

June 8th, 2026
Research update

SMC Research

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Mehrfacher Gewinner
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Analyst Awards

Daldrup & Söhne AG

“Participation in three times as many geo-thermal tenders as two years ago”

Rating: Buy (unchanged) | Price: 21.50 € | Price target: 29.00 € (prev.: 29.50 €)

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Current development



Basic data

Based in:	Oberhaching
Sector:	Drilling services
Headcount:	157
Accounting:	HGB
ISIN:	DE0007830572
Ticker:	4DS:GR
Price:	21.50 Euro
Market segment:	Scale
Number of shares:	5.99 m
Market Cap:	128.8 m Euro
Enterprise Value:	120.2 m Euro
Free Float:	41.6 %
Price high/low (12 M):	30.50 / 10.75 Euro
Øturnover (12 M Xetra):	117,400 Euro

Total output down slightly

Daldrup & Söhne's revenue in the 2025 financial year stood at EUR 39.9 m, significantly below the previous year's figure (EUR 54.1 m). However, revenue typically fluctuates significantly over time depending on the final settlement of individual major projects and therefore does not provide a complete picture of business activities. These are better reflected by total output, which amounted to EUR 51.1 m in the past financial period and was thus slightly below the previous year's figure (EUR 54.6 m) and the forecast (around EUR 52 m). This was because the start of drilling for the new major project in Pullach has been postponed to 2026. Nevertheless, an increase in inventories of EUR 11.0 m was recorded, partly due to projects in Germany and Belgium that had not yet been fully settled, compared with EUR 0.2 m in the previous year; in addition, work performed for the company's own use amounting to EUR 0.2 m (previous year: EUR 0.3 m) was capitalised.

Healthy diversification

At 50.2 percent (previous year: 49.9 percent), the Raw Materials & Exploration division once again accounted for half of total output. Key projects in this

FY ends: 31.12.	2023	2024	2025	2026e	2027e	2028e
Total output (m €)	48.4	54.6	51.1	60.0	78.5	86.5
EBIT (m Euro)	2.6	7.0	8.7	8.2	12.0	14.0
Net profit	0.9	2.5	7.7	6.9	10.2	9.9
EpS	0.15	0.42	1.29	1.15	1.70	1.66
Dividend per share	0.00	0.00	0.15	0.20	0.30	0.30
Total output growth	31.3%	12.8%	-6.4%	17.4%	30.8%	10.2%
Profit growth	8.8%	174.9%	211.5%	-10.8%	47.2%	-2.3%
PSR	2.62	2.38	3.23	2.08	1.65	1.53
PER	142.3	51.8	16.6	18.6	12.7	13.0
PCR	29.5	10.6	12.1	13.4	9.7	9.5
EV / EBIT	46.2	17.2	13.8	14.7	10.0	8.6
Dividend yield	0.0%	0.0%	0.7%	0.9%	1.4%	1.4%

area included, for example, gas relief and water-level drilling as part of post-mining rehabilitation, as well as exploratory drilling for salt extraction. Geothermal energy followed as the second most important pillar, accounting for 30.6 percent (previous year: 42.5 percent). Work in this area included deep geothermal drilling for Neuruppin Municipal Utilities and the town of Prenzlau, as well as preparations for the Püllach and Olching projects (more on this below). The remainder of the total output continues to be generated by environmental services (Environment, Development, Service – EDS) and water procurement. The share of EDS rose from 6.5 to 14.7 percent last year due to major projects in the Ruhr region and Saarland (backfilling of cavities in old mine workings and shafts) as well as in Switzerland (backfilling of boreholes), and water procurement projects such as well drilling contributed 4.5 percent (previous year: 1.1 percent). Daldrup & Söhne's drilling activities therefore remain broadly diversified, enabling flexible utilisation of capacity in those segments where demand is currently highest. From a regional perspective, Germany remains the dominant market despite a decline in its share of total output from 92.8 to 82.7 percent, while the remainder is accounted for by neighbouring European countries.

Group figures	2025	2026	Change
Revenue	54.1	39.9	-26.2%
Total output	54.6	51.1	-6.4%
EBITDA	8.5	10.6	+24.4%
EBITDA margin*	15.6%	20.7%	+5.1Pp.
EBIT	6.9	8.8	+26.6%
EBIT margin*	12.7%	17.2%	+4.5Pp.
Net profit	2.5	7.7	+209.6%

*In m Euro and percent; *in relation to total output*

source: Company

EBITDA margin of over 20 percent

Despite the decline in total revenue, D&S managed to increase its 2025 EBITDA by 24 percent to EUR 10.6 m. As a result, the operating margin rose further from 15.6 percent to 20.7 percent. This was due, on the one hand, to higher other operating income (from

EUR 0.5 to EUR 1.3 m, largely due to distributions from partners) and, on the other hand, to the disproportionately large decrease in cost of materials by 10.5 percent to EUR 20.7 m, as significantly fewer services had to be purchased from subcontractors. As a result, the proportion of purchased services in total output fell from 33.4 to 23.6 percent. On the other hand, further write-downs in current assets relating to power plant components held in inventory (a remnant of the sold power plant division) fell sharply from EUR 2.4 m to EUR 0.4 m. The remaining book value of the components now stands at just EUR 0.8 m. By contrast, other operating expenses fell only slightly, from EUR 9.7 m to EUR 9.5 m, and staff costs, at EUR 11.2 m, remained at the previous year's level.

EBIT margin well above target

Scheduled depreciation rose from EUR 1.6 m to EUR 1.9 m due to new investments in drilling rigs. Nevertheless, the improvement in EBITDA led to a similarly significant increase in EBIT of 27 percent to EUR 8.8 m. The EBIT margin thus increased from 12.7 to 17.2 percent, significantly exceeding management's target range of 10 to 12 percent. This reflects a combination of conservative costing, efficiency gains achieved and a favourable project mix. The improvement in net profit was even more pronounced: it rose by 210 percent to EUR 7.7 m, despite tax expenses increasing from EUR 0.3 m to EUR 0.5 m. This was driven by a massive improvement in the financial result (from EUR -4.2 m to EUR -0.4 m). Here, the decline in interest expenses from EUR 0.8 m to EUR 0.5 m had a positive impact; above all, however, the write-downs on old receivables from the sale of the power plant division – also recognised in the financial result – fell from EUR -3.7 m to EUR -0.2 m compared with the previous year. The remaining balance of these receivables now stands at EUR 187,000, and a change in shareholders means that a recovery of this sum remains likely.

Operating cash flow remains strong

D&S's operating cash flow remained at a high-level last year at EUR 10.7 m (equivalent to 26.7 percent of revenue) but was below the previous year's figure (EUR 12.1 m). The decline is primarily attributable

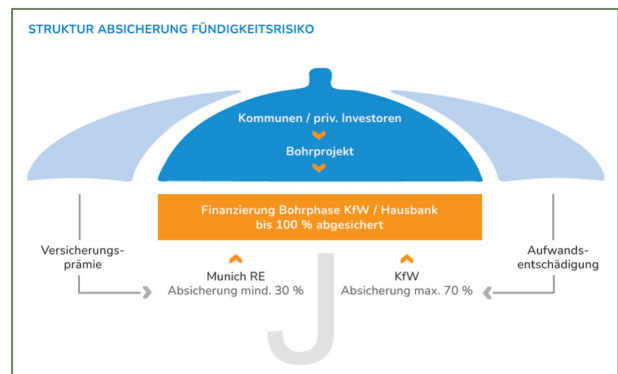
to a significant increase in trade receivables and a moderate rise in inventories, following a substantial reduction in these areas the previous year. At the same time, cash outflows from investing activities increased from EUR -2.5 m to EUR -5.4 m due to the acquisition of several new and used drilling rigs, meaning that free cash flow fell from EUR +9.7 m to EUR +5.2 m, though it remained clearly positive. As D&S also took out net loans, resulting in a financing cash flow of EUR +1.4 m, liquidity rose from EUR 6.4 m to EUR 13.0 m within the year.

Equity ratio remains very healthy

Cash and cash equivalents thus accounted for 27.9 percent of the balance sheet total and, ahead of property, plant and equipment (EUR 12.3 m, 26.5 percent), were the largest item on the assets side. On the liabilities side, there was a significant increase in equity, from EUR 23.5 m to EUR 30.4 m. However, as total assets rose by a slightly larger percentage – from EUR 34.2 m to EUR 46.5 m – the equity ratio fell slightly, from 68.8 percent to 65.3 percent. It remains thus at a very comfortable level.

Market conditions continue to improve

The operating environment for future business development improved further last year. The geothermal sector, in particular, is likely to benefit significantly from two new developments on the German market. Firstly, the Geothermal Acceleration Act was passed, which introduces simplified procedures, binding deadlines and a provision for ‘overriding public interest’ in relation to geothermal energy. Furthermore, since the end of last year, KfW’s financing instrument with integrated exploration risk insurance has been available for drilling projects; this covers, in particular, the risk of a dry well on the first drilling attempt (see figure). Both measures are stimulating interest in the development of geothermal energy, which is now likely to be addressed more extensively as part of the implementation of municipal heat planning.



Programme to mitigate exploration risks; source: Company

High demand

Last year, D&S was able to acquire two new major contracts: the smaller of the two comprises two geothermal boreholes worth EUR 16.8 m for Amperland Thermalwärme GmbH in Olching, while the larger one involves as many as seven geothermal boreholes with a value in the high double-digit millions (which could even reach triple digits if three potential additional boreholes are also commissioned) for Innovative Energie für Pullach GmbH. This brings the order book as at the end of March to EUR 120 m, compared with EUR 31 m a year ago. Although the volume of orders weighted by probability of award that are still at the negotiation stage has fallen slightly by 6 percent year-on-year to EUR 380 m due to these major contracts, it remains very high and the chances of securing further major contracts remain good. This is all the more so as D&S states that it is currently participating in three times as many geothermal tenders as it did two years ago.

Capacity fully utilised

Even the existing order book alone is, on paper, enough to keep the company fully booked well into next year. In 2026, in addition to the major projects mentioned, D&S will, amongst other things, drill a geothermal dual well for a Swiss utility company, carry out exploratory drilling for salt extraction on behalf of Schweizer Salinen AG, and undertake two further research drilling projects in Germany. Management therefore expects total revenue for the current year to rise to around EUR 58 m, with an EBIT margin of 11.5 to 13.5 percent of total output.

Guidance could be exceeded

We had hitherto expected total output of EUR 62.5 m and an EBIT margin of 14.5 percent for the current year. The discrepancy is likely attributable in particular to the project launch in Pullach being delayed by a few months. Furthermore, cost pressures have probably increased slightly, as inflationary trends in materials have picked up pace again. However, we also assume that management has once again adopted a conservative approach to its calculations. We therefore now expect figures slightly above the guidance, namely total output of EUR 60 m and an EBIT margin of 13.7 percent.

Excellent prospects

From 2027 onwards, the boost from the strong order book will come into full effect. Further momentum is also likely to come from the German infrastructure drive, which, although progressing rather slowly, nevertheless requires numerous exploratory boreholes for the construction of bridges, railway lines and roads. In anticipation of the foreseeable continued rise in demand, D&S has already expanded its own capacities and is also working on joint ventures, under which partners provide drilling rigs and crews whilst D&S

assumes project responsibility. Taking all these factors into account, we expect total output to rise significantly again from next year, initially to EUR 78.5 m. We have not altered this estimate, nor have we changed the EBIT margin assumed for 2027, which we continue to see at 15.3 percent. For the subsequent years, too, in view of promising medium- to long-term market prospects and high barriers to entry, we expect the positive trend to continue, with a target total output of EUR 108.5 m by the end of the detailed forecast period in 2033, which, according to our calculations, will be accompanied by an EBIT margin of 17.0 percent. The table below shows the development of the key cash flow indicators over the detailed forecast period, following our model update. Further details on the estimated development of the balance sheet, income statement and cash flow can be found in the Annex.

Basic parameters updated

To calculate the terminal value, we continue to assume a 15 percent discount on the target margin for 2033 and 'perpetual' cash flow growth of 1 percent p.a. However, we have updated the discount rate (WACC). In line with the trend in German current yields, we have raised the risk-free rate from 2.5 to 3.0

m Euro	12 2026	12 2027	12 2028	12 2029	12 2030	12 2031	12 2032	12 2033
Total output	60.0	78.5	86.5	92.5	96.5	100.5	104.5	108.5
Total output growth	17.4%	30.8%	10.2%	6.9%	4.3%	4.1%	4.0%	3.8%
EBIT margin	13.7%	15.3%	16.2%	16.5%	16.7%	16.9%	17.0%	17.0%
EBIT	8.2	12.0	14.0	15.3	16.1	17.0	17.8	18.4
Tax rate	10.0%	10.0%	25.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Adjusted tax payments	0.8	1.2	3.5	4.6	4.8	5.1	5.3	5.5
NOPAT	7.4	10.8	10.5	10.7	11.3	11.9	12.5	12.9
+ Depreciation & Amortisation	2.6	2.7	2.9	3.1	3.3	3.4	3.6	3.8
+ Increase long-term accruals	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flow	10.1	13.7	13.6	14.0	14.7	15.5	16.2	16.9
- Increase Net Working Capital	-0.7	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6
- Investments in fixed assets	-3.7	-3.9	-3.7	-4.0	-4.1	-4.3	-4.5	-4.7
Free cash flow	5.7	9.2	9.4	9.4	10.0	10.6	11.1	11.6

SMC estimation model

percent. Combined with unchanged values for the market risk premium (5.6 percent) and the beta factor (1.3), this results in a new cost of equity under the CAPM of 10.3 percent (previously: 9.8 percent). Together with unchanged values for the target capital structure (55 percent debt), the cost of debt (5.5 percent) and the tax rate for the tax shield (30 percent), this leads to a new weighted cost of capital of 6.7 percent (previously: 6.5 percent).

New price target: EUR 29.00

Following the model adjustments, the fair value we have calculated now stands at EUR 173.9 m, or EUR

29.04 per share, from which we derive a new price target of EUR 29.00 (a sensitivity analysis for the price target calculation can be found in the Annex). The slight reduction in the price target is primarily attributable to the higher discount rate, although the dampening effect was mitigated by the roll-over of the model to the new base year of 2026. 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

With the publication of its annual report, Daldrup & Söhne has confirmed its encouraging results for 2025. Although total output fell slightly last year (-6 percent to EUR 51 m) due to the delayed start of a major project, EBIT nevertheless rose by 27 percent to EUR 8.8 m, improving the EBIT margin from 12.7 to 17.2 percent – well above the company's target range (10 to 12 percent). This was made possible by a combination of a favourable project mix, efficiency gains and a significantly reduced burden from one-off effects.

For 2026, based on an order book that has grown from EUR 31 m to EUR 120 m, management expects total output to rise to around EUR 58 m, with an EBIT margin of between 11.5 and 13.5 percent.

We assume that this is the usual conservative estimate and expect that the guidance may be slightly exceeded. In our view, the strong order book and positive market trends will provide an even greater boost from 2027 onwards.

On this basis, our valuation model indicates a fair value of EUR 29.00 (previously: EUR 29.50), which offers upside potential of more than 30 percent. Daldrup & Söhne shares remain thus highly attractive, particularly as the company's business performance is largely unaffected by economic risks and the high oil price is likely to provide further tailwinds. We therefore reaffirm our 'Buy' rating.

Annex I: SWOT analysis

Strengths

- Management team with extensive sector experience 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 65 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.

Risiken

- Rising material costs could put pressure on margins.
- Fixed-price contracts in the drilling business carry the risk of losses if there are delays for which the company is responsible.
- 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.
- The attractive market conditions could draw in further players from related sectors and intensify the currently very comfortable competitive landscape.
- 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.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	2025 act.	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
ASSETS									
I. Total non-current	13.0	14.1	15.4	16.1	17.0	17.9	18.8	19.6	20.5
1. Intangible assets	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
2. Tangible assets	12.3	13.5	14.7	15.4	16.3	17.2	18.1	18.9	19.8
II. Total current assets	33.3	40.3	51.0	61.3	71.8	78.7	86.1	93.7	101.6
LIABILITIES									
I. Equity	30.4	36.4	45.4	53.5	61.9	66.4	71.2	76.1	81.1
II. Accruals	3.9	4.1	4.2	4.4	4.6	4.7	4.9	5.1	5.2
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	12.2	14.1	16.9	19.7	22.6	25.7	28.9	32.3	35.9
TOTAL	46.5	54.6	66.5	77.6	89.0	96.8	105.0	113.5	122.2

P&L estimation

m Euro	2025 act.	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Sales	39.9	62.0	78.0	84.3	90.2	94.1	98.0	101.9	105.8
Total output	51.1	60.0	78.5	86.5	92.5	96.5	100.5	104.5	108.5
Gross profit	30.4	33.7	44.3	48.8	52.3	54.6	57.0	59.4	61.6
EBITDA	11.0	10.7	14.6	16.9	18.3	19.3	20.3	21.3	22.1
EBIT	8.7	8.2	12.0	14.0	15.3	16.1	17.0	17.8	18.4
EBT	8.3	7.7	11.3	13.3	14.5	15.2	16.0	16.6	17.1
EAT (before minorities)	7.7	6.9	10.2	9.9	10.1	10.6	11.1	11.6	12.0
EAT	7.7	6.9	10.2	9.9	10.1	10.6	11.1	11.6	12.0
EPS	1.29	1.15	1.70	1.66	1.69	1.77	1.86	1.94	2.00

Annex III: Cash flows estimation and key figures

Cash flows estimation

m Euro	2025 act.	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
CF operating	10.7	9.6	13.3	13.5	14.0	14.8	15.7	16.5	17.2
CF from investments	-5.4	-3.7	-3.9	-3.7	-4.0	-4.1	-4.3	-4.5	-4.7
CF financing	1.4	-0.3	-0.1	-0.8	-1.0	-5.3	-5.6	-6.0	-6.4
Liquidity beginning of year	6.4	13.0	18.5	27.8	36.8	45.9	51.3	57.0	63.0
Liquidity end of year	13.0	18.5	27.8	36.8	45.9	51.3	57.0	63.0	69.2

Key figures

percent	2025 act.	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Total output growth	-6.4%	17.4%	30.8%	10.2%	6.9%	4.3%	4.1%	4.0%	3.8%
Sales growth	-26.2%	55.3%	25.8%	8.1%	7.0%	4.3%	4.2%	4.0%	3.8%
Gross margin	59.5%	56.1%	56.4%	56.5%	56.5%	56.6%	56.7%	56.8%	56.8%
EBITDA margin	21.5%	17.9%	18.6%	19.5%	19.8%	20.0%	20.2%	20.4%	20.4%
EBIT margin	17.1%	13.7%	15.3%	16.2%	16.5%	16.7%	16.9%	17.0%	17.0%
EBT margin	16.2%	12.9%	14.4%	15.4%	15.6%	15.7%	15.9%	15.9%	15.8%
Net margin (after minorities)	15.2%	11.5%	13.0%	11.5%	10.9%	11.0%	11.1%	11.1%	11.0%

Annex IV: Sensitivity analysis

WACC	Perpetual cash flow growth				
	2.0%	1.5%	1.0%	0.5%	0.0%
5.7%	41.71	38.03	35.12	32.77	30.83
6.2%	36.86	34.06	31.79	29.92	28.34
6.7%	33.04	30.85	29.04	27.52	26.23
7.2%	29.94	28.19	26.73	25.48	24.40
7.7%	27.38	25.97	24.76	23.72	22.82

Disclaimer

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Charts

The charts were made with Tai-Pan (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 07.06.2026 at 10:15 am and published on 08.06.2026 at 8:15 am.

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Speculative Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as above average (5 to 6 points).
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	rating. The rating “hold” is also used in cases where we perceive a price potential of more than 10 percent, but explicitly mentioned temporary factors prevent a short-term realisation of the price potential.
Sell	We expect that the price of the analysed financial instrument will drop by at least 10 percent. The forecast risk (1 to 6 points) has no further impact on the rating.

The expected change in price refers to the current share price of the analysed company. This price and any other share prices used in this analysis are XETRA closing prices as of the last trading day before publication. If the share is not traded on XETRA, the closing price of another public stock exchange is used with a separate note to that effect.

The price targets published within the assessment are calculated with common methods of financial mathematics, especially with the DCF (discounted cash flow) method, the sum of the parts valuation and a peer group analysis. The valuation methods are affected by economic framework conditions, especially by the development of the interest rates.

The rating resulting from these methods reflects current expectations and can change anytime subject to company-specific or economic changes.

More detailed explanations of the models used by SMC Research can be found at:

<http://www.smc-research.com/impressum/modellerlaeuterungen>

An overview of the recommendations prepared and distributed by SMC Research in the last 12 months can be found at: <http://www.smc-research.com/publikationsuebersicht>

In the past 24 months, sc-consult GmbH has published the following financial analyses for the company:

Date	Investment recomm.	Target price	Conflict of interests
07.04.2026	Buy	29.50 Euro	1), 3), 4), 5), 10)
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)

In the course of the next twelve months, sc-consult GmbH will presumably prepare the following financial analyses for the company: one update, one comment.

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

III) Cooperation with BankM

1) This study is being shared by BankM AG in accordance with Article 8(1) and (2) of Delegated Regulation (EU) 2016/958. BankM AG is subject to supervision by the Federal Financial Supervisory Authority (BaFin), Graurheindorfer Straße 108, D-53117 Bonn and Marie-Curie-Straße 24-28, D-60439 Frankfurt am Main. BankM AG

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