

**Buy** (old: Buy)

14.05.2024

**EUR 1.10** (old: EUR 1.00)

## Strong Q1 figures hint towards successful transformation/ chg.

Yesterday, q.beyond released a strong set of Q1 figures, which exceeded ours and streets profitability estimates as efficiency measures bore fruit despite rather muted top-line growth. In detail:

**Q1 sales increased slightly by 1.1% yoy to € 47.1m** (eNuW: €47.5m, eCons: € 47.6m), of which 74% were recurring revenues. The muted growth momentum was predominantly due to the Consulting segment, which declined by 8% yoy to € 14.2m, which was mainly due to the reduction in low-margin project sales. This also allowed for an improved segment gross margin (+6.3pp to 8.4%). In the mid-term, management aims to continuously improve the Consulting margin driven among others by an increasing off- and near-shoring ratio (target: 20% vs 12% after Q1), an improved utilization rate as well as higher daily rates. In contrast, the Managed Services segment grew by 5.7% yoy to € 32.9m at an improved margin of 21.5%. Hence, q.beyond was able to **improve its gross profit by 38.5% to € 8.2m** (eNuW: € 7.8m, eCons: € 7.9m), implying a margin of 17.5% (+4.7pp yoy).

On this basis, **Q1 EBITDA also significantly improved to € 2.0m** at an implied margin of 4.2% (eNuW: € 1.4m, eCons: € 1.4m), which compares to negative € 1.3m in the previous year's quarter. Next to the improved gross margin, EBITDA was driven by significantly reduced sales & marketing (-1.5pp yoy sales ratio) and G&A expenses (-0.3pp) as well as the effects of "One q.beyond" strategy (i.e. eliminating duplicate structures). **FCF came in at € 1.4m** (company definition: € 0.6m), leading to a continuously comfortable net cash position of < € 30m.

Against this backdrop, management **confirmed the FY guidance** of € 192-198m sales, € 8-10m EBITDA and positive FCF. While FCF (eNuW: € 6.2m) and sales (eNuW: € 194m) should be clearly achievable, the company now looks on track to even achieve the upper end of the EBITDA guidance (eNuW: € 9.7m), as efficiency gains should further materialize throughout the year.

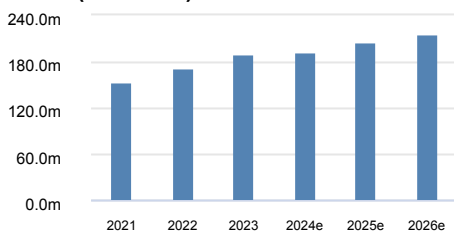
Overall, the release underpins that the company is on track for a successful transformation in accordance with the *Strategy 2025*, which includes among others an EBITDA margin target of 7-8% (eNuW: 7.1%) as well as sustained positive net income.

Meanwhile, valuation continues to look undemanding, as share are trading at only 5.9x EV/EBITDA '24e (3.3x '25e). Hence, the stock remains a **BUY** with an increased **PT of € 1.10** based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	155.2	173.0	189.3	193.8	205.3	216.9
Sales growth	8.2%	11.5%	9.4%	2.4%	6.0%	5.6%
EBITDA	31.7	5.4	5.7	9.7	14.6	17.9
Net debt (if net cash=0)	-54.3	-30.7	-30.4	-36.4	-46.2	-58.2
FCF	-14.9	-4.7	3.9	6.0	9.8	11.9
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.08	-0.27	-0.14	-0.03	0.01	0.03
EBITDA margin	20.5%	3.1%	3.0%	5.0%	7.1%	8.3%
ROCE	9.1%	-23.2%	-7.8%	-2.9%	1.8%	5.1%
EV/sales	0.3	0.4	0.3	0.3	0.2	0.2
EV/EBITDA	1.3	11.8	11.1	5.9	3.3	2.0
PER	9.5	-2.8	-5.3	-21.7	85.8	22.2
Adjusted FCF yield	60.5%	-2.2%	-9.0%	8.4%	19.7%	32.2%

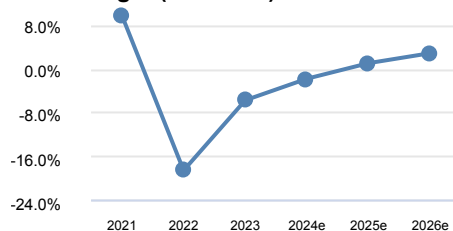
Source: Company data, NuWays, Close price as of 10.05.2024

### Sales (2021-26e)



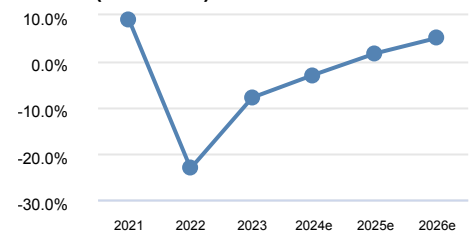
Source: NuWays Research

### EBIT margin (2021-26e)



Source: NuWays Research

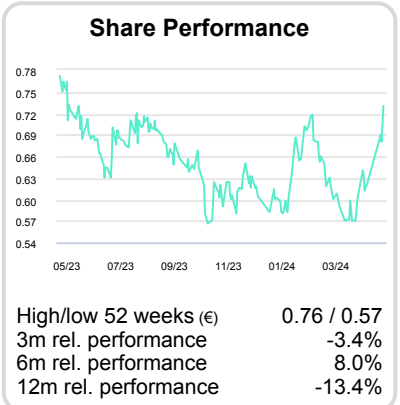
### ROCE (2021-26e)



Source: NuWays Research

### Company description

q.beyond AG is a German-based digital solutions company, active in the fields of cloud management, system applications and products, IoT, and other IT services. The company operates in several countries with a strong focus on the DACH-region.



### Market data

Share price (in €)	0.73
Market cap (in € m)	91.9
Number of shares (in m pcs)	124.6
Enterprise value (in € m)	57.6
Ø trading volume (6 months)	81,317

### Identifier

Bloomberg	QBY GR
Reuters	QSCGF
WKN	513700
ISIN	DE0005137004

### Key shareholders

Gerd Eickers	12.7%
Dr. Bernd Schlobohm	12.7%
Free Float	74.7%

### Estimates changes

	2024e	2025e	2026e
Sales	-1%	-1%	-1%
EBIT	29%	530%	1%
EPS	25%	382%	1%

### Comment on changes

- Changes reflect the implications of the Q1 results

### Guidance

- Sales: € 192-198m
- EBITDA: € 8-10m
- FCF: positive

## Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
<b>Sales</b>	<b>155.2</b>	<b>173.0</b>	<b>189.3</b>	<b>193.8</b>	<b>205.3</b>	<b>216.9</b>
Sales growth	8.2%	11.5%	9.4%	2.4%	6.0%	5.6%
Cost of sales	124.9	145.6	161.7	158.1	164.0	171.8
<b>Gross profit</b>	<b>30.3</b>	<b>27.5</b>	<b>27.6</b>	<b>35.7</b>	<b>41.4</b>	<b>45.1</b>
Sales and marketing	12.6	12.6	14.6	12.3	12.8	13.0
General and administration	17.2	14.9	16.4	15.1	15.4	15.7
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total operating expenses</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>31.7</b>	<b>5.4</b>	<b>5.7</b>	<b>9.7</b>	<b>14.6</b>	<b>17.9</b>
Depreciation	13.0	12.5	11.0	8.3	8.0	7.7
Amortisation of goodwill	0.0	15.8	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.6	9.4	5.7	4.9	4.5	4.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>15.2</b>	<b>-32.3</b>	<b>-10.9</b>	<b>-3.5</b>	<b>2.1</b>	<b>6.2</b>
Interest income	0.0	0.1	0.7	0.8	0.9	1.1
Interest expenses	0.3	0.2	0.5	0.4	0.4	0.4
Investment income	-0.3	-0.9	-0.5	-0.1	0.0	0.0
Financial result	-0.5	-1.0	-0.3	0.3	0.5	0.7
<b>Recurring pretax income from continuing operations</b>	<b>14.6</b>	<b>-33.2</b>	<b>-11.3</b>	<b>-3.2</b>	<b>2.6</b>	<b>6.9</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>14.6</b>	<b>-33.2</b>	<b>-11.3</b>	<b>-3.2</b>	<b>2.6</b>	<b>6.9</b>
Income tax expense	4.8	-0.2	5.2	0.0	0.5	1.7
<b>Net income from continuing operations</b>	<b>9.8</b>	<b>-33.1</b>	<b>-16.4</b>	<b>-3.2</b>	<b>2.1</b>	<b>5.2</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>9.8</b>	<b>-33.1</b>	<b>-16.4</b>	<b>-3.2</b>	<b>2.1</b>	<b>5.2</b>
Minority interest	0.1	0.2	1.0	1.0	1.0	1.0
<b>Net profit (reported)</b>	<b>9.7</b>	<b>-33.3</b>	<b>-17.5</b>	<b>-4.2</b>	<b>1.1</b>	<b>4.1</b>
Average number of shares	124.5	124.6	124.6	124.6	124.6	124.6
<b>EPS reported</b>	<b>0.08</b>	<b>-0.27</b>	<b>-0.14</b>	<b>-0.03</b>	<b>0.01</b>	<b>0.03</b>

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
<b>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>
Cost of sales	80.5%	84.1%	85.4%	81.6%	79.8%	79.2%
<b>Gross profit</b>	<b>19.5%</b>	<b>15.9%</b>	<b>14.6%</b>	<b>18.4%</b>	<b>20.2%</b>	<b>20.8%</b>
Sales and marketing	8.1%	7.3%	7.7%	6.3%	6.3%	6.0%
General and administration	11.1%	8.6%	8.6%	7.8%	7.5%	7.2%
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total operating expenses</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBITDA</b>	<b>20.5%</b>	<b>3.1%</b>	<b>3.0%</b>	<b>5.0%</b>	<b>7.1%</b>	<b>8.3%</b>
Depreciation	8.4%	7.2%	5.8%	4.3%	3.9%	3.5%
Amortisation of goodwill	0.0%	9.1%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	2.3%	5.4%	3.0%	2.5%	2.2%	1.9%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>9.8%</b>	<b>-18.7%</b>	<b>-5.8%</b>	<b>-1.8%</b>	<b>1.0%</b>	<b>2.9%</b>
Interest income	0.0%	0.1%	0.4%	0.4%	0.4%	0.5%
Interest expenses	0.2%	0.1%	0.3%	0.2%	0.2%	0.2%
Investment income	-0.2%	-0.5%	-0.3%	-0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	0.2%	0.2%	0.3%
<b>Recurring pretax income from continuing operations</b>	<b>9.4%</b>	<b>-19.2%</b>	<b>-5.9%</b>	<b>-1.7%</b>	<b>1.3%</b>	<b>3.2%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>9.4%</b>	<b>-19.2%</b>	<b>-5.9%</b>	<b>-1.7%</b>	<b>1.3%</b>	<b>3.2%</b>
Tax rate	32.7%	0.5%	-46.0%	0.0%	20.0%	25.0%
<b>Net income from continuing operations</b>	<b>6.3%</b>	<b>-19.1%</b>	<b>-8.7%</b>	<b>-1.7%</b>	<b>1.0%</b>	<b>2.4%</b>
<b>Net income</b>	<b>6.3%</b>	<b>-19.1%</b>	<b>-8.7%</b>	<b>-1.7%</b>	<b>1.0%</b>	<b>2.4%</b>
Minority interest	0.1%	0.1%	0.5%	0.5%	0.5%	0.5%
<b>Net profit (reported)</b>	<b>6.3%</b>	<b>-19.2%</b>	<b>-9.2%</b>	<b>-2.2%</b>	<b>0.5%</b>	<b>1.9%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	51.9	28.7	28.1	24.1	20.6	17.6
Property, plant and equipment	39.0	37.8	31.8	26.6	21.9	17.7
Financial assets	6.3	5.3	2.8	2.8	2.8	2.8
<b>FIXED ASSETS</b>	<b>97.2</b>	<b>71.8</b>	<b>62.6</b>	<b>53.5</b>	<b>45.3</b>	<b>38.1</b>
Inventories	0.2	0.2	0.1	0.2	0.3	0.3
Accounts receivable	35.4	39.7	34.1	37.2	39.4	41.6
Other assets and short-term financial assets	5.0	4.9	11.8	11.8	11.8	11.8
Liquid assets	56.7	36.4	37.6	43.7	53.5	65.4
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	5.8	8.2	8.0	8.0	8.0	8.0
<b>CURRENT ASSETS</b>	<b>103.1</b>	<b>89.3</b>	<b>91.7</b>	<b>100.9</b>	<b>112.9</b>	<b>127.1</b>
<b>TOTAL ASSETS</b>	<b>200.3</b>	<b>161.1</b>	<b>154.3</b>	<b>154.4</b>	<b>158.3</b>	<b>165.2</b>

<b>SHAREHOLDERS EQUITY</b>	<b>147.1</b>	<b>115.1</b>	<b>97.8</b>	<b>95.4</b>	<b>97.5</b>	<b>103.2</b>
MINORITY INTEREST	0.3	0.5	1.5	1.5	1.5	1.0
Provisions for pensions and similar obligations	4.8	2.3	2.1	2.1	2.1	2.1
Other provisions and accrued liabilities	4.7	2.4	5.0	5.0	5.0	5.0
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	25.4	24.6	25.9	29.2	30.9	32.7
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)	13.7	7.7	6.6	6.6	6.6	6.6
Deferred taxes	1.6	0.0	0.8	0.8	0.8	0.8
Deferred income	0.4	0.5	1.3	0.6	0.6	0.6
<b>CURRENT LIABILITIES</b>	<b>39.0</b>	<b>32.4</b>	<b>32.5</b>	<b>35.8</b>	<b>37.5</b>	<b>39.3</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>200.3</b>	<b>161.1</b>	<b>154.3</b>	<b>154.4</b>	<b>158.3</b>	<b>165.2</b>

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	25.9%	17.8%	18.2%	15.6%	13.0%	10.7%
Property, plant and equipment	19.5%	23.5%	20.6%	17.2%	13.9%	10.7%
Financial assets	3.1%	3.3%	1.8%	1.8%	1.7%	1.7%
<b>FIXED ASSETS</b>	<b>48.5%</b>	<b>44.6%</b>	<b>40.6%</b>	<b>34.7%</b>	<b>28.6%</b>	<b>23.1%</b>
Inventories	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%
Accounts receivable	17.7%	24.6%	22.1%	24.1%	24.9%	25.2%
Other assets and short-term financial assets	2.5%	3.0%	7.7%	7.7%	7.5%	7.2%
Liquid assets	28.3%	22.6%	24.4%	28.3%	33.8%	39.6%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	2.9%	5.1%	5.2%	5.2%	5.0%	4.8%
<b>CURRENT ASSETS</b>	<b>51.5%</b>	<b>55.4%</b>	<b>59.4%</b>	<b>65.3%</b>	<b>71.4%</b>	<b>76.9%</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>73.4%</b>	<b>71.5%</b>	<b>63.4%</b>	<b>61.8%</b>	<b>61.6%</b>	<b>62.5%</b>
MINORITY INTEREST	0.1%	0.3%	1.0%	1.0%	1.0%	0.6%
Provisions for pensions and similar obligations	2.4%	1.4%	1.4%	1.4%	1.3%	1.3%
Other provisions and accrued liabilities	2.3%	1.5%	3.2%	3.2%	3.1%	3.0%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	12.7%	15.3%	16.8%	18.9%	19.5%	19.8%
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)	6.8%	4.8%	4.3%	4.3%	4.2%	4.0%
Deferred taxes	0.8%	0.0%	0.5%	0.5%	0.5%	0.5%
Deferred income	0.2%	0.3%	0.9%	0.4%	0.4%	0.3%
<b>CURRENT LIABILITIES</b>	<b>19.5%</b>	<b>20.1%</b>	<b>21.0%</b>	<b>23.2%</b>	<b>23.7%</b>	<b>23.8%</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)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	9.8	-33.1	-16.4	-3.2	2.1	5.2
Depreciation of fixed assets (incl. leases)	12.7	17.9	11.0	8.3	8.0	7.7
Amortisation of goodwill & intangible assets	3.6	20.0	5.7	4.9	4.5	4.0
Other costs affecting income / expenses	-33.2	-4.3	2.7	0.0	0.0	0.0
Cash flow from operating activities	-12.6	-7.8	1.5	6.2	10.3	12.9
Increase/decrease in inventory	0.0	0.0	0.1	-0.1	-0.0	-0.0
Increase/decrease in accounts receivable	2.4	-4.1	5.5	-3.0	-2.2	-2.2
Increase/decrease in accounts payable	0.5	6.2	1.3	3.3	1.7	1.7
Increase/decrease in other working capital positions	-3.5	-3.9	-3.4	0.0	0.0	0.0
Increase/decrease in working capital	-0.6	-1.7	3.6	0.1	-0.5	-0.5
<b>Cash flow from operating activities</b>	<b>-7.7</b>	<b>-1.3</b>	<b>6.5</b>	<b>10.1</b>	<b>14.1</b>	<b>16.4</b>
CAPEX	7.3	3.5	2.6	4.1	4.3	4.5
Payments for acquisitions	15.5	10.6	0.0	0.0	0.0	0.0
Financial investments	6.4	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	53.8	0.1	0.9	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>24.7</b>	<b>-14.0</b>	<b>-1.7</b>	<b>-4.1</b>	<b>-4.3</b>	<b>-4.5</b>
Cash flow before financing	17.0	-15.2	4.8	6.0	9.8	11.9
Increase/decrease in debt position	-5.4	-0.0	-0.5	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.2	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	0.0	-5.1	-3.0	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>-5.3</b>	<b>-5.1</b>	<b>-3.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	11.8	-20.3	1.3	6.0	9.8	11.9
<b>Liquid assets at end of period</b>	<b>56.7</b>	<b>36.4</b>	<b>37.6</b>	<b>43.7</b>	<b>53.5</b>	<b>65.4</b>

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
<b>P&amp;L growth analysis</b>						
Sales growth	8.2%	11.5%	9.4%	2.4%	6.0%	5.6%
EBITDA growth	-1704.4%	-83.1%	7.1%	68.5%	50.8%	22.7%
EBIT growth	-180.6%	-312.6%	-66.1%	-67.7%	-160.2%	191.9%
EPS growth	-148.7%	-442.8%	-47.5%	-75.7%	-125.2%	287.1%
<b>Efficiency</b>						
Sales per employee	152.5	153.8	170.3	174.3	181.9	186.6
EBITDA per employee	31.2	4.8	5.2	8.7	12.9	15.4
No. employees (average)	1,018	1,125	1,112	1,112	1,129	1,163
<b>Balance sheet analysis</b>						
Avg. working capital / sales	4.2%	8.7%	4.9%	6.1%	4.1%	4.0%
Inventory turnover (sales/inventory)	623.1	797.3	1,736.5	800.0	800.0	800.0
Accounts receivable turnover	83.3	83.7	65.8	70.0	70.0	70.0
Accounts payable turnover	74.2	61.8	58.5	55.0	55.0	55.0
<b>Cash flow analysis</b>						
Free cash flow	-14.9	-4.7	3.9	6.0	9.8	11.9
Free cash flow/sales	-9.6%	-2.7%	2.1%	3.1%	4.8%	5.5%
FCF / net profit	neg.	14.3%	neg.	neg.	464.6%	229.9%
Capex / sales	8.8%	2.0%	1.4%	2.1%	2.1%	2.1%
<b>Solvency</b>						
Net debt	-54.3	-30.7	-30.4	-36.4	-46.2	-58.2
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	13.0%	6.8%	10.6%	5.6%	5.0%	5.0%
<b>Returns</b>						
ROCE	9.1%	-23.2%	-7.8%	-2.9%	1.8%	5.1%
ROE	6.6%	-28.9%	-17.9%	-4.4%	1.1%	4.0%
Adjusted FCF yield	60.5%	-2.2%	-9.0%	8.4%	19.7%	32.2%
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	0.08	-0.27	-0.14	-0.03	0.01	0.03
Average number of shares	124.5	124.6	124.6	124.6	124.6	124.6
<b>Valuation ratios</b>						
P/BV	0.6	0.8	0.9	1.0	0.9	0.9
EV/sales	0.3	0.4	0.3	0.3	0.2	0.2
EV/EBITDA	1.3	11.8	11.1	5.9	3.3	2.0
EV/EBIT	2.8	-2.0	-5.8	-16.3	22.5	5.8

Source: Company data, NuWays

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Company	Disclosures
q.beyond AG	2

### Historical target price and rating changes for q.beyond AG

Company	Date	Analyst	Rating	Target Price	Close
q.beyond AG	26.10.2023	Sennewald, Philipp	Buy	EUR 1.00	EUR 0.58
	14.08.2023	Sennewald, Philipp	Buy	EUR 1.20	EUR 0.71

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## Contacts

### NuWays AG

Mittelweg 16-17  
20148 Hamburg  
Germany

+49 170 119 8648  
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



**Henry Wendisch**

Analyst

henry.wendisch@nuways-ag.com



**Mark Schüssler**

Analyst

mark-hendrik.schuessler@nuways-ag.com



**Konstantin Völk**

Analyst

konstantin.voelk@nuways-ag.com

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