

# LION E-Mobility AG

Automotive - Germany



**Buy** (old: Buy)

27.09.2023

**EUR 10.50** (old: EUR 10.50)

## Bankruptcy of potential customer weighs on short-term; chg

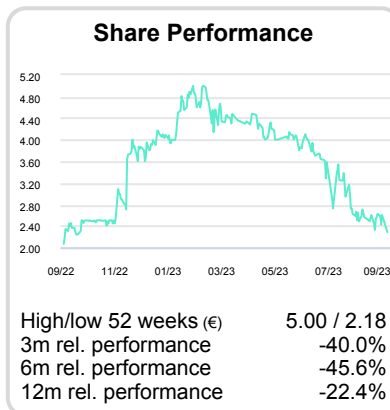
**Topic: LION cut its FY 2023 sales guidance on the back of a bankruptcy of a potential customer.** Importantly, the **mid- to long-term prospects remain unchanged** positive carried by strong market trends and sufficient spare capacity.

In detail, LION announced that a potential customer of its SE09 battery packs (undisclosed name) with whom the company was in advanced negotiations, had to declare bankruptcy. While LION has not spent large sums on the development of customized packs (eNuW: only € 0.2m but also covered by prepayments), it had to take related planned sales contributions (€ 15m) out of its guidance for FY23, which now stands at € 55-65m (eNuW new: € 60m). As a result, we now expect **FY23e EBITDA to come in at € - 1.8m vs € 0.2m before**. Yet, meeting our new estimate would still **imply an impressive 46% qoq growth for Q3 and Q4 following 40% in Q2**.

On a positive note, **negotiations with other new and existing customers are progressing well**, which is why management is confident to be able to partially offset the bankrupt potential customer in FY24. To be more conservative, we trim our estimates for 2023e and beyond.

**Why we continue to like the stock:** Following the requalification of its plant at the end of Q1, LION has a 2 GWh factory that can produce up to 45k battery packs annually, which offers a **revenue potential of € 360m with an EBIT of € 26m** (assuming that pack prices decrease by 40% and EBIT margins of 7%). Thanks to the recently announced partnership with SVOLT, the company will produce higher energy density (20% more vs currently used cells) NMC and LFP battery packs from H2 2024 onwards. Especially the latter is set to turn into a notable tailwind as it should allow LION to fully break into the thriving energy storage market, which prefers LFP over NMC cells.

In light of the guidance revision being entirely the result of external factors and LION's mid-term prospects remaining unchanged, the negative newsflow should be more than priced in following the recent share price weakness. Despite lowered estimates, the company is trading on 0.7x EV/sales 2023e (0.5x on FY24e). We hence reiterate **BUY with a slightly reduced € 10.50 PT** (old: € 11) based on SOTP.



### Market data

Share price (in €)	2.28
Market cap (in € m)	29.0
Number of shares (in m pcs)	12.4
Enterprise value (in € m)	43.4
Ø trading volume (6 months)	3,900

### Identifier

Bloomberg	LMIA GR
Reuters	LMIA.F
WKN	A2QH97
ISIN	CH0560888270

### Key shareholders

Ian Mukherjee	38.7%
Founders	6.0%
Free Float	55.3%

### Estimates changes

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

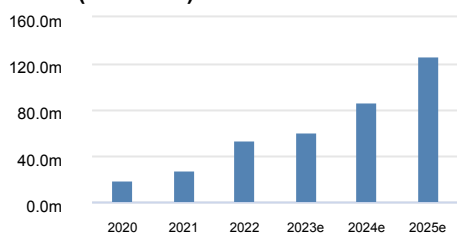
### Comment on changes

- We now reflect the bankruptcy of the potential customer in our estimates

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	18.4	28.4	53.8	60.1	86.3	127.0
Sales growth	950.2%	54.3%	89.1%	11.7%	43.6%	47.2%
EBITDA	-1.6	-1.2	0.5	-1.8	1.1	5.9
Net debt (if net cash=0)	-0.8	-0.2	2.7	13.7	12.4	9.9
FCF	-2.0	-0.6	-0.3	-6.0	1.3	2.5
Net Debt/EBITDA	0.0	0.0	5.8	-7.4	11.6	1.7
EPS pro forma	-0.09	-0.12	0.03	-0.16	-0.09	0.23
EBITDA margin	-8.6%	-4.3%	0.9%	-3.1%	1.2%	4.6%
ROCE	-16.0%	-14.3%	2.6%	-8.5%	-2.0%	9.2%
EV/sales	1.7	1.1	0.6	0.7	0.5	0.3
EV/EBITDA	-19.8	-25.1	69.3	-23.5	39.4	6.7
PER	-25.5	-20.2	80.6	-14.9	-25.6	10.2
Adjusted FCF yield	-4.0%	-3.2%	-1.6%	-5.8%	0.8%	9.1%

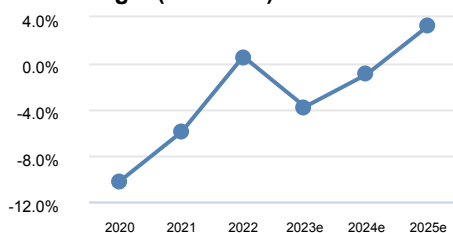
Source: Company data, NuWays, Close price as of 26.09.2023

### Sales (2020-25e)



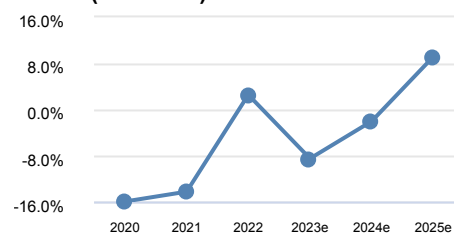
Source: NuWays Research

### 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: € 55-65m
- 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>60.1</b>	<b>86.3</b>	<b>127.0</b>
<i>Sales growth</i>	950.2%	54.3%	89.1%	11.7%	43.6%	47.2%
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>60.1</b>	<b>86.3</b>	<b>127.0</b>
Other operating income	0.1	1.5	0.4	0.6	0.9	1.3
Material expenses	14.0	25.9	46.5	51.9	73.3	106.0
Personnel expenses	2.3	3.1	3.9	5.6	7.0	9.3
Other operating expenses	3.7	2.6	3.7	5.0	5.7	7.2
<b>Total operating expenses</b>	<b>20.0</b>	<b>30.1</b>	<b>53.6</b>	<b>61.9</b>	<b>85.2</b>	<b>121.1</b>
<b>EBITDA</b>	<b>-1.6</b>	<b>-1.2</b>	<b>0.5</b>	<b>-1.8</b>	<b>1.1</b>	<b>5.9</b>
Depreciation	0.3	0.5	0.1	0.4	1.9	1.7
<b>EBITA</b>	<b>-1.9</b>	<b>-1.7</b>	<b>0.3</b>	<b>-2.3</b>	<b>-0.8</b>	<b>4.2</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>-2.3</b>	<b>-0.8</b>	<b>4.2</b>
Interest income	0.1	0.1	0.1	0.1	0.1	0.1
Interest expenses	0.0	0.0	0.1	0.4	1.1	1.1
Investment income	0.5	0.1	0.1	0.3	0.4	0.5
Financial result	0.5	0.2	0.1	-0.0	-0.6	-0.5
<b>Recurring pretax income from continuing operations</b>	<b>-1.3</b>	<b>-1.5</b>	<b>0.4</b>	<b>-2.3</b>	<b>-1.5</b>	<b>3.6</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>-2.3</b>	<b>-1.5</b>	<b>3.6</b>
Income tax expense	-0.4	-0.4	0.0	-0.3	-0.3	0.8
<b>Net income from continuing operations</b>	<b>-0.9</b>	<b>-1.2</b>	<b>0.4</b>	<b>-1.9</b>	<b>-1.1</b>	<b>2.8</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>-1.9</b>	<b>-1.1</b>	<b>2.8</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>-1.9</b>	<b>-1.1</b>	<b>2.8</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>-0.16</b>	<b>-0.09</b>	<b>0.23</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>	950.2%	54.3%	89.1%	11.7%	43.6%	47.2%
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%	9.3%	8.2%	7.3%
Other operating expenses	20.2%	9.2%	6.9%	8.4%	6.7%	5.6%
<b>Total operating expenses</b>	<b>108.7%</b>	<b>106.0%</b>	<b>99.8%</b>	<b>103.1%</b>	<b>98.8%</b>	<b>95.4%</b>
<b>EBITDA</b>	<b>-8.6%</b>	<b>-4.3%</b>	<b>0.9%</b>	<b>-3.1%</b>	<b>1.2%</b>	<b>4.6%</b>
Depreciation	1.6%	1.6%	0.3%	0.7%	2.2%	1.4%
<b>EBITA</b>	<b>-10.2%</b>	<b>-5.9%</b>	<b>0.6%</b>	<b>-3.8%</b>	<b>-0.9%</b>	<b>3.3%</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>-3.8%</b>	<b>-0.9%</b>	<b>3.3%</b>
Interest income	0.4%	0.2%	0.1%	0.1%	0.1%	0.1%
Interest expenses	0.3%	0.1%	0.2%	0.6%	1.2%	0.8%
Investment income	2.8%	0.5%	0.2%	0.4%	0.4%	0.4%
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>-3.8%</b>	<b>-1.7%</b>	<b>2.9%</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>-3.8%</b>	<b>-1.7%</b>	<b>2.9%</b>
Tax rate	31.3%	23.5%	9.1%	15.0%	22.0%	22.0%
<b>Net income from continuing operations</b>	<b>-5.0%</b>	<b>-4.1%</b>	<b>0.7%</b>	<b>-3.2%</b>	<b>-1.3%</b>	<b>2.2%</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>-3.2%</b>	<b>-1.3%</b>	<b>2.2%</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>-3.2%</b>	<b>-1.3%</b>	<b>2.2%</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	9.4	8.6	8.8
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>17.8</b>	<b>17.7</b>	<b>18.5</b>
Inventories	0.1	0.2	6.9	13.4	17.3	23.1
Accounts receivable	2.1	4.2	4.5	4.9	7.1	10.4
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	1.6	2.8	5.4
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>32.4</b>	<b>39.7</b>	<b>53.4</b>
<b>TOTAL ASSETS</b>	<b>16.3</b>	<b>18.2</b>	<b>26.3</b>	<b>50.2</b>	<b>57.4</b>	<b>71.9</b>

<b>SHAREHOLDERS EQUITY</b>	<b>10.3</b>	<b>9.3</b>	<b>8.6</b>	<b>22.7</b>	<b>25.6</b>	<b>33.4</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	10.0	9.9	14.2	20.9
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	1.0	1.0	1.0
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>11.0</b>	<b>10.9</b>	<b>15.2</b>	<b>21.9</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>16.3</b>	<b>18.2</b>	<b>26.3</b>	<b>50.2</b>	<b>57.4</b>	<b>71.9</b>

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	15.4%	17.3%	12.0%	7.6%	7.8%	7.1%
Property, plant and equipment	3.2%	2.0%	8.0%	18.8%	15.0%	12.2%
Financial assets	26.0%	24.1%	17.5%	9.1%	8.0%	6.4%
<b>FIXED ASSETS</b>	<b>44.6%</b>	<b>43.4%</b>	<b>37.4%</b>	<b>35.5%</b>	<b>30.8%</b>	<b>25.7%</b>
Inventories	0.8%	0.9%	26.2%	26.6%	30.1%	32.1%
Accounts receivable	12.9%	23.3%	17.1%	9.8%	12.4%	14.5%
Other assets and short-term financial assets	26.9%	13.1%	9.1%	24.7%	21.6%	20.0%
Liquid assets	7.6%	6.8%	9.7%	3.1%	4.9%	7.4%
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>64.5%</b>	<b>69.2%</b>	<b>74.3%</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>50.9%</b>	<b>32.9%</b>	<b>45.2%</b>	<b>44.6%</b>	<b>46.5%</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%	1.3%	1.1%	0.9%
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%	32.3%	38.1%	19.7%	24.7%	29.0%
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%	2.0%	1.7%	1.4%
Deferred taxes	0.0%	4.0%	2.8%	1.4%	1.3%	1.0%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>22.0%</b>	<b>35.7%</b>	<b>41.9%</b>	<b>21.7%</b>	<b>26.5%</b>	<b>30.4%</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	-1.9	-1.1	2.8
Depreciation of fixed assets (incl. leases)	0.3	0.5	0.1	0.4	1.9	1.7
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	0.3	-3.3	1.9	3.2
Increase/decrease in inventory	-4.3	-0.0	-6.7	-6.5	-3.9	-5.8
Increase/decrease in accounts receivable	-1.2	-0.8	-0.2	-0.5	-2.2	-3.3
Increase/decrease in accounts payable	3.1	2.6	4.1	-0.1	4.3	6.7
Increase/decrease in other working capital positions	1.6	-0.7	1.2	6.0	4.0	3.0
Increase/decrease in working capital	-0.9	1.1	-1.7	-1.0	2.2	0.5
<b>Cash flow from operating activities</b>	<b>-1.3</b>	<b>-0.1</b>	<b>1.3</b>	<b>-2.6</b>	<b>3.0</b>	<b>5.1</b>
CAPEX	0.7	0.5	1.7	3.4	1.7	2.6
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>-8.4</b>	<b>-1.7</b>	<b>-2.6</b>
Cash flow before financing	-2.4	-0.3	-0.4	-11.0	1.3	2.5
Increase/decrease in debt position	-0.1	0.4	3.9	10.0	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>3.9</b>	<b>10.0</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	-0.6	-0.0	3.5	-1.0	1.3	2.5
<b>Liquid assets at end of period</b>	<b>1.2</b>	<b>1.2</b>	<b>2.5</b>	<b>1.6</b>	<b>2.8</b>	<b>5.4</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%	11.7%	43.6%	47.2%
EBITDA growth	-31.0%	-22.2%	-138.0%	-494.9%	-157.9%	451.4%
EBIT growth	-23.3%	-10.3%	-119.2%	-796.5%	-64.0%	-610.8%
EPS growth	-46.1%	26.4%	-125.0%	-639.8%	-41.8%	-350.8%
<b>Efficiency</b>						
Sales per employee	1,842.7	1,137.3	1,536.0	1,063.3	1,128.0	1,451.5
EBITDA per employee	-158.2	-49.2	13.4	-32.7	14.0	67.3
No. employees (average)	10	25	35	56	76	88
<b>Balance sheet analysis</b>						
Avg. working capital / sales	9.3%	-1.7%	0.4%	5.8%	6.7%	8.3%
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	67.9	60.0	60.0	60.0
<b>Cash flow analysis</b>						
Free cash flow	-2.0	-0.6	-0.3	-6.0	1.3	2.5
Free cash flow/sales	-10.9%	-2.0%	-0.6%	-9.9%	1.5%	2.0%
FCF / net profit	216.8%	49.4%	neg.	307.0%	neg.	88.6%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Solvency</b>						
Net debt	-0.8	-0.2	2.7	13.7	12.4	9.9
Net Debt/EBITDA	0.0	0.0	5.8	-7.4	11.6	1.7
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	17.5%	3.4%	3.4%	4.5%	10.4%	7.0%
<b>Returns</b>						
ROCE	-16.0%	-14.3%	2.6%	-8.5%	-2.0%	9.2%
ROE	-8.9%	-12.6%	4.2%	-8.6%	-4.4%	8.5%
Adjusted FCF yield	-4.0%	-3.2%	-1.6%	-5.8%	0.8%	9.1%
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	-0.16	-0.09	0.23
Average number of shares	10.0	10.0	12.4	12.4	12.4	12.4
<b>Valuation ratios</b>						
P/BV	2.3	2.5	3.4	1.3	1.1	0.9
EV/sales	1.7	1.1	0.6	0.7	0.5	0.3
EV/EBITDA	-19.8	-25.1	69.3	-23.5	39.4	6.7
EV/EBIT	-16.6	-18.3	99.6	-19.2	-51.6	9.5

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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