

## Noratis (NUVA GY) | Real Estate

August 25, 2022

### Operating cash flow driven by rental income and disposal result

Company set-up and project track record suggest to us that Noratis has become a relevant player in a niche of the German residential market: Noratis purchases housing units with some modernization needs in a size-bracket which is often too large for most private investors but too small for many institutionals. Many institutional investors probably prefer to buy apartments without any shorter-term refurbishment needs. After modernization, Noratis often resells the assets to institutional investors focussing on rental income. Noratis also aims to keep more and more apartments on its balance sheet. In particular in the current market environment - i.e. risen interest rates, uncertain macro-economic prospects, cost inflation - we deem rental income as a stabilizing factor regarding cash flow. Following a transfer of coverage, we confirm our BUY-recommendation on Noratis-shares with a new PT of EUR 23.0 (30.2).

**Path to net zero:** In its recently published sustainability report, Noratis has outlined a first analysis for the path to net zero. We appreciate that management has started to deal actively with the need to improve the energy-efficiency level of the housing portfolio. Corresponding CAPEX may be a risk for our investment case but we see headroom for Noratis to manage this risk, for example by the resale of modernized assets. Furthermore, opportunities to acquire assets with energy-efficiency development needs might arise for Noratis.

**Valuation:** At the current price level, Noratis-shares trade at an operating cash flow yield 2023e of approx. 11% (before considering changes in working capital).

Fundamentals (in EUR m) <sup>1</sup>	2019	2020	2021	2022e	2023e	2024e
Sales	76	29	74	82	90	96
EBITDA	16	9	20	22	24	25
EPS adj. (EUR)	2.29	0.69	1.97	1.95	2.07	2.21
Gross profit (excl. investment property revaluation)	22.5	15.8	24.5	27.0	29.4	32.0
DPS (EUR)	0.80	0.50	0.55	0.55	0.60	0.65
Operating Cash Flow (EUR)	7	4	7	7	8	9
Dividend paid (EUR)	5	3	2	3	3	3
Capital expenditures (EUR)	0	0	0	1	2	2
Ratios <sup>1</sup>	2019	2020	2021	2022e	2023e	2024e
EV/EBITDA	15.7	38.1	21.8	18.7	18.0	16.9
PCFR	11.2	20.7	12.7	10.1	8.9	7.8
P/E adj.	9.4	26.0	9.9	7.6	7.2	6.7
Dividend yield (%)	3.7	2.8	2.8	3.7	4.1	4.4
EBIT margin (%)	20.8	28.6	26.3	26.4	25.7	25.5
Gearing (%)	335.8	345.3	414.5	392.7	371.1	342.1
PBV	1.5	1.0	1.2	0.8	0.8	0.7

<sup>1</sup>Sources: Bloomberg, Metzler Research

**Buy**  **unchanged**

**Price\*** **EUR 14.80**

**Price target** **EUR 23.00 (30.20)**

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

Market Cap (EUR m) <sup>1</sup>	71
Enterprise Value (EUR m) <sup>1</sup>	417
Free Float (%) <sup>1</sup>	45.0



Performance (in %) <sup>1</sup>	1m	3m	12m
Share	-0.7	-26.7	-27.8
Rel. to SDAX	1.2	-20.7	-0.0

Changes in estimates (in %) <sup>1</sup>	2022e	2023e	2024e
Sales	1.8	3.3	n.a.
EBIT	-6.2	-18.8	n.a.
EPS	-11.9	-14.5	n.a.

#### Sponsored Research



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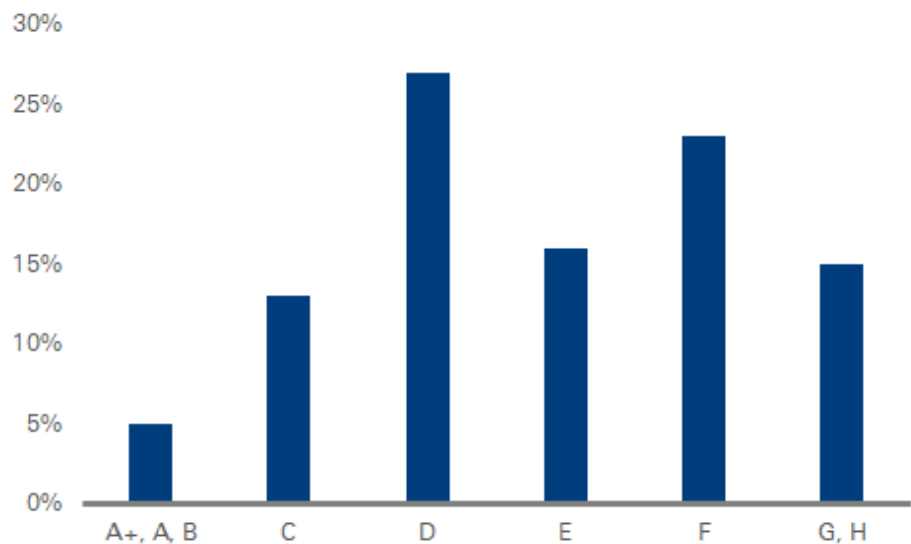
# company note

## First sustainability report published

Noratis has recently disclosed its first sustainability report. The company states that the carbon emissions per sqm of its portfolio are currently approx. 15% higher than the average in Germany. About 70% of Noratis's apartments were constructed in the years 1950-1979, explaining the need for modernization in terms of energy-efficiency level. Furthermore, 58% of Noratis's apartments apply natural gas heating and 13% oil. Due to legal requirements, Noratis has to interchange the oil heating system in about 70% of its oil-heated properties short-term. The latter has already largely been budgeted by the company and shall be executed in due course.

## Property portfolio break-down by energy-efficiency level\*

Noratis: Only a relatively small part of the portfolio belongs to the highly energy-efficient property categories A+, A and B\*



Sources: Noratis, Metzler Research

\* Energy-efficiency levels as defined for the German energy-efficiency certificate

## Indicative scenario outlined for path to net zero

The sustainability report includes an indicative scenario how management aims to reach virtually net zero for its housing stock by 2045. Noratis says that to achieve this target, it will not be enough to modernize apartments comprehensively. As further measure, a higher use of renewable energies and decentralized energy generation modules would be necessary. Increasing the share of renewable energy within Noratis's current energy mix is in our view probably an opportunity to report improvements regarding carbon emissions in the shorter-term.

## Yield on CAPEX for energy-efficiency measures in our view probably relatively low for Noratis

The company may be eligible for state subsidies for part of its future modernization work. Nonetheless, we expect that the majority of such CAPEX has to be financed by Noratis. CAPEX for modernization (which has not been subsidized) is eligible to rent increases following the modernization, but there are legal limits, e.g. due to the so-called "Modernisierungsumlage". In addition, we believe that potential financial constraints of tenants have to be considered, A yield on CAPEX of around 2.5% by rent increases appears realistic to us for Noratis on average, indicating that the company will probably have to bear a significant part - even though not all - of CAPEX for energy-efficiency.

# company note

**Disposals may offer an opportunity for Noratis to boost the yield on investments into energy-efficiency**

Disposals of modernized housing units could be another opportunity for Noratis to monetize CAPEX for energy-efficiency (for sake of accuracy: the spending into apartments categorized as inventory is actually counted as an increase in working capital rather than CAPEX). We deem possible that some investors make concessions on their initial rental yield when purchasing housing units of a high energy-efficiency level. Such potential investors might strive for acquiring assets with the aim to have a longer-term inflationary hedge (even though residential rents in Germany provide in our opinion only a limited inflationary hedge shorter-term due to regulatory limits to raise rents). Furthermore, Noratis could in some projects step-up privatization measures, i.e. to resell modernized apartments to tenants. If they were in a financial position to afford such a purchase, some tenants might be willing to accept a moderately higher price for an apartment of a high energy-efficiency level, in particular in light of the currently high energy prices.

**Further interest rate development probably important for reselling prices**

The further development of interest rates in Germany may influence disposal prices and investors' willingness to accept certain [low] yield levels, also for highly refurbished apartments. Further rises in Germany interest rates would probably be negative for Noratis in this context.

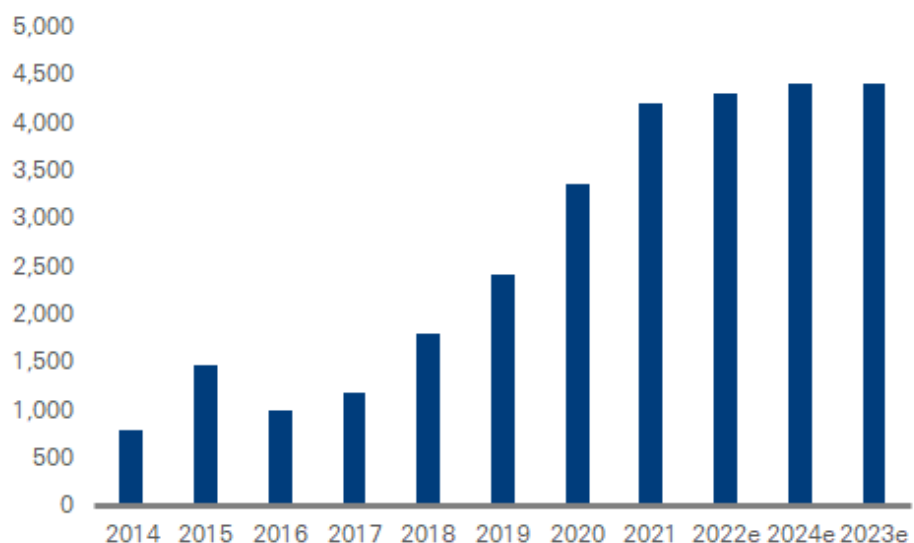
The need for energy-efficiency measures could prompt some property owners to dispose assets, in turn resulting in opportunities for Noratis to purchase assets.

**We have revisited our model**

Regarding the property portfolio, we have taken the assumption that Noratis will increase its housing stock from 4,212 units as per YE 2021 to 4,300 units as per YE 2022e and to 4,400 at YE 2023e. We believe that the possibility to employ further financial debt is currently limited. If Noratis was to raise equity in the future - in 2020, the major shareholder has given a commitment to support such potential future steps - the situation could look different. For purpose of analysis, we focus on the current situation, though.

**Noratis: We have modelled only a minor portfolio increase at this stage following years of rapid growth**

**Number of housing units**



Sources: Noratis, Metzler Research

# company note

## Increased debt level but rental income likely to cover major part of debt interest rate payments

Noratis stated a loan-to-value (LTV) of 64.5% as per year-end 2021 if including hidden reserves on properties. This is in our opinion a rather high but still acceptable indebtedness. We would prefer to see a slight decline regarding Noratis's LTV in the medium-term, for example by retaining the bulk of earnings and operating cash flow. For 2023e, we expect an interest service cover of approx. 220% (excluding the property revaluation result and depreciation, i.e. focussing on cash-effective earnings). If stripping out expected disposal gains, we would end up at an interest service cover of just below 80% for 2023e. This means that disposal gains remain an important part of Noratis's cash-effective earnings, but rental income reduces the dependence on successful disposals to some extent.

Note that the admin cost base of Noratis which is fully included in our interest service cover calculation partially refers to resources for achieving disposal gains; hence, the afore-mentioned figure of 80% if excluding any disposal gains is according to our assessment more a downside scenario rather than an economic assessment. Covering such cost by rental income could be a reason for Noratis to grow the portfolio in the medium-term: All else being equal, this would in our view enable the company to post economies of scale and to post improvements in the interest service cover ratio.

## Major shareholder in our view positive for potential needs to boost equity

In 2020, Merz Real Estate GmbH which is a subsidiary of the family-owned Merz Group (a diversified group having its origins in pharmaceuticals, headquartered in Frankfurt am Main), took a major stake in Noratis. At the same time, Merz Real Estate obliged to invest up to EUR 50 m into Noratis until 2024 by capital measures to finance growth. Since then, approx. EUR 14 m were already spent by Merz by two capital hikes in 2020. As at year-end 2020, the stake held by Merz amounted to approx. 49% (virtually unchanged since then as of today). While the major shareholder has given a commitment to inject equity to finance growth, we believe that one may also take comfort from this when assessing Noratis's balance sheet quality: if Noratis had to lift the equity ratio in case of a harsh, adverse economic scenario, the major shareholder would in our view probably give support.

### Noratis: Our new estimates based on the company's P&L structure

in EUR m	2019	2020	2021	2022e	2023e	2024e
<b>Total revenue</b>	<b>76.0</b>	<b>28.7</b>	<b>73.6</b>	<b>82.4</b>	<b>89.9</b>	<b>96.4</b>
Revenue from the sales of investment properties	63.0	12.0	50.6	55.8	61.6	67.1
Cost of sales of inventory properties	48.6	7.0	39.2	44.1	48.7	52.3
<b>Gross profit from sales of inventory properties</b>	<b>14.4</b>	<b>5.0</b>	<b>11.4</b>	<b>11.7</b>	<b>12.9</b>	<b>14.8</b>
Letting revenues	12.9	16.7	23.0	26.5	28.3	29.3
Letting costs	5.8	6.7	10.4	11.9	12.6	12.9
<b>Gross profit from letting</b>	<b>7.1</b>	<b>10.0</b>	<b>12.6</b>	<b>14.6</b>	<b>15.7</b>	<b>16.3</b>
Other operating income	1.0	0.8	0.4	0.6	0.8	0.9
<b>Gross profit</b>	<b>22.5</b>	<b>15.8</b>	<b>24.5</b>	<b>27.0</b>	<b>29.4</b>	<b>32.0</b>
Personnel costs	4.1	5.0	5.3	5.8	6.3	6.8
Depreciation and amortization	0.4	0.4	0.5	0.5	0.5	0.5
Fair-value adjustments on investment properties	0.0	0.0	3.5	4.0	3.5	3.0
Other operating expenses	2.3	2.2	2.8	2.9	3.0	3.1
<b>EBIT</b>	<b>15.8</b>	<b>8.2</b>	<b>19.4</b>	<b>21.8</b>	<b>23.1</b>	<b>24.6</b>
At-equity result	0.0	0.0	0.0	0.0	0.0	0.0
Financial income	0.2	0.2	0.5	0.3	0.3	0.3
Financial costs	4.4	4.3	6.5	9.0	9.6	10.1
<b>EBT</b>	<b>11.5</b>	<b>4.2</b>	<b>13.4</b>	<b>13.1</b>	<b>13.9</b>	<b>14.9</b>
Income taxes	3.3	1.4	3.9	3.6	3.8	4.1
Tax rate	28.3%	32.7%	29.0%	27.5%	27.5%	27.5%
<b>Profit for the period</b>	<b>8.3</b>	<b>2.8</b>	<b>9.5</b>	<b>9.5</b>	<b>10.1</b>	<b>10.8</b>
Non-controlling interest	0.0	0.0	0.1	0.1	0.1	0.1
<b>Net income attributable to shareholders</b>	<b>8.3</b>	<b>2.8</b>	<b>9.5</b>	<b>9.4</b>	<b>10.0</b>	<b>10.7</b>

Sources: Noratis, Metzler Research

# company note

## Company targets 2022 probably achievable

Management aims to achieve significant growth in sales and EBIT in FY 2022 compared to 2021. We deem both of these targets to be feasible (even though "significant" leaves headroom for interpretation). Regarding sales, earlier this year Noratis announced the disposal of approx. 240 apartments in Münster. We estimate that these apartments sold in the order of magnitude of EUR >2,500 per sqm. Moreover, these apartments have a size of almost 80 sqm on average compared to Noratis's average apartment size of around 66 sqm (Metzler Research calculations). Accordingly, the company has in our view already made a major step towards the 2022 disposal targets.

In addition, EBIT includes Noratis's fair-value result from the revaluation of investment properties. In line with the company's strategy to set-up a portfolio for long-term letting purposes, in a first step management reclassified properties at the amount of EUR 10 m in FY 2021 (balance sheet total: EUR >440 m). This resulted in a fair-value gain of EUR 3.5 m. Noratis stated hidden reserves of EUR 88 m as per YE 2021 on its properties classified as inventory. Accordingly, it looks highly likely to us that the envisaged reclassification of further assets into the investment property category will unveil fair-value gains, too. Hence, the EBIT target for 2022 appears achievable to us. However, we prefer looking at EBIT before the fair value result or at operating cash flow (before change in working capital).

## Cost inflation a risk but in our view manageable

Noratis is in our opinion less exposed to cost inflation of construction materials compared to real estate developers executing new construction projects.

## Cash flow development

### Noratis: We expect operating cash flow to improve gradually

in EUR m	2019	2020	2021	2022e	2023e	2024e
<b>Operating cash flow (Metzler Research definition)</b>	<b>7.0</b>	<b>3.5</b>	<b>7.4</b>	<b>7.1</b>	<b>8.0</b>	<b>9.1</b>
- Change in working capital*	34.1	100.5	76.4	12.6	11.6	2.6
Operating cash flow after change in working capital	-27.2	-96.9	-68.9	-5.6	-3.6	6.5
- CAPEX	0.1	0.1	0.1	1.0	1.5	2.5
<b>Free cash flow</b>	<b>-27.3</b>	<b>-97.0</b>	<b>-69.1</b>	<b>-6.6</b>	<b>-5.1</b>	<b>4.0</b>
- Dividend payment for previous business year	4.7	2.9	2.4	2.6	2.6	2.9
Free cash flow after dividend	-32.0	-99.9	-71.5	-9.2	-7.7	1.1
<b>Operating cash flow per share (in EUR)</b>	<b>1.93</b>	<b>0.87</b>	<b>1.54</b>	<b>1.47</b>	<b>1.66</b>	<b>1.89</b>

Sources: Noratis, Metzler Research

\* Change in working capital adjusted for reclassifications of inventories into investment properties

## Altered core assumptions in our DCF-model

Having revisited our DCF-model, we now take the following key assumptions: Our COE estimate for Noratis is 8.75%, in between the COE which we would apply at this stage for a pure developing company and for a pure housing company.

At year-end 2021, Noratis stated an average cost of debt of 2.4% (incl. hedging cost) with an average remaining debt maturity of 4.3 years. 63% of debt was fixed or hedged at that point in time. 88% of debt was bank debt (usually collateralized) and 12% referred to bonds or promissory notes. If Noratis had to renew all of its debt as of today, we would estimate average cost of debt of approx. 3.3%-3.5%. In this context, we have taken the assumption that Noratis has headroom to optimize the debt structure to reduce hedging cost, even though this would probably mean that Noratis had to accept less flexibility in repaying the loans. In our DCF-model we apply a cost of debt estimate of 3.0% before taxes for Noratis at this stage, partially taking into account that the company has currently still lower cost of debt. The target capital structure in our DCF-model is 65% debt and 35% equity, similar to the balance sheet structure as per YE 2021 if considering hidden reserves.

# company note

In the annual report 2021, Noratis states an expected average group tax rate of 27.4%. Usually, we refer to cash taxes in our DCF-model. Some letting companies in Germany have a relatively low cash tax rate in their IFRS accounts. For the large housing company Vonovia (VNA GY, Metzler-rating HOLD/ PT EUR 33), for example, we calculate an average cash tax rate (based on IFRS group EBT, but adjusted for property revaluation gains and goodwill impairment) of <6% for the years 2020-2021. Given that Noratis has a business model which is to large extent based on reselling revenues (and not first and foremost on letting income), we do not consider Vonovia to provide any good comparison. Moreover, we cannot assess the individual aspects which are decisive in this context. Nonetheless, Noratis strives for keeping more and more housing units in its own book longer-term rather than to resell them. Against this background, we currently believe that it is fair to assume that the group tax rate of Noratis may have modest downside in the longer-term. Accordingly, we have applied a cash tax rate of 26% in our DCF-model, slightly below the level which we assume in our medium-term P&L (27.5%).

## CAPEX - we assume a ramp-up of measures for energy-efficiency

Our CAPEX forecast assumes the start of energy-efficiency modernization (mainly shown in CAPEX in our model, although this may refer to working capital if the corresponding properties count among inventory to be resold). CAPEX is higher than depreciation in the long-term in our model: depreciation does in Noratis's case not refer to regular depreciation of properties (for which CAPEX refers to).

## Noratis: From our DCF-model, we derive a PT of EUR 23.0

### Valuation

	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Terminal Value
<b>EUR m</b>									
Sales	82.4	89.9	96.4	102.2	108.3	113.7	118.2	121.8	123.6
Sales growth (%)	11.9	9.1	7.2	6.0	6.0	5.0	4.0	3.0	1.5
EBIT margin (%)	26.4	25.7	25.5	25.7	25.8	25.6	25.5	25.5	20.0
EBIT	21.8	23.1	24.6	26.3	27.9	29.1	30.2	31.1	24.7
- Revaluation of properties	4.0	3.5	3.0	3.0	3.0	3.0	3.0	3.0	0.0
adjusted (cash-effective) EBIT	17.8	19.6	21.6	23.3	24.9	26.1	27.2	28.1	24.7
adjusted (cash-effective) EBIT-margin	21.6	21.8	22.4	22.8	23.0	23.0	23.0	23.0	20.0
- Cash taxes	4.6	5.1	5.6	6.0	6.5	6.8	7.1	7.3	6.4
Cash tax rate (%)	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Cash Flow	13.6	15.0	16.5	17.7	19.0	19.8	20.6	21.3	18.9
- CAPEX	1.0	1.5	2.5	2.6	2.8	2.9	3.0	3.2	1.8
- Change in working capital (2022e adjusted)	4.0	11.6	2.6	2.8	2.8	2.9	2.9	3.0	1.2
Free Cash Flow	8.6	1.9	11.4	12.3	13.4	14.1	14.7	15.1	15.9
Discounted Free Cash Flow	8.5	1.8	10.3	10.7	11.1	11.1	11.1	11.0	
Discounted Terminal Value									382
Sum DCF	76								
Terminal Value	382								
Enterprise Value	467								
- Net Debt ex pensions	346								
- Minorities	1								
+ Adjustment for financial participations	0								
= Equity Value	111								
<b>Estimated Fair Value per share</b>	<b>23.0</b>								
									WACC (%) 4.5
									Cost of Debt after taxes (%) 2.2
									COE (%) 8.8
									Debt/Total Capital (%) 65.0
									Equity/Total Capital (%) 35.0

Source: Metzler Research

Change in working capital of current year adjusted to prevent double-counting of net debt increase (because we refer to net debt at YE 2022e) / change in working capital before reclassification of inventories into inv. properties

# company note

Due to the relatively high financial leverage, any minor change in the enterprise value estimate takes over-proportionally high influence on the change in the estimated fair value of equity. Moreover, the relatively high share of the terminal value within our enterprise value estimate makes our model also react sensitively on any changes in WACC or long-term growth assumption. However, rising interest rates due to inflationary pressure would in our view probably be accompanied by a rising nominal long-term growth assumption, at least theoretically. Hence, in practical terms the sensitivity to rising cost of debt is probably somewhat less pronounced than the sensitivity analysis suggests.

Concerning the interest rate risk, Noratis would however have the opportunity to consider higher interest rates in the acquisition of new apartments. Accordingly, we deem the company to be somewhat less exposed to interest rate risk compared to a housing company with a virtually pure letting focus.

**Noratis: Our DCF-model reacts very sensitively to minor changes in WACC and long-term growth assumptions**

## Sensitivity analysis

WACC	long-term growth						
	fair value estimate in EUR per share						
	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%
4.1%	28.0	31.1	34.4	38.0	41.9	46.1	50.6
4.2%	24.6	27.5	30.5	33.8	37.4	41.2	45.4
4.3%	21.4	24.1	26.9	30.0	33.2	36.8	40.6
4.4%	18.4	20.9	23.5	26.4	29.4	32.7	36.2
4.5%	15.6	17.9	20.4	23.0	25.8	28.8	32.1
4.6%	12.9	15.1	17.4	19.8	22.5	25.3	28.3
4.7%	10.4	12.4	14.6	16.9	19.3	21.9	24.7
4.8%	8.0	9.9	12.0	14.1	16.4	18.8	21.4
4.9%	5.8	7.6	9.5	11.5	13.6	15.9	18.3

Source: Metzler Research

## Key risks to our investment case

If interest rates were to rise further in Germany, this could undermine the relative attractiveness of the rental yield of apartments. This could also lead to pressure on the market prices of Noratis's portfolio, leading to a higher loan-to-value and making it more difficult to achieve attractive disposal margins. In addition, the interest service cover ratio might get under pressure if debt had to be renewed at worse conditions and if disposal gains were to decline. Another risk could arise if future modernization requirements regarding energy-efficiency were costlier than expected; a scenario of stricter constraints for lifting the cold rent following modernization work might also be a risk. Moreover, the current situation of uncertain macroeconomic prospects and significantly risen energy prices could mean the risk that some tenants cannot afford to pay rents (completely). In addition, Noratis may have an increased need for pre-financing ancillary cost.

## Annotation to gearing

Gearing on the front page of this piece of research might look very high at 415% at year-end 2021. If we were to include hidden reserves on inventory properties (net of taxes), though, this would reduce gearing to around 230% according to our calculations.

# company note

## Key Data

### Company profile

CEO: Igor C. Bugarski

CFO: André Speth

Eschborn, Germany

Noratis invests into small- or mid-size residential real estate portfolios in Germany. The company aims to refurbish the acquired units and to resell them. A proprietary portfolio for longer-term letting purposes is currently being set-up, too. While Noratis has no regional focus within Germany, the company usually strives for purchasing properties either in cities of minor-size close to major agglomerations or in major cities. As per year-end 2021, approx. 15% of the apartments were located in the area Hanover-Brunswick and 10% in Frankfurt am Main.

### Major shareholders

Merz Real Estate (49.1%), Igor C. Bugarski (5.9%)

### Key figures

P&L (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
<b>Sales</b>	<b>76</b>	<b>n.a.</b>	<b>29</b>	<b>-62.2</b>	<b>74</b>	<b>156.4</b>	<b>82</b>	<b>11.9</b>	<b>90</b>	<b>9.1</b>	<b>96</b>	<b>7.2</b>
<b>Gross profit on sales</b>	<b>22</b>	<b>n.a.</b>	<b>15</b>	<b>-30.6</b>	<b>24</b>	<b>60.6</b>	<b>26</b>	<b>9.8</b>	<b>29</b>	<b>8.6</b>	<b>31</b>	<b>8.7</b>
Gross margin (%)	28.4	n.a.	52.1	83.6	32.6	-37.4	32.0	-1.9	31.9	-0.5	32.3	1.4
<b>EBITDA</b>	<b>16</b>	<b>n.a.</b>	<b>9</b>	<b>-46.7</b>	<b>20</b>	<b>129.6</b>	<b>22</b>	<b>12.3</b>	<b>24</b>	<b>6.1</b>	<b>25</b>	<b>6.3</b>
EBITDA margin (%)	21.3	n.a.	30.1	41.0	26.9	-10.5	27.0	0.3	26.3	-2.7	26.1	-0.9
<b>EBIT</b>	<b>16</b>	<b>n.a.</b>	<b>8</b>	<b>-48.1</b>	<b>19</b>	<b>135.9</b>	<b>22</b>	<b>12.4</b>	<b>23</b>	<b>6.3</b>	<b>25</b>	<b>6.4</b>
EBIT margin (%)	20.8	n.a.	28.6	37.4	26.3	-8.0	26.4	0.4	25.7	-2.6	25.5	-0.8
<b>Financial result</b>	<b>-4</b>	<b>n.a.</b>	<b>-4</b>	<b>5.0</b>	<b>-6</b>	<b>-46.4</b>	<b>-9</b>	<b>-46.5</b>	<b>-9</b>	<b>-6.5</b>	<b>-10</b>	<b>-5.4</b>
<b>EBT</b>	<b>12</b>	<b>n.a.</b>	<b>4</b>	<b>-64.0</b>	<b>13</b>	<b>223.2</b>	<b>13</b>	<b>-2.7</b>	<b>14</b>	<b>6.1</b>	<b>15</b>	<b>7.1</b>
Taxes	3	n.a.	1	-58.4	4	186.6	4	-7.7	4	6.1	4	7.1
Tax rate (%)	28.3	n.a.	32.7	n.a.	29.0	n.a.	27.5	n.a.	27.5	n.a.	27.5	n.a.
Net income	8	n.a.	3	-66.2	10	240.9	9	-0.6	10	6.1	11	7.1
Minority interests	0	n.a.	0	-38.1	0	392.3	0	56.3	0	0.0	0	0.0
<b>Net Income after minorities</b>	<b>8</b>	<b>n.a.</b>	<b>3</b>	<b>-66.3</b>	<b>9</b>	<b>240.2</b>	<b>9</b>	<b>-1.0</b>	<b>10</b>	<b>6.2</b>	<b>11</b>	<b>7.1</b>
Number of shares outstanding (m)	4	0.0	5	33.8	5	0.0	5	0.0	5	0.0	5	0.0
<b>EPS adj. (EUR)</b>	<b>2.29</b>	<b>n.a.</b>	<b>0.69</b>	<b>-69.8</b>	<b>1.97</b>	<b>184.4</b>	<b>1.95</b>	<b>-1.0</b>	<b>2.07</b>	<b>6.2</b>	<b>2.21</b>	<b>7.1</b>
<b>DPS (EUR)</b>	<b>0.80</b>	<b>-46.7</b>	<b>0.50</b>	<b>-37.5</b>	<b>0.55</b>	<b>10.0</b>	<b>0.55</b>	<b>0.0</b>	<b>0.60</b>	<b>9.1</b>	<b>0.65</b>	<b>8.3</b>
Dividend yield (%)	3.7	n.a.	2.8	n.a.	2.8	n.a.	3.7	n.a.	4.1	n.a.	4.4	n.a.
<b>Cash Flow (in EUR m)</b>	<b>2019</b>	<b>%</b>	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022e</b>	<b>%</b>	<b>2023e</b>	<b>%</b>	<b>2024e</b>	<b>%</b>
<b>Operating Cash Flow</b>	<b>7</b>	<b>-26.3</b>	<b>4</b>	<b>-49.6</b>	<b>7</b>	<b>111.7</b>	<b>7</b>	<b>-4.7</b>	<b>8</b>	<b>13.3</b>	<b>9</b>	<b>13.4</b>
Increase in working capital	34	-65.3	100	194.3	76	-24.0	13	-83.5	12	-8.2	3	-77.6
Capital expenditures	0	-54.9	0	-34.9	0	59.4	1	809.1	2	50.0	2	66.7
Dividend paid	5	6.9	3	-38.3	2	-16.3	3	9.0	3	0.0	3	9.1
<b>Free cash flow (post dividend)</b>	<b>-32</b>	<b>65.8</b>	<b>-100</b>	<b>-212.4</b>	<b>-71</b>	<b>28.5</b>	<b>-9</b>	<b>87.1</b>	<b>-8</b>	<b>16.0</b>	<b>1</b>	<b>114.2</b>
<b>Balance sheet (in EUR m)</b>	<b>2019</b>	<b>%</b>	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022e</b>	<b>%</b>	<b>2023e</b>	<b>%</b>	<b>2024e</b>	<b>%</b>
<b>Assets</b>	<b>261</b>	<b>21.8</b>	<b>368</b>	<b>41.0</b>	<b>447</b>	<b>21.5</b>	<b>465</b>	<b>4.2</b>	<b>484</b>	<b>4.0</b>	<b>494</b>	<b>2.1</b>
Goodwill	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
<b>Shareholders' equity</b>	<b>53</b>	<b>6.3</b>	<b>74</b>	<b>41.2</b>	<b>81</b>	<b>9.5</b>	<b>88</b>	<b>8.4</b>	<b>95</b>	<b>8.3</b>	<b>103</b>	<b>8.2</b>
<b>Net Debt incl. Provisions</b>	<b>177</b>	<b>20.0</b>	<b>256</b>	<b>45.2</b>	<b>337</b>	<b>31.4</b>	<b>346</b>	<b>2.7</b>	<b>354</b>	<b>2.3</b>	<b>353</b>	<b>-0.3</b>
Gearing (%)	335.8	n.a.	345.3	n.a.	414.5	n.a.	392.7	n.a.	371.1	n.a.	342.1	n.a.
Net debt/EBITDA	10.9	n.a.	29.7	n.a.	17.0	n.a.	15.5	n.a.	15.0	n.a.	14.1	n.a.

### Structure

#### Gross result by sources 2021



Sources: Bloomberg, Metzler Research

### ESG discussion

Key ESG-related topics for Noratis are the energy-efficiency level of buildings and the health of tenants, employees and contractors. Noratis has published its first sustainability report including an indicative scenario how to virtually reach net zero for its housing stock by 2045. Approx. 14% of the company's apartments are part of social housing programs with price links and are let to tenants who could not afford to pay market rents; the rents for these units are subject to special price limits and tenants receive rent subsidies by the state. Integrating ESG into the risk management process is under way. A compliance codex for employees exists. The supervisory board is chaired by a leading employee of the major shareholder Merz Group.



# 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 *		Current price **	Price target *	Author ***
	Previous	Current			
<b>Issuer/Financial Instrument (ISIN): Noratis (DE000A2E4MK4)</b>					
02.05.2022	Buy	Buy	19.90 EUR	30.20 EUR	Bonhage, Stephan
04.04.2022	n.a.	Buy	19.80 EUR	30.20 EUR	Bonhage, Stephan
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A189ZX0)</b>					
25.11.2021	Buy	Buy			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A19UR79)</b>					
25.11.2021	Buy	Buy			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A19X8C0)</b>					
25.11.2021	Buy	Buy			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A1ML7J1)</b>					
15.06.2022	Hold	Hold	31.62 EUR	33.00 EUR	Schmitt, Jochen
09.05.2022	Hold	Hold	34.26 EUR	36.00 EUR	Schmitt, Jochen
21.03.2022	Hold	Hold	45.77 EUR	49.00 EUR	Schmitt, Jochen
07.01.2022	Hold	Hold	48.33 EUR	51.00 EUR	Schmitt, Jochen
30.11.2021	Hold	Hold	49.17 EUR	53.00 EUR	Schmitt, Jochen
24.09.2021	Hold	Hold	54.22 EUR	57.00 EUR	Schmitt, Jochen
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A2R8ND3)</b>					
25.11.2021	Buy	Buy			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A3MP4V7)</b>					
25.11.2021	n.a.	Buy			Rack, Juliane

\* 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

### Noratis

13. Metzler, a company affiliated with Metzler and/or a person that has worked on compiling this report has reached an agreement with the issuer relating to the production of investment recommendations.

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