

## PNE (PNE3 GY) | Utilities/Renewables

August 11, 2023

### Earnings momentum is (re-)gaining pace

After a somewhat subdued Q1, the result in Q2 gained significant momentum compared to the previous year. The mainstay of earnings is electricity generation. This trend will continue to strengthen in the coming years as the company's own portfolio is to be expanded from currently 346 MW to up to 1500 MW by 2027. The expansion of the developer pipeline has also continued. The wind pipeline increased from 8.4 GW in the previous quarter to 8.6 GW, the PV pipeline from 5.4 GWp to 5.5 GWp. The targets for the full year 2023 were confirmed with an EBITDA of EUR 30 to 40m. According to the company, negotiations for the sale of the US business are still in full swing and should be able to be completed in the next few months. Investmentcase unchanged: PNE's earnings focus will continue to shift in the direction of electricity generation. Here, the company's own capacity is to be more than quadrupled by 2027. According to our calculations, this capacity alone can already plausibly explain the profit target for 2027 of >EUR 150 million p.a. The contribution of the developer business obviously lies primarily in the expansion of the own capacities, whereby with a planned output of 600-700 MW p.a. on average there is still sufficient room for sales to third parties. In any case, the stability of earnings should continue to increase.

- Q2 EBITDA EUR 9.5m (Q2 2022: EUR 1.7m).
- FY 2023 outlook confirmed: EBITDA EUR 30 to 40m.
- For Generation and Services we calculate a fair value of EUR 8.2 per share (peer group valuation); for Project Development EUR 10.1 per share (pipeline valuation/Europe only).

Fundamentals (in EUR m) <sup>1</sup>	2020	2021	2022	2023e	2024e	2025e
Sales	110	118	126	274	378	396
EBITDA	26	33	35	52	95	100
EBIT	8	9	6	13	44	44
EPS adj. (EUR)	0.02	0.33	0.20	-0.03	0.24	0.26
DPS (EUR)	0.04	0.08	0.08	0.04	0.04	0.04
BVPS (EUR)	2.72	3.00	3.11	3.34	3.52	3.65
Net Debt incl. Provisions	265	369	451	508	472	430
Ratios <sup>1</sup>	2020	2021	2022	2023e	2024e	2025e
EV/EBITDA	33.2	31.0	58.8	28.8	15.5	14.3
EV/EBIT	107.1	109.4	335.8	111.9	33.6	32.5
P/E adj.	376.7	25.7	109.4	-394.7	53.2	49.3
Dividend yield (%)	0.5	0.9	0.4	0.3	0.3	0.3
EBITDA margin (%)	24.0	27.7	28.1	19.0	25.0	25.1
EBIT margin (%)	7.5	7.9	4.9	4.9	11.5	11.0
Net debt/EBITDA	10.0	11.3	12.7	9.7	5.0	4.3
PBV	2.9	2.8	6.9	3.9	3.7	3.6

<sup>1</sup>Sources: Bloomberg, Metzler Research, <sup>2</sup>Sources: ISS ESG, Metzler Research

**Buy**

 **unchanged**

**Price\***

**EUR 13.00**

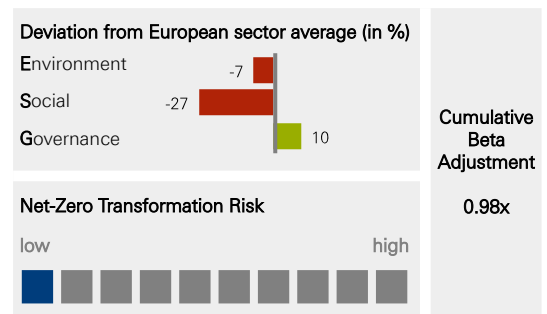
**Price target**

**EUR 18.30 (19.30)**

\* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m) <sup>1</sup>	992
Enterprise Value (EUR m) <sup>1</sup>	1,500
Free Float (%) <sup>1</sup>	35.7

Metzler ESG analysis based on ISS ESG data<sup>2</sup>



Performance (in %) <sup>1</sup>	1m	3m	12m
Share	1.7	-7.0	-19.0
Rel. to SDAX	0.5	-5.9	-20.3

Changes in estimates (in %) <sup>1</sup>	2023e	2024e	2025e
Sales	0.0	0.0	0.0
EBIT	0.3	-0.2	0.0
EPS	1.0	-0.2	0.1

### Sponsored Research



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# company note

## H1 result

The good result of the second quarter puts the company back on track towards achieving its targets for the year. The results in the stable business fields of services and electricity generation have developed very positively and reflect further growing portfolios. Projects of 308 MW can be marketed and thus either contribute to the expansion of the own portfolio to around 500 MW by the end of the year or be sold.

### On track to achieve annual targets

EURm	H1 2023	H1 2022	H1 2023 / H1			Q2 2023 /	
			2022 (%)	Q1 2023	Q2 2023	Q2 2022	Q2 2022 (%)
<b>Revenues</b>	<b>57.1</b>	<b>52</b>	<b>9.6</b>	<b>32.2</b>	<b>24.9</b>	<b>22.6</b>	<b>10.2</b>
<b>EBITDA</b>	<b>18.1</b>	<b>17.5</b>	<b>3.4</b>	<b>8.6</b>	<b>9.5</b>	<b>1.7</b>	<b>458.8</b>
<i>EBITDA Margin (%)</i>	<b>31.7</b>	<b>33.6</b>		<b>26.7</b>	<b>38.2</b>	<b>7.5</b>	
<b>EBIT</b>	<b>2.0</b>	<b>4.1</b>		<b>0.8</b>	<b>1.2</b>	<b>-5.1</b>	
<i>EBIT Margin (%)</i>	<b>3.5</b>	<b>7.9</b>		<b>2.5</b>	<b>4.8</b>	<b>-22.6</b>	
EBITDA by segment							
<b>Project development</b>	<b>9.6</b>	<b>-8.0</b>		<b>-6.1</b>	<b>15.7</b>	<b>-5.6</b>	
<b>Services</b>	<b>4.6</b>	<b>3.1</b>	<b>50.5</b>	<b>2.0</b>	<b>2.6</b>	<b>1.6</b>	<b>60.7</b>
<b>Electricity generation</b>	<b>28.3</b>	<b>29.8</b>	<b>-4.9</b>	<b>15.0</b>	<b>13.3</b>	<b>11.0</b>	<b>21.2</b>
<b>Consolidation</b>	<b>-24.4</b>	<b>-7.3</b>		<b>-2.4</b>	<b>-22.0</b>	<b>-5.2</b>	
Pipeline Wind	8622	6647	29.7	8414	8622	6647	29.7
Pipeline PV	5468	2408	127.1	5400	5468	2408	127.1
Own generation capacity (MW)	346	261	32.6	350	346	261	32.6
Electricity generation (GWh)	325	268	21.3	204	121	98	23.5

Sources: PNE, Metzler Research

## Outlook

FY 2023 EBITDA target of EUR 30 to 40m confirmed.

## Pipeline update

The pipeline could be further expanded. It increased from 11.9 GW at YE 2022 to 14.1 GW at the end of Q2 2023.

### PNE's development pipeline (in MW, 31.12. 2022)

Technology / Country	Development phase				Total
	I - II (Exploration and development)	III (Planning)	IV (Construction until handover)		
<b>Wind onshore</b>					
Germany	1348	587	89		<b>2024</b>
France	325	197	0		<b>522</b>
UK	0	43	0		<b>43</b>
Italy	0	0	0		<b>0</b>
Poland	838	0	0		<b>838</b>
Romania	0	0	0		<b>0</b>
Sweden	300	0	0		<b>300</b>
Spain	184	0	0		<b>184</b>
Turkey	629	71	0		<b>700</b>
Canada	505	0	0		<b>505</b>
USA	266	169	0		<b>435</b>
Panama	224	60	0		<b>284</b>
South Africa	1722	30	0		<b>1752</b>
<b>Total Wind onshore</b>	<b>6341</b>	<b>1157</b>	<b>89</b>		<b>7587</b>
<b>PV</b>					
Germany	437	0	0		<b>437</b>
France	142	0	0		<b>142</b>
Italy	140	0	0		<b>140</b>
Poland	308	0	0		<b>308</b>
Romania	503	62	0		<b>565</b>
Spain	863	0	0		<b>863</b>
Canada	154	0	0		<b>154</b>
USA	700	0	0		<b>700</b>
South Africa	987	0	0		<b>987</b>
<b>Total PV</b>	<b>4234</b>	<b>62</b>	<b>0</b>		<b>4296</b>
<b>TOTAL</b>	<b>10575</b>	<b>1219</b>	<b>89</b>		<b>11883</b>

Source: PNE

### PNE's development pipeline (in MW, 30.06.2023)

Technology / Country	Development phase				Total
	I - II (Exploration and development)	III (Planning)	IV (Construction until handover)		
<b>Wind onshore</b>					
Germany	1606	602	106		<b>2314</b>
France	347	159	11		<b>517</b>
UK	0	43	0		<b>43</b>
Italy	0	0	0		<b>0</b>
Poland	1168	0	0		<b>1168</b>
Romania	0	0	0		<b>0</b>
Sweden	400	0	0		<b>400</b>
Spain	184	0	0		<b>184</b>
Turkey	629	71	0		<b>700</b>
Canada	505	0	0		<b>505</b>
USA	577	169	0		<b>746</b>
Panama	224	68	0		<b>292</b>
South Africa	1722	30	0		<b>1752</b>
<b>Total Wind onshore</b>	<b>7362</b>	<b>1142</b>	<b>117</b>		<b>8621</b>
<b>PV</b>					
Germany	567	0	0		<b>567</b>
France	166	0	0		<b>166</b>
Italy	338	53	0		<b>391</b>
Poland	365	0	0		<b>365</b>
Romania	436	62	0		<b>498</b>
Spain	863	3	0		<b>866</b>
Canada	341	0	0		<b>341</b>
USA	987	0	0		<b>987</b>
South Africa	1288	0	0		<b>1288</b>
<b>Total PV</b>	<b>5351</b>	<b>118</b>	<b>0</b>		<b>5469</b>
<b>TOTAL</b>	<b>12713</b>	<b>1260</b>	<b>117</b>		<b>14090</b>

Source: PNE

# company note

## Valuation

We value the project development business and the generation and services business separately. And we have further refined our approach.

We estimate an EBITDA 2025 of EUR 77m for the generation business and EUR 9m for the service business. Applying an average producer peer multiple of 10.5 x EV / EBITDA 2025e, we derive a fair value of EUR 8.2 per share for these two activities.

For the valuation of the developer business, we apply the pipeline approach. We believe that this approach is now well established in the market. It is also, in our opinion, entirely plausible, as pipelines have a high degree of fungibility, as project rights can be sold relatively easily and are also increasingly traded.

For the valuation of wind pipelines, we refer to four large pipeline sales in the last 2 years by Nordex (Metzler recommendation: BUY/ pt. EUR 14.8), BayWa (Metzler recommendation: BUY/ pt. EUR 60), Vento Ludens/Wind2 and Siemens Gamesa/SSE. In all four cases, the buyers paid around EUR 150m per (pipeline) GW. We apply the transaction multiple to PNE's European pipeline (5.3 GW). For the PV pipeline we apply half the value per pipeline GW. We reduce the pipelines by the capacities needed for the expansion of the IPP portfolio. We calculate a value of EUR 10.1 per share for the developer business.

### Sum-of-the-parts valuation reveals upside

	Bloomberg Ric	Share price in local currency (10. August 2023)	EV/EBITDA 2025e
<b>PNE Generation &amp; Services - Peer group valuation</b>			
Boralx Inc.	BLX CN	32	10.5
EDP Renovaveis	EDPR PL	17	10.3
Oersted	ORSTED DC	566	10.8
<b>Average</b>			<b>10.5</b>
<b>PNE Generation &amp; Services</b>			
<b>EBITDA 2025e (EURm)</b>	<b>86</b>		
Peer-Group Multiple	10.5		
<b>Fair EV (EURm)</b>	<b>908</b>		
<b>Net debt 2025e (EURm);</b> <small>our assumption: Net debt allocation 2/3 to Generation / Services; 1/3 to Project Development</small>	<b>280</b>		
<b>Fair value Generation &amp; Services (EURm)</b>	<b>628</b>	<b>per share (EUR):</b>	<b>8.2</b>
<b>PNE Project Development - Pipeline valuation</b>			
<b>Wind-Pipeline (30.6.2023 in GW; Europe only)</b>	<b>5.3</b>		
- wind-projects for own portfolio (IPP; in MW)	0.4		
<b>Wind-Pipeline (net)</b>	<b>4.9</b>		
Multiple (EURm/pipeline GW)	150		
<b>Fair EV Wind (EURm)</b>	<b>739</b>		
<b>Fair EV PV net pipeline Europe (in EURm);</b> GW-Multiple EUR 75m	<b>184</b>		
<b>Net debt 2025e</b>	<b>151</b>		
<b>Fair value Project Development (EURm)</b>	<b>772</b>	<b>per share (EUR):</b>	<b>10.1</b>
<b>TOTAL fair value</b>	<b>1401</b>	<b>per share (EUR)</b>	<b>18.3</b>

Sources: Bloomberg, Metzler Research

# company note

## Key Data

### Company profile

CEO: Markus Lesser

CFO: Jörg Klawat

Cuxhaven

PNE offers the entire value chain of development, project planning, realization, financing, operation, sales and repowering of onshore wind farms in Germany and abroad. Offshore, PNE develops wind farms until they are ready for construction.

### Major shareholders

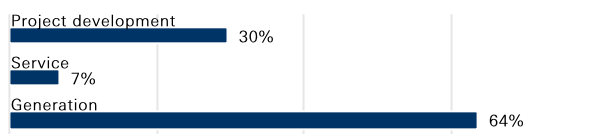
Morgan Stanley (44.2%), Active Ownership Fund (11.99%), Enkraft (4.96%), Samson Rock Capital (3.13%)

### Key figures

P&L (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
<b>Sales</b>	<b>110</b>	<b>-17.4</b>	<b>118</b>	<b>7.3</b>	<b>126</b>	<b>7.2</b>	<b>274</b>	<b>117.5</b>	<b>378</b>	<b>37.8</b>	<b>396</b>	<b>4.8</b>
<b>EBITDA</b>	<b>26</b>	<b>-16.5</b>	<b>33</b>	<b>23.9</b>	<b>35</b>	<b>8.5</b>	<b>52</b>	<b>47.1</b>	<b>95</b>	<b>81.5</b>	<b>100</b>	<b>5.3</b>
EBITDA margin (%)	24.0	1.1	27.7	15.5	28.1	1.2	19.0	-32.3	25.0	31.8	25.1	0.4
<b>EBIT</b>	<b>8</b>	<b>-56.9</b>	<b>9</b>	<b>13.4</b>	<b>6</b>	<b>-33.1</b>	<b>13</b>	<b>116.3</b>	<b>44</b>	<b>225.4</b>	<b>44</b>	<b>0.2</b>
EBIT margin (%)	7.5	-47.8	7.9	5.6	4.9	-37.6	4.9	-0.5	11.5	136.2	11.0	-4.4
<b>Financial result</b>	<b>-11</b>	<b>6.6</b>	<b>-10</b>	<b>10.2</b>	<b>18</b>	<b>280.7</b>	<b>-17</b>	<b>-195.5</b>	<b>-17</b>	<b>0.0</b>	<b>-15</b>	<b>11.9</b>
<b>EBT</b>	<b>-3</b>	<b>-137.0</b>	<b>3</b>	<b>211.7</b>	<b>24</b>	<b>688.9</b>	<b>-3</b>	<b>-114.5</b>	<b>27</b>	<b>875.5</b>	<b>29</b>	<b>7.8</b>
Taxes	-4	-160.5	-22	-499.2	10	145.1	-1	-111.0	8	841.4	9	7.9
Tax rate (%)	133.4	n.a.	-715.5	n.a.	40.9	n.a.	31.2	n.a.	29.8	n.a.	29.9	n.a.
Net income	1	-32.9	25	n.m.	14	-42.9	-3	-117.8	19	841.4	20	7.9
Minority interests	-1	-209.5	-0	35.4	-1	-74.7	0	100.0	0	n.a.	0	n.a.
<b>Net Income after minorities</b>	<b>2</b>	<b>134.2</b>	<b>25</b>	<b>n.m.</b>	<b>15</b>	<b>-40.7</b>	<b>-3</b>	<b>-116.9</b>	<b>19</b>	<b>841.4</b>	<b>20</b>	<b>7.9</b>
Number of shares outstanding (m)	76	0.0	76	0.0	76	0.0	76	0.0	76	0.0	76	0.0
<b>EPS adj. (EUR)</b>	<b>0.02</b>	<b>134.2</b>	<b>0.33</b>	<b>n.m.</b>	<b>0.20</b>	<b>-40.7</b>	<b>-0.03</b>	<b>-116.9</b>	<b>0.24</b>	<b>841.4</b>	<b>0.26</b>	<b>7.9</b>
<b>DPS (EUR)</b>	<b>0.04</b>	<b>0.0</b>	<b>0.08</b>	<b>100.0</b>	<b>0.08</b>	<b>0.0</b>	<b>0.04</b>	<b>-50.0</b>	<b>0.04</b>	<b>0.0</b>	<b>0.04</b>	<b>0.0</b>
Dividend yield (%)	0.5	n.a.	0.9	n.a.	0.4	n.a.	0.3	n.a.	0.3	n.a.	0.3	n.a.
<b>Cash Flow (in EUR m)</b>	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023e</b>	<b>%</b>	<b>2024e</b>	<b>%</b>	<b>2025e</b>	<b>%</b>
<b>Gross Cash Flow</b>	<b>7</b>	<b>-57.0</b>	<b>24</b>	<b>247.1</b>	<b>25</b>	<b>4.2</b>	<b>36</b>	<b>47.1</b>	<b>70</b>	<b>92.4</b>	<b>76</b>	<b>9.1</b>
<b>Increase in working capital</b>	<b>-75</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>34</b>	<b>n.a.</b>	<b>-20</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>
<b>Capital expenditures</b>	<b>2</b>	<b>100.0</b>	<b>2</b>	<b>0.0</b>	<b>2</b>	<b>0.0</b>	<b>2</b>	<b>-25.0</b>	<b>1</b>	<b>-33.3</b>	<b>1</b>	<b>0.0</b>
D+A/Capex (%)	908.8	n.a.	1169.4	n.a.	1461.0	n.a.	2580.3	n.a.	5097.5	n.a.	5585.0	n.a.
<b>Free cash flow (Metzler definition)</b>	<b>-68</b>	<b>-293.5</b>	<b>24</b>	<b>134.7</b>	<b>-11</b>	<b>-146.2</b>	<b>55</b>	<b>597.2</b>	<b>69</b>	<b>25.5</b>	<b>75</b>	<b>9.2</b>
Free cash flow yield (%)	-11.2	n.a.	3.7	n.a.	-0.7	n.a.	5.5	n.a.	6.9	n.a.	7.6	n.a.
Dividend paid	3	0.0	3	0.0	6	100.0	6	0.0	3	-50.0	3	0.0
<b>Free cash flow (post dividend)</b>	<b>-86</b>	<b>-88.8</b>	<b>-61</b>	<b>28.8</b>	<b>-115</b>	<b>-88.1</b>	<b>-56</b>	<b>51.0</b>	<b>36</b>	<b>163.0</b>	<b>42</b>	<b>17.8</b>
<b>Balance sheet (in EUR m)</b>	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023e</b>	<b>%</b>	<b>2024e</b>	<b>%</b>	<b>2025e</b>	<b>%</b>
<b>Assets</b>	<b>664</b>	<b>17.0</b>	<b>827</b>	<b>24.6</b>	<b>920</b>	<b>11.3</b>	<b>1,036</b>	<b>12.6</b>	<b>1,028</b>	<b>-0.8</b>	<b>1,020</b>	<b>-0.8</b>
<b>Goodwill</b>	<b>63</b>	<b>0.0</b>	<b>63</b>	<b>0.0</b>	<b>64</b>	<b>1.8</b>	<b>63</b>	<b>-1.7</b>	<b>63</b>	<b>0.0</b>	<b>63</b>	<b>0.0</b>
<b>Shareholders' equity</b>	<b>201</b>	<b>-8.8</b>	<b>222</b>	<b>10.6</b>	<b>232</b>	<b>4.7</b>	<b>247</b>	<b>6.4</b>	<b>261</b>	<b>5.7</b>	<b>271</b>	<b>3.8</b>
Equity/total assets (%)	30.2	n.a.	26.8	n.a.	25.2	n.a.	23.8	n.a.	25.4	n.a.	26.6	n.a.
<b>Net Debt incl. Provisions</b>	<b>265</b>	<b>105.1</b>	<b>369</b>	<b>39.4</b>	<b>451</b>	<b>22.3</b>	<b>508</b>	<b>12.5</b>	<b>472</b>	<b>-7.0</b>	<b>430</b>	<b>-8.9</b>
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	131.9	n.a.	166.3	n.a.	194.3	n.a.	205.4	n.a.	180.8	n.a.	158.7	n.a.
Net debt/EBITDA	10.0	n.a.	11.3	n.a.	12.7	n.a.	9.7	n.a.	5.0	n.a.	4.3	n.a.

### Structure

#### EBITDA by division 2022



### ESG discussion

PNE's project portfolio offers clear benefits for the environment through its contribution to combating climate change and transitioning to a sustainable energy system. ISS attributes the somewhat below-average performance in the 'Social' score primarily to the lack of data on the company's health and safety management structures in its overseas projects. PNE intends to prepare additional data in this regard and make it available in the foreseeable future.

Sources: Bloomberg, Metzler Research

# company note

## Disclosures

### Recommendation history

Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation * Previous	Current	Current price **	Price target *	Author ***
<b>Issuer/Financial Instrument (ISIN): BayWa (DE0005194062)</b>					
08.08.2023	Buy	Buy	35.55 EUR	60.00 EUR	Hoymann, Guido
11.07.2023	Buy	Buy	37.90 EUR	62.00 EUR	Hoymann, Guido
15.05.2023	Buy	Buy	37.15 EUR	62.00 EUR	Hoymann, Guido
31.03.2023	Buy	Buy	40.45 EUR	69.00 EUR	Hoymann, Guido
02.03.2023	Buy	Buy	42.40 EUR	69.00 EUR	Hoymann, Guido
28.02.2023	Buy	Buy	40.90 EUR	69.00 EUR	Hoymann, Guido
11.11.2022	Buy	Buy	47.35 EUR	69.00 EUR	Hoymann, Guido
28.10.2022	Buy	Buy	45.95 EUR	69.00 EUR	Hoymann, Guido
<b>Issuer/Financial Instrument (ISIN): Nordex (DE000A0D6554)</b>					
13.07.2023	Buy	Buy	12.10 EUR	14.80 EUR	Hoymann, Guido
31.03.2023	Buy	Buy	13.54 EUR	14.80 EUR	Hoymann, Guido
16.02.2023	Buy	Buy	14.25 EUR	14.80 EUR	Hoymann, Guido
15.11.2022	Buy	Buy	10.40 EUR	16.00 EUR	Hoymann, Guido
14.10.2022	Buy	Buy	7.85 EUR	16.00 EUR	Hoymann, Guido
15.08.2022	Buy	Buy	10.57 EUR	16.00 EUR	Hoymann, Guido
<b>Issuer/Financial Instrument (ISIN): PNE (DE000A0JBPG2)</b>					
10.05.2023	Buy	Buy	14.00 EUR	19.30 EUR	Hoymann, Guido
30.03.2023	Buy	Buy	14.40 EUR	19.30 EUR	Hoymann, Guido
14.02.2023	Buy	Buy	17.46 EUR	22.10 EUR	Hoymann, Guido
31.01.2023	Buy	Buy	17.16 EUR	22.10 EUR	Hoymann, Guido
18.11.2022	Buy	Buy	20.15 EUR	24.50 EUR	Hoymann, Guido
10.11.2022	Buy	Buy	21.20 EUR	24.50 EUR	Hoymann, Guido
21.10.2022	Buy	Buy	18.48 EUR	24.50 EUR	Hoymann, Guido
19.09.2022	n.a.	Buy	17.00 EUR	24.50 EUR	Hoymann, Guido

\* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

\*\* XETRA trading price at the close of the previous day unless stated otherwise herein

\*\*\* All authors are financial analysts

### BayWa

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		Transport, Utilities/Renewables	
	Stephan Bauer	Industrial Technology	4363
	Tom Diedrich	Media, Retail	239
	Oliver Frey	Software, Technology, Telecommunications	4360
	Alexander Neuberger	Industrial Technology, Small/Mid Caps	4366
	Jochen Schmitt	Financials, Real Estate	4359
	Thomas Schulte-Vorwick	Basic Resources	234
	Pál Skirta	Mobility	525
	Jürgen Pieper	Mobility, Senior Advisor	529
	Uwe Hohmann	Equity Strategy	366
	Eugen Keller	Head of FI/FX Research	329
	Juliane Rack	FI/FX Strategy	1748
	Sebastian Sachs	FI/FX Strategy	526
	Stoyan Toshev	FI/FX Strategy	528
Equities	Mustafa Ansary	Head of Equities	351
		Head of Equity Sales	
Sales	Eugenia Buchmüller		238
	Hugues Jaouen		4173
	Alexander Kravkov		4172
	Jasmina Schul		1766
	Markus Tozman		4174
Trading	Sven Knauer	Head of Equity Trading	245
	Elyaz Dust		248
	Kirsten Fler		246
	Stephan Schmelzle		247
	Thomas Seibert		228
Corporate Solutions	Dr. Karsten Iltgen	Head of Corporate Solutions	510
	Stephan Averdung		514
	Thomas Burkart		511

# company note

	Christoph Hirth		513
	Adrian Takacs		512
Fixed Income (FI)	Sebastian Luther	Head of Fixed Income	688
FI Sales	Minush Nori	Head of Fixed Income Sales	689
	Silke Amelung		289
	Claudia Ruiu		683
	Simon Tabath		280
FI Trading/ALM	Burkhard Brod	Head of ALM	659
	Bettina Koch		291
	Susanne Kraus		658
	Christian Bernhard	Head of Fixed Income Trading	266
	Dirk Lagler		685
Foreign Exchange (FX)	Özgür Atasever	Head of Foreign Exchange	281
FX Sales	Tobias Martin	Head of FX Sales & Trading	614
	Steffen Völker		293
FX Trading	Rainer Jäger		276
	Andreas Zellmann		610
Currency Management	Dominik Müller	Head of Currency Management	274
CM Advisory	Achim Walde	Head of Advisory	275
	Jens Rotterdam		282
CM Operations	Simon Wesch	Head of Operations	350
	Tessa Feller		1696
	Florian Konz		1773
	Sergii Piskun	Senior Quantitative Analyst	237