

# LION E-Mobility AG

Automotive - Germany



**Buy** (old: Buy)

06.06.2023

**EUR 11.00** (old: EUR 11.00)

## Significant growth potential from LFP

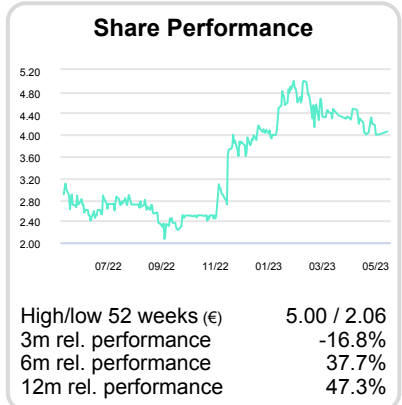
**Energy storage to turn into a massive growth driver.** During the next eight years, the annual demand for Li-ion cells used in energy storage solutions is expected to 7.3x to 500GWh (McKinsey) as a result of increasing adoption rates across various applications such as grid stabilization, frequency regulation and renewable energy integration. This is already visible in LION's figures. In FY22, revenues from storage customers accounted for less than 10% of sales and should increase to around 50% for FY23e (eNuW: from € 5m to € 36m) stemming from three customers.

**LFP production line to fully break into the storage market.** Li-ion battery cells based on lithium iron phosphate (LFP) offer longer lifespans, are safer and cheaper. The fact that they feature a lower energy density is neglectable when used in storage solutions (usually space and weight are not an issue), which is why they are the cell chemistry of choice. Currently, LION's production lines are geared towards NMC (preferred in mobility). However, we expect the company to begin planning necessary adjustments to its production lines (module assembly) in order to be able to produce both battery pack generations going forward. This would require some € 4m of capex and could be completed in H1 '24e, in our view.

**A US-based production should be in the cards** due to the quickly growing demand for Li-ion cells in the US coupled with the \$ 369bn Inflation Reduction Act, which, among others, aims to significantly fund investments into the US energy infrastructure, including the whole EV value chain. Depending on the development of its customer base and how quickly the IRA begins to materialize, we see a high likelihood of LION building a US-based greenfield battery pack production, which would cost around € 25m, eNuW.

**Upcoming positive newsflow.** Following the re-qualification of its battery packs in May, LION is ramping up the plant's production. During the near term, we expect additional positive newsflow regarding customer wins and a growing order backlog.

**LION seems well positioned to reap the fruits of the strongly growing demand for Li-ion batteries** used in mobility and storage solutions. With its production capacity of 2 GWh p.a. (an equivalent to 45k battery packs), the plant in Hildburghausen offers a revenue potential of € 360m with an EBIT of € 26m (assuming that pack prices decrease by 40% and EBIT margins of 7%). As this is not adequately reflected in the current valuation, we **reiterate BUY with an unchanged € 11 PT** based on sum-of-the-parts.



Share price (in €)	4.06
Market cap (in € m)	48.2
Number of shares (in m pcs)	12.4
Enterprise value (in € m)	59.0
Ø trading volume (6 months)	3,900

Bloomberg	LMIA GR
Reuters	LMIA.F
WKN	A2QH97
ISIN	CH0560888270

Ian Mukherjee	38.7%
Founders	6.0%
Free Float	55.3%

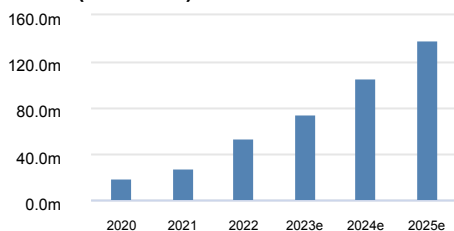
	2023e	2024e	2025e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

**Comment on changes**

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	18.4	28.4	53.8	74.9	105.7	139.0
Sales growth	950.2%	54.3%	89.1%	39.4%	41.1%	31.5%
EBITDA	-1.6	-1.2	0.5	0.2	3.8	8.4
Net debt (if net cash=0)	-0.8	-0.2	7.8	10.2	8.2	3.8
FCF	-2.0	-0.6	-5.3	0.3	2.0	4.4
Net Debt/EBITDA	0.0	0.0	16.6	53.2	2.2	0.5
EPS pro forma	-0.09	-0.12	0.03	-0.03	0.10	0.41
EBITDA margin	-8.6%	-4.3%	0.9%	0.3%	3.6%	6.1%
ROCE	-16.0%	-14.3%	2.1%	-0.8%	4.3%	13.0%
EV/sales	1.7	1.1	1.1	0.8	0.5	0.4
EV/EBITDA	-19.8	-25.1	121.1	307.8	15.2	6.3
PER	-42.3	-33.5	133.7	-141.8	37.4	9.4
Adjusted FCF yield	-4.0%	-3.2%	-1.4%	-1.3%	4.0%	10.2%

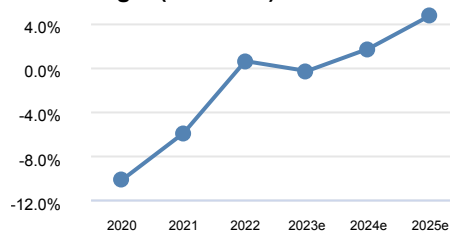
Source: Company data, NuWays, Close price as of 05.06.2023

### Sales (2020-25e)



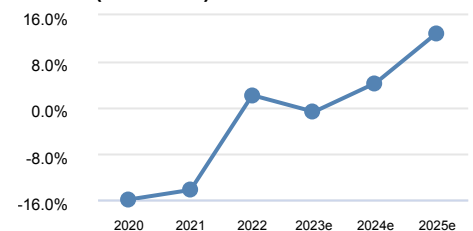
Source: NuWays Research

### EBIT margin (2020-25e)



Source: NuWays Research

### ROCE (2020-25e)



Source: NuWays Research

### Company description

LION is a fully automated producer of lithium-ion battery packs for a wide range of applications such as buses, commercial vehicles, marine, industrial vehicles but also stationary energy storage with an annual production capacity of 2 GWh, the equivalent to 45k battery packs.

### Guidance

- Sales 2023: € 70-80m
- Sales 2024: >€ 100m

## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>18.4</b>	<b>28.4</b>	<b>53.8</b>	<b>74.9</b>	<b>105.7</b>	<b>139.0</b>
<i>Sales growth</i>	950.2%	54.3%	89.1%	39.4%	41.1%	31.5%
Increase/decrease in finished goods and work-in-process	0.0	0.5	0.3	0.0	0.0	0.0
<b>Total sales</b>	<b>18.4</b>	<b>28.9</b>	<b>54.1</b>	<b>74.9</b>	<b>105.7</b>	<b>139.0</b>
Other operating income	0.1	1.5	0.4	0.7	1.1	1.4
Material expenses	14.0	25.9	46.5	64.8	89.8	116.0
Personnel expenses	2.3	3.1	3.9	5.7	7.4	9.0
Other operating expenses	3.7	2.6	3.7	5.0	5.8	7.0
<b>Total operating expenses</b>	<b>20.0</b>	<b>30.1</b>	<b>53.6</b>	<b>74.7</b>	<b>102.0</b>	<b>130.6</b>
<b>EBITDA</b>	<b>-1.6</b>	<b>-1.2</b>	<b>0.5</b>	<b>0.2</b>	<b>3.8</b>	<b>8.4</b>
Depreciation	0.3	0.5	0.1	0.4	1.9	1.8
<b>EBITA</b>	<b>-1.9</b>	<b>-1.7</b>	<b>0.3</b>	<b>-0.2</b>	<b>1.8</b>	<b>6.6</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>-1.9</b>	<b>-1.7</b>	<b>0.3</b>	<b>-0.2</b>	<b>1.8</b>	<b>6.6</b>
Interest income	0.1	0.1	0.1	0.1	0.1	0.1
Interest expenses	0.0	0.0	0.1	0.5	0.6	0.6
Investment income	0.5	0.1	0.1	0.3	0.4	0.5
Financial result	0.5	0.2	0.1	-0.2	-0.2	-0.1
<b>Recurring pretax income from continuing operations</b>	<b>-1.3</b>	<b>-1.5</b>	<b>0.4</b>	<b>-0.4</b>	<b>1.7</b>	<b>6.5</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>-1.3</b>	<b>-1.5</b>	<b>0.4</b>	<b>-0.4</b>	<b>1.7</b>	<b>6.5</b>
Income tax expense	-0.4	-0.4	0.0	-0.1	0.4	1.4
<b>Net income from continuing operations</b>	<b>-0.9</b>	<b>-1.2</b>	<b>0.4</b>	<b>-0.3</b>	<b>1.3</b>	<b>5.1</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>-0.9</b>	<b>-1.2</b>	<b>0.4</b>	<b>-0.3</b>	<b>1.3</b>	<b>5.1</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>-0.9</b>	<b>-1.2</b>	<b>0.4</b>	<b>-0.3</b>	<b>1.3</b>	<b>5.1</b>
Average number of shares	10.0	10.0	12.4	12.4	12.4	12.4
<b>EPS reported</b>	<b>-0.09</b>	<b>-0.12</b>	<b>0.03</b>	<b>-0.03</b>	<b>0.10</b>	<b>0.41</b>

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Sales growth</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Increase/decrease in finished goods and work-in-process	0.1%	1.7%	0.6%	0.0%	0.0%	0.0%
<b>Total sales</b>	<b>100.1%</b>	<b>101.7%</b>	<b>100.6%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other operating income	0.4%	5.2%	0.8%	1.0%	1.0%	1.0%
Material expenses	76.1%	91.2%	86.4%	86.4%	84.9%	83.4%
Personnel expenses	12.7%	10.8%	7.2%	7.6%	7.0%	6.5%
Other operating expenses	20.2%	9.2%	6.9%	6.7%	5.5%	5.0%
<b>Total operating expenses</b>	<b>108.7%</b>	<b>106.0%</b>	<b>99.8%</b>	<b>99.7%</b>	<b>96.4%</b>	<b>93.9%</b>
<b>EBITDA</b>	<b>-8.6%</b>	<b>-4.3%</b>	<b>0.9%</b>	<b>0.3%</b>	<b>3.6%</b>	<b>6.1%</b>
Depreciation	1.6%	1.6%	0.3%	0.6%	1.8%	1.3%
<b>EBITA</b>	<b>-10.2%</b>	<b>-5.9%</b>	<b>0.6%</b>	<b>-0.3%</b>	<b>1.7%</b>	<b>4.8%</b>
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>-10.2%</b>	<b>-5.9%</b>	<b>0.6%</b>	<b>-0.3%</b>	<b>1.7%</b>	<b>4.8%</b>
Interest income	0.4%	0.2%	0.1%	0.1%	0.1%	0.1%
Interest expenses	0.3%	0.1%	0.2%	0.7%	0.6%	0.4%
Investment income	2.8%	0.5%	0.2%	0.4%	0.3%	0.3%
Financial result	2.9%	0.6%	0.1%	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>-7.3%</b>	<b>-5.4%</b>	<b>0.7%</b>	<b>-0.5%</b>	<b>1.6%</b>	<b>4.7%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>-7.3%</b>	<b>-5.4%</b>	<b>0.7%</b>	<b>-0.5%</b>	<b>1.6%</b>	<b>4.7%</b>
Income tax expense	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Net income from continuing operations</b>	<b>-5.0%</b>	<b>-4.1%</b>	<b>0.7%</b>	<b>-0.5%</b>	<b>1.2%</b>	<b>3.7%</b>
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>-5.0%</b>	<b>-4.1%</b>	<b>0.7%</b>	<b>-0.5%</b>	<b>1.2%</b>	<b>3.7%</b>
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit (reported)</b>	<b>-5.0%</b>	<b>-4.1%</b>	<b>0.7%</b>	<b>-0.5%</b>	<b>1.2%</b>	<b>3.7%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	2.5	3.1	3.1	3.8	4.5	5.1
Property, plant and equipment	0.5	0.4	2.1	9.6	9.0	9.3
Financial assets	4.2	4.4	4.6	4.6	4.6	4.6
<b>FIXED ASSETS</b>	<b>7.3</b>	<b>7.9</b>	<b>9.8</b>	<b>18.0</b>	<b>18.1</b>	<b>19.0</b>
Inventories	0.1	0.2	6.9	16.6	21.1	25.3
Accounts receivable	2.1	4.2	4.5	6.2	8.7	11.4
Other assets and short-term financial assets	4.4	2.4	2.4	12.4	12.4	14.4
Liquid assets	1.2	1.2	2.5	2.1	4.1	8.5
Deferred taxes	1.1	2.2	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.1	0.1	0.1	0.1	0.1	0.1
<b>CURRENT ASSETS</b>	<b>9.0</b>	<b>10.3</b>	<b>16.4</b>	<b>37.4</b>	<b>46.5</b>	<b>59.7</b>
<b>TOTAL ASSETS</b>	<b>16.3</b>	<b>18.2</b>	<b>26.3</b>	<b>55.4</b>	<b>64.5</b>	<b>78.7</b>

<b>SHAREHOLDERS EQUITY</b>	<b>10.3</b>	<b>9.2</b>	<b>8.6</b>	<b>27.5</b>	<b>32.8</b>	<b>42.9</b>
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	1.9	0.6	0.6	0.6	0.6	0.6
Other provisions and accrued liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	3.2	5.9	5.0	9.2	13.0	17.1
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.4	0.6	1.0	5.0	5.0	5.0
Deferred taxes	0.0	0.7	0.7	0.7	0.7	0.7
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>3.6</b>	<b>6.5</b>	<b>6.0</b>	<b>14.2</b>	<b>18.0</b>	<b>22.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>16.3</b>	<b>18.1</b>	<b>26.3</b>	<b>55.4</b>	<b>64.5</b>	<b>78.7</b>

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	15.4%	17.3%	12.0%	6.9%	6.9%	6.5%
Property, plant and equipment	3.2%	2.0%	8.0%	17.3%	14.0%	11.8%
Financial assets	26.0%	24.1%	17.5%	8.3%	7.1%	5.8%
<b>FIXED ASSETS</b>	<b>44.6%</b>	<b>43.4%</b>	<b>37.4%</b>	<b>32.5%</b>	<b>28.0%</b>	<b>24.1%</b>
Inventories	0.8%	0.9%	26.2%	30.0%	32.8%	32.1%
Accounts receivable	12.9%	23.3%	17.1%	11.1%	13.5%	14.5%
Other assets and short-term financial assets	26.9%	13.1%	9.1%	22.4%	19.2%	18.3%
Liquid assets	7.6%	6.8%	9.7%	3.8%	6.4%	10.8%
Deferred taxes	6.7%	12.0%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	0.5%	0.4%	0.5%	0.2%	0.2%	0.2%
<b>CURRENT ASSETS</b>	<b>55.4%</b>	<b>56.6%</b>	<b>62.6%</b>	<b>67.5%</b>	<b>72.0%</b>	<b>75.9%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>SHAREHOLDERS EQUITY</b>	<b>63.5%</b>	<b>50.7%</b>	<b>32.6%</b>	<b>49.6%</b>	<b>50.8%</b>	<b>54.5%</b>
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	11.7%	3.5%	2.4%	1.1%	1.0%	0.8%
Other provisions and accrued liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	19.8%	32.4%	19.0%	16.7%	20.2%	21.8%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	2.3%	3.5%	3.8%	9.0%	7.7%	6.4%
Deferred taxes	0.0%	4.0%	2.8%	1.3%	1.1%	0.9%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>22.0%</b>	<b>35.9%</b>	<b>22.9%</b>	<b>25.7%</b>	<b>28.0%</b>	<b>28.1%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	-0.9	-1.2	0.4	-0.3	1.3	5.1
Depreciation of fixed assets (incl. leases)	0.3	0.5	0.1	0.4	1.9	1.8
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.1	-0.1	0.0	0.0	0.0	0.0
Cash flow from operating activities	-1.3	-0.1	-4.7	2.9	2.7	5.1
Increase/decrease in inventory	-4.3	-0.0	-6.7	-9.8	-4.5	-4.1
Increase/decrease in accounts receivable	-1.2	-0.8	-0.2	-1.7	-2.5	-2.7
Increase/decrease in accounts payable	3.1	2.6	-0.9	4.2	3.8	4.1
Increase/decrease in other working capital positions	1.6	-0.7	1.2	7.0	4.0	3.0
Increase/decrease in working capital	-0.9	1.1	-6.7	-0.2	0.8	0.2
<b>Cash flow from operating activities</b>	<b>-1.3</b>	<b>-0.1</b>	<b>-3.7</b>	<b>3.9</b>	<b>4.0</b>	<b>7.1</b>
CAPEX	0.7	0.5	1.7	3.6	2.0	2.7
Payments for acquisitions	0.0	0.0	0.1	5.0	0.0	0.0
Financial investments	0.6	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.2	0.3	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-1.2</b>	<b>-0.2</b>	<b>-1.7</b>	<b>-8.6</b>	<b>-2.0</b>	<b>-2.7</b>
Cash flow before financing	-2.4	-0.3	-5.4	-4.7	2.0	4.4
Increase/decrease in debt position	-0.1	0.4	9.0	2.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	2.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.1	-0.1	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>1.8</b>	<b>0.3</b>	<b>9.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	-0.6	-0.0	3.6	-2.7	2.0	4.4
<b>Liquid assets at end of period</b>	<b>1.2</b>	<b>1.2</b>	<b>4.8</b>	<b>2.1</b>	<b>4.1</b>	<b>8.5</b>

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L growth analysis</b>						
Sales growth	950.2%	54.3%	89.1%	39.4%	41.1%	31.5%
EBITDA growth	n.a.	-46.3%	-129.6%	-115.6%	704.3%	4288.5%
EBIT growth	n.a.	-31.2%	-117.3%	-86.6%	465.5%	-3028.0%
EPS growth	n.a.	-31.9%	-131.6%	-76.4%	257.8%	-1601.3%
<b>Efficiency</b>						
Sales per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
No. employees (average)	0	0	0	0	0	0
<b>Balance sheet analysis</b>						
Avg. working capital / sales	9.3%	-1.7%	5.0%	8.1%	11.0%	11.9%
Inventory turnover (sales/inventory)	n.a.	181.0	7.8	4.5	5.0	5.5
Accounts receivable turnover	41.8	54.4	30.4	30.0	30.0	30.0
Accounts payable turnover	63.9	75.3	33.9	45.0	45.0	45.0
<b>Cash flow analysis</b>						
Free cash flow	-2.0	-0.6	-5.3	0.3	2.0	4.4
Free cash flow/sales	-10.9%	-2.0%	-9.9%	0.4%	1.9%	3.2%
FCF / net profit	216.8%	49.4%	neg.	neg.	155.5%	86.2%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Solvency</b>						
Net debt	-0.8	-0.2	7.8	10.2	8.2	3.8
Net Debt/EBITDA	0.0	0.0	16.6	53.2	2.2	0.5
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	17.5%	3.4%	1.8%	7.7%	5.4%	5.0%
<b>Returns</b>						
ROCE	-16.0%	-14.3%	2.1%	-0.8%	4.3%	13.0%
ROE	-8.9%	-12.7%	4.2%	-1.2%	3.9%	11.9%
Adjusted FCF yield	-4.0%	-3.2%	-1.4%	-1.3%	4.0%	10.2%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.09	-0.12	0.03	-0.03	0.10	0.41
Average number of shares	10.0	10.0	12.4	12.4	12.4	12.4
<b>Valuation ratios</b>						
P/BV	3.8	4.3	5.6	1.8	1.5	1.1
EV/sales	1.7	1.1	1.1	0.8	0.5	0.4
EV/EBITDA	-19.8	-25.1	121.1	307.8	15.2	6.3
EV/EBIT	-16.6	-18.3	174.2	-261.2	31.0	8.0

Source: Company data, NuWays

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Company	Disclosures
LION E-Mobility AG	2,8

### Historical target price and rating changes for LION E-Mobility AG

Company	Date	Analyst	Rating	Target Price	Close
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## Contacts

### NuWays AG

Mittelweg 16-17  
20148 Hamburg  
Germany

info@nuways-ag.com  
www.nuways-ag.com



**Christian Sandherr**

Co-CEO/Analyst

christian.sandherr@nuways-ag.com



**Frederik Jarchow**

Co-CEO/Analyst

frederik.jarchow@nuways-ag.com



**Philipp Sennewald**

Analyst

philipp.sennewald@nuways-ag.com



**Vaishnavi Khare**

Analyst

vaishnavi.khare@nuways-ag.com



**Henry Wendisch**

Analyst

henry.wendisch@nuways-ag.com

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