METZLER Capital Markets

Noratis (NUVA GY) | Real Estate

June 06, 2023

Indebtedness, interest rates and energy efficiency in our focus

The final figures for 2022 did not include any major surprise to us compared to the ad-hoc release in April. Management's outlook for 2023 is largely unchanged: they expect a negative EBT, to be driven in particular by mark-downs on interest rate derivatives approaching maturity and risen (cash-effective) cost of debt. However, their outlook for the disposal result is also muted, given the current transaction market environment in Germany: in light of risen interest rates, buyers and sellers seem to be still searching for an adequate transaction price level. Apart from the difficulty to forecast Noratis's disposal result, we recognize another issue: net LTV was 72% as per YE '22, in our view requiring measures to deleverage the balance sheet. We recommend waiting for more clarity about Noratis's future strategy regarding indebtedness and medium-term target portfolio size. In total, we keep our HOLD-recommendation on Noratis-shares with a new price target of EUR 10.8 (11.2).

Potential capital hike: Management reiterated in the earnings call the commitment of the major shareholder, Merz Real Estate, to inject in total up to EUR 50 m (of which already spent in 2020: EUR 14 m) of equity into Noratis until 2024 to finance growth. The CFO said that it was "not unlikely" that a capital measure could arise in the future, depending, however, on market conditions like purchasing opportunities and execution of disposals from the current apartment stock.

Changes in estimates, valuation: Our operating cash flow forecast alters by -65% for '23e, -29% for '24e and -18% for '25e. Currently, Noratis-shares trade at P/BV '23e of approx. 0.55 (before consideration of hidden reserves on properties).

Fundamentals (in EUR m)[1]	2020	2021	2022	2023e	2024e	2025e
Sales	29	74	86	69	97	106
EBITDA	9	20	13	11	17	20
EPS adj. (EUR)	0.69	1.97	1.71	-0.91	0.22	0.78
Gross profit	15.8	24.5	25.1	23.0	27.9	31.3
DPS (EUR)	0.50	0.55	0.00	0.00	0.00	0.25
Operating Cash Flow (EUR)	4	7	4	1	4	5
Dividend paid (EUR)	3	2	3	0	0	0
Capital expenditures (EUR)	0	0	0	0	0	0

Ratios[1]	2020	2021	2022	2023e	2024e	2025e
EV/EBITDA	38.1	21.8	34.2	35.4	23.2	20.0
PCFR	20.7	12.7	14.9	58.8	12.4	8.8
P/E adj.	26.0	9.9	6.8	-10.4	42.8	12.3
Dividend yield (%)	2.8	2.8	0.0	0.0	0.0	2.6
EBIT margin (%)	28.6	26.3	14.6	15.8	17.5	18.6
Gearing (%)	345.3	414.5	446.6	433.7	429.2	409.9
PBV	1.0	1.2	0.6	0.6	0.6	0.5

[1]Sources: Bloomberg, Metzler Research

Hold — unchanged

Price* EUR 9.55

Price target EUR 10.80 (11.20)

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

Market Cap (EUR m)[1]	46
Enterprise Value (EUR m)[1]	404
Free Float (%)[1]	45.0

Price (in EUR)[1]

Performance (in %)[1]	1m	3m	12m
Share	-3.0	-28.2	-51.3
Rel. to SDAX	-0.4	-27.0	-49.3

Changes in estimates (in %)[1]	2023e	2024e	2025e
Sales	-12.0	-4.5	-2.1
EBIT	-23.8	-11.9	-7.4
EPS	-113.4	-55.6	-24.2

Sponsored Research

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Final results 2022 without any major surprise

The final results for FY 2022 were broadly in line with our expectations following the ad-hoc release in April 2023. Due to a major disposal in the beginning of 2022, the gross result from disposals was modestly above the threshold of EUR 10 m. Mainly because of a larger average portfolio size and due to rent increases, the gross profit from letting increased by 14% y-o-y to EUR 14.4 m.

EBIT dragged down by impairments on properties...

Below gross profit, the company booked a mark-down on investment properties (EUR 0.4 m) and an impairment charge on inventory properties (EUR 2.1 m). The latter primarily represents a write-down of capitalized acquisition cost for recently purchased apartments. In contrast to these charges, EBIT in 2021 had benefited from a positive fair-value adjustment on investment properties (hidden reserves were realized following a reclassification of some inventory properties into investment properties; Noratis did not reclassify any properties in 2022). These items largely explain why EBIT declined from EUR 19.4 m in 2021 to EUR 12.5 m in 2022. However, the cash-effective EBIT was vastly unchanged y-o-y, according to our analysis.

...and EBT gained tailwind from derivatives

Below the EBIT level, Noratis had higher interest rate expenses. On the positive side, the company booked mark-ups on interest rate derivatives (which are expected to turn into gradual mark-downs in the future when these derivatives approach their maturity). Due to this significantly positive effect from derivatives, EBT altered by only -11% y-oy (EBIT: -35% y-o-y) despite risen interest rate expenses.

Outlook for 2023 subdued

For 2023, management expects EBIT to decline slightly compared to 2022, mainly due to the disposal result. In the financial result, they anticipate higher cost of debt and mark-downs on derivatives. In total, the management expectation for 2023 is a clearly negative figure in terms of EBT.

FY 2022 at a glance

Noratis: EBT 2022 included several non-cash-effective items

in EUR m	2021	2022	y-o-y
Total revenue	73.6	85.6	16%
Gross profit from sales of properties	**11.4**	**10.2**	**-10%**
Disposal margin	*22.5%*	*18.3%*	*-4.3%-age points*
Gross profit from letting	**12.6**	**14.4**	**14%**
Gross profit total	**24.5**	**25.1**	**3%**
Operating expenses (incl. other expenses)	8.6	10.1	18%
Fair-value-result on investment properties	3.5	-0.4	na
Impairment charge on inventory properties		2.1	na
EBIT	**19.4**	**12.5**	**-35%**
Financial income	0.5	8.8	>1000%
of which fair-value-result on derivatives	*0.5*	*8.4*	*>1000%*
Financial expenses	6.5	9.3	44%
Financial result	*-5.9*	*-0.5*	*91%*
EBT	**13.4**	**12.0**	**-11%**
Net income after non-controlling interests	**9.5**	**8.2**	**-13%**

Sources: Noratis, Metzler Research

Interest rate expenses to rise significantly in the P&L in 2023e

Large part of Noratis's debt bears a variable interest rate connected to the 3M Euribor plus margin. The company uses interest rate derivatives to hedge interest risk. Including fixed-interest-bearing debt, the hedging ratio is roughly 80%. This means that the rise in the 3M Euribor observable in recent quarters will to some extent affect Noratis's financial result directly. Provided that there is no major unexpected move in interest rates during the remainder of this year, it seems obvious that interest rate payments will rise significantly in 2023e compared to 2022.

Metzler Research P&L forecast

Noratis: Our new estimates based on the company's P&L structure - pressure on the disposal result and risen cost of debt expected to eat into EBT

in EUR m	2019	2020	2021	2022	2023e	2024e	2025e
Total revenue	**76.0**	**28.7**	**73.6**	**85.6**	**69.1**	**96.6**	**105.7**
Revenue from the sales of inventory properties	63.0	12.0	50.6	55.9	37.1	63.5	73.3
Cost of sales of inventory properties	48.6	7.0	39.2	45.7	29.9	52.4	59.8
Gross profit from sales of inventory properties	**14.4**	**5.0**	**11.4**	**10.2**	**7.2**	**11.1**	**13.6**
Letting revenues	12.9	16.7	23.0	29.7	31.9	33.0	32.4
Letting costs	5.8	6.7	10.4	15.3	16.8	16.9	15.4
Gross profit from letting	**7.1**	**10.0**	**12.6**	**14.4**	**15.2**	**16.1**	**16.9**
Other operating income	1.0	0.8	0.4	0.5	0.6	0.7	0.8
Gross profit	**22.5**	**15.8**	**24.5**	**25.1**	**23.0**	**27.9**	**31.3**
Personnel costs	4.1	5.0	5.3	5.9	6.2	6.6	7.1
Depreciation and amortization	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Fair-value adjustments on investment properties	0.0	0.0	3.5	-0.4	-0.4	0.0	0.0
Impairment charge on inventory properties	na	na	na	2.1	1.0	0.0	0.0
Other operating expenses	2.3	2.2	2.8	3.8	4.0	3.9	4.0
EBIT	**15.8**	**8.2**	**19.4**	**12.5**	**10.9**	**16.9**	**19.7**
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	8.7	-5.0	-3.0	-1.0
Financial costs	4.4	4.3	6.5	9.3	12.5	13.1	13.4
Financial result	*-4.3*	*-4.1*	*-5.9*	*-0.5*	*-17.5*	*-16.1*	*-14.4*
EBT	**11.5**	**4.2**	**13.4**	**12.0**	**-6.6**	**0.8**	**5.3**
Income taxes	3.3	1.4	3.9	3.7	-2.3	-0.3	1.4
Tax rate	28.3%	32.7%	29.0%	31.0%	34.2%	-35.9%	27.0%
Proft for the period	**8.3**	**2.8**	**9.5**	**8.3**	**-4.4**	**1.1**	**3.9**
Non-controlling interest	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Net income attributable to shareholders	**8.3**	**2.8**	**9.5**	**8.2**	**-4.4**	**1.1**	**3.8**

Sources: Noratis, Metzler Research

High indebtedness; interest coverage ratio (ICR) in our focus

The net LTV was 72% as at year-end 2022. In our view, this is too high, in particular in the current interest rate and real estate market environment as well as in light of the potential volatility of Noratis's disposal result. This may also be seen in our expectation for the interest coverage ratio (ICR) for which we forecast 102% in 2023e, 133% in 2024e and 151% in 2025e. Here, one could assess the ICR expected by us for 2025e as being okay, and the forecasted dip in 2023e as being just a temporary one. Nevertheless, we would prefer a lower indebtedness. Management told in the earnings call that they intended to deleverage the balance sheet.

One disposal already executed in 2023

By a block deal, the company had already sold approx. 130 apartments corresponding to approx. 3% of the portfolio at the beginning of the year (deal closure expected in spring 2023 at that point in time, i.e. presumably closed meanwhile). From CEO remarks in the earnings call, we conclude that the disposal margin had been fairly attractive for Noratis. This demonstrates, in our view, that disposals in smaller size brackets are currently not easy but still possible. This is somewhat relieving, according to our assessment, probably offering the opportunity to deleverage.

Financial covenants in our spotlight

Regarding debt covenants, we understand from the annual report that only around 7% of Noratis's debt has financial covenants in place. And this percentage amount includes already undrawn credit lines, i.e. only around 5% or less of the company's drawn financial debt has financial covenants in place. Accordingly, the covenants appear to be less an issue to us at this stage. Nonetheless, two covenants should in our view be watched:

The first one is the net LTV covenant of 75%. As at year-end 2022, the net LTV was 72%. Regarding the property portfolio valuation, as at year-end 2022 we calculate a gross initial rental yield of slightly above 4% for Noratis's portfolio including hidden reserves. This corresponds to a cold rent multiple of roughly 24-25. From today's perspective, we see moderate downside risk for the company's portfolio valuation at YE 2023e which would have negative repercussions for the LTV, all else being unchanged. However, including our afore-mentioned assumption for a slight portfolio reduction in the number of apartments in 2023e, we consider an LTV breach to be unlikely at this stage. Simultaneously, our current LTV forecast for year-end 2023e is almost 73%, not far away from the covenant of 75%.

Covenant on ICR in our view at risk, but only referring to a very small part of total company debt

The second covenant in our focus is a net interest coverage ratio at a minimum of 150%. This figure is dependent on disposal gains for which the market environment seems to be difficult in 2023. Our current forecast for the interest coverage ratio is 102% in 2023e as stated before, hence we anticipate a breach of this covenant in 2023e. However, this does not necessarily mean, in our opinion, that the creditors would take any major action; they might offer a waiver, for example. And again, the total debt amount for which this covenant applies is fairly low relative to Noratis's total debt. Having talked to the company, we have the impression that a potential breach of this covenant in 2023e on formerly drawn debt would probably not have any meaningful consequences for Noratis.

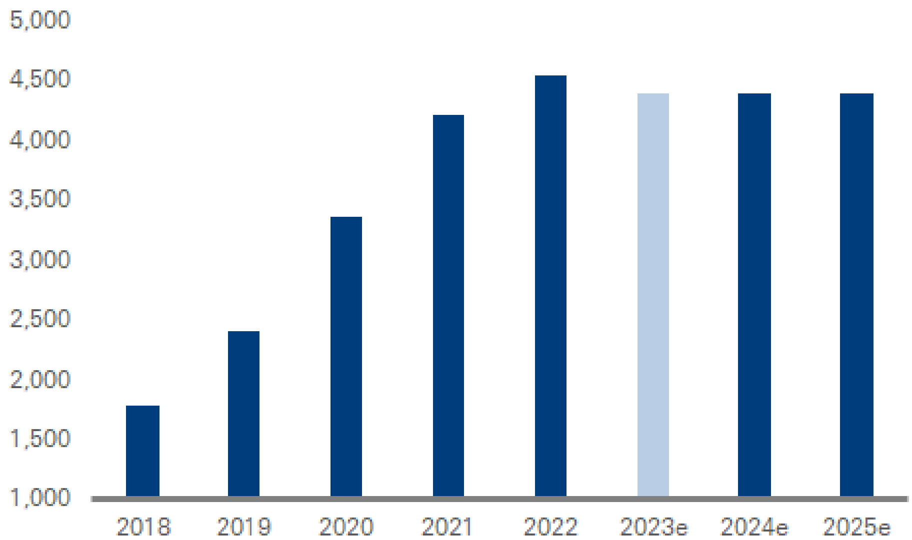
Noratis's debt is mainly collateralized bank debt. The remaining maturities in 2023 have meanwhile been reduced to about EUR 10 m management told in the earnings call.

Indebtedness in our opinion high but under control for the time being

Also bearing in mind the major shareholder's commitment to inject capital for growth purposes and given our assessment that disposals in Noratis's size bracket are currently not easy but possible to execute, we consider Noratis's indebtedness to be high but under control for the time being.

Noratis: Due to deleveraging, we expect the portfolio size to decline slightly in 2023e

Development of number of apartments



Sources: Noratis, Metzler Research

A potential capital increase would in our view probably be primarily used to reduce financial leverage

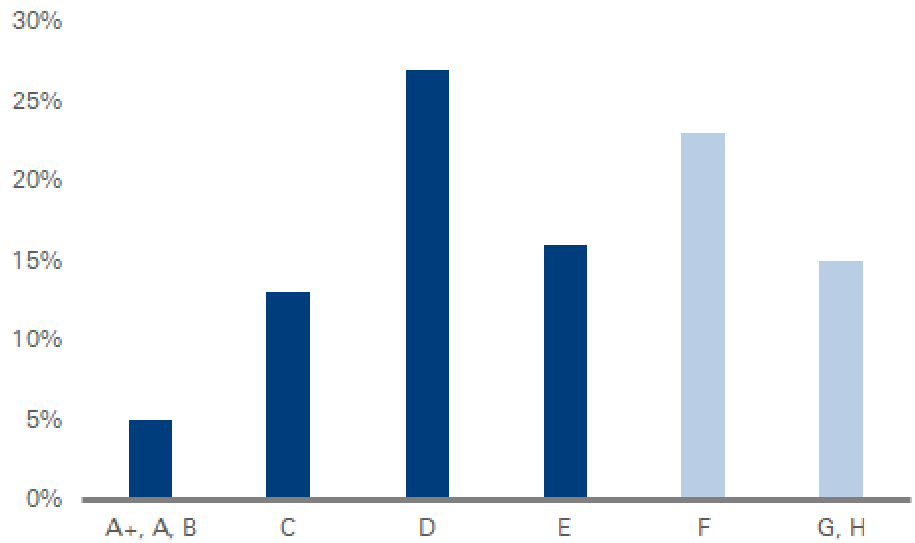
Following the CFO's remarks on a possible capital increase, one key question to us is to which extent the capital injection would be taken to reduce the financial leverage. Noratis's current market cap is less than EUR 50 m. Our forecast for net debt at YE 2023e (without any capital measure) is almost EUR 360 m. We see the risk that a potential major capital measure would be mainly used to reduce debt and only to a minor extent for financing future company growth. In terms of balance sheet quality, this would be positive. However, in terms of operating cash flow per share, this would in our view be pretty negative, at least as long as Noratis trades around the current share price level.

Energy efficiency calling for action, but company seems to deal with it

The average energy efficiency level of Noratis's apartments requires to take major action, in our view. The CEO told that by conventional measures (i.e. without any massive refurbishment of the building) in some cases they had been able to improve the energy efficiency level by three categories. While this hints at Noratis's capability to deal with this issue, the chart following underlines that there is still a major way to go.

Property portfolio break-down by energy efficiency level* as at YE '21

Noratis: In parts of the portfolio, major action seems to be necessary to improve the energy efficiency level



Sources: Noratis, Metzler Research

* Energy efficiency levels as defined for the German energy efficiency certificate; A+ is the best category.

Energy efficiency modernization needs could mean attractive business opportunities in the medium-term

Simultaneously, we expect attractive purchasing opportunities for Noratis in the medium-term: we could well imagine that some property owners put assets up for sale in light of the challenge to improve energy efficiency. As stated before, we appreciate Noratis's company knowledge in terms of executing modernization measures and selecting appropriate assets for their approach. Hence, to deal with energy efficiency is likely to offer business opportunities in the medium-term. We also consider it possible for Noratis compared to a pure letting company to get a higher return on CAPEX by selling the modernized assets: in our view, some investors are willing to pay a premium for apartments with low modernization needs. If Noratis ran pure letting operations, the yield on CAPEX would be realized by rental hikes: however, generally speaking, due to legal restrictions to raise the rent following a modernization and due to potential financial constraints of tenants, we recognize limited headroom for yield on CAPEX for energy efficiency modernization.

Cash flow development

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

in EUR m	2019	2020	2021	2022	2023e	2024e	2025e
Operating cash flow (Metzler Research definition)	**7.0**	**3.5**	**7.4**	**3.7**	**0.8**	**3.7**	**5.2**
- Change in working capital	34.1	100.5	76.4	44.6	-27.3	4.6	4.2
Operating cash flow after change in working capital	-27.2	-96.9	-68.9	-40.8	28.1	-0.9	1.0
- CAPEX	0.1	0.1	0.1	0.2	0.5	0.5	0.5
Free cash flow	**-27.3**	**-97.0**	**-69.1**	**-41.0**	**27.6**	**-1.4**	**0.5**
- Dividend payment for previous business year	4.7	2.9	2.4	2.7	0.0	0.0	0.0
Free cash flow after dividend	-32.0	-99.9	-71.5	-43.7	27.6	-1.4	0.5
Operating cash flow per share (in EUR)	**1.93**	**0.87**	**1.54**	**0.78**	**0.16**	**0.77**	**1.08**

Sources: Noratis, Metzler Research

* Change in working capital adjusted for reclassifications of inventories into investment properties in 2021

Valuation

Noratis: From our DCF-model, we derive a price target of EUR 10.8

in EUR m	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Value
Sales	69.1	96.6	105.7	113.6	121.0	127.1	132.1	136.1	138.5
Sales growth (%)	*-19.3*	*39.8*	*9.5*	*7.5*	*6.5*	*5.0*	*4.0*	*3.0*	*1.75*
EBIT margin (%)	*15.8*	*17.5*	*18.6*	*19.5*	*20.0*	*20.5*	*20.5*	*20.5*	*18.0*
EBIT	10.9	16.9	19.7	22.2	24.2	26.0	27.1	27.9	24.9
- Revaluation of properties	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
adjusted (cash-effective) EBIT	11.3	16.9	19.7	22.2	24.2	26.0	27.1	27.9	24.9
adjusted (cash-effective) EBIT-margin	*16.4*	*17.5*	*18.6*	*19.5*	*20.0*	*20.5*	*20.5*	*20.5*	*18.0*
- Cash taxes	3.0	4.5	5.2	5.9	6.4	6.9	7.2	7.4	6.6
Cash tax rate (%)	*26.5*	*26.5*	*26.5*	*26.5*	*26.5*	*26.5*	*26.5*	*26.5*	*26.5*
Depreciation	0.5	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	8.8	12.9	15.0	16.8	18.3	19.7	20.5	21.1	19.0
- 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)	4.5	4.6	4.2	4.3	4.5	4.7	4.8	5.0	2.0
Free Cash Flow	3.8	7.8	10.3	11.9	13.3	14.4	15.0	15.4	16.3
Discounted Free Cash Flow	3.7	7.3	9.1	10.0	10.6	11.0	10.9	10.6	
Discounted Terminal Value									337

Sum DCF	73		
Terminal Value	337	**WACC (%)**	5.08
Enterprise Value	410	Cost of Debt after taxes (%)	2.83
		COE (%)	9.25
- Net Debt ex pensions	358		
- Minorities	1	Debt/Total Capital (%)	65.0
+ Adjustment for financial participations	0	Equity/Total Capital (%)	35.0
= Equity Value	**52**		
Estimated Fair Value per share (in EUR)	**10.8**		

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 at 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%
4.83%	14.3	15.5	16.7	18.0	19.3	20.7	22.1	23.6	25.1
4.88%	12.9	14.1	15.2	16.5	17.7	19.1	20.4	21.8	23.3
4.93%	11.5	12.6	13.8	15.0	16.2	17.5	18.8	20.1	21.5
4.98%	10.2	11.3	12.4	13.5	14.7	15.9	17.2	18.5	19.9
5.03%	8.9	10.0	11.0	12.1	13.3	14.5	15.7	16.9	18.2
5.08%	7.7	8.7	9.7	**10.8**	11.9	13.0	14.2	15.4	16.7
5.13%	6.4	7.4	8.4	9.5	10.5	11.6	12.8	14.0	15.2
5.18%	5.3	6.2	7.2	8.2	9.2	10.3	11.4	12.5	13.7
5.23%	4.1	5.0	6.0	6.9	8.0	9.0	10.0	11.1	12.3
5.28%	3.0	3.9	4.8	5.7	6.7	7.7	8.7	9.8	10.9

Source: Metzler Research

Interest rate sensitivity probably lower in practical terms than our sensitivity analysis suggests...

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

...also because of Noratis's business model

Furthermore, Noratis would 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 pure letting focus.

Annotation to our model: In the standardized excerpt of our P&L in table following, "gross profit" in Noratis's case includes gross result from sales of properties and gross result from letting. The other result (included in Noratis's own gross profit definition) is included in our model below the gross profit line. This explains the minor difference between gross profit (according to the company definition) as shown on the front page of our research report and gross result as shown in the table following.

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.

Major shareholders

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

Key figures

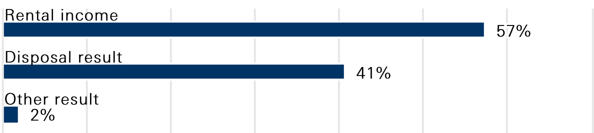
P&L (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Sales	**29**	**-62.2**	**74**	**156.4**	**86**	**16.3**	**69**	**-19.3**	**97**	**39.8**	**106**	**9.5**
Gross profit on sales	**15**	**-30.6**	**24**	**60.6**	**25**	**2.5**	**22**	**-9.0**	**27**	**21.5**	**30**	**12.0**
Gross margin (%)	52.1	83.6	32.6	-37.4	28.7	-11.9	32.4	12.9	28.2	-13.1	28.9	2.4
EBITDA	**9**	**-46.7**	**20**	**129.6**	**13**	**-34.5**	**11**	**-12.1**	**17**	**52.7**	**20**	**15.9**
EBITDA margin (%)	30.1	41.0	26.9	-10.5	15.2	-43.7	16.5	8.9	18.0	9.2	19.1	5.9
EBIT	**8**	**-48.1**	**19**	**135.9**	**12**	**-35.5**	**11**	**-12.8**	**17**	**55.2**	**20**	**16.4**
EBIT margin (%)	28.6	37.4	26.3	-8.0	14.6	-44.5	15.8	8.2	17.5	11.0	18.6	6.4
Financial result	**-4**	**5.0**	**-6**	**-46.4**	**-1**	**91.4**	**-18**	**n.m.**	**-16**	**8.2**	**-14**	**10.4**
EBT	**4**	**-64.0**	**13**	**223.2**	**12**	**-10.7**	**-7**	**-155.2**	**1**	**112.5**	**5**	**536.9**
Taxes	1	-58.4	4	186.6	4	-4.6	-2	-160.9	-0	86.9	1	580.1
Tax rate (%)	32.7	n.a.	29.0	n.a.	31.0	n.a.	34.2	n.a.	-35.9	n.a.	27.0	n.a.
Net income	3	-66.2	10	240.9	8	-13.2	-4	-152.7	1	125.8	4	242.1
Minority interests	0	-38.1	0	392.3	0	-31.3	0	13.6	0	0.0	0	100.0
Net Income after minorities	**3**	**-66.3**	**9**	**240.2**	**8**	**-13.1**	**-4**	**-153.5**	**1**	**124.4**	**4**	**248.7**
Number of shares outstanding (m)	5	33.8	5	0.0	5	0.0	5	0.0	5	0.0	5	0.0
EPS adj. (EUR)	**0.69**	**-69.8**	**1.97**	**184.4**	**1.71**	**-13.1**	**-0.91**	**-153.5**	**0.22**	**124.4**	**0.78**	**248.6**
DPS (EUR)	**0.50**	**-37.5**	**0.55**	**10.0**	**0.00**	**-100.0**	**0.00**	**n.a.**	**0.00**	**n.a.**	**0.25**	**n.a.**
Dividend yield (%)	2.8	n.a.	2.8	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	2.6	n.a.

Cash Flow (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Operating Cash Flow	**4**	**-49.6**	**7**	**111.7**	**4**	**-49.6**	**1**	**-79.1**	**4**	**373.1**	**5**	**41.2**
Increase in working capital	100	194.3	76	-24.0	45	-41.6	-27	-161.3	5	116.8	4	-8.7
Capital expenditures	0	-34.9	0	59.4	0	67.3	0	171.7	0	0.0	0	0.0
Dividend paid	3	-38.3	2	-16.3	3	9.1	0	-100.0	0	n.a.	0	n.a.
Free cash flow (post dividend)	**-100**	**-212.4**	**-71**	**28.5**	**-44**	**38.9**	**28**	**163.2**	**-1**	**-105.1**	**1**	**137.6**

Balance sheet (in EUR m)	2020	%	2021	%	2022	%	2023e	%	2024e	%	2025e	%
Assets	**368**	**41.0**	**447**	**21.5**	**494**	**10.6**	**463**	**-6.4**	**466**	**0.7**	**470**	**1.0**
Goodwill	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**	**0**	**n.a.**
Shareholders' equity	**74**	**41.2**	**81**	**9.5**	**87**	**6.8**	**83**	**-5.0**	**84**	**1.3**	**87**	**4.5**
Net Debt incl. Provisions	**256**	**45.2**	**337**	**31.4**	**388**	**15.1**	**358**	**-7.8**	**359**	**0.3**	**358**	**-0.2**
Gearing (%)	345.3	n.a.	414.5	n.a.	446.6	n.a.	433.7	n.a.	429.2	n.a.	409.9	n.a.
Net debt/EBITDA	29.7	n.a.	17.0	n.a.	29.9	n.a.	31.4	n.a.	20.6	n.a.	17.7	n.a.

Structure

Gross result by sources 2022



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.

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 * Previous	Current	Current price **	Price target *	Author ***
Issuer/Financial Instrument (ISIN): Noratis (DE000A2E4MK4)					
06.04.2023	Buy	Hold	9.70 EUR	11.20 EUR	Schmitt, Jochen
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

* 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

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