

# UBM Development AG

Real Estate - Austria



**Buy** (old: Buy)

09.02.2024

**EUR 31.00** (old: EUR 31.00)

## Off to a good start / Muted Q4'23 expected; chg

Yesterday, UBM announced to have received the **building permit for the Timber Peak project in Mainz**. Once completed, the **12-storey-building will exceed a height of 40 metres and will have c. 9,500 sqm gross floor area**. The building will be equipped with heat pumps, heating and cooling panels, EV-charging for up to 40 car parking spaces, and intelligent building automation technology which is recording consumption and energy efficiency data systematically. Hence, users will be able to de facto automatically fulfil the reporting obligations for the EU Taxonomy.

While construction is set to kick off end of February, the project is expected to be **completed in Q2'25e**. As the window for forward deals is almost closed at the moment, we do not estimate a revenue contribution before Q3 '25e. The **proceeds are seen in the range of € 60-65m** (eNuW).

**Muted Q4e.** UBM is expected to publish FY23 prelims in early March (final FY23 figures on April 11<sup>th</sup>), which look set to come in muted with **sales of € 87.9m** (eNuW; eCons: € 97.6m) and an **EBT of € -23.6m** (eNuW; eCons: € -21.4m). Mind you, that UBM did not execute major sales in 2023 given the standstill on the real estate transaction market. Hence, sales were mainly stemming from smaller disposals as well construction progress on projects already sold (POC). Importantly, our FY '23e EBT estimate is still subject to a certain degree of uncertainty which is due to the outcome of the YE impairment test of the standing assets portfolio.

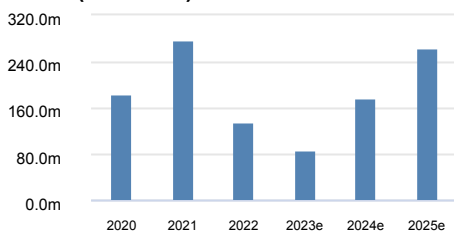
**Macro headwinds are starting to ease.** After six quarters of decreasing transaction volumes, we observed first sequential improvements in Q3 (+11% qoq) that continued in Q4 (+10% qoq) in Germany's Top-7. Paired with declining financing rates (10y EUR swap rate is -81bps since 10/23) this indicates that the trough has been reached. Yet, a slow but steady recovery appears more likely than a rapid upswing, in our view. For UBM, this could offer the opportunity to sell the *Timber Pioneer*, which would generate proceeds of € 150m (eNuW; 75% UBM share). However, amid the still high uncertainty, we factor only a 50% likelihood of this happening and leading to our estimate of € 176m sales in FY24e (eCons: € 167m) and an EBT of € 18.3m (eCons: € 24.6m).

Given the compelling mid-term prospects as well as easing macros, the stock remains a **BUY with an unchanged PT of € 31.00** based on DDM.

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	183.3	278.3	133.9	87.9	175.7	263.6
Sales growth	-24.2%	51.8%	-51.9%	-34.4%	100.0%	50.0%
EBITDA	65.1	75.9	39.2	-40.5	38.7	76.4
Net debt (if net cash=0)	499.9	402.8	522.1	612.8	487.5	474.8
FCF	-77.9	-107.4	-103.5	-33.1	25.3	-85.5
Net Debt/EBITDA	7.7	5.3	13.3	-15.1	12.6	6.2
EPS pro forma	3.44	4.50	2.28	-4.17	0.77	4.24
EBITDA margin	35.5%	27.3%	29.2%	-46.1%	22.0%	29.0%
ROCE	5.1%	5.5%	2.5%	-3.1%	2.9%	6.3%
EV/sales	4.2	2.6	5.2	9.0	3.8	2.5
EV/EBITDA	11.8	9.5	17.8	-19.4	17.1	8.5
PER	7.9	9.2	9.7	-5.3	28.6	5.2
Adjusted FCF yield	-99.3%	-35.1%	-32.8%	381.2%	-20.9%	-37.4%

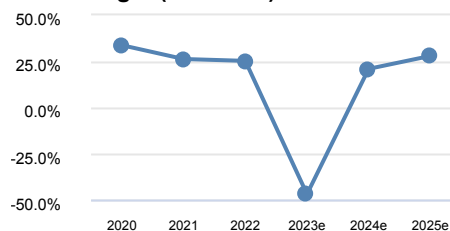
Source: Company data, NuWays, Close price as of 06.02.2024

### Sales (2020-25e)



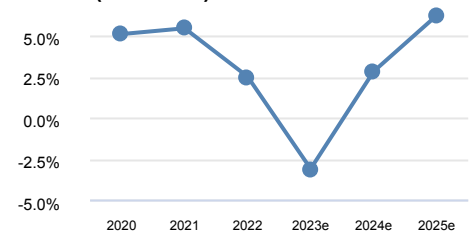
Source: NuWays Research

### EBIT margin (2020-25e)



Source: NuWays Research

### ROCE (2020-25e)



Source: NuWays Research

## Company description

UBM is Europe's leading developer of timber-hybrid real estate with a focus on residential and office properties in its core market Germany and Austria. In comparison to holding assets, development has the highest margin in the real estate value chain.

## Guidance

### Share Performance



High/low 52 weeks (€)	32.90 / 20.00
3m rel. performance	0.2%
6m rel. performance	-17.4%
12m rel. performance	-24.7%

### Market data

Share price (in €)	22.10
Market cap (in € m)	165.1
Number of shares (in m pcs)	7.5
Enterprise value (in € m)	662.0
Ø trading volume (6 months)	1,986

### Identifier

Bloomberg	UBS AV
Reuters	UBMV
WKN	852735
ISIN	AT0000815402

### Key shareholders

K. Ortner	45.8%
J. Dickinger	5.0%
Free Float	49.2%

### Estimates changes

	2023e	2024e	2025e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	-88%	-59%

### Comment on changes

- Changes in EPS as we overhauled our financial result forecast

## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>183.3</b>	<b>278.3</b>	<b>133.9</b>	<b>87.9</b>	<b>175.7</b>	<b>263.6</b>
<i>Sales growth</i>	-24.2%	51.8%	-51.9%	-34.4%	100.0%	50.0%
Increase/decrease in finished goods and work-in-process	-21.1	-45.9	3.0	22.9	0.0	0.0
<b>Total sales</b>	<b>162.2</b>	<b>232.4</b>	<b>136.9</b>	<b>110.7</b>	<b>175.7</b>	<b>263.6</b>
Other operating income	105.9	59.3	63.6	4.9	15.8	23.7
Material expenses	115.7	141.4	86.9	69.1	98.4	131.8
Personnel expenses	34.8	36.8	37.3	27.7	29.9	42.2
Other operating expenses	52.5	37.6	37.2	59.3	24.6	36.9
<b>Total operating expenses</b>	<b>203.0</b>	<b>215.8</b>	<b>161.3</b>	<b>156.1</b>	<b>152.9</b>	<b>187.1</b>
<b>EBITDA</b>	<b>65.1</b>	<b>75.9</b>	<b>39.2</b>	<b>-40.5</b>	<b>38.7</b>	<b>76.4</b>
Depreciation	3.1	2.6	5.3	0.9	1.8	2.6
<b>EBITA</b>	<b>62.0</b>	<b>73.3</b>	<b>33.9</b>	<b>-41.4</b>	<b>36.9</b>	<b>73.8</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>62.0</b>	<b>73.3</b>	<b>33.9</b>	<b>-41.4</b>	<b>36.9</b>	<b>73.8</b>
Interest income	23.9	14.0	23.4	49.4	24.6	27.1
Interest expenses	23.7	27.2	25.9	31.7	43.2	45.0
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	0.2	-13.2	-2.5	17.7	-18.6	-17.9
<b>Recurring pretax income from continuing operations</b>	<b>62.3</b>	<b>60.1</b>	<b>31.5</b>	<b>-23.6</b>	<b>18.3</b>	<b>55.9</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>62.3</b>	<b>60.1</b>	<b>31.5</b>	<b>-23.6</b>	<b>18.3</b>	<b>55.9</b>
Income tax expense	21.5	16.4	4.3	0.0	5.3	17.0
<b>Net income from continuing operations</b>	<b>40.8</b>	<b>43.7</b>	<b>27.1</b>	<b>-23.6</b>	<b>13.0</b>	<b>38.9</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>40.8</b>	<b>43.7</b>	<b>27.1</b>	<b>-23.6</b>	<b>13.0</b>	<b>38.9</b>
Minority interest	8.0	10.1	10.1	7.5	7.2	7.2
<b>Net profit (reported)</b>	<b>32.8</b>	<b>33.6</b>	<b>17.0</b>	<b>-31.1</b>	<b>5.8</b>	<b>31.7</b>
Average number of shares	7.5	7.5	7.5	7.5	7.5	7.5
<b>EPS reported</b>	<b>4.39</b>	<b>4.50</b>	<b>2.28</b>	<b>-4.17</b>	<b>0.77</b>	<b>4.24</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>	-24.2%	51.8%	-51.9%	-34.4%	100.0%	50.0%
Increase/decrease in finished goods and work-in-process	-11.5%	-16.5%	2.2%	26.0%	0.0%	0.0%
<b>Total sales</b>	<b>88.5%</b>	<b>83.5%</b>	<b>102.2%</b>	<b>126.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other operating income	57.8%	21.3%	47.5%	5.5%	9.0%	9.0%
Material expenses	63.1%	50.8%	64.8%	78.6%	56.0%	50.0%
Personnel expenses	19.0%	13.2%	27.8%	31.6%	17.0%	16.0%
Other operating expenses	28.6%	13.5%	27.8%	67.5%	14.0%	14.0%
<b>Total operating expenses</b>	<b>110.7%</b>	<b>77.6%</b>	<b>120.4%</b>	<b>177.7%</b>	<b>87.0%</b>	<b>71.0%</b>
<b>EBITDA</b>	<b>35.5%</b>	<b>27.3%</b>	<b>29.2%</b>	<b>-46.1%</b>	<b>22.0%</b>	<b>29.0%</b>
Depreciation	1.7%	0.9%	3.9%	1.0%	1.0%	1.0%
<b>EBITA</b>	<b>33.8%</b>	<b>26.3%</b>	<b>25.3%</b>	<b>-47.1%</b>	<b>21.0%</b>	<b>28.0%</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>33.8%</b>	<b>26.3%</b>	<b>25.3%</b>	<b>-47.1%</b>	<b>21.0%</b>	<b>28.0%</b>
Interest income	13.0%	5.0%	17.5%	56.3%	14.0%	10.3%
Interest expenses	12.9%	9.8%	19.3%	36.1%	24.6%	17.1%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	0.1%	neg.	neg.	20.2%	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>34.0%</b>	<b>21.6%</b>	<b>23.5%</b>	<b>-26.9%</b>	<b>10.4%</b>	<b>21.2%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>34.0%</b>	<b>21.6%</b>	<b>23.5%</b>	<b>-26.9%</b>	<b>10.4%</b>	<b>21.2%</b>
Tax rate	34.5%	27.3%	13.8%	0.0%	29.0%	30.4%
<b>Net income from continuing operations</b>	<b>22.2%</b>	<b>15.7%</b>	<b>20.2%</b>	<b>-26.9%</b>	<b>7.4%</b>	<b>14.8%</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>22.2%</b>	<b>15.7%</b>	<b>20.2%</b>	<b>-26.9%</b>	<b>7.4%</b>	<b>14.8%</b>
Minority interest	4.4%	3.6%	7.5%	8.5%	4.1%	2.7%
<b>Net profit (reported)</b>	<b>17.9%</b>	<b>12.1%</b>	<b>12.7%</b>	<b>-35.4%</b>	<b>3.3%</b>	<b>12.0%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	3.0	4.0	1.6	1.6	1.6	1.6
Property, plant and equipment	11.6	12.9	12.2	10.0	10.0	7.4
Financial assets	836.6	838.1	787.2	787.2	787.2	787.2
<b>FIXED ASSETS</b>	<b>851.3</b>	<b>855.0</b>	<b>801.0</b>	<b>798.8</b>	<b>798.8</b>	<b>796.2</b>
Inventories	121.9	133.1	259.3	266.2	219.7	202.8
Accounts receivable	127.9	60.6	49.5	48.1	48.1	50.6
Other assets and short-term financial assets	12.3	16.8	9.8	9.8	9.8	9.8
Liquid assets	247.2	423.3	322.9	151.2	176.5	124.2
Deferred taxes	11.4	5.7	9.3	9.3	9.3	9.3
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>520.8</b>	<b>639.5</b>	<b>650.8</b>	<b>484.7</b>	<b>463.4</b>	<b>396.7</b>
<b>TOTAL ASSETS</b>	<b>1,372.0</b>	<b>1,494.5</b>	<b>1,451.8</b>	<b>1,283.5</b>	<b>1,262.2</b>	<b>1,192.9</b>
<b>SHAREHOLDERS EQUITY</b>	<b>478.5</b>	<b>545.4</b>	<b>495.9</b>	<b>405.8</b>	<b>473.4</b>	<b>471.8</b>
MINORITY INTEREST	4.4	5.2	5.6	7.1	8.6	8.6
Provisions for pensions and similar obligations	10.9	9.5	9.3	9.3	9.3	9.3
Other provisions and accrued liabilities	32.1	33.4	25.5	25.5	25.5	25.5
Short-term liabilities to banks	41.9	84.2	129.4	100.0	65.0	75.0
Accounts payable	77.0	50.1	46.9	48.1	57.8	54.2
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)	3.3	5.8	3.5	5.0	5.0	5.0
Deferred taxes	8.0	5.5	8.9	7.5	7.5	7.5
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>80.3</b>	<b>56.0</b>	<b>50.4</b>	<b>53.1</b>	<b>62.8</b>	<b>60.0</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>1,372.0</b>	<b>1,494.5</b>	<b>1,451.8</b>	<b>1,283.5</b>	<b>1,262.2</b>	<b>1,192.9</b>
<b>Balance sheet (common size)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>
Intangible assets	0.2%	0.3%	0.1%	0.1%	0.1%	0.1%
Property, plant and equipment	0.8%	0.9%	0.8%	0.8%	0.8%	0.6%
Financial assets	61.0%	56.1%	54.2%	61.3%	62.4%	66.0%
<b>FIXED ASSETS</b>	<b>62.0%</b>	<b>57.2%</b>	<b>55.2%</b>	<b>62.2%</b>	<b>63.3%</b>	<b>66.7%</b>
Inventories	8.9%	8.9%	17.9%	20.7%	17.4%	17.0%
Accounts receivable	9.3%	4.1%	3.4%	3.8%	3.8%	4.2%
Other assets and short-term financial assets	0.9%	1.1%	0.7%	0.8%	0.8%	0.8%
Liquid assets	18.0%	28.3%	22.2%	11.8%	14.0%	10.4%
Deferred taxes	0.8%	0.4%	0.6%	0.7%	0.7%	0.8%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT ASSETS</b>	<b>38.0%</b>	<b>42.8%</b>	<b>44.8%</b>	<b>37.8%</b>	<b>36.7%</b>	<b>33.3%</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>34.9%</b>	<b>36.5%</b>	<b>34.2%</b>	<b>31.6%</b>	<b>37.5%</b>	<b>39.6%</b>
MINORITY INTEREST	0.3%	0.3%	0.4%	0.6%	0.7%	0.7%
Provisions for pensions and similar obligations	0.8%	0.6%	0.6%	0.7%	0.7%	0.8%
Other provisions and accrued liabilities	2.3%	2.2%	1.8%	2.0%	2.0%	2.1%
Short-term liabilities to banks	3.1%	5.6%	8.9%	7.8%	5.1%	6.3%
Accounts payable	5.6%	3.4%	3.2%	3.8%	4.6%	4.5%
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)	0.2%	0.4%	0.2%	0.4%	0.4%	0.4%
Deferred taxes	0.6%	0.4%	0.6%	0.6%	0.6%	0.6%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>5.8%</b>	<b>3.7%</b>	<b>3.5%</b>	<b>4.1%</b>	<b>5.0%</b>	<b>5.0%</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	40.8	43.7	27.1	-23.6	13.0	41.5
Depreciation of fixed assets (incl. leases)	-56.0	-0.9	-14.2	15.0	0.0	0.0
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.3	-2.6	0.0	0.0	0.0	0.0
Cash flow from operating activities	21.4	-44.9	-56.6	-4.2	69.2	-19.6
Increase/decrease in inventory	14.3	-10.2	-72.0	-6.9	46.6	16.9
Increase/decrease in accounts receivable	-23.6	-33.0	27.0	1.4	0.0	-2.4
Increase/decrease in accounts payable	12.2	-14.7	-10.7	1.2	9.6	-3.6
Increase/decrease in other working capital positions	-33.0	-11.6	-6.4	0.0	0.0	0.0
Increase/decrease in working capital	-30.0	-69.4	-62.1	-4.4	56.2	10.9
<b>Cash flow from operating activities</b>	<b>-34.6</b>	<b>-45.7</b>	<b>-70.7</b>	<b>10.8</b>	<b>69.2</b>	<b>-19.6</b>
CAPEX	43.2	61.7	32.7	43.9	43.9	65.9
Payments for acquisitions	0.0	0.0	0.0	30.0	0.0	0.0
Financial investments	115.6	61.6	87.3	11.0	100.0	200.0
Income from asset disposals	182.0	192.5	128.4	0.0	200.0	300.0
<b>Cash flow from investing activities</b>	<b>23.1</b>	<b>69.1</b>	<b>8.4</b>	<b>-84.9</b>	<b>56.1</b>	<b>34.1</b>
Cash flow before financing	-36.7	-1.8	-90.6	-90.7	125.3	12.8
Increase/decrease in debt position	72.4	180.3	-9.7	-81.0	-100.0	-65.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	25.2	25.3	28.3	16.6	0.0	1.7
Others	-0.3	-2.6	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.5	0.3	-0.1	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>46.9</b>	<b>152.4</b>	<b>-37.9</b>	<b>-97.6</b>	<b>-100.0</b>	<b>-66.7</b>
Increase/decrease in liquid assets	34.8	176.1	-100.4	-171.7	25.3	-52.2
<b>Liquid assets at end of period</b>	<b>247.2</b>	<b>423.3</b>	<b>322.9</b>	<b>151.2</b>	<b>176.5</b>	<b>124.2</b>

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L growth analysis</b>						
Sales growth	-24.2%	51.8%	-51.9%	-34.4%	100.0%	50.0%
EBITDA growth	10.5%	1.3%	-39.8%	-153.3%	-1.3%	-288.8%
EBIT growth	10.9%	2.6%	-45.3%	-156.4%	8.8%	-278.4%
EPS growth	-38.3%	2.6%	-49.4%	-282.9%	-118.5%	449.0%
<b>Efficiency</b>						
Sales per employee	520.8	748.2	424.5	259.9	544.6	742.6
EBITDA per employee	184.9	204.1	124.2	-119.7	119.8	215.4
No. employees (average)	352	372	316	338	323	355
<b>Balance sheet analysis</b>						
Avg. working capital / sales	84.3%	57.6%	162.3%	233.2%	134.3%	88.3%
Inventory turnover (sales/inventory)	1.5	2.1	0.5	0.3	0.8	1.3
Accounts receivable turnover	254.7	79.4	134.9	200.0	100.0	70.0
Accounts payable turnover	153.2	65.7	127.9	200.0	120.0	75.0
<b>Cash flow analysis</b>						
Free cash flow	-77.9	-107.4	-103.5	-33.1	25.3	-85.5
Free cash flow/sales	-42.5%	-38.6%	-77.2%	-37.7%	14.4%	-32.4%
FCF / net profit	neg.	neg.	neg.	140.0%	194.7%	neg.
Capex / sales	86.7%	44.3%	89.6%	62.5%	81.9%	100.9%
<b>Solvency</b>						
Net debt	499.9	402.8	522.1	612.8	487.5	474.8
Net Debt/EBITDA	7.7	5.3	13.3	-15.1	12.6	6.2
Dividend payout ratio	50.2%	50.0%	48.3%	0.0%	30.0%	30.0%
Interest paid / avg. debt	3.5%	3.6%	3.3%	4.0%	5.7%	6.6%
<b>Returns</b>						
ROCE	5.1%	5.5%	2.5%	-3.1%	2.9%	6.3%
ROE	6.8%	6.2%	3.4%	-7.7%	1.2%	6.7%
Adjusted FCF yield	-99.3%	-35.1%	-32.8%	381.2%	-20.9%	-37.4%
Dividend yield	10.0%	10.2%	5.0%	0.0%	1.0%	5.8%
DPS	2.2	2.2	1.1	0.0	0.2	1.3
EPS reported	4.39	4.50	2.28	-4.17	0.77	4.24
Average number of shares	7.5	7.5	7.5	7.5	7.5	7.5
<b>Valuation ratios</b>						
P/BV	0.3	0.3	0.3	0.4	0.3	0.4
EV/sales	4.2	2.6	5.2	9.0	3.8	2.5
EV/EBITDA	11.8	9.5	17.8	-19.4	17.1	8.5
EV/EBIT	12.4	9.8	20.5	-19.0	17.9	8.8

Source: Company data, NuWays

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Company	Disclosures
UBM Development AG	2

### Historical target price and rating changes for UBM Development AG

Company	Date	Analyst	Rating	Target Price	Close
UBM Development AG	22.08.2023	Sennewald, Philipp	n.a.	EUR 31.00	EUR 23.50
	18.04.2023	Sennewald, Philipp	n.a.	EUR 35.00	EUR 27.40

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