

Noratis (NUVA GY) | Real Estate

October 14, 2022

Likely to keep course while navigating rough seas

Despite challenges from the market environment, Noratis's business model is in our view largely intact: Purchasing 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. After modernization, Noratis often resells these assets to institutional investors focussing on rental income. Rental income is also a stabilizing revenue component in Noratis's P&L. Shorter-term, we recognize uncertainties for the company's disposal result as well as for the future development of interest expenses. Medium-term, the current interest rate environment and the rising need of CAPEX spending by housing landlords in Germany to improve the energy-efficiency level of apartments, generally speaking, could in our view result in purchasing opportunities for Noratis. We maintain our BUY-recommendation on Noratis-shares but we lower our price target to EUR 19.6 (23.0).

Shareholder structure: In the current market environment, we deem Noratis's major shareholder Merz Real Estate GmbH as reassuring.

Changes in estimates: Key changes in our model are lifted interest rate payments and higher operating cost. For 2022e, we have also factored in gains on interest rate hedges. Our EPS estimates alter by +49% ('22e), -17% ('23e) and -20% ('24e). In light of the current uncertain environment regarding interest rates and for property disposals, we have also cut our dividend expectations.

Valuation: At the current price, Noratis-shares trade at P/BV '22e of approx. 0.7 (not considering hidden reserves on properties).

Fundamentals (in EUR m) ¹	2019	2020	2021	2022e	2023e	2024e
Sales	76	29	74	85	93	100
EBITDA	16	9	20	20	23	25
EPS adj. (EUR)	2.29	0.69	1.97	2.90	1.71	1.78
Gross profit (excl. investment property revaluation)	22.5	15.8	24.5	25.9	30.0	32.7
DPS (EUR)	0.80	0.50	0.55	0.40	0.40	0.55
Operating Cash Flow (EUR)	7	4	7	5	6	7
Dividend paid (EUR)	5	3	2	3	2	2
Capital expenditures (EUR)	0	0	0	0	2	2
Ratios ¹	2019	2020	2021	2022e	2023e	2024e
EV/EBITDA	15.7	38.1	21.8	20.3	17.8	16.6
PCFR	11.2	20.7	12.7	12.6	10.2	9.2
P/E adj.	9.4	26.0	9.9	4.6	7.8	7.5
Dividend yield (%)	3.7	2.8	2.8	3.0	3.0	4.1
EBIT margin (%)	20.8	28.6	26.3	22.7	24.2	24.3
Gearing (%)	335.8	345.3	414.5	364.6	350.2	328.3
PBV	1.5	1.0	1.2	0.7	0.7	0.6

¹Sources: Bloomberg, Metzler Research

Buy



unchanged

Price*

EUR 13.30

Price target

EUR 19.60 (23.00)

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

Market Cap (EUR m) ¹	64
Enterprise Value (EUR m) ¹	402
Free Float (%) ¹	45.0

Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	-9.5	-14.2	-35.1
Rel. to SDAX	0.6	-3.6	1.9

Changes in estimates (in %) ¹	2022e	2023e	2024e
Sales	3.2	3.9	3.7
EBIT	-11.3	-2.1	-1.3
EPS	49.0	-17.3	-19.8

Sponsored Research



Author: Jochen Schmitt

Financial Analyst Equities

+49 69 2104-4359

JSchmitt@metzler.com

company note

Large disposal in January led to a reasonable disposal result

The disposal of approx. 240 apartments in Münster which was signed in January 2022 provided the base for solid gross result in 6M/22 despite the current market environment. In total, 268 apartments were sold in 6M/22. While the disposal gross margin declined to 18% (6M/21: 23%), we consider this outcome to be very attractive for Noratis because the apartments located in Münster had been purchased in January 2021.

Gross profit from letting increased by 18% y-o-y, mainly driven by a larger portfolio. Operating expenses (including "other expenses") increased by 26% y-o-y. This can be partially attributed to staff expenses following hiring activities. Other factors which drove-up "other expenses" were a higher loss allowance for rent receivables, increased travel expenses and risen IT cost.

Some cost items were higher than we had expected

Within the financial result, fair-value gains on interest rate hedges added almost EUR 4 m in 6M/22. This has to be considered when looking at group net profit. Overall, Noratis's 6M/22 results did not include any major surprises to us. However, operating expenses (including "other expenses") and the development of interest rate expenses developed somewhat more unfavorably than we had anticipated.

FY 2022e: we expect a more or less unchanged EBIT y-o-y

Regarding full year 2022e, we now expect an EBIT at about the same level posted for 2021. The management target for 2022 is a "significant" increase in EBIT and EBT. Hence, we are somewhat more cautious than management regarding EBIT at this stage. In line with the strategy to keep more and more properties in the own book for long-term letting purposes, management started last year to re-classify part of the properties from inventories to investment properties. This may result in valuation gains (earnings contribution in 2021: EUR 3.5 m which were booked in the second half; our forecast for 2022e: EUR 4.0 m) which may take significant influence on Noratis's EBIT. Depending on the scope of such potential re-classifications, management's EBIT target might in our opinion still be achievable.

EBT 2022e is according to our estimates likely to increase significantly above the previous year's level, mainly due to gains on interest rate hedges. Given the interest rate environment as of today, we expect even higher fair-value gains for Noratis in the second half 2022e than booked in the first half. For 2023e and 2024e, we have taken the working assumption of a neutral result from hedging gains or losses. This leads to a declining EBT in 2023e in our model y-o-y.

Noratis: Block-sale in early 2022 safeguarded 6M/22 result

Excerpts from the P&L 6M/22

in EUR m	6M/22	6M/21	y-o-y
Total revenue	68.1	59.8	14%
Gross profit from sales of properties	9.8	11.3	-13%
<i>Disposal margin</i>	<i>18.2%</i>	<i>22.8%</i>	<i>-4.6%-age points</i>
Gross profit from letting	7.2	6.1	18%
Gross profit total	17.3	17.6	-2%
Operating expenses (incl. other expenses)	5.4	4.3	26%
EBIT	11.9	13.3	-11%
Financial income	3.7	0.0	>1000%
Financial expenses	4.3	3.1	41%
<i>Financial result</i>	<i>-0.6</i>	<i>-3.1</i>	<i>81%</i>
EBT	11.2	10.2	10%
Net income after minorities	7.9	7.3	9%

Sources: Noratis, Metzler Research

company note

Business model probably remaining intact

Overall, we consider Noratis's business model to remain largely intact despite the currently difficult market environment. While shorter-term, the property disposal result may come under pressure in light of risen interest rates, we believe that the company has probably the opportunity to acquire properties at favorable conditions in the near-term future (provided that Noratis has financial headroom for further property purchases). Moreover, in our view a shortage of housing supply in many major German cities and cost inflation for new construction is limiting the downside for the market value of Noratis's property holdings. Last but not least we consider positive that Noratis is a relatively small player in the German property market: Finding a buyer for around 200 housing units at attractive conditions for the seller is probably easier at this stage than for huge housing portfolios.

P&L forecast

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

in EUR m	2019	2020	2021	2022e	2023e	2024e
Total revenue	76.0	28.7	73.6	85.0	93.4	99.9
Revenue from the sales of inventory properties	63.0	12.0	50.6	56.1	61.6	67.1
Cost of sales of inventory properties	48.6	7.0	39.2	45.7	48.7	52.3
Gross profit from sales of inventory properties	14.4	5.0	11.4	10.4	12.9	14.8
Letting revenues	12.9	16.7	23.0	28.9	31.8	32.8
Letting costs	5.8	6.7	10.4	14.0	15.5	15.8
Gross profit from letting	7.1	10.0	12.6	14.9	16.3	17.0
Other operating income	1.0	0.8	0.4	0.6	0.8	0.9
Gross profit	22.5	15.8	24.5	25.9	30.0	32.7
Personnel costs	4.1	5.0	5.3	6.8	7.3	7.7
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	3.3	3.1	3.2
EBIT	15.8	8.2	19.4	19.3	22.6	24.3
At-equity result	0.0	0.0	0.0	0.0	0.0	0.0
Financial income	0.2	0.2	0.5	10.0	0.3	0.3
Financial costs	4.4	4.3	6.5	9.8	11.4	12.7
<i>Financial result</i>	<i>-4.3</i>	<i>-4.1</i>	<i>-5.9</i>	<i>0.2</i>	<i>-11.1</i>	<i>-12.4</i>
EBT	11.5	4.2	13.4	19.5	11.5	11.9
Income taxes	3.3	1.4	3.9	5.4	3.2	3.3
Tax rate	28.3%	32.7%	29.0%	27.8%	27.5%	27.5%
Profit for the period	8.3	2.8	9.5	14.1	8.3	8.7
Non-controlling interest	0.0	0.0	0.1	0.1	0.1	0.1
Net income attributable to shareholders	8.3	2.8	9.5	14.0	8.2	8.6

Sources: Noratis, Metzler Research

Indebtedness in our view manageable

LTV (loan-to-value) was 67% as per June 2022, according to our calculations, including hidden reserves on properties. Almost 90% of debt refers to collateralized bank loans, granted mainly by local savings banks and co-operative banks. Shorter-term debt maturities are relatively low: approx. EUR 5 m until June 2023 and further EUR 25 m until June 2024. Cash at-hand was EUR 11 m as per June 2022. According to our assessment, Noratis should not raise indebtedness much further. The debt situation seems to us to be under control, though, from today's perspective.

company note

Cash flow development

Noratis: We expect operating cash flow to rise gradually in '23e and '24e

in EUR m	2019	2020	2021	2022e	2023e	2024e
Operating cash flow (Metzler Research definition)	7.0	3.5	7.4	5.1	6.3	7.0
- Change in working capital*	34.1	100.5	76.4	4.6	11.6	2.6
Operating cash flow after change in working capital	-27.2	-96.9	-68.9	0.4	-5.3	4.4
- CAPEX	0.1	0.1	0.1	0.5	1.5	2.5
Free cash flow	-27.3	-97.0	-69.1	-0.1	-6.8	1.9
- Dividend payment for previous business year	4.7	2.9	2.4	2.6	1.9	1.9
Free cash flow after dividend	-32.0	-99.9	-71.5	-2.7	-8.7	0.0
Operating cash flow per share (in EUR)	1.93	0.87	1.54	1.05	1.31	1.45

Sources: Noratis, Metzler Research

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

We exclude gains on derivatives in our operating cash flow calculation. Higher costs of debt, which are partially compensated or dampened by these derivatives, are fully included in our operating cash flow, though. Theoretically, this means that our operating cash flow calculation has a downward bias for the time being: it seems virtually impossible to us to allocate the gains on derivatives to future financial result for purpose of cash flow calculation in our model.

Dividend: we have become more cautious

We have factored in a dividend cut from EUR 0.55 per share paid for fiscal year 2021 to EUR 0.40 per share for 2022e. This shall reflect the uncertainty which we currently recognize for Noratis's future cost of debt. Furthermore, property disposal gains are a key element of the company's P&L and shorter-term, it seems to be particularly difficult to forecast the disposal result. Last but not least, we believe that Noratis wants to grow the company further, possibly by capturing upcoming property acquisition opportunities. Therefore, we deem reasonable not to expect a stable dividend for the time being, although we do not exclude that Noratis may ultimately still be able to pay an unchanged dividend for 2022e.

WACC lifted in our DCF-model

We lift our company-specific COE estimate by 25 basis points to 9.0%, between the figure which we would currently apply for a pure housing company and a project developer in Germany. For Noratis's cost of debt, we have now applied a pre-tax figure of 3.6%. This reflects a mixture between what we would see as Noratis's current cost of debt (if all debt had to be renewed as of today) and debt conditions in the current loan structure. As per June 2022, Noratis stated 2.3% as average effective cost of debt with an average maturity of 5.0 years. Roughly 70% of debt was hedged (and a minor part was fixed) at that point in time, even though we deem it relatively difficult from the hedging structure to conclude on cost of debt in the shorter-term future. Our new WACC is 4.9%.

LT growth assumption also raised by us

Our long-term growth assumption in the DCF-model has been raised from 1.50% to 1.75%. We believe that the recently risen inflationary rates in Germany are likely to boost Noratis's longer-term revenue growth potential, for example in disposals or regarding rental income. Concerning the potential influence of inflation on Noratis's rental income, however, we expect vast part of rents to react only with a time lag of several years to the recent inflationary developments due to residential rent regulation in Germany and based on our assumption of the company's rental contract structure.

company note

Noratis: From our DCF-model, we derive a PT of EUR 19.6

Valuation

	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Terminal Value
EUR m									
Sales	85.0	93.4	99.9	105.9	112.3	117.9	123.2	127.5	129.8
Sales growth (%)	15.5	9.9	7.0	6.0	6.0	5.0	4.5	3.5	1.75
EBIT margin (%)	22.7	24.2	24.3	24.3	24.3	24.3	24.3	24.3	19.3
EBIT	19.3	22.6	24.3	25.7	27.3	28.7	29.9	31.0	25.0
- 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	15.3	19.1	21.3	22.7	24.3	25.7	26.9	28.0	25.0
adjusted (cash-effective) EBIT-margin	18.0	20.5	21.3	21.5	21.6	21.8	21.9	21.9	19.3
- Cash taxes	4.0	5.0	5.5	5.9	6.3	6.7	7.0	7.3	6.5
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	11.8	14.7	16.3	17.3	18.5	19.5	20.5	21.3	19.1
- CAPEX	0.5	1.5	2.5	2.6	2.8	2.9	3.0	3.2	1.9
- Change in working capital (2022e adjusted)	4.0	11.6	2.6	2.8	2.8	2.9	2.9	3.0	1.3
Free Cash Flow	7.3	1.6	11.2	12.0	12.9	13.8	14.5	15.1	15.9
Discounted Free Cash Flow	7.2	1.5	10.0	10.3	10.6	10.7	10.8	10.7	
Discounted Terminal Value									361
Sum DCF	72								
Terminal Value	361								
Enterprise Value	433								
									WACC (%) 4.9
									Cost of Debt after taxes (%) 2.7
									COE (%) 9.0
- Net Debt ex pensions	338								
- Minorities	1								Debt/Total Capital (%) 65.0
+ Adjustment for financial participations	0								Equity/Total Capital (%) 35.0
= Equity Value	94								
Estimated Fair Value per share	19.6								

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 '22e) / change in working capital before reclassification of inventories into inv. properties.

Sensitivity analysis requires some explanation

Due to the relatively high financial leverage, any change in the enterprise value estimate takes disproportionately high influence on 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. However, rising interest rates due to inflationary pressure (which seems to be the current reality) 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.

Furthermore, Noratis has the opportunity to consider higher interest rates in the acquisition of new apartments, even though this would not help the shorter-term disposal result. Thus, we deem Noratis to be somewhat less exposed to interest rate risk compared to a pure housing company with the focus on letting.

company note

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										
	1.50%	1.55%	1.60%	1.65%	1.70%	1.75%	1.80%	1.85%	1.90%	1.95%	2.00%
4.5%	25.5	27.0	28.4	30.0	31.5	33.2	34.9	36.6	38.5	40.4	42.3
4.6%	22.3	23.7	25.0	26.4	27.9	29.4	31.0	32.6	34.3	36.0	37.9
4.7%	19.3	20.6	21.8	23.1	24.5	25.9	27.4	28.9	30.4	32.0	33.7
4.8%	16.5	17.6	18.8	20.1	21.3	22.6	24.0	25.4	26.8	28.3	29.9
4.9%	13.8	14.9	16.0	17.2	18.3	19.6	20.8	22.1	23.5	24.9	26.3
5.0%	11.3	12.3	13.4	14.4	15.6	16.7	17.9	19.1	20.3	21.6	23.0
5.1%	9.0	9.9	10.9	11.9	12.9	14.0	15.1	16.2	17.4	18.6	19.8
5.2%	6.7	7.6	8.5	9.5	10.4	11.4	12.5	13.5	14.6	15.8	16.9
5.3%	4.6	5.4	6.3	7.2	8.1	9.1	10.0	11.0	12.0	13.1	14.2

Source: Metzler Research

Current share price valuation appears too low to us

As per half-year 2022, Noratis had approx. EUR 80 m of hidden reserves on properties. This refers to balance sheet values of about EUR 420 m, i.e. the fair value of the company's property holdings was around EUR 500 m. at that point in time. Noratis states the NAV per share at EUR 30.0. This means that the current P/NAV of Noratis-shares is standing at around 0.45. For purpose of scenario analysis: according to our calculations, if Noratis's properties were impaired by slightly more than 20% (precise figure inter alia depending on the treatment of deferred taxes), the net asset value per share would be roughly equal to the current share price.

We have referred to the P/BV '22e instead of P/NAV on the front page of this note because this is in our opinion a particularly cautious approach in the current market environment. Usually, we prefer focussing on cash-related figures rather than on P/NAV. Based on the current share price level, Noratis-shares trade at an operating cash flow yield '23e of approx. 10%.

BUY-recommendation reiterated

We deem the current valuation of Noratis-shares as too low and reiterate our BUY-recommendation. From our DCF-model, we derive a new price target of EUR 19.6 (down from 23.0) per share.

Key risks to our investment case

As outlined in our previous research note on Noratis: If interest rates were to rise further in Germany, this could undermine the relative attractiveness of the rental yield of apartments. This could also trigger 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 could get under pressure if debt had to be renewed at worse conditions and if disposal gains were to decline. Other risks could arise if future modernization requirements regarding energy-efficiency were costlier than expected or in a scenario of stricter constraints for lifting rents following modernization work. 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.

Appendix: major shareholder Merz Real Estate

Merz Real Estate GmbH is a subsidiary of the family-owned Merz Group (a diversified group having its origins in pharmaceuticals, headquartered in Frankfurt am Main). Merz Real Estate holds a stake of just below 50% in Noratis and has given a commitment to inject equity to finance growth if such opportunities for Noratis were to arise. 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.

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	%
Sales	76	n.a.	29	-62.2	74	156.4	85	15.5	93	9.9	100	7.0
Gross profit on sales	22	n.a.	15	-30.6	24	60.6	25	5.3	29	15.6	32	8.8
Gross margin (%)	28.4	n.a.	52.1	83.6	32.6	-37.4	29.8	-8.8	31.3	5.1	31.8	1.7
EBITDA	16	n.a.	9	-46.7	20	129.6	20	-0.1	23	16.9	25	7.2
EBITDA margin (%)	21.3	n.a.	30.1	41.0	26.9	-10.5	23.3	-13.5	24.8	6.3	24.8	0.2
EBIT	16	n.a.	8	-48.1	19	135.9	19	-0.4	23	17.3	24	7.3
EBIT margin (%)	20.8	n.a.	28.6	37.4	26.3	-8.0	22.7	-13.7	24.2	6.7	24.3	0.3
Financial result	-4	n.a.	-4	5.0	-6	-46.4	0	103.3	-11	n.m.	-12	-10.9
EBT	12	n.a.	4	-64.0	13	223.2	19	45.2	11	-41.0	12	3.9
Taxes	3	n.a.	1	-58.4	4	186.6	5	39.3	3	-41.7	3	3.9
Tax rate (%)	28.3	n.a.	32.7	n.a.	29.0	n.a.	27.8	n.a.	27.5	n.a.	27.5	n.a.
Net income	8	n.a.	3	-66.2	10	240.9	14	47.6	8	-40.8	9	3.9
Minority interests	0	n.a.	0	-38.1	0	392.3	0	56.3	0	0.0	0	0.0
Net Income after minorities	8	n.a.	3	-66.3	9	240.2	14	47.5	8	-41.1	9	3.9
Number of shares outstanding (m)	4	0.0	5	33.8	5	0.0	5	0.0	5	0.0	5	0.0
EPS adj. (EUR)	2.29	n.a.	0.69	-69.8	1.97	184.4	2.90	47.5	1.71	-41.1	1.78	3.9
DPS (EUR)	0.80	-46.7	0.50	-37.5	0.55	10.0	0.40	-27.3	0.40	0.0	0.55	37.5
Dividend yield (%)	3.7	n.a.	2.8	n.a.	2.8	n.a.	3.0	n.a.	3.0	n.a.	4.1	n.a.
Cash Flow (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Operating Cash Flow	7	-26.3	4	-49.6	7	111.7	5	-31.7	6	24.1	7	10.9
Increase in working capital	34	-65.3	100	194.3	76	-24.0	5	-93.9	12	150.4	3	-77.6
Capital expenditures	0	-54.9	0	-34.9	0	59.4	0	354.5	2	200.0	2	66.7
Dividend paid	5	6.9	3	-38.3	2	-16.3	3	9.0	2	-27.3	2	0.0
Free cash flow (post dividend)	-32	65.8	-100	-212.4	-71	28.5	-3	96.2	-9	-222.0	-0	99.5
Balance sheet (in EUR m)	2019	%	2020	%	2021	%	2022e	%	2023e	%	2024e	%
Assets	261	21.8	368	41.0	447	21.5	457	2.3	476	4.1	486	2.1
Goodwill	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Shareholders' equity	53	6.3	74	41.2	81	9.5	93	14.0	99	6.8	106	6.7
Net Debt incl. Provisions	177	20.0	256	45.2	337	31.4	338	0.3	347	2.6	347	0.0
Gearing (%)	335.8	n.a.	345.3	n.a.	414.5	n.a.	364.6	n.a.	350.2	n.a.	328.3	n.a.
Net debt/EBITDA	10.9	n.a.	29.7	n.a.	17.0	n.a.	17.1	n.a.	15.0	n.a.	14.0	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. As per year-end 2021, about 13% of its apartments are oil-heated. The majority of Noratis's oil heating systems has to be interchanged short-term and these measures shall be executed in due course. Approx. 14% of the company's apartments are part of social housing programs with price links. 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			
Issuer/Financial Instrument (ISIN): Noratis (DE000A2E4MK4)					
25.08.2022	Buy	Buy	14.80 EUR	23.00 EUR	Schmitt, Jochen
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

* 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.

Compiled: October 14, 2022 08:43 AM CEST

Initial release: October 14, 2022 08:43 AM CEST

company note

Disclaimer

This document has been prepared by B. Metzler seel. Sohn & Co. AG (Metzler) and is addressed exclusively to eligible counterparties and professional clients. It is thus not suitable for retail clients.

This document is based on information which is generally available and which Metzler believes to be fundamentally reliable. Metzler has not verified the accuracy or completeness of the information, however, and thus provides no warranty or representation in respect of the accuracy or completeness of the information, opinions, estimates, recommendations and forecasts contained in this document. Neither Metzler nor any of its shareholders or employees are liable for damage or any other disadvantage suffered due to inaccurate or incomplete information, opinions, estimates, recommendations or forecasts as a result of the distribution or use of or in connection to this document.

This document does not constitute or form part of any offer to buy or solicitation of any offer to buy securities, other financial instruments or other investment instruments. Neither does it take account of the particular investment objectives, financial situation or needs of individual recipients nor does it constitute personal investment advice. Metzler does not act as investment advisor or portfolio manager in preparing and publishing this document. Recipients must make their own investment decisions in accordance with their specific financial situation and investment objectives, based on independent processes and analyses, taking sales or other prospectuses, information memoranda and other investor information into account, and consult with an independent financial advisor where necessary. Recipients should note that any information regarding past performance should not be relied upon as an indication of future performance and should therefore not form the basis of any decision whether or not to invest in any financial instruments.

The information, opinions, estimates, recommendations and forecasts contained in this document reflect the personal views of the author at the time of publication on the financial instruments or issuers that form the subject of this document and do not necessarily reflect the opinions of Metzler, the issuer or third parties. They may also be subject to change on account of future events and developments. Metzler has no obligation to amend, supplement or update this document or to otherwise notify recipients in the event that any information, opinions, estimates, recommendations or forecasts stated herein should change or subsequently become inaccurate, incomplete or misleading. The model calculations contained in this document, if any, are examples showing the possible performance and are based on various assumptions (e.g. regarding earnings and volatility). The actual performance may be higher or lower, depending on market trends and on the correctness of assumptions underlying the model calculations. Accordingly, actual performance cannot be guaranteed, warranted or assured.

Recipients should assume that (a) Metzler is entitled to acquire orders for investment banking, securities or other services from or with companies which form the subject of research publications and that (b) analysts who were involved in preparing research publications may, within the scope of regulatory laws, be indirectly involved in the acquisition of such orders.

Metzler and its employees may hold positions in securities of the companies analysed or in other investment objects or may conduct transactions with such securities or investment objects.

This document is provided for information purposes only and may not be copied, duplicated, forwarded to third parties or otherwise published, in whole or in part, without Metzler's written consent. Metzler reserves all copyrights and rights of use, including those relating to electronic media. Insofar as Metzler provides hyperlinks to websites of the companies cited in research publications, this does not mean that Metzler confirms, recommends or warrants any data contained on the linked sites or data which can be accessed from such sites. Metzler accepts no liability for links or data, nor for any consequences which may arise as a result of following the links and/or using the data.

This document is subject to the laws of the Federal Republic of Germany. Venue of jurisdiction for any disputes shall be Frankfurt am Main, Germany.

By accepting this document the recipient declares his/her agreement with the above provisions.

Information in accordance with Regulation (EU) No. 596/2014, Delegated Regulation (EU) No. 2016/958 and section 85 (1) of the German Securities Trading Act (*Wertpapierhandelsgesetz*)

Persons responsible for this document

The company responsible for preparing this document is B. Metzler seel. Sohn & Co. AG, Untermainanlage 1, 60329 Frankfurt am Main, Germany, which is subject to supervision by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht; BaFin*), Marie-Curie-Straße 24–28, 60439 Frankfurt/Main, Germany, and by the European Central Bank (ECB), Sonnemannstraße 20, 60314 Frankfurt/Main, Germany.

Key information sources

The sources of information referred to when preparing research publications include publications by national and international media, the European Central Bank and other public authorities, information services (such as Reuters and Bloomberg), the financial press, published statistics, information published by rating agencies, annual reports and other information provided by the issuers.

Valuation criteria and methods

Valuations are based on standard and acknowledged methods of fundamental and technical analysis (e.g. DCF model, peer-group analysis, sum-of-the-parts model, relative-value analysis). The valuation models are affected by macro-economic values such as interest rates, exchange rates, commodities prices and economic performance, as well as by market sentiments. Detailed information on the valuation principles and methods used by Metzler and the assumptions on which they are based is available at www.metzler.com/disclaimer-capital-markets-en.

Sensitivity of valuation parameters: risks

The figures on which the company valuations are based are date-specific estimates and thus carry inherent risks. They may be adjusted at any time without prior notice.

company note

Irrespective of the valuation principles and methods used and the assumptions on which they are based, there is always a risk that a particular price target is not achieved or that the assumptions and forecasts prove inaccurate. This can, for instance, be the result of unexpected changes in demand, management, technology, economic or political developments, interest rates, costs, the competitive situation, the legal situation and other factors. Investments in foreign markets and instruments are subject to additional risks, as a result of changes in exchange rates or in the economic, political or social situation, for instance. This outline of risks makes no claim to be exhaustive.

Definition of categories for investment recommendations

The categories for investment recommendations in research publications by Metzler have the following meanings:

Shares:

BUY	The price of the analysed financial instrument is expected to rise in the next 12 months.
HOLD	The price of the analysed financial instrument is expected to largely remain stable in the next 12 months.
SELL	The price of the analysed financial instrument is expected to fall in the next 12 months.

Bonds:

BUY	The analysed financial instrument is expected to perform better than similar financial instruments.
HOLD	The analysed financial instrument is not expected to perform significantly better or worse than similar financial instruments.
SELL	The analysed financial instrument is expected to perform worse than similar financial instruments.

Summary of investment recommendations

A list of all investment recommendations for each financial instrument or issuer published by Metzler in the past twelve months can be found at www.metzler.com/disclaimer-capital-markets-en.

The quarterly quotation of the number of all investment recommendations given as “buy”, “hold”, “sell” or similar for the past 12 months as a proportion of the total number of investment recommendations made by Metzler and the quotation of the proportion of these categories relating to issuers to whom Metzler has provided services within the meaning of Annex I sections A and B of Regulation 2014/65/EU within the past 12 months can be accessed and downloaded at www.metzler.com/disclaimer-capital-markets-en.

Planned updates of this document

This document reflects the opinion of the respective author at the time of its preparation. Any changes of factors can cause information, opinions, estimates, recommendations and forecasts contained in this document to cease to be accurate. No decision has as yet been taken as to whether, and if so when, this document will be updated. If an investment recommendation is updated, the updated investment recommendation replaces the previous investment recommendation upon publication.

Compliance arrangements; conflicts of interest

All analysts are bound by Metzler’s internal compliance regulations which ensure that the research publications are prepared in accordance with statutory and regulatory provisions. The analysts are classified as working in a confidential sector and are thus required to observe the resulting statutory and regulatory provisions. This is monitored on a regular basis by the Compliance department and external auditors. The Compliance department ensures that potential conflicts of interest do not affect the original result of the analysis. Metzler has a binding Conflicts of Interest Policy in place which ensures that relevant conflicts of interest within Metzler, the Metzler Group, the analysts and staff of Metzler’s Capital Markets division and persons associated with them are avoided or, if they cannot be avoided, are appropriately identified, managed, disclosed and monitored. A detailed description of Metzler’s policy for avoiding conflicts of interest is available at www.metzler.com/disclaimer-capital-markets-en.

Details of the conflicts of interests to be disclosed under regulatory requirements are published at www.metzler.com/disclosures-en.

Remuneration

The remuneration of the Metzler staff members and other persons involved in preparing this document is in no way, either in whole or in any variable part, directly or materially linked to transactions in securities services or other transactions processed by Metzler.

Prices

All prices for financial instruments stated in this document are, unless otherwise stated, closing prices for the trading day preceding the respective stated publication date on the market which we regard as the most liquid market for the respective financial instrument.

Scope of application

This document was prepared in the Federal Republic of Germany in line with the legal provisions valid there. It may therefore be possible that this document does not comply with all provisions relating to the preparation of such documents in other countries.

company note

Metzler Capital Markets

B. Metzler seel. Sohn & Co. AG
Untermainanlage 1
60329 Frankfurt/Main, Germany
Phone +49 69 2104-extension
Fax +49 69 2104-679
www.metzler.com

Mario Mattera

Head of Capital Markets

Research	Pascal Spano	Head of Research	4365
Fax +49 69 283159			
	Guido Hoymann	Head of Equity Research	398
		Transport, Utilities/Renewables	
	Stephan Bauer	Industrial Technology	4363
	Tom Diedrich	Media, Retail	239
	Oliver Frey	Technology	4360
	Alexander Neuberger	Industrial Technology, Small/Mid Caps	4366
	Jochen Schmitt	Financials, Real Estate	4359
	David Varga	Basic Resources	4362
	Jürgen Pieper	Automobiles, Senior Advisor	529
	Uwe Hohmann	Equity Strategy	366
	Eugen Keller	Head of FI/FX Research	329
	Juliane Rack	FI/FX Strategy	1748
	Sebastian Sachs	FI/FX Strategy	526
Equities	Mustafa Ansary	Head of Equities	351
		Head of Equity Sales	
Sales	Eugenia Buchmüller		238
	Hugues Jaouen		4173
	Alexander Kravkov		4172
	Jasmina Schul		1766
	Markus Tozman		4174
	Simon Weil		4189
Trading	Sven Knauer	Head of Equity Trading	245
	Kirsten Fleer		246
	Sascha Friese		248
	Stephan Schmelzle		247
	Thomas Seibert		228
Corporate Solutions	Dr. Karsten Iltgen	Head of Corporate Solutions	510
	Thomas Burkart		511
	Christoph Hirth		513
	Adrian Takacs		512

company note

Fixed Income (FI)	Sebastian Luther	Head of Fixed Income	688
FI Sales	Minush Nori	Head of Fixed Income Sales	689
	Silke Amelung		289
	Claudia Ruiu		683
FI Trading/ALM	Sven Klein	Head of ALM	686
	Burkhard Brod		659
	Bettina Koch		291
	Susanne Kraus		658
	Christian Bernhard	Head of Fixed Income Trading	266
	Dirk Lagler		685
Foreign Exchange (FX)	Özgür Atasever	Head of Foreign Exchange	281
FX Sales	Tobias Martin	Head of FX Sales & Trading	614
	Thomas Rost	FX Senior Advisor	292
	Steffen Völker		293
FX Trading	Rainer Jäger		276
	Andreas Zellmann		610
Currency Management	Dominik Müller	Head of Currency Management	274
CM Advisory	Achim Walde	Head of Advisory	275
	Jens Rotterdam		282
	Harwig Wild		279
CM Operations	Simon Wesch	Head of Operations	350
	Christopher Haase		1617
	Florian Konz		1773
	Sergii Piskun	Senior Quantitative Analyst	237