

## Noratis (NUVA GY) | Real Estate

April 06, 2023

### Market environment in our view to weigh on the disposal result

Noratis disclosed that EBIT and EBT 2022 would be below the figures achieved in 2021. This is mainly related to the fact that the company decided not to reclassify part of its property portfolio as investment properties and a corresponding lack of a positive revaluation result on hidden reserves. Furthermore, management expects a negative EBT in 2023, mainly due to write-downs on interest rate derivatives. These accounting items do not take any influence on our view on Noratis. However, we believe that the outlook for 2023 also hints at a relatively low disposal result. We still believe that in the longer-term, Noratis's business model can deal with risen interest rates (by taking into account higher rates when acquiring new properties for later disposal after modernization measures). However, for the time being we see major uncertainty for earnings and our operating cash flow forecast due to a potentially depressed disposal result and risen cost of debt. Disposal gains are an important component of Noratis's P&L, though. Hence, we cut our recommendation on Noratis-shares from BUY to HOLD with a new price target of EUR 11.2 (19.6).

In February 2023, Noratis sold 129 apartments. This suggests to us that Noratis is active in a size bracket in which transactions still occur, probably at some price concessions by the disposing party.

The change in our earnings estimates relates partly to non-cash-effective items. Our operating cash flow forecast (to us more important) alters by -65% for '23e and -24% for '24e.

**Valuation:** At the current price, Noratis-shares trade at P/BV '23e of approx. 0.55 (before consideration of hidden reserves on properties).

Fundamentals (in EUR m) <sup>1</sup>	2019	2020	2021	2022e	2023e	2024e
Sales	76	29	74	85	78	101
EBITDA	16	9	20	15	15	20
EPS adj. (EUR)	2.29	0.69	1.97	1.85	-0.43	0.50
Gross profit	22.5	15.8	24.5	25.9	26.1	31.2
DPS (EUR)	0.80	0.50	0.55	0.00	0.00	0.15
Operating Cash Flow (EUR)	7	4	7	3	2	5
Dividend paid (EUR)	5	3	2	3	0	0
Capital expenditures (EUR)	0	0	0	0	0	0
Ratios <sup>1</sup>	2019	2020	2021	2022e	2023e	2024e
EV/EBITDA	15.7	38.1	21.8	28.3	27.7	20.8
PCFR	11.2	20.7	12.7	18.0	21.2	8.9
P/E adj.	9.4	26.0	9.9	6.3	-22.6	19.3
Dividend yield (%)	3.7	2.8	2.8	0.0	0.0	1.5
EBIT margin (%)	20.8	28.6	26.3	16.7	18.2	19.0
Gearing (%)	335.8	345.3	414.5	415.6	428.1	415.6
PBV	1.5	1.0	1.2	0.6	0.5	0.5

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

**Hold**



down from buy

**Price\***

**EUR 9.70**

**Price target**

**EUR 11.20 (19.60)**

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

Market Cap (EUR m) <sup>1</sup>	47
Enterprise Value (EUR m) <sup>1</sup>	413
Free Float (%) <sup>1</sup>	45.0

Price (in EUR)<sup>1</sup>



Performance (in %) <sup>1</sup>	1m	3m	12m
Share	-27.1	-20.5	-50.8
Rel. to SDAX	-22.8	-23.1	-45.8

Changes in estimates (in %) <sup>1</sup>	2022e	2023e	2024e
Sales	0.5	-16.0	1.2
EBIT	-26.3	-36.8	-20.9
EPS	-36.3	-125.1	-71.7

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# company note

**No property revaluation gains in 2022 by reclassification; this is per se not important to us...**

Noratis published an ad-hoc release on the development of EBIT and EBT: While the original target was a significant increase in both figures in 2022 compared to 2021, the corresponding results would now be below the level achieved in 2021 (but still significantly positive). The main reason is that the company did not reclassify inventory properties to investment properties which would have resulted in the recognition of formerly hidden reserves in the P&L. Management had told earlier that minor parts of the apartment portfolio may be reclassified annually if Noratis had decided to keep them longer-term for letting purposes. The missing revaluation gain in the earnings of fiscal year 2022 is not important to us because we anyway focus on cash flow related figures.

**...but indirectly we see some possible repercussions on the future LTV**

Nevertheless, regarding the rationale behind the company's decision not to reclassify part of their inventory properties to investment properties: Noratis stated that they considered the future development of the market value of their property portfolio as uncertain at this stage (almost no value change (-1% y-o-y) in the appraisal process in 2022). Given that we expect the company's loan-to-value (LTV) to stand at approx. 68% as per year-end 2022 (including hidden reserves on properties), we would consider a declining value of the portfolio during course of 2023 as negative from an indebtedness point of view.

**No dividend proposed for fiscal year 2022**

The company plans to omit the dividend for fiscal year 2022 (paid for 2021: EUR 0.55 per share) due to the challenging development on the real estate market but also due to possible investment opportunities. We deem reasonable to retain earnings. In light of Noratis's LTV, we now expect no dividend for 2023e, too. Investment opportunities for Noratis could in our opinion indeed arise, but simultaneously we consider the current financial power for apartment purchases as pretty limited. If Noratis was to close further disposals (disposals following modernization measures are part of its ongoing operations), however, this could improve financial headroom for property purchases.

**Outlook for 2023 appears meagre, in our view**

The following item in the ad-hoc is the most important one to us: Management expects a negative pre-tax result (EBT) in 2023, mainly because of expected negative fair-value adjustments on interest rate derivatives approaching maturity (in contrast, positive changes in the market value of these interest rate derivatives hiked the EBT in 2022 significantly). Even if we adjust for this effect which we deem to be not cash-effective, we conclude that Noratis's outlook for the property disposal result in 2023 is on a depressed level.

**We cut our recommendation on Noratis-shares to HOLD, new price target EUR 11.2**

Even though part of the ad-hoc release does not affect our assessment of Noratis's operating cash flow, overall we consider the news to be not encouraging. Management may have been particularly cautious in their outlook for 2023 given the current situation on the property transaction market in Germany. Moreover, if the transaction market was to recover in the second half 2023, Noratis's current outlook for 2023 might be too conservative. However, for the time being we see little reason to be optimistic for the company's disposal result in 2023e. Also in 2024e, we anticipate a gross disposal margin below the average level of the years 2019-2021. And risen interest expenses are likely to make Noratis's earnings even more dependent on disposal results, in our opinion. Overall, we cut our recommendation on Noratis-shares to HOLD (previously: BUY) with a new price target of EUR 11.2 (19.6).

# company note

**We continue to see the company set-up as pretty reasonable, though**

We continue to assess Noratis's business model as positive in general: 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 institutional investors. 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 for letting purposes. Moreover, the company set-up suggests to us that experienced senior staff has been hired and has been staying with Noratis for years. Last but not least, the shareholder structure gives stability to the company, in our view:

Merz Real Estate GmbH owns a stake of approx. 49% in Noratis (a subsidiary of the family-owned Merz Group, a diversified group having its origins in pharmaceuticals). In 2020, Merz Real Estate GmbH committed itself 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. While the major shareholder has given a commitment to inject equity to finance growth, we believe that one may also take comfort from this commitment when assessing Noratis's balance sheet quality or the afore-mentioned debt situation.

**Valuation may look low, but we believe that this reflects the afore-mentioned uncertainties**

Noratis-shares currently trade at a P/BV '23e of approx. 0.55 before consideration of hidden reserves on properties. Including these hidden reserves as per year-end 2022e, we would arrive at a P/NAV 2022e of <0.35 based on Noratis's former disclosures. This may look low, but we believe that this also reflects the afore-mentioned uncertainties, for example about the medium-term disposal result.

## Metzler Research P&L forecast

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

in EUR m	2019	2020	2021	2022e	2023e	2024e	2025e
<b>Total revenue</b>	<b>76.0</b>	<b>28.7</b>	<b>73.6</b>	<b>85.4</b>	<b>78.5</b>	<b>101.1</b>	<b>107.9</b>
Revenue from the sales of inventory properties	63.0	12.0	50.6	56.1	45.6	67.1	72.6
Cost of sales of inventory properties	48.6	7.0	39.2	45.7	36.9	54.0	57.7
<b>Gross profit from sales of inventory properties</b>	<b>14.4</b>	<b>5.0</b>	<b>11.4</b>	<b>10.4</b>	<b>8.7</b>	<b>13.1</b>	<b>14.9</b>
Letting revenues	12.9	16.7	23.0	29.4	32.9	34.0	35.3
Letting costs	5.8	6.7	10.4	14.3	16.2	16.8	17.5
<b>Gross profit from letting</b>	<b>7.1</b>	<b>10.0</b>	<b>12.6</b>	<b>15.1</b>	<b>16.6</b>	<b>17.2</b>	<b>17.9</b>
Other operating income	1.0	0.8	0.4	0.5	0.8	0.9	1.0
<b>Gross profit</b>	<b>22.5</b>	<b>15.8</b>	<b>24.5</b>	<b>25.9</b>	<b>26.1</b>	<b>31.2</b>	<b>33.8</b>
Personnel costs	4.1	5.0	5.3	6.8	7.2	7.5	7.9
Depreciation and amortization	0.4	0.4	0.5	0.6	0.6	0.6	0.6
Fair-value adjustments on investment properties	0.0	0.0	3.5	0.0	0.0	0.0	0.0
Other operating expenses	2.3	2.2	2.8	4.3	4.0	3.9	4.0
<b>EBIT</b>	<b>15.8</b>	<b>8.2</b>	<b>19.4</b>	<b>14.2</b>	<b>14.3</b>	<b>19.2</b>	<b>21.3</b>
At-equity result	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial income (incl. fair value-changes of derivatives)	0.2	0.2	0.5	9.0	-5.0	-3.0	-1.0
Financial costs	4.4	4.3	6.5	10.4	12.1	12.8	13.3
<i>Financial result</i>	<i>-4.3</i>	<i>-4.1</i>	<i>-5.9</i>	<i>-1.4</i>	<i>-17.1</i>	<i>-15.8</i>	<i>-14.3</i>
<b>EBT</b>	<b>11.5</b>	<b>4.2</b>	<b>13.4</b>	<b>12.8</b>	<b>-2.8</b>	<b>3.4</b>	<b>7.0</b>
Income taxes	3.3	1.4	3.9	3.8	-0.8	0.9	1.9
Tax rate	28.3%	32.7%	29.0%	29.9%	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>9.0</b>	<b>-2.0</b>	<b>2.5</b>	<b>5.0</b>
Non-controlling interest	0.0	0.0	0.1	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>8.9</b>	<b>-2.1</b>	<b>2.4</b>	<b>5.0</b>

Sources: Noratis, Metzler Research

# company note

## Cash flow development

Noratis: We expect operating cash flow to be under pressure in 2023e (disposal result included by us) and to recover in 2024e and 2025e

in EUR m	2019	2020	2021	2022e	2023e	2024e	2025e
<b>Operating cash flow (Metzler Research definition)</b>	<b>7.0</b>	<b>3.5</b>	<b>7.4</b>	<b>3.1</b>	<b>2.2</b>	<b>5.3</b>	<b>6.4</b>
- Change in working capital	34.1	100.5	76.4	26.6	4.1	4.1	4.2
Operating cash flow after change in working capital	-27.2	-96.9	-68.9	-23.5	-1.9	1.2	2.2
- CAPEX	0.1	0.1	0.1	0.5	0.5	0.5	0.5
<b>Free cash flow</b>	<b>-27.3</b>	<b>-97.0</b>	<b>-69.1</b>	<b>-24.0</b>	<b>-2.4</b>	<b>0.7</b>	<b>1.7</b>
- Dividend payment for previous business year	4.7	2.9	2.4	2.6	0.0	0.0	0.7
Free cash flow after dividend	-32.0	-99.9	-71.5	-26.7	-2.4	0.7	0.9
<b>Operating cash flow per share (in EUR)</b>	<b>1.93</b>	<b>0.87</b>	<b>1.54</b>	<b>0.64</b>	<b>0.46</b>	<b>1.09</b>	<b>1.32</b>

Sources: Noratis, Metzler Research

## Annotation to debt

Roughly 90% of debt refers to collateralized bank loans, granted mainly by local savings banks and co-operative banks. Debt maturities (starting from the overview published in the 6M/22 report) are limited until June 2024 (EUR 30 m). Also bearing in mind the afore-mentioned shareholder structure, we deem the debt situation to be under control from today's perspective. Nevertheless, the future development of the LTV (Metzler Research estimated 68% as per year-end 2022) will be closely in our focus. The development of the appraisal of Noratis's portfolio in 2023 could be also important in this context.

## WACC revisited

In light of the current real estate market environment (and corresponding difficulties to forecast Noratis's disposal result), we lift our company-specific COE estimate by 25 basis points to 9.25%. For cost of debt, we have now applied a pre-tax figure of 3.75%. This estimate shall represent a mixture between what Noratis would pay for new debt as of today and locked-in interest rates (in our estimate we put more emphasis on the expected current debt conditions, though). In our estimate for cost of debt, we have also considered the afore-mentioned uncertainty which we recognize for the future LTV. Just to remind: as per June 2022, Noratis stated 2.3% as average effective cost of debt with an average maturity of 5.0 years. As per June 2022, roughly 70% of debt was hedged and around 10% of debt had fixed interest rates. We maintain our estimate for the capital structure: 65% debt and 35% equity. Our new WACC is 5.03% (previously: 4.9%).

# company note

Noratis: From our DCF-model, we derive a price target of EUR 11.2

## Valuation

	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Value
<b>EUR m</b>									
Sales	78.5	101.1	107.9	114.4	120.7	126.8	131.8	135.8	138.2
Sales growth (%)	-8.1	28.9	6.7	6.0	5.5	5.0	4.0	3.0	1.75
EBIT margin (%)	18.2	19.0	19.7	20.5	21.0	21.0	21.0	21.0	18.0
EBIT	14.3	19.2	21.3	23.5	25.4	26.6	27.7	28.5	24.9
- Revaluation of properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
adjusted (cash-effective) EBIT	14.3	19.2	21.3	23.5	25.4	26.6	27.7	28.5	24.9
adjusted (cash-effective) EBIT-margin	18.2	19.0	19.7	20.5	21.0	21.0	21.0	21.0	18.0
- Cash taxes	3.8	5.1	5.6	6.2	6.7	7.1	7.3	7.6	6.6
Cash tax rate (%)	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5
Depreciation	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	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	11.1	14.7	16.2	17.9	19.3	20.2	21.0	21.6	18.9
- CAPEX	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
- Change in working capital (2023e adjusted)	4.0	4.1	4.2	4.3	4.5	4.7	4.8	5.0	2.0
Free Cash Flow	6.6	10.1	11.5	13.0	14.2	15.0	15.6	16.0	16.3
Discounted Free Cash Flow	6.4	9.3	10.1	10.8	11.3	11.3	11.2	10.9	
Discounted Terminal Value									340
Sum DCF	81								
Terminal Value	340								
Enterprise Value	421								
									WACC (%) 5.03
									Cost of Debt after taxes (%) 2.76
									COE (%) 9.25
- Net Debt ex pensions	366								
- Minorities	1								Debt/Total Capital (%) 65.0
+ Adjustment for financial participations	0								Equity/Total Capital (%) 35.0
= Equity Value	54								
<b>Estimated Fair Value per share</b>									<b>11.2</b>

Source: Metzler Research

Change in working capital of current year may be adjusted to prevent double-counting of net debt change in case of larger disposals or acquisitions of inventory properties (we refer to net debt as per YE 2023e).

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										
	1.60%	1.65%	1.70%	1.75%	1.80%	1.85%	1.90%	1.95%	2.00%	2.05%	2.10%
4.83%	13.4	14.6	15.8	17.1	18.4	19.7	21.1	22.5	24.0	25.6	27.2
4.88%	12.0	13.1	14.3	15.5	16.8	18.1	19.4	20.8	22.2	23.7	25.3
4.93%	10.6	11.7	12.9	14.0	15.3	16.5	17.8	19.1	20.5	21.9	23.4
4.98%	9.3	10.4	11.5	12.6	13.8	15.0	16.2	17.5	18.9	20.2	21.7
<b>5.03%</b>	8.0	9.1	10.1	<b>11.2</b>	12.4	13.5	14.7	16.0	17.2	18.6	19.9
5.08%	6.8	7.8	8.8	9.9	11.0	12.1	13.3	14.5	15.7	17.0	18.3
5.13%	5.6	6.5	7.5	8.6	9.6	10.7	11.8	13.0	14.2	15.4	16.7
5.18%	4.4	5.3	6.3	7.3	8.3	9.4	10.5	11.6	12.7	13.9	15.2
5.23%	3.2	4.2	5.1	6.1	7.0	8.1	9.1	10.2	11.3	12.5	13.7

Source: Metzler Research

## Annotation to interest rate sensitivity of our DCF-model

Due to the relatively high financial leverage, any minor change in the enterprise value estimate for Noratis 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.

# company note

Hence, in practical terms the sensitivity to rising cost of debt is probably somewhat less pronounced than the sensitivity analysis may suggest. Concerning higher interest rates, Noratis would also have the opportunity to consider them in the acquisition of new apartments.

# 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>85</b>	<b>16.1</b>	<b>78</b>	<b>-8.1</b>	<b>101</b>	<b>28.9</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>25</b>	<b>5.9</b>	<b>25</b>	<b>-0.5</b>	<b>30</b>	<b>19.8</b>
Gross margin (%)	28.4	n.a.	52.1	83.6	32.6	-37.4	29.8	-8.8	32.2	8.3	30.0	-7.0
<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>15</b>	<b>-25.2</b>	<b>15</b>	<b>0.5</b>	<b>20</b>	<b>32.9</b>
EBITDA margin (%)	21.3	n.a.	30.1	41.0	26.9	-10.5	17.4	-35.5	19.0	9.4	19.6	3.1
<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>14</b>	<b>-26.5</b>	<b>14</b>	<b>0.5</b>	<b>19</b>	<b>34.3</b>
EBIT margin (%)	20.8	n.a.	28.6	37.4	26.3	-8.0	16.7	-36.7	18.2	9.4	19.0	4.2
<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>-1</b>	<b>76.8</b>	<b>-17</b>	<b>n.m.</b>	<b>-16</b>	<b>7.5</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>-4.3</b>	<b>-3</b>	<b>-121.6</b>	<b>3</b>	<b>222.8</b>
Taxes	3	n.a.	1	-58.4	4	186.6	4	-1.2	-1	-119.9	1	222.8
Tax rate (%)	28.3	n.a.	32.7	n.a.	29.0	n.a.	29.9	n.a.	27.5	n.a.	27.5	n.a.
Net income	8	n.a.	3	-66.2	10	240.9	9	-5.6	-2	-122.4	2	222.8
Minority interests	0	n.a.	0	-38.1	0	392.3	0	56.3	0	-50.0	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>-6.0</b>	<b>-2</b>	<b>-123.2</b>	<b>2</b>	<b>217.4</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>1.85</b>	<b>-6.0</b>	<b>-0.43</b>	<b>-123.2</b>	<b>0.50</b>	<b>217.4</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>0.00</b>	<b>-100.0</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.15</b>	<b>n.a.</b>
Dividend yield (%)	3.7	n.a.	2.8	n.a.	2.8	n.a.	0.0	n.a.	0.0	n.a.	1.5	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>3</b>	<b>-58.2</b>	<b>2</b>	<b>-28.8</b>	<b>5</b>	<b>137.7</b>
Increase in working capital	34	-65.3	100	194.3	76	-24.0	27	-65.1	4	-84.6	4	0.0
Capital expenditures	0	-54.9	0	-34.9	0	59.4	0	354.5	0	0.0	0	0.0
Dividend paid	5	6.9	3	-38.3	2	-16.3	3	9.0	0	-100.0	0	n.a.
<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>-27</b>	<b>62.7</b>	<b>-2</b>	<b>91.0</b>	<b>1</b>	<b>127.2</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>477</b>	<b>6.8</b>	<b>478</b>	<b>0.3</b>	<b>482</b>	<b>0.7</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>7.8</b>	<b>86</b>	<b>-2.4</b>	<b>88</b>	<b>2.8</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>364</b>	<b>8.1</b>	<b>366</b>	<b>0.6</b>	<b>366</b>	<b>-0.2</b>
Gearing (%)	335.8	n.a.	345.3	n.a.	414.5	n.a.	415.6	n.a.	428.1	n.a.	415.6	n.a.
Net debt/EBITDA	10.9	n.a.	29.7	n.a.	17.0	n.a.	24.6	n.a.	24.6	n.a.	18.5	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			
<b>Issuer/Financial Instrument (ISIN): Noratis (DE000A2E4MK4)</b>					
14.10.2022	Buy	Buy	13.30 EUR	19.60 EUR	Schmitt, Jochen
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

\* 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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