7.5%	27.98	26.39	25.05	23.90	22.90

# 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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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 07.04.2026 at 7:15 am and published on 07.04.2026 at 8:15 am.

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02.10.2025	Buy	18.20 Euro	1), 3), 10)
30.07.2025	Buy	17.20 Euro	1), 3), 4), 10)
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)

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

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