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Research report

THOMSON REUTERS
SMC Research
Small and Mid Cap Research



fox e-mobility AG

A promising concept for a
neglected market segment

Rating: Speculative Buy (initial valuation) | Price: 2.68 € | Price target: 6.30 € (initial valuation)

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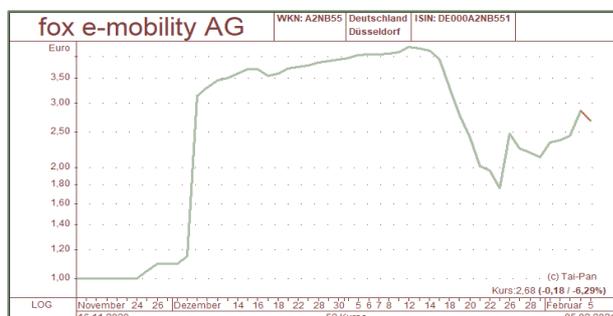
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Snapshot



Short profile

fox e-mobility AG is developing an electric vehicle for private and commercial use in urban traffic. Through an innovative design, the car combines compact exterior dimensions with a generous amount of space inside; furthermore, fox aims to be the price leader in the addressed segment. It is to be made possible by reverting to the plans, patents and concepts of a predecessor car that was already produced in a small series ten years ago, as well as by consistently outsourcing large parts of the value chain. This should also enable a rapid market launch: according to current plans, fox wants to go into series production and generate a positive EBITDA in as little as two years. One year later, the EBITDA margin is expected to be 10 percent, with revenues from CO2 credits and licensing income from non-European markets, as well as sales of the company's own vehicles, contributing to this. To realise these ambitious plans, fox has assembled a top-class leadership team with many decades of combined experience in top positions in the automotive industry and the energy sector.

Basic data

Based in:	Munich
Sector:	Electric vehicles
Headcount:	approx. 15
Accounting:	HGB
ISIN:	DE000A2NB551
Ticker:	CT4:GR
Price:	2.68 Euro
Market segment:	OTC D, HH, B
Number of shares:	69.93 m
Market Cap:	187.4 m Euro
Enterprise Value:	187.3 m Euro
Free Float:	approx. 62.0 %
Price high/low (3M):	4.26 / 1.00 Euro
Ø turnover (1M, all exch.):	489,000 Euro / day

FY ends: 31.12.	2021e	2022e	2023e	2024e	2025e
Sales (m Euro)	0.00	0.00	347.00	746.77	1.132.34
EBIT (m Euro)	-19.84	-36.52	-26.05	40.35	90.00
Net profit	-19.84	-42.48	-32.02	34.36	78.82
EpS	-0.20	-0.42	-0.32	0.34	0.78
Dividend per share	0.00	0.00	0.00	0.07	0.39
Sales growth	-	-	-	115.2%	51.6%
Profit growth	-	-	-	-	129.4%
PSR	-	-	0.78	0.36	0.24
PER	-	-	-	7.9	3.4
PCR	-	-	-	5.8	3.3
EV / EBIT	-	-	-	6.7	3.0
Dividend yield	0.0%	0.0%	0.0%	0.0%	14.5%

Executive summary

- **An innovative electric car for inner-city traffic:** fox e-mobility AG is developing a battery-powered vehicle that is designed to precisely address the needs of inner-city transport. Thanks in part to the patented concept of positioning the driver's seat centrally and the rear passenger seats offset to the side, the vehicle, which will be marketed under the name MIA 2.0, offers a very attractive combination of compact exterior dimensions and generous interior space. Alternatively, as a mini-van, MIA is planned to be an environmentally friendly and cost-effective alternative for small businesses as well as delivery services.
- **Short development time:** The MIA concept is based on a vehicle that was developed to production readiness and road approval ten years ago and of which around 1,600 units have been produced and sold. This preparatory work can massively shorten the development time, which is why management expects to be able to launch the product as early as the first half of 2023.
- **Price leadership targeted:** According to current plans, MIA 2.0 will cost EUR 16,000 (incl. VAT, before subsidies) at the start. This price level, which is very attractive compared to the competition and which can also be significantly reduced by the substantial state support, is to be made possible by a bundle of factors. These include the low development costs thanks to the history of the MIA 1.0, the limitation of the range to inner-city needs, the consistent use of outsourcing especially for engineering, production and assembly, and finally the commitment to cheaper online distribution.
- **Attractive market:** With this offer, fox is addressing a market that is predicted to grow rapidly, especially due to government measures to protect the climate. According to estimates, a quarter of all newly registered vehicles will be purely electric as early as 2030. In 2020, the industry experienced a boom, but it is still driven by comparatively expensive models. The segment of low-cost electric vehicles addressed by the MIA, on the other hand, is still not very well developed.
- **High profitability through three-pillar strategy:** With its own production, fox wants to concentrate on the European market and grant licences for other regions. Since the licence revenues are not offset by any running costs, the model would have a significant positive impact on profitability if successful. The sale of CO2 credits to other car manufacturers also promises a strong earnings effect, which could bring a significant four-digit additional revenue per MIA 2.0 sold.
- **Break-even as early as 2023:** Taking into account – conservatively – revenues from licences and CO2 credits, fox aims to report a clearly positive EBITDA as early as 2023 and to achieve a double-digit EBITDA margin in 2025.
- **Share with high potential:** In our model, we have applied discounts to the company's plans, but in principle we have assumed the permanent establishment as an electric vehicle manufacturer. On this basis, we see the fair value at EUR 6.30 per share. Combined with the elevated risk profile, this justifies a "Speculative Buy" rating at the start of our coverage.

SWOT analysis

Strengths

- The triumphant advance of electromobility has already begun and is likely to continue at a rapid pace over the next few years.
- With the MIA 2.0, fox is pursuing an innovative vehicle concept that is precisely tailored to the needs of urban traffic.
- A low value-added depth is to enable cost and price leadership.
- By drawing on the previous work and practical experience with the predecessor vehicle, development costs and development risk can be reduced and the time to market shortened.
- The management is very experienced in the industry and well connected.

Opportunities

- The very positive environment suggests that the company's plans could be realised successfully.
- If the MIA 2.0 is successfully established, the model portfolio could be expanded.
- The licensing model offers the chance of high additional income, which is not offset by any running costs. Corporate planning that envisages only one licensing partner has a high upside potential in this regard.
- Following the example of electric pioneer Tesla, fox could earn a high four-digit additional revenue per vehicle from the sale of CO2 credits to other car manufacturers.
- The implementation of the plans would allow for above industry average margins.
- fox could become a takeover candidate for car manufacturers with supply gaps in the field of low-cost electric mobility.

Weaknesses

- As a start-up, fox does not yet have a track-record that could be used to verify the practical viability of the business model and the management's adherence to forecasts.
- The vehicle still has to be fully developed and to receive the road approval, which will result in high start-up losses over the next few years.
- The company's success still depends disproportionately on a few people. The organisation still needs to be built up and suitably staffed.
- The financing of the approximately EUR 160 m required until the planned breakeven still has to be secured.

Threats

- The development and approval of the vehicle could prove to be more complicated, lengthy or costly than planned.
- The vehicle design could miss the public's taste and lead to sales figures falling short of planning.
- Failure to meet plans regarding schedule or sales volumes or costs could delay the breakeven point and require additional financing.
- The acquisition of licensing partners could fail.
- If last year's sales boom in electric vehicles continues, established manufacturers could meet their CO2 limits on their own, which would devalue the CO2 credits.
- The asset structure (goodwill and acquired intangible assets) could become an additional burden in the event of a crisis.

Profile

An electric car for the city

fox e-mobility AG is developing a compact electric car for inner-city use that will be produced and sold from 2023. The vehicle, to be marketed under the name MIA 2.0, is the further development of a concept that was already developed to the point of series production and road approval ten years ago, but which failed to achieve a commercial breakthrough due to the high battery costs at the time and the inadequate charging infrastructure. Since the general conditions have changed fundamentally in the meantime and promise a more successful relaunch, the initiators have bought up the remaining assets (patents, plans, equipment, tools) from the insolvency estate via fox Automotive Switzerland AG. The Swiss company was subsequently reverse merged into the listed shell of Catinum AG by way of a capital increase in kind in December 2020. Catinum AG was simultaneously renamed fox e-mobility AG. The company is based in Munich and is currently listed on the stock exchange in Düsseldorf, but the listing is to be extended to regulated trading in Frankfurt in the near future.

An innovative design...

Unlike many electric vehicles from traditional car manufacturers, which are based on existing platforms, MIA 2.0 is a concept designed from the outset as an electric vehicle and therefore optimised with regard to the addressed application scenarios (inner-city passenger transport, deliveries, small businesses, car sharing). The most obvious difference to conventional vehicles is the centrally positioned driver's seat, which offers advantages when getting in and out of the car and, in combination with the laterally offset seats in the second row, allows ample legroom for passengers in the rear. The sliding doors on both sides also provide greater convenience and additional safety when getting out. Although the MIA 2.0 is supposed to be only 3.19 m long, the car offers thus sufficient space for three to four people. Alternatively, without the rear seats, the vehicle can also be used as a minivan with a boot size of up to 1,500 litres.



Source: Company

...with successful proof of concept

The core elements of the MIA 2.0 were already present in its predecessor, the MIA 1.0, which was designed by the well-known car designer Murat Günak (chief designer at Volkswagen, among others) and of which around 1,600 units were sold at the time. According to company information and press reports, a loyal fan base has since emerged showing a high level of satisfaction with the concept and the reliability of the vehicle. Nevertheless, the successor is to be improved decisively in several areas. Most notably, its modern battery is to enable a real range of 200 km, twice that of the first model, at significantly lower costs. This range is expected to be possible regardless of the significantly expanded equipment with numerous assistance systems and air conditioning. Above all, however, the sales price is also to be lower than the first time. While the starting price in 2011 was EUR 26,000 to 28,000, the MIA 2.0 is now to be offered for a gross price of EUR 16,000, which would allow for a price of around EUR 10,000 after taking into account the current subsidies.

Moderate investment needs

The attractive price level is made possible not least by the fact that the development can already draw on the preparatory work from the past. Thus, the concept benefits from the approximately EUR 150 m that were invested in development and approval at the time. The company puts the additional financing required to reach breakeven at approximately another

EUR 160 m, of which roughly two thirds are planned for development and preparation of mass production and the rest to absorb the initial losses. This item also includes marketing and sales expenses, which the company intends to keep comparatively small by focusing on online marketing, social media, trade magazines and influencers, but which should nevertheless reach a double-digit million volume.

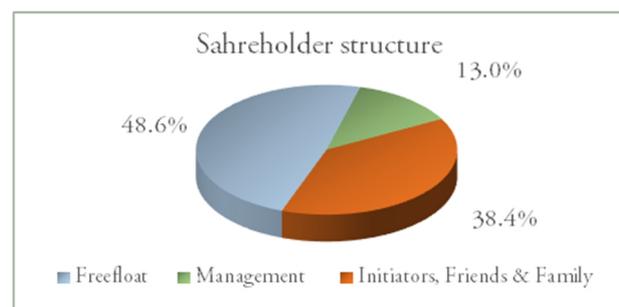
Top-class management

For the project, fox was able to engage a highly qualified management team that has a total of several decades of professional experience with several automobile manufacturers as well as in the fields of electromobility and renewable energies. One of the initiators of the project is Andreas Kratzer, who founded the Swiss company fox Automotive Switzerland AG and heads it as CEO. Previously, after working for Ernst & Young for 15 years and managing a self-founded finance boutique for ten years, he headed a European industrial group in the automotive sector for several years. At the level of fox e-mobility AG the CEO is Philippe Perret, who has previously successfully managed and developed two listed French companies in the renewable energies sector between 2004 and 2020. CFO Ulrich Hoernke and CTO Dr. Christian Jung have an extensive automotive expertise. For example, as an automotive engineer, CTO Dr Christian Jung held responsible positions between 2012 and 2017, first at BMW and then at Porsche, managing several projects relating to vehicle electrification and electronics (including the development of the Porsche Taycan and the high-voltage system platform for all electrification projects at Porsche), before moving to the US start-up Faraday Futures in 2017 in a management role, where he was responsible for the development of electronic hardware. The last station before moving to

fox was the manufacturer of luxury electric cars Automobili Pininfarina, for which Dr. Christian Jung was CTO and led several vehicle and platform developments for high-performance electric vehicles. CFO Ulrich Hoernke was also active at the last two stations (Faraday Futures and Automobili Pininfarina) before joining fox. Previously, he had a long career in management positions at Daimler, Mitsubishi, Chrysler and Fiat Chrysler Automobiles. Among others, he was CFO at Mitsubishi, Chrysler and Daimler China and had full responsibility for the Austrian market at FCA after the Chrysler takeover by Fiat.

Management with strong commitment

The management not only contributes its expertise but is also financially involved in the project. According to company information, 13 percent of the current share capital is held by the management, and another 38.4 percent is held by investors from the group of initiators and their environment. The free float is therefore just under 50 percent, or 61.6 percent if the management shares are included. In addition to share ownership, the management's commitment is also expressed in the fact that, according to the company, the performance-related salary components are very important in the executive board contracts.

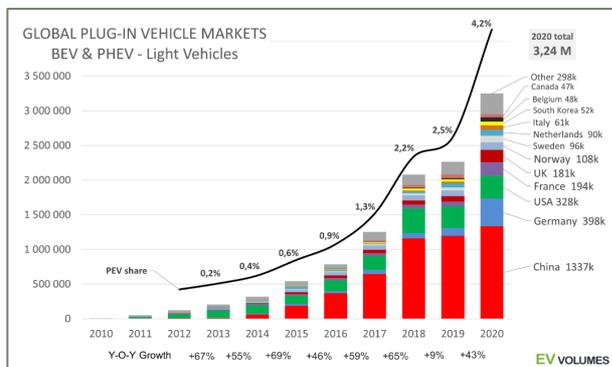


Source: Company;

Market environment

Steep growth of e-mobility

While the global automotive industry as a whole has already seen a decline in production in 2018 and 2019, significantly exacerbated last year by the Covid-19 pandemic, the market for electric vehicles is showing high growth. According to market experts EV Volumes, the number of electric vehicles (battery-powered (BEV) and plug-in hybrids (PHEV)) sold worldwide has more than quadrupled from just over 500,000 in 2015 to nearly 2.3 million in 2019.



Source: *ev-volumes.com*

Boom in the Covid-19 year

The already high growth momentum of the market received a very strong additional boost last year because numerous countries linked their economic stimulus measures to ward off the Covid-19-induced economic slump with climate policy goals and provided particularly generous support in the area of e-mobility. The result was a 43 percent growth in worldwide sales to EUR 3.2 m, of which almost one third was accounted for by plug-in hybrids and two thirds by exclusively battery-powered models. In relation to an overall market that has shrunk by 14 percent, the share of electric vehicles (both types) has increased from 2.5 to 4.2 percent. The development during the year illustrates the importance of government measures: Between January and June, global sales of electric vehicles were still 14 percent below the previous year's figure, which was due to the subsidies in China being reduced in mid-2019. Accordingly, sales

there were -42 percent at the end of June. It was not until the second half of the year that the situation turned positive, and in the last three months the growth of the global market was even consistently more than 100 percent, with 134 percent as the peak in October.



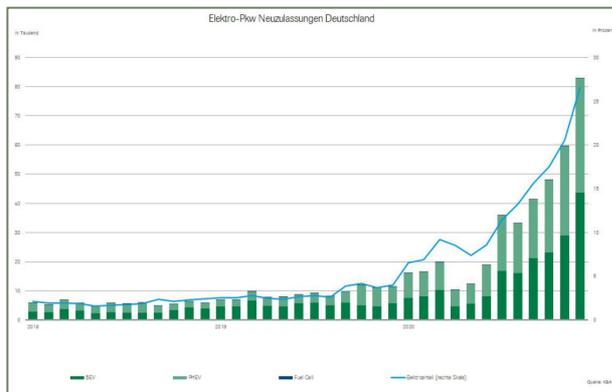
Source: *ev-volumes.com*

Europe in the fast lane

In part, it was the normalisation of the situation in China that made this strong momentum possible: new incentives and the weak basis for comparison from the second half of 2019 ultimately enabled annual growth of 12 percent to 1.3 million units. Above all, however, sales of BEVs and PHEVs have literally exploded in Europe and especially in Germany. In an overall market shrunk by 20 percent, sales of electric vehicles in Europe increased by 137 percent to 1.4 million, overtaking China as the largest single market for electric vehicles. The electrical market share reached 10.2 percent in Europe last year, up from 3.3 percent the previous year. The development reached its peak in December, when 285,000 electric vehicles were sold across Europe. Compared to the previous year, this corresponded to an increase of 260 percent, and in relation to the total market, to a share of 20 percent (data source: *ev-volumes.com*).

Sales in Germany almost tripled

Growth was even stronger in Germany, where sales of electric vehicles increased sevenfold in December and by 263 percent to 395,000 for the entire year. Their market share in 2020 was 13.5 percent, of which plug-in hybrids accounted for around half. In an international comparison, Germany thus occupies a special position; worldwide, BEVs are clearly in the lead with 69 percent of all electric sales (source: VDA and ev-volumes.com).

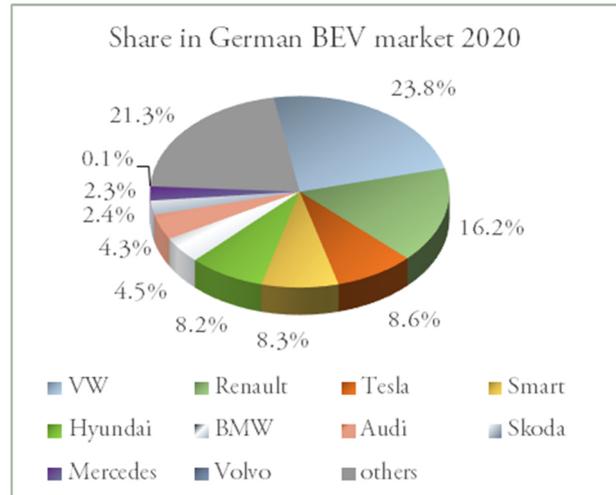


Source: VDA, KBA; left column: in thousands, light green: BEV, dark green: PHEV; right column: percent, blue: share of electro

Attractive frame conditions

Last year's acceleration in growth was due to several factors that came together. These include the range of products on offer that increased significantly over the course of the year, the intensive sales promotion by manufacturers (not least due to the regulation regarding fleet-related CO2 emissions, see below) and, above all, the massively increased government subsidy programmes. In particular, the federal government's environmental bonus was doubled to up to EUR 6,000 per vehicle (through the so-called innovation bonus). According to the Federal Office of Economics and Export Control, demand for the environmental bonus is very high and more than 58,000 applications were submitted in December alone; the total number of applications last year was just under 420,000. As a further support measure, the tax exemption for battery-powered cars was extended by ten years until 2030. Finally, the private use of electric company cars has to be taxed at only 0.25 to 0.5 percent of the gross

list price per month, depending on the extent of private use, instead of 1 percent as is the case with internal combustion cars.



Source: KBA

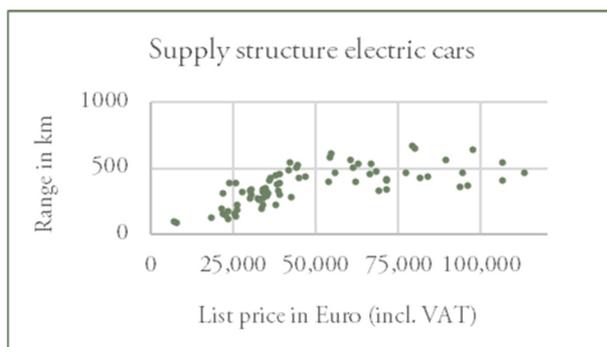
Rapidly growing range of BEV

The fact that the expanded support has met with such a strong response is also due to the significantly improved availability of suitable vehicles. According to an overview by the ADAC, around 40 model series and a total of around 80 models were on the market in December, and the trend is increasing rapidly. This model offensive has also been clearly reflected in a shift in market share: The share of domestic manufacturers in sales in Germany, which was at 46 percent as recently as mid-2019, was already 67 percent in 2020. The market leader is now Volkswagen, who manufactured almost every fourth BEV sold in Germany. Including Audi and Skoda, the Volkswagen Group's share was as high as 30.5 percent. Renault ranks second with 16.2 percent, followed by the electric pioneer Tesla (8.6 percent). The situation is quite different in the USA, where Tesla clearly dominates the market and last year delivered 79 percent of all battery vehicles sold there.

Supply gap in the low-price segment

However, the strong expansion of the offering range has so far mainly occurred in the higher and medium price segments. According to the data compiled by the ADAC, the median list price is EUR 38,925, with

models under EUR 30,000 accounting for only 19 percent of entries. Below EUR 20,000, there are only three models, some of which are not even full-fledged cars (no driving licence requirement, no airbags, two-seater, side windows only as an extra, no eligibility for the environmental bonus). Also, according to tests by the ADAC, the real ranges are sometimes well below 100 km. The MIA small electric car planned by fox, with a targeted gross list price of EUR 16,000, a range of 200 km, full equipment and a generous amount of space inside, addresses thus a market segment that is still scarcely covered despite the model offensive of the established manufacturers.



Source: ADAC, As of 12/2020; own evaluation

Several start-ups

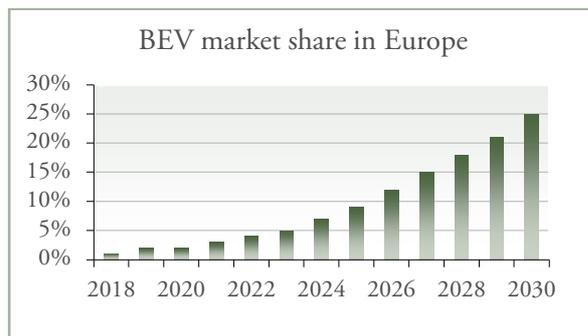
The supply structure is not expected to change decisively in the current year. According to the ADAC, around 20 more models are expected to come onto the market in 2021, but these will again be larger and more expensive vehicles. The small Volkswagen electric cars currently available on the market are still based on the combustion engine platform and are priced well above EUR 20,000 in some cases; for the development of new models, the new electric platform (MEB) must first be scaled down. Accordingly, the company does not expect to launch a genuinely electric small car for the entry-level segment until 2025. The Renault Group is already further along and could take on a pioneering role in the segment with the Dacia Spring Electric, an electric mini-SUV. The vehicle is to be available from this year, have a range of 200 km and cost EUR 19,000 euros in the entry-level variant. In addition, several start-ups are working on concepts for small electric vehicles. Among other things, there will be new entry-level models from e.Go Life, a

company founded in the environment of the University of Aachen. The Sion small electric car, which is supposed to be partially self-sufficient thanks to built-in solar cells, also enjoys a large media presence. However, the list price for the first models, which according to current plans are to be delivered in 2022, has now increased to EUR 25,500. The numerous Chinese electric manufacturers, who have been driving the electric boom there, are also still barely present in Europe. One of the reasons, in the small vehicle segment in particular, are the logistics costs, which are above average and, given the low margins, have a practically prohibitive effect. To what extent Chinese manufacturers will address the European market with their own production in the future remains to be seen, but can not yet be predicted.

Further market growth foreseeable

The high momentum in the market for electric vehicles is expected to continue in the coming years. For 2021 alone, the experts at EV Volumes expect global sales figures to grow by more than 40 percent to 4.6 million (battery vehicles and plug-in hybrids), of which around 2 million are expected to be in the European market. This growth will be initially supported by state subsidies, with which the climate policy goals of decarbonising transport are pursued. For example, the German government has extended the environmental bonus until 2025 and increased the funding volume by a further EUR 3 billion. Manufacturers, too, are now clearly focusing on electric solutions. According to the German industry association VDA, German manufacturers alone are planning investments of more than EUR 50 billion over the next few years and want to expand their product range to more than 150 electric models by 2023. Worldwide, the Boston Consulting Group (BCG) expects the introduction of around 400 electric vehicles by 2025, and the market analysts put the global investment of the automotive industry in this field at USD 300 billion. Further and important technical advances are expected in the area of battery technology. After battery costs have already fallen massively in recent years, BCG analysts expect prices to fall further by an average of 5 percent p.a. by 2030. This means that from

2023, the market should no longer be driven predominantly by subsidies, but by the significantly higher economic efficiency of electric vehicles over their lifetime. On this basis, BCG expects the share of purely battery-powered electric vehicles (BEV) in the global automotive market to be 18 percent in 2030, and a figure of 25 percent is even calculated for Europe. It should be noted here that these estimates are from the beginning of 2020 and have not yet taken into account the rapid dynamics of the last year.



Source: BCG – „Who Will Drive Electric Cars to the Tipping Point?“

CO2 fleet emissions as an important market driver

The fleet-related limits for CO2 emissions decided by the EU play an important role in the development of the market. Since last year, the average of all newly registered vehicles in Europe may not exceed 95 g per 100 km. Depending on the average weight of the respective fleets, manufacturer-specific limit values are derived from this, which fluctuate thus around the figure of 95 g/100 km. Exceeding the individual limit value by a manufacturer is accompanied by penalty payments of EUR 95 for each gram exceeded. If, for example, a manufacturer sells 1 million vehicles in one year whose emissions are on average 10 g above the manufacturer-specific limit value, this results in a penalty payment of EUR 950 m.

Fleet pooling as a way out

However, manufacturers can avoid the penalty if they combine their fleet for the calculation with another company that is below its limit. Such companies thus

acquire so-called CO2 credits, which they can profitably offer within the industry. Their theoretical maximum value corresponds to the penalty that others can avoid. How this value is distributed between the two pooling partners depends on the respective supply and demand situation and on the specific negotiation situation. Assuming a 50/50 split of the profit from the transaction, the market value of the CO2 credit is currently EUR 48.50 per gram. The attractiveness of this regulation for the manufacturers of electric vehicles that do not emit CO2 and consequently book the entire limit value as CO2 credits was shown by Tesla's sale of CO2 credits to Fiat Chrysler, with which the electric pioneer from the USA was able to earn EUR 1.8 billion.

Incentive for cross-subsidisation

Both the penalties and the payments for CO2 credits, which ultimately benefit competitors, spark a strong incentive for manufacturers to massively push sales of their own electric vehicles and, if necessary, to cross-subsidise them. This is all the more so as these payments accrue annually, and the limit value will even be reduced to 81 g/100 km (industry average) from 2025. Further tightening is already the subject of political discussion. The strong growth in sales of electric vehicles in Europe last year is therefore likely to be largely due to this regulation and the incentives it provides. Thanks to the electric boom, the leading German manufacturers have either achieved their 2020 CO2 targets (Daimler and BMW) or only just missed them (Volkswagen Group, the core brand Volkswagen has considerably undercut its limits), but they still benefited from several special rules that will gradually lose their significance from 2021. For instance, pure electric vehicles were rewarded with double the number of CO2 credits in 2020 (supercredits), which will be phased out from 2021. Also, the most CO2-intensive five percent of the new car fleet could be excluded from the calculation in 2020, which made it even easier to achieve the target. Finally, at least for Volkswagen, several pooling contracts (MG from the UK, London EV Company (LEVC), Aways Automobile Europe and Next.e.Go) were included in the calculation, but neither their contribution nor the costs for Volkswagen were published. The fact that Volks-

wagen was not able to completely avoid exceeding the limit values despite the considerable sales successes in the area of electric vehicles, despite the special rules that will soon expire and despite the pooling agreements, illustrates how strong the pressure to reduce fleet emissions and thus to promote sales in the area

of electric vehicles will remain in the coming years. Conversely, this means that companies that can offer CO2 credits (as fox is planning to do from 2023) have the chance of high additional revenues, at least for the next few years.

Strategy

Pure electric

A central component of the strategy is the focus on the already field-tested MIA concept, which is "merely" to be further developed and brought up to the current state of the art. This clearly positions fox as a pure electric car manufacturer with a focus on the low-cost segment of small vehicles for inner-city transport.

Clear focus

This clear focus results in the advantage of being able to optimally align the market approach to the addressed segment without compromise or consideration of other vehicle models or customer groups. Both in terms of the vehicle itself and in terms of the sales and marketing concept, fox can thus concentrate on clearly identified customer groups. In the private sector, this includes urban residents sensitive with regard to price and environment, and in the commercial sector, car-sharing and leasing providers, delivery services, craftsmen and service providers with activities at changing locations (e.g., care services).

Rapid market entry

Since the addressed segment is currently not covered at all or at best rudimentarily by the established automobile groups as well as by the electric top dog Tesla, and the Chinese competition in Europe is not yet visible in this segment either, an attractive time window with only limited competition from comparable electric vehicles beckons to fox in the event of a rapid market launch. In order to make the most of this timeframe, fox sets great store by keeping to the ambitious schedule. This already envisages the approval process for the EU, China and Japan in the second half of 2022 and the ramp-up phase of production in the fourth quarter of 2022. If the plan can be kept to, the first MIA 2.0s should roll off the production line as early as the beginning of 2023.

Low value added

The fact that this schedule seems possible at all is due on the one hand to the fact that it is based on the MIA 1.0 concept, which has already been tried and tested in practice in the past, and on the other hand to the fact that fox deliberately keeps its own depth of added value low and wants to outsource as many services as possible to large and well-known partners from the automotive industry. In the development phase, this primarily concerns many development and engineering services and subsequently the complete production and assembly of the vehicles. In this regard, fox says it is already in advanced and promising talks with companies such as Magna, Valmet and VDL NedCar. This means that own investments can be massively reduced, time can be saved and the capacities currently available in abundance on the market can be used in a comparatively inexpensive and flexible manner. For a start-up, foregoing the establishment of an in-house production facility in favour of using established capacities that have proven themselves in large-scale production has the advantage of reduced quality risk, which can be considerable, especially in the ramp-up phase.

Strict cost management

In view of the low number of planned units compared to the industry, with which in-house production would only allow comparatively low economies of scale, fox hopes that the outsourcing strategy will bring cost advantages that will support its positioning as a price leader. Other elements of this positioning are the foregoing of a complexity- and cost-driving range of variants and equipment in favour of a limited selection of pre-configured equipment packages and the focus on online marketing and online sales. The service network is also to be ensured in a lean manner through a combination of remote services and cooperation with workshop chains.

Licensing business outside Europe

The decision to address only the European market with the own production also serves to reduce complexity. Instead, the potential of other markets is to be tapped by licensing to local manufacturers. fox sees great potential demand especially in the metropolises of South and Southeast Asia and Latin America, which often suffer from massive traffic and environmental problems. If successful, this approach promises a high stream of royalties, which would not be offset by any variable costs at fox.

CO2 credits as a great opportunity

Another lucrative source of revenue for fox could result from the European regulation of CO2 emissions. As a manufacturer of purely electric vehicles that emit

no CO2 during operation, fox earns between 75 and 80 (depending on weight) CO2 credits with each registered vehicle, which can be sold to car manufacturers whose fleets are above the limit. Since a penalty of currently EUR 95 (per gram of excess) can be avoided with each credit, the 75 to 80 credits currently have an arithmetical value of EUR 7,125 to 7,600 – per vehicle. Assuming that the two parties agree to split the proceeds equally (analogous to Tesla's sale of CO2 credits to Fiat Chrysler Automotive, which netted Tesla EUR 1.8 billion), this would result in additional proceeds of EUR 3,500 to 3,800 per MIA 2.0 for fox. In order to benefit from this opportunity to the fullest extent as well, the rapid market entry plays a central role in fox e-mobility's strategy.

Figures

Project start in 2021

Since the reverse merger of fox Automotive Switzerland AG into today's fox e-mobility AG and thus the starting signal for the Mia 2.0 project did not take place until December 2020, there are no historical figures yet. Neither the former Catinum AG nor the company brought in have been operating last year and did not generate any revenues.

Clear opening balance sheet

The balance sheet situation is still very clear as well. An interim balance sheet as of 31 October 2020 published by fox Automotive Switzerland AG in the run-up to the reverse merger with Catinum AG contained equity of EUR 0.5 m and cash and cash equivalents of EUR 0.1 m. The largest balance sheet items were the assets taken over from MIA 1.0, namely patents and trademarks worth almost EUR 3 m and tangible assets (equipment, prototypes) worth almost EUR 2 m. At Catinum AG, the half-year balance sheet as of 30 June 2020 consisted largely of equity of around EUR 0.25 m and cash and cash equivalents in roughly the same amount.

Comprehensive capital measures

With the entry of the capital increase in kind, in the context of which fox Automotive Switzerland AG was brought into fox e-mobility AG (the former Catinum AG) against the issue of 69.63 million shares, the balance sheet total has moved into another dimension. As a result, the share capital increased to EUR 69.93 m, now offset on the assets side primarily by the goodwill and the other intangible purchase price components. At the Extraordinary General Meeting on 7 December 2020, it was also decided that the share capital may be increased by a further EUR 7.0 m by 6 June in the form of a cash capital increase, the issue price of which has not yet been determined. This measure represents the financing basis for the activities planned for the next quarters and is therefore to be carried out

promptly. In order to secure the next steps, an authorised capital of EUR 34 m was finally resolved, which can be used until December 2025.

High investment until 2022

For product development, prototype production, the approval process and preparation for series production, fox plans to invest around EUR 110 m by the end of 2022. In addition, the company anticipates start-up losses, which are expected to add up to approximately EUR 40 m on an EBITDA basis by the end of 2022 and will also need to be financed. In total, fox is planning a financing requirement of around EUR 160 m for the years 2021 and 2022, which is to be covered by loans in addition to the equity measures mentioned.

Launch of production in 2023

If everything goes according to plan, fox wants to start series production the year after next and is aiming for sales of 50,000 vehicles by 2023. The target production of 96,000 is to be reached just one year later. At the same time, the first royalties from the production of the MIA 2.0 by a licensing partner outside Europe are also expected to flow from 2024. As part of its planning, the company initially calculates with only one partner and on this basis with 50,000 licensed vehicles in 2024 and 100,000 from 2025.

EBITDA breakeven as early as 2023

Based on this volume planning, fox aims to achieve positive EBITDA in the first year of production, i.e. in 2023. With a planned sales of EUR 694 m, earnings before interest, taxes, depreciation and amortisation of EUR 22 m are to be achieved in two years. As production ramps up, sales are expected to be above EUR 1.4 billion from 2024, enabling EBITDA of EUR 140 m in 2025. After taxes, fox wants to report a positive result (EUR 83 m) for the first time in 2024 and earn EUR 95 m per year when it is in full swing

(from 2025). The plans thus correspond to the expectation of an internal rate of return (IRR) of 31.6 percent, and the EBITDA margin is planned to be above 10 percent in 2025.

Important contribution of CO2 credits

The high profitability of the planned business model is due to the combination of three revenue pillars. In particular, the licence income and the proceeds from the sale of CO2 credits, which are not offset by any running costs, have a strong margin-increasing effect in the planning. With regard to licensing income, fox expects EUR 300 per licensed vehicle, which would result in royalties of EUR 30 m in 2025. The com-

pany emphasises here that only one licensing agreement was assumed, whereas in principle one per larger country or per region would be possible. The company has also set the income from the sale of CO2 credits far below what seems possible given current market conditions. Thus, only EUR 1,000 per vehicle were assumed for the years 2023 and 2024 and EUR 500 for 2025. However, even without the income from licences and from the sale of CO2 credits, the plans envisage a positive EBITDA with a margin just below 5 percent (in 2025).

Equity story

Electromobility becomes a mass market

By concentrating on pure electric vehicles, fox is addressing an attractive market that is expected to grow rapidly. Thanks to the combination of several megatrends, electromobility, which for years only eked out a niche existence despite many attempts, has now achieved a breakthrough. Market estimates predict that the market share of battery-powered vehicles in new registrations worldwide will increase from two percent to 18 percent between 2020 and 2030; in Europe, every fourth newly registered vehicle is expected to be electric in ten years' time. The driving forces behind this development are government requirements and subsidies in the context of climate protection policy, clean air measures in the cities, the increased environmental awareness of the population and, last but not least, the very strong technological progress, with which the previous disadvantages of electromobility (high costs, lower ranges) have very much lost importance.

Innovative and proved concept

With the MIA 2.0, fox is pursuing a concept that is both innovative and proved. The vehicle is particularly innovative in terms of its design, which makes consistent use of the possibilities offered by the electric drive and thus enables a very good combination of compact dimensions and a generous amount of space inside. At the same time, the concept has already been tried and tested in practice because the predecessor vehicle was already fully developed, produced in a small series and distributed ten years ago. This provides the company with very important empirical values regarding acceptance on the part of customers, safety, reliability and, last but not least, potential for improvement.

Clear focus

Within the growing market for electric vehicles, fox focuses on the segment of small, affordable cars for use in inner-city traffic (private and commercial). In this

way, fox is addressing a segment that is not yet being addressed to any great extent by the established car manufacturers or by the electric pioneer Tesla, and which therefore still has a low level of competition despite the great growth opportunities in Europe. The focus on this segment is expressed both in the vehicle design and in the targeted price leadership.

Rapid market entry

By reverting to the MIA concept developed and tested ten years ago, it is possible to develop the current model very quickly until it is ready for the market. fox aims to go into series production and to generate a positive EBITDA as early as the year after next. This also means that the start-up phase, in which the development has to be pre-financed, is very short compared to other automotive projects. From the investors' point of view, there is thus only a short period of uncertainty before it becomes clear whether or to what extent the management's plans can be realised. In operating terms, the rapid market entry has the advantage of being able to make the most of the current window of opportunity with generous government support and little competition.

Low investment

The investment and the resulting financing requirements are also comparatively low thanks to the preparatory work and experience from the past. The company puts the total financing required to reach cash flow breakeven at around EUR 160 m, which is remarkably low in the automotive industry.

Convincing outsourcing concept

An important reason for these low investments is the decision to consistently rely on outsourcing. This applies both to the development phase, in which fox intends to make use of external development and engineering capacities, and to production and assembly, which is to be outsourced to one of the established

contract manufacturers. According to its own information, fox is already in intensive talks with companies such as Magna, VDL and NedCar. The outsourcing concept is supposed to not only generate cost and time advantages for fox, but at the same time also to reduce the production and quality risks, which are likely to be much higher with an own production to be newly established.

Promising licensing model

In addition to its own production (in the outsourcing model) for the European market, fox wants to set up a licensing model for other continents, in which other companies will produce the MIA 2.0 on the basis of a licence and distribute it in defined territories. The company sees particularly great opportunities in Asia and Latin America, where many large cities suffer from massive environmental and traffic problems. The successful establishment of the licensing model would provide fox with additional revenues, which would not be offset by any running costs.

CO2 credits as a yield driver

As a third revenue pillar, fox wants to benefit from the European regulation of CO2 emissions of European vehicle fleets and the possibility it provides of offsetting the exceeding and undercutting of limit values among the manufacturers. Following the example of Tesla, which sold its CO2 credits to Fiat Chrysler for EUR 1.8 billion, fox as a pure electric vehicle manufacturer can also count on considerable CO2 credits and generate high revenues from their sale. Based on the penalties that other manufacturers would currently have to pay for exceeding their limits (EUR 95 per gram of excess), and which they could avoid by buying the CO2 credits from fox, the maximum value of the CO2 credits of a MIA 2.0 would currently be more than EUR 7,000. In its own planning, fox has calculated actual CO2 revenues of initially EUR 1,000 and subsequently EUR 500 per vehicle.

High profitability

The production and distribution of vehicles for the European market, licensing income from other regions and revenue from the sale of CO2 credits thus represent three pillars of income, each of which is profitable in its own right and which together ensure a high level of profitability for the company. Despite the cautious assumptions regarding the number of licensing partners (one) and revenue from CO2 credits, management expects an EBITDA margin of more than 10 percent for 2025, the first year in full swing.

Very experienced management

In view of the still early stage of the company's development, the internal structures that have not yet been established, the market position that still needs to be built up and the existing uncertainty regarding the feasibility of the plans, the quality of the management is currently of great importance. In this crucial point, fox can score with a very experienced team that is very well networked in the automotive industry and can be trusted to successfully implement the plans. In our opinion, the management's own financial commitment as well as the high weight of performance-based remuneration also have a confidence-building effect.

Capital market presence to be strengthened

Over the next few years, fox e-mobility AG is not only to be developed operationally, but also repositioned on the stock exchange. With the announced move to a higher stock market segment and the intensified IR activities, the management wants to significantly increase awareness among investors and thus also facilitate the necessary financing.

DCF valuation

Business planning as a basis

To determine the value of fox e-mobility, we use a DCF model based on our estimation of the business development in the next eight years. We have based the estimates, especially for the next few years, on the company's own planning, which we consider to be very sound and resilient due to the great expertise of the management team in the automotive industry. Nevertheless, so far these are purely target figures, which are not based on any fox-specific empirical values from the past. For this reason, we have made deductions to the management plans as a precautionary measure, which are mainly reflected in a slower increase of sales figures. Basically, we see our valuation at the current time still associated with an increased estimation risk, which should gradually decrease in the next quarters (and years) as the project progresses.

Sales launch in 2023

Wie das Management, gehen auch wir davon aus, dass die Serienproduktion des MIA 2.0 in zwei Jahren beginnen und zu ersten Umsatzerlösen führen wird. Das Mengengerüst der Schätzungen haben wir von der Unternehmensplanung mit Abschlägen übernommen, wobei der größte Abschlag gleich zum Start der Produktion erfolgt ist. So kalkulieren wir für 2023 lediglich mit 25.000 verkauften Einheiten, um hier sowohl die Risiken des ehrgeizigen Terminzeitplans als auch des Produktionsanlaufs und des Vertriebs zu berücksichtigen. Für 2024 kalkulieren wir mit einer Verdopplung, bewegen uns aber auf einem niedrigeren Niveau und rechnen daher mit 50.000 Stück. Die von fox angestrebte Zielgröße setzen wir erst im Jahr 2026 an, anschließend lassen wir die Absatzzahlen mit 10 Prozent p.a. anwachsen, bis auf knapp 120.000 Einheiten im Jahr 2028. Zum Ende des detaillierten Prognosezeitraums und damit in einem bereits fortgeschrittenen Stadium der Modelllebenszeit des MIA 2.0 impliziert diese Annahme die erfolgreiche Markteinführung weiterer Varianten, Ausstattungspakete etc., mit denen der Absatz stabilisiert werden kann. Die hierfür erforderlichen Investitionen haben

wir in unseren Schätzungen ebenso berücksichtigt wie die Vorleistungen für ein Nachfolgemodell, auf dessen Basis wir die Annahme stabiler Erträge auch für die Ermittlung des Terminal Value treffen konnten.

Like the management, we assume that series production of the MIA 2.0 will start in two years and lead to first sales revenues. The quantity structure of our estimates is adopted – with deductions – from the management's planning, with the largest deduction being made right at the start of production. We are only calculating with 25,000 units sold for 2023 in order to take into account the risks of both the ambitious schedule and the ramp-up of production and sales. For 2024, we expect a doubling, but at a lower level and therefore at 50,000 units. We do not expect the target figure set by fox to be reached until 2026, after which we let the sales figures grow by 10 percent p.a. to just under 120,000 units in 2028. At the end of the detailed forecast period and thus at an already advanced stage of the model life cycle of the MIA 2.0, this assumption implies the successful market launch of further variants, equipment packages, etc., with which sales can be stabilised. Our estimates take into account both the investments required for this and the upfront costs for a successor model, on the basis of which we were able to make the assumption of stable earnings for the calculation of the terminal value.

CO2 credits for three years

The number of CO2 credits that fox receives results from the sales figures. With regard to the price component, however, we strictly follow the fox business plan and estimate revenues of EUR 1,000 for the years 2023 and 2024 and EUR 500 for 2025 from the sale of CO2 credits. We are thus following the conservative line of the management and remain clearly below the maximum imaginable volume. Assuming a 50/50 split of the profits from CO2 pooling, this would currently be around EUR 3,500 per MIA 2.0 sold. On the other hand, the established manufacturers have been able to achieve surprisingly strong improvements

in their carbon footprint over the past year, which has somewhat increased the question mark regarding the amount and length of returns that can be achieved with CO2 credits. While last year's figures were boosted by several special rules, the strong upward trend in electric vehicle registrations definitely reduces the future earnings potential of CO2 credits.

Licence income from 2024

Finally, we also followed the management's plans with regard to the third planned source of revenue, licensing income. Accordingly, we expect the first royalties in 2024, assuming EUR 300 for each vehicle produced and sold under licence. In the first year of the agreement, we expect payments for 50,000 vehicles; from 2025 until the end of the detailed forecast period, we expect a constant 100,000 licensed cars. We also consider this component to be conservative because it is ultimately based on the assumption of a single license agreement. However, since we see a large potential demand for a vehicle like the MIA 2.0 in numerous regions outside Europe, we do not rate the conclusion of several licensing agreements as unlikely. To illustrate the additional potential that could result from this and also from higher revenues from CO2 credits, we have compiled the results of several alternative scenarios below to supplement our base scenario, having of course also run through a development of these two revenue components that falls short of plan.

Steep sales growth

Based on these assumptions, we expect the first sales for 2023, when the sales launch of the MIA 2.0 is expected to generate revenues of EUR 322m. Together with the revenue from the sale of the CO2 credits (EUR 25 m), this would result in total revenue of EUR 347 m. The increase of production and sales to 50,000 and the first revenues from a licensing agreement should more than double revenues to almost EUR 750 m in the following year, after which we assume growth will continue – at a slower pace – to EUR 1.76 billion in 2028.

Expenses follow production

Since both the royalties and the CO2 revenue are not associated with any significant variable costs, our cost estimates follow the quantity structure of the production of the MIA 2.0. Due to the strategic decision in favour of a low depth of added value, the cost of materials is by far the largest expense item. In terms of pure sales revenue, we initially estimate this at just under 80 percent and then gradually reduce it to 73 percent, assuming significant learning curve and economies of scale. Adding the expenses for outsourced assembly, for logistics, etc., we expect a gross margin for production of initially over 6 percent and subsequently in the low double-digit range.

Small overhead

The positive effect of the low depth of added value is reflected in the overhead, which we estimate at slightly

Revenue model		2023	2024	2025	2026	2027	2028
Sales MIA 2.0	units	25,000	50,000	75,000	97,500	107,250	117,975
Average price	Euro	12,880	13,635	14,198	14,340	14,483	14,628
Sales proceeds	m Euro	322.0	681.8	1,064.8	1,398.1	1,553.3	1,725.8
Sales licensed vehicles	units	0	50,000	100,000	100,000	100,000	100,000
Royalties	m Euro	0.0	15.0	30.0	30.0	30.0	30.0
CO2 credits per MIA 2.0	Euro	1,000	1,000	500			
Total revenues from CO2 credits	m Euro	25.0	50.0	37.5			
Total revenues	m Euro	347.0	746.8	1,132.3	1,428.1	1,583.3	1,755.8

Estimates SMC-Research

more than 9 percent of sales revenue in 2023 and at around 3.5 percent in full swing. Only at the end of the detailed forecast period do we allow the ratio to rise again to just under 4 percent, taking into account our assumption about the development and marketing of new vehicle variants, which will be reflected in higher development and marketing expenses.

EBITDA margin just below 10 percent

Including the other two types of income, we see the gross margin in 2023 at 5.8 percent and then at a maximum of 13 percent. We expect EBITDA to be in positive territory for the first time (at EUR 55.6m) in 2024, one year later than the company, and we see the maximum EBITDA margin at 9.1 percent in 2025. In this respect, too, our estimates are thus somewhat more cautious than the management's plans, which hold out the prospect of a double-digit EBITDA margin in 2025. Subsequently, the assumed end of revenue from the sale of CO2 credits causes a slight level shift downwards; at the end of the detailed forecast period, we expect an EBITDA margin of 7.8 percent.

Capital increase in kind lingers

We also expect EBIT to be positive for the first time in 2024 and expect an EBIT margin of 5.4 percent at EUR 40.4 m. One year later, it rises further to 7.9 percent, only to fall back to 6.5 percent by the end of the detailed forecast period. The relatively high discrepancy between EBITDA and EBIT is explained by the amortisation of intangible assets. While property, plant and equipment do not play a major role due to the decision for a low depth of added value, intangible assets are fed from two sources and assume a significant size. On the one hand, last year's capital increase in kind has a lingering impact on the model. As the acquisition price was far above the acquired assets, it is largely booked as goodwill and as other purchase price components (PPA). Since the concrete allocation to these two items has not yet been determined, we have made a lump-sum division into halves and applied scheduled depreciation for the PPA. We have foregone this for goodwill because fox has already announced that it will switch to IFRS for this year's financial statements.

Two investment phases

On the other hand, the need for depreciation results from the high investments in product development, which we have budgeted for 2021 and 2022 in line with the management's planning. fox intends to make extensive use of external development service providers and will capitalise the corresponding costs as acquired intangible assets. We have assumed a second major investment phase for the years 2025 to 2028, in which we have surmised a total of EUR 175 m for the development of further variants and successor models.

Dividends from 2025

Due to the high profitability from the combination of the three revenue pillars, our model also results in a positive after-tax result as early as 2024. We expect a balance sheet profit and thus the ability to pay dividends in 2025. Up to 2023, however, we still expect significant losses after taxes and interest, which will by then add up to more than EUR 100 m. We expect the highest loss for the coming year, in which the then already complete organisation, the already intensive marketing, the intensive development and approval activities and the financing costs are likely to cause an after-tax loss of EUR 42.5 m. For the current year, we expect a loss of EUR 19.8 m.

Two-tier financing

To finance these start-up losses and the investments, we have assumed, based on the business plan, that equity capital will be raised in 2021 in the amount of approximately EUR 80 m and that debt capital measures in the amount of EUR 80 m will be taken in the following year. If fox develops as planned, these two steps should be sufficient. For all other investments assumed in our model, the expected internal financing capability is more than sufficient.

Detailed forecast period

The table on next page shows the model business development resulting from our assumptions for the years 2021 to 2028; detailed overviews of the estimates for balance sheet, income statement and cash flows statement can be found in the Annex. To deter-

m Euro	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
Sales	0.00	0.00	347.00	746.77	1132.34	1428.14	1583.33	1755.75
Sales growth		-	-	115.2%	51.6%	26.1%	10.9%	10.9%
EBIT margin	-	-	-7.5%	5.4%	7.9%	6.9%	7.5%	6.5%
EBIT	-19.84	-36.52	-26.05	40.35	90.00	97.89	118.18	114.52
Tax rate	0.0%	0.0%	0.0%	0.0%	7.1%	32.0%	32.0%	32.0%
Adjusted tax payments	0.00	0.00	0.00	0.00	6.41	31.33	37.82	36.65
NOPAT	-19.84	-36.52	-26.05	40.35	83.60	66.57	80.36	77.87
+ Depreciation & Amortisation	5.32	11.95	17.61	15.25	12.84	14.43	18.94	22.88
+ Increase long-term accruals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
+ Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross operating cash flows	-14.53	-24.57	-8.45	55.60	96.44	80.99	99.30	100.76
- Increase Net Working Capital	4.25	3.50	7.47	-2.64	-9.75	-2.35	-1.27	-1.61
- Investments in fixed assets	-56.00	-55.50	-0.50	-0.50	-25.50	-50.50	-50.50	-50.50
Free cash flows	-66.28	-76.57	-1.47	52.46	61.19	28.15	47.53	48.64

mine the terminal value for mapping the value contributions of the years from 2029 onwards, we use the target EBIT margin of the detailed forecast period and then a "perpetual" cash flow growth of 1 percent p.a.

Discount rate

We discount the free cash flows resulting from these assumptions with WACC (Weighted Average Cost of Capital). Given the early stage of the company's development, we consider an interest rate on borrowed capital of 7.5 percent as appropriate. The cost of equity is determined using the Capital Asset Pricing Model (CAPM). We take a long-term average of the German current yield of 1.0 percent as a risk-free interest rate and estimate the market risk premium at 5.8 percent. This follows the findings of a recent survey, according to which the average market risk premium used for Germany is at this level (source: Survey: Market Risk Premium and Risk-Free Rate used for 81 countries in 2020). In combination with a beta of 1.7, with which we have added a significant premium to the industry beta of the automotive sector in order to take into account the early stage of development of fox, and a target debt ratio of 40 percent, this results in a WACC rate of 8.6 percent.

Target price: EUR 6.30 per share

In our favourite scenario (perpetual growth 1.0 percent, WACC 8.6 percent), these assumptions add up to a market value of equity of EUR 636.6 m. This corresponds to EUR 6.29 per share, from which we derive a price target of EUR 6.30. It should be noted here that we have already assumed the implementation of the planned equity measures and calculated with 101.1 million shares. This assumes that fox will place the new shares at an average issue price of EUR 2.50. Should the placement succeed at a higher price, the dilution effect would be reduced accordingly, and the price target increased. The same applies to the scenario – described by the company as conceivable – that a higher proportion of the financing is provided by borrowed capital.

Increased forecast risk

In addition to the fundamental fair value calculation, we assess the estimation risk on a scale from 1 (very low) to 6 (very high). In this regard, we currently still see an increased uncertainty fed by several sources: For one thing, our estimates are based exclusively on planning; actual figures for the income and especially the expense structure are still completely lacking. It is also still unclear whether and to what extent the plans can

be realised in terms of vehicle concept, costs, deadlines and, above all, success with customers. This also applies to the – particularly important for profitability – revenue pillars of licensing and sale of CO2 credits, both of which offer the risk of underperformance on the one hand and the opportunity to make a significantly larger contribution than assumed in our model on the other. Overall, therefore, we consider the award of six points to be appropriate at this point in time.

Sensitivity analysis I

For our sensitivity analysis, we have varied the input parameters WACC (between 7.6 and 9.6 percent) and perpetual growth (between 0.0 and 2.0 percent). The calculated fair value lies between EUR 4.83 per share in the most restrictive case and EUR 8.82 in the most optimistic case. Our model thus signals a high potential for the fox share even with significantly more restrictive assumptions.

Sensitivity analysis WACC	Perpetual cash flows growth				
	2.0%	1.5%	1.0%	0.5%	0.0%
7.6%	8.82	8.18	7.63	7.17	6.76
8.1%	7.89	7.36	6.91	6.52	6.18
8.6%	7.11	6.67	6.29	5.96	5.67
9.1%	6.44	6.08	5.76	5.48	5.23
9.6%	5.86	5.56	5.29	5.04	4.83

Sensitivity analysis II

In order to illustrate the significance of the assumptions regarding the two very high-margin revenue pillars of licensing income and the sale of CO2 credits

for the model result, we have additionally examined four scenarios, varying only one of these variables in each case and leaving the other at the level of the base scenario. In the first scenario, we have set the licensing income to zero, reducing the fair value to EUR 4.34 per share (scenario 1). Conversely, the assumption of a second, equally large, licence agreement starting in 2026 and making its full contribution from 2027 has increased the model result to EUR 7.97 per share (scenario 2). Not taking into account any revenue from the sale of CO2 credits results in a fair value of EUR 5.73 (scenario 3), while assuming a continuous revenue of EUR 1,000 per vehicle until 2027 would result in a fair value of EUR 7.28 (scenario 4).

Scenario analysis		
Scenario 1	Without royalties	4.34
Scenario 2	Second licence agreement	7.97
Scenario 3	Without revenues from CO2 credits	5.73
Scenario 4	Constant CO2 credits until 2027	7.28

Conclusion

With an innovative electric vehicle, fox e-mobility AG wants to address the segment of low-priced small electric cars for inner-city traffic, which has hardly been covered by the established car manufacturers so far, and thus to participate in the boom of electric mobility.

For the project, fox is relying on a vehicle concept that was already developed to market maturity and road approval ten years ago and has therefore already proved itself in practice. By drawing on this preliminary work, the fox management, made up of several executives with a great deal of experience in the automotive sector, aims to achieve market entry in a fraction of the time and at significantly lower cost that would otherwise be required, and to start series production as early as 2023.

fox pursues a very lean business model with a high proportion of outsourcing, the profitability of which should also reach a level above the industry average through the granting of licences for non-European markets and the sale of CO2 credits. As early as 2023, fox aims to generate a positive EBITDA, followed by

a positive EBIT and after-tax result one year later. Until then, however, there will still be high eight-figure losses. To cover these, fox plans to increase its capital this year.

In our view, the business model pursued by the company is convincing and promising. The planning appears plausible and sufficiently conservative in several places. Nevertheless, for reasons of prudence, we have made some significant deductions in our estimates, especially with regard to the development of sales figures. On this basis, we currently see the fair value of fox e-mobility AG at EUR 6.30 per share, which already takes into account a large capital increase.

Despite the plausible planning and the management's very extensive experience in the automotive industry, we also see a high degree of estimation uncertainty, which is mainly due to the early stage of the company's development. Due to the combination of the high price potential and the high estimation uncertainty, we award the rating "Speculative Buy" at the start of coverage.

Annex I: Balance sheet and P&L estimation

Balance sheet estimation

m Euro	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
ASSETS								
I. Total non-current assets	125.31	168.87	151.76	137.01	149.66	185.74	217.30	244.92
1. Intangible assets	122.71	166.29	149.20	134.33	146.89	182.88	214.37	241.93
2. Tangible assets	2.60	2.58	2.56	2.68	2.78	2.86	2.93	2.99
II. Total current assets	13.97	16.44	35.03	100.46	162.31	165.33	176.14	183.27
LIABILITIES								
I. Equity	122.09	79.61	47.58	81.94	153.89	178.51	224.65	261.92
II. Accruals	1.50	2.00	21.60	32.27	36.45	45.94	50.10	54.77
III. Liabilities								
1. Long-term liabilities	0.00	64.00	64.00	56.56	43.02	36.88	26.00	14.69
2. Short-term liabilities	15.70	39.70	53.60	66.69	78.61	89.73	92.69	96.80
TOTAL	139.29	185.31	186.79	237.47	311.97	351.06	393.44	428.19

P&L estimation

m Euro	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
Sales	0.00	0.00	347.00	746.77	1132.34	1428.14	1583.33	1755.75
Gross profit	0.00	0.00	20.00	94.14	146.76	157.86	185.64	199.23
EBITDA	-14.53	-24.57	-8.45	55.60	102.85	112.32	137.12	137.40
EBIT	-19.84	-36.52	-26.05	40.35	90.00	97.89	118.18	114.52
EBT	-19.84	-42.48	-32.02	34.36	84.86	94.15	114.93	112.28
EAT (before minorities)	-19.84	-42.48	-32.02	34.36	78.82	64.02	78.15	76.35
EAT	-19.84	-42.48	-32.02	34.36	78.82	64.02	78.15	76.35
EPS	-0.20	-0.42	-0.32	0.34	0.78	0.63	0.77	0.75

Annex II: Cash flows estimation and key figures

Cash flows estimation

m Euro	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
CF operating	-10.28	-27.03	-6.94	46.97	81.91	76.10	95.82	97.62
CF from investments	-56.00	-55.50	-0.50	-0.50	-25.50	-50.50	-50.50	-50.50
CF financing	78.00	80.00	0.00	-9.29	-23.80	-47.09	-45.61	-53.21
Liquidity beginning of year	1.00	12.72	10.19	2.75	39.93	72.54	51.06	50.77
Liquidity end of year	12.72	10.19	2.75	39.93	72.54	51.06	50.77	44.68

Key figures

percent	12 2021	12 2022	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028
Sales growth	-	-	-	115.2%	51.6%	26.1%	10.9%	10.9%
Gross margin	-	-	5.8%	12.6%	13.0%	11.1%	11.7%	11.3%
EBITDA margin	-	-	-2.4%	7.4%	9.1%	7.9%	8.7%	7.8%
EBIT margin	-	-	-7.5%	5.4%	7.9%	6.9%	7.5%	6.5%
EBT margin	-	-	-9.2%	4.6%	7.5%	6.6%	7.3%	6.4%
Net margin (after minorities)	-	-	-9.2%	4.6%	7.0%	4.5%	4.9%	4.3%

Disclaimer

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Charts

The charts were made with Tai-Pan (www.lp-software.de).

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The present financial analysis was prepared by: Dipl. Volkswirt Dr. Adam Jakubowski

Participants in the preparation of the present financial analysis: -

The present analysis was finished on 08.02.2021 at 8:00 and published on 08.02.2021 at 8:20.

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