



Independent Stock Idea

Intraday January 19, 2018

Dorchester Minerals, L.P. (DMLP) Highest Distribution in Three Years

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 12/31/18 (US\$m)</i>	54
<i>Rating</i>		<i>Natural Gas/Ebitda (%)</i>	48
<i>Price (US\$/sh)</i>	15.50	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	1/19/18	<i>Developed Reserves/Production NTM</i>	6.5
<i>Units (mm)</i>	32.29	<i>EV/Ebitda</i>	9.2
<i>Market Capitalization (US\$m)</i>	500	<i>PV/Ebitda</i>	14.2
<i>Debt (US\$m)</i>	0	<i>Undeveloped/Developed Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$m)</i>	500	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	4.24
<i>Present Value (PV) (US\$m)</i>	775	<i>Downstream Uplift (US\$/boe)</i>	0
<i>Net Present Value (US\$/unit)</i>	24	<i>Oil and Gas Ebitda Margin (%)</i>	72
<i>EV/Market Cap</i>	1.00	<i>Top Line/Ebitda (%)</i>	87
<i>McDep Ratio - EV/PV</i>	0.65	<i>Price/Earnings Next Twelve Months</i>	12
<i>Distribution Yield (%/year)</i>	10.5	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.63
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.			
For historical analysis of DMLP since 2000 see www.mcdep.com/4dhulz.htm			

Summary and Recommendation

Low McDep Ratio **Dorchester Minerals (DMLP)** declared a quarterly distribution of \$0.39 a unit, near the close of the market on January 18, compared to our estimate of \$0.36 and the previous quarter of \$0.28. The latest distribution is higher than any since the fourth quarter of 2014 when oil price started on a steep decline. The trend has turned up again toward our estimate of \$1.63 for the year 2018, which would be a distribution yield of 10.5% on current stock price. The distribution represents actual cash received net of operating deductions and capital expenditures. Further detail on DMLP's progress will be disclosed in the 10-K annual report to be filed with regulators around March 2, 2018. Better-than-expected, the latest distribution seems to support the pickup we estimate for 2018 over 2017 (see table Operating and Financial Performance on page 2). As a result, we think DMLP stock price has some catchup appeal to bring distribution yield down to a level closer to other Income Payers. Low McDep Ratio of 0.65 attests to strong value.

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Dorchester Minerals, L.P.										
Operating and Financial Performance										
	Q4	Year	Q3	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Next Twelve Months
	12/31/16	2016	9/30/17	12/13/17	2017	3/31/18	6/30/18	9/30/18	12/31/18	12/31/18
TOP LINE										
Volume										
Natural Gas (mmcf)	8.8	8.9	10.5	10.4	10.0	10.3	10.2	10.1	10.0	10.1
Oil (mbd)	1.84	1.69	2.25	2.25	2.13	2.25	2.25	2.25	2.25	2.25
Price										
Henry Hub (\$/mmbtu)	2.98	2.46	2.99	2.93	3.11	2.98	2.79	2.84	2.92	2.88
WTI Cushing (\$/bbl)	49.21	43.31	48.20	55.40	50.94	63.97	63.75	62.61	61.31	62.91
Natural Gas (\$/mcf)	2.39	2.05	2.63	2.57	2.84	2.62	2.45	2.50	2.57	2.53
Oil (\$/bbl)	41.84	37.18	43.32	49.79	45.15	57.57	57.37	56.35	55.18	56.62
Revenue (\$mm)										
Natural Gas	1.9	6.7	2.5	2.5	10.3	2.5	2.3	2.3	2.4	9.4
Oil	7.1	23.1	9.0	10.3	35.0	11.7	11.7	11.7	11.4	46.5
Total Revenue	9.0	29.8	11.5	12.8	45.4	14.1	14.0	14.0	13.8	55.9
Expense (allocated)	1.4	5.3	2.2	2.2	8.4	2.2	2.2	2.2	2.2	8.7
Ebitda	7.6	24.4	9.3	10.6	37.0	11.9	11.9	11.8	11.6	47.1
BOTTOM LINE										
Volume										
Natural Gas (mmcf)	8.8	7.7	6.9	6.9	6.7	6.9	6.9	6.9	6.9	6.9
Oil (mbd)	0.80	1.04	0.65	0.68	0.72	0.71	0.74	0.78	0.81	0.76
Price										
Natural Gas (\$/mcf)	2.10	2.08	2.34	2.29	2.53	2.33	2.18	2.22	2.28	2.25
Oil (\$/bbl)	38.74	34.64	41.51	47.71	42.06	51.17	51.00	50.09	49.05	50.33
Revenue (\$mm)										
Natural Gas	1.7	5.8	1.5	1.4	6.1	1.4	1.4	1.4	1.4	5.6
Oil	2.9	13.2	2.5	3.0	11.1	3.3	3.5	3.6	3.7	14.0
Total Revenue	4.6	19.0	4.0	4.4	17.2	4.7	4.8	5.0	5.1	19.6
Expense (allocated)										
Partnership	0.7	3.5	0.6	0.6	2.4	0.6	0.6	0.6	0.6	2.5
Net Profits Interests	2.3	9.5	2.0	2.2	8.6	2.4	2.4	2.5	2.6	9.8
Total Expense	3.0	12.9	2.5	2.8	11.0	3.0	3.0	3.1	3.2	12.3
Ebitda	1.6	6.1	1.4	1.7	6.2	1.7	1.8	1.9	1.9	7.3
Development (estimated)	0.8	4.8	0.6	0.7	2.4	0.7	0.7	0.7	0.8	2.9
NET INCOME										
Top Line	7.6	24.4	9.3	10.6	37.0	11.9	11.9	11.8	11.6	47.1
Bottom Line	0.8	1.4	0.8	1.0	3.8	1.0	1.1	1.1	1.2	4.4
Lease Bonus and residual	(0.0)	(3.0)	0.3		(0.6)					-
Deprec., Deplet., & Amort.	1.9	8.5	2.8	2.8	9.2	2.8	2.8	2.8	2.8	11.2
Total Net Income	6.4	20.2	7.1	8.8	32.1	10.2	10.1	10.1	9.9	40.3
Units (mm)	30.7	30.7	32.3	32.3	31.5	32.3	32.3	32.3	32.3	32.3
Net Income Per Unit (\$)	0.21	0.66	0.22	0.27	1.02	0.32	0.31	0.31	0.31	1.25
DISTRIBUTION										
Top Line Revenue	8.1	26.2	10.0	11.6	41.8	13.5	13.5	13.4	13.2	53.7
Bottom Line Net Revenue	0.9	5.6	1.1	2.3	5.0	1.7	1.7	1.7	1.8	6.9
Lease Bonus and Other	0.2	2.8	0.2	0.6	2.8	0.6	0.1	0.1	0.1	0.9
Cash Expense	(1.8)	(7.1)	(2.1)	(2.2)	(8.3)	(2.2)	(2.2)	(2.2)	(2.2)	(8.8)
Distribution	7.4	27.5	9.2	12.5	41.5	13.6	13.0	13.1	12.9	52.6
Distribution Per Unit (\$)	0.24	0.90	0.28	0.39	1.30	0.42	0.40	0.40	0.40	1.63



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