

## Noratis (NUVA GY) | Real Estate

September 18, 2023

### High indebtedness

Following 6M/23 reports of selected peers, we expect the appraisal value of Noratis's real estate portfolio to decline like-for-like by 8% in FY 2023e. Assuming that Noratis may dispose 100 apartments (~2% of their housing stock) in the 2nd half 2023e, we forecast an LTV of around 76% at YE '23e. In addition, we expect the currently depressed disposal result and risen cost of debt to eat into the interest service cover ratio. Fortunately, financial debt covenants seem to stretch to only a minor share of Noratis's debt. Nonetheless, we consider the indebtedness as high. Our concerns about the debt situation get some relief from the shareholder structure; in this context, we consider a theoretical scenario in which Merz Real Estate could increase their stake in Noratis as not impossible. We keep our HOLD-recommendation on Noratis-shares, new price target EUR 9.0 (10.8).

**Shareholder structure:** Merz Real Estate GmbH (belonging to the family-owned pharmaceuticals group Merz) owns a stake of ~49% in Noratis. In 2020, Merz committed themselves to invest up to EUR 50 m into Noratis until 2024 by capital measures to finance growth. Of this, EUR 14 m were spent by Merz in 2020, i.e. theoretically remaining EUR 36 m. In our view, if Noratis was to raise capital at this stage, the proceeds would be mainly used to improve the capital structure.

**Changes in estimates:** We now anticipate a higher net loss for '23e than before, due to an estimated impairment charge on inventory properties. For '24e, we expect a slightly negative net result (before: slightly positive) due to our revised forecast for interest expenses.

**Valuation:** Currently, Noratis-shares trade at P/BV '23e of approx. 0.5.

Fundamentals (in EUR m) <sup>1</sup>	2020	2021	2022	2023e	2024e	2025e
Sales	29	74	86	69	97	106
EBITDA	9	20	13	8	18	20
EPS adj. (EUR)	0.69	1.97	1.71	-1.57	-0.15	0.69
Gross profit	15.8	24.5	25.1	22.9	28.1	31.1
DPS (EUR)	0.50	0.55	0.00	0.00	0.00	0.10
Operating Cash Flow (EUR)	4	7	4	-0	2	5
Dividend paid (EUR)	3	2	3	0	0	0
Capital expenditures (EUR)	0	0	0	0	0	0
Ratios <sup>1</sup>	2020	2021	2022	2023e	2024e	2025e
EV/EBITDA	38.1	21.8	34.2	49.6	22.7	19.8
PCFR	20.7	12.7	14.9	-662.5	19.0	8.4
P/E adj.	26.0	9.9	6.8	-5.0	-52.5	11.4
Dividend yield (%)	2.8	2.8	0.0	0.0	0.0	1.3
EBIT margin (%)	28.6	26.3	14.6	10.8	17.6	18.5
Gearing (%)	345.3	414.5	446.6	451.7	459.5	441.5
PBV	1.0	1.2	0.6	0.5	0.5	0.5

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

**Hold**



unchanged

**Price\***

**EUR 7.85**

**Price target**

**EUR 9.00 (10.80)**

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

Market Cap (EUR m) <sup>1</sup>	38
Enterprise Value (EUR m) <sup>1</sup>	396
Free Float (%) <sup>1</sup>	45.0

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



Performance (in %) <sup>1</sup>	1m	3m	12m
Share	-8.7	-19.9	-46.6
Rel. to SDAX	-9.6	-16.2	-53.5

Changes in estimates (in %) <sup>1</sup>	2023e	2024e	2025e
Sales	0.2	0.3	0.3
EBIT	-31.4	0.8	-0.1
EPS	-71.6	-166.9	-11.6

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# company note

## **Debt situation moving further into our focus**

Following the 6M/23 reports of selected peers and ahead of Noratis's 6M/23 results release (scheduled for the end of September), we have reviewed our model. In brief, we deem Noratis's indebtedness to be high:

- LTV will according to our estimates stand at approx. 76% at YE '23e (YE '22: 72%); hereby, we have taken the assumption that Noratis will execute disposals of approx. 100 apartments in the second half 2023e, on top of around 130 apartments sold in the first half. Regarding the revaluation of the company's real estate portfolio, we anticipate a value decline by 8% in FY 2023e which we will outline in more detail below.
- Our new expectations for interest service cover (ISC) are 1.02 for 2023e, 1.17 for 2024e and 1.44 for 2025e. These figures are for FY and not on an average or rolling basis, which might be applied by creditors instead of FY figures in case of covenants being in place.
- Based on the annual report 2022, we understand that financial debt covenants refer only to a minor share of Noratis's drawn debt (<5% as at year-end 2022). In earlier talks with the company we had the impression that any potential breach of the ISC covenant (which is: an ISC of at least 1.5) in 2023e would probably not have any meaningful consequences. Hence, our concerns regarding Noratis's debt relate to the ability to receive debt prolongation at reasonable conditions rather than to existing financial debt covenants.

## **Disposals could be an option to reduce debt**

If interest rates in Germany were to decline in the medium-term (which should be read as scenario analysis here rather than as any interest rate forecast), this would be helpful for Noratis. In Noratis's individual case, the development of the ECB's key rates would in our view be more important than the development of the 10y German Bund yield for the future company cost of debt. One option to reduce debt could be to dispose properties and not to reinvest the disposal proceeds into new property acquisitions (which is the usual course of the company's business). For the size bracket in which Noratis operates (often 100 up to 200 apartments per deal), transactions would in our opinion currently be easier to execute than for large-size portfolios. Hence, disposals are probably a realistic way to reduce indebtedness.

## **Future target portfolio size and target capital structure not clear at this stage**

A capital hike might be another option, although this would probably be significantly dilutive for operating cash flow per share, according to our assessment, given the share price level at which Noratis currently trades. At this stage, it is not clear to us how Noratis's strategy with regard to target capital structure, indebtedness and target portfolio size looks like. This makes it difficult to set up a forecast for operating cash flow per share.

## **P&L in our view to be burdened only to limited extent by value adjustments, but EBIT target might be at risk**

Given Noratis's cost-accounting approach, our afore-mentioned expectation of an 8% value decline would largely weigh on hidden reserves rather than impacting the P&L. However, we estimate that for some of the inventory properties, impairment charges will run through the P&L (in case that hidden reserves on those individual properties cannot absorb the value decline). Only minor part of apartments is accounted for at fair-value; for those, we expect P&L-effective mark-downs in FY 2023e. Cash flow would not be impacted by that. Timing-wise, the update of Noratis's portfolio value might be booked at year-end rather than as at June.

Note of caution: There is uncertainty which part of our expected appraisal value decline may be absorbed by hidden reserves before hitting the P&L. Hence, there

could be the risk that a higher part of the value decline is to affect the P&L than we expect. In such a scenario, Noratis's EBIT outlook for FY 2023 (EBIT below, but not significantly below 2022 level) would be at risk, in our opinion. And even in our base case, EBIT is to decline by 40% in 2023e. The pre-condition for management's outlook was, by the way, a 3M-Euribor of around 3.0-3.5%. Currently, it is >3.8%, however. For EBT, management guided for a clearly negative figure in 2023 (partly due to mark-downs on interest rate derivatives approaching maturity).

**Noratis: Our new estimates based on the co.'s P&L structure - pressure on disposal result, mark-downs on interest rate derivatives and cost of debt to eat into EBT**

## Metzler Research P&L forecast

in EUR m	2019	2020	2021	2022	2023e	2024e	2025e
<b>Total revenue</b>	<b>76.0</b>	<b>28.7</b>	<b>73.6</b>	<b>85.6</b>	<b>69.2</b>	<b>96.9</b>	<b>106.1</b>
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	30.1	52.4	60.1
<b>Gross profit from sales of inventory properties</b>	<b>14.4</b>	<b>5.0</b>	<b>11.4</b>	<b>10.2</b>	<b>7.1</b>	<b>11.1</b>	<b>13.2</b>
Letting revenues	12.9	16.7	23.0	29.7	32.1	33.3	32.7
Letting costs	5.8	6.7	10.4	15.3	16.8	17.1	15.6
<b>Gross profit from letting</b>	<b>7.1</b>	<b>10.0</b>	<b>12.6</b>	<b>14.4</b>	<b>15.2</b>	<b>16.2</b>	<b>17.1</b>
Other operating income	1.0	0.8	0.4	0.5	0.6	0.7	0.8
<b>Gross profit</b>	<b>22.5</b>	<b>15.8</b>	<b>24.5</b>	<b>25.1</b>	<b>22.9</b>	<b>28.1</b>	<b>31.1</b>
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	-0.8	0.0	0.2
Impairment charge on inventory properties	na	na	na	2.1	4.0	0.0	0.0
Other operating expenses	2.3	2.2	2.8	3.8	3.9	3.9	4.0
<b>EBIT</b>	<b>15.8</b>	<b>8.2</b>	<b>19.4</b>	<b>12.5</b>	<b>7.5</b>	<b>17.1</b>	<b>19.7</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	8.7	-5.0	-3.0	-1.0
Financial costs (net of interest income by derivatives as from 2023e)*	4.4	4.3	6.5	9.3	12.5	15.0	13.9
<b>Financial result</b>	<b>-4.3</b>	<b>-4.1</b>	<b>-5.9</b>	<b>-0.5</b>	<b>-17.5</b>	<b>-18.0</b>	<b>-14.9</b>
<b>Financial result excl. fair-value changes of derivatives</b>	<b>11.5</b>	<b>4.2</b>	<b>13.4</b>	<b>12.0</b>	<b>-10.1</b>	<b>-0.9</b>	<b>4.7</b>
<b>EBT</b>	<b>11.5</b>	<b>4.2</b>	<b>13.4</b>	<b>12.0</b>	<b>-10.1</b>	<b>-0.9</b>	<b>4.7</b>
Income taxes	3.3	1.4	3.9	3.7	-2.5	-0.3	1.3
Tax rate	28.3%	32.7%	29.0%	31.0%	25.3%	28.0%	28.0%
<b>Profit for the period</b>	<b>8.3</b>	<b>2.8</b>	<b>9.5</b>	<b>8.3</b>	<b>-7.5</b>	<b>-0.7</b>	<b>3.4</b>
Non-controlling interest	0.0	0.0	0.1	0.0	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>8.2</b>	<b>-7.6</b>	<b>-0.7</b>	<b>3.4</b>

Sources: Noratis, Metzler Research / \* For purpose of analysis, derivatives interest income captured in this line

## Property revaluation in our view with downside in Noratis's case...

Based on Noratis's disclosure on cold rental income, on portfolio size and on vacancy ratio, we run a calculation for the portfolio valuation multiple as at YE '22. Adjusting for the vacancy ratio (9.3% as at YE '22) is important in this context, in our opinion: Noratis's business model of buying apartments with modernization needs usually means a higher average vacancy ratio relative to a pure letting company. In addition, we apply the property balance sheet values and add the hidden reserves which the company stated at that time because these figures are decisive for our LTV calculation and for NAV per share.

Our calculations lead us to an average cold rental multiple of approx. 24 at YE '22. This corresponds to an initial cold rental yield of slightly above 4% (gross of operating expenses). In the current interest rate environment, this yield would probably be at best only slightly above the cost of debt for acquiring apartments in Germany. Hence, we recognize downside risk for the valuation of Noratis's apartments. Furthermore, pressure on Noratis's property valuation is in our opinion likely when referring to selected peers:

German residential company Vonovia (VNA GY, Metzler-rating HOLD / price target EUR 21.0) booked a mark-down of ~6.5% on its apartments in Germany in 6M/23. Vonovia valued its apartments in Germany at a cold rent multiple of 27 as at June

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2023, i.e. higher than Noratis. However, we would also consider the average portfolio quality of Vonovia to be higher than that of Noratis. LEG (LEG GY, not rated by Metzler), another German property landlord, booked a mark-down of its portfolio by 7% in 6M/23e. LEG states valuation multiples for three categories within its portfolio, of which in our view the "stable markets" definition fits best for a comparison with Noratis. The corresponding rent multiple was approx. 21 as of June 2023.

## ...also considering energy-efficiency

The split of energy-efficiency classes has worsened during course of 2022 in Noratis's portfolio, probably due to disposals and acquisitions. It is part of Noratis's business model to acquire portfolios with modernization needs including the energy-efficiency level of a building. Nonetheless, we consider the relatively high share of apartments in category G and H as a risk for the portfolio's appraisal value.

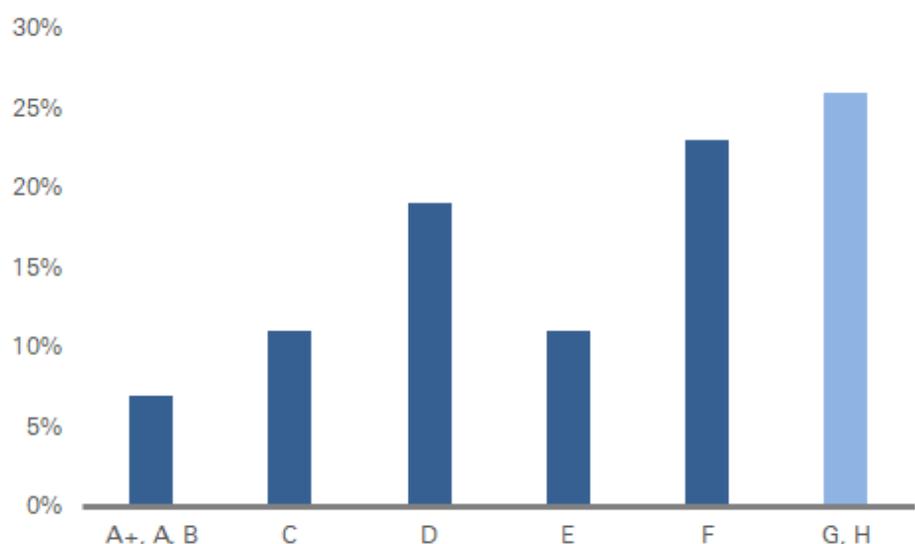
## Approx. 8% I-f-I value decline expected by us

In total, we anticipate a like-for-like (I-f-I) value decline by 8% for Noratis's portfolio in FY 2023e. This figure includes our forecast that the company's modernization measures lead to internal value enhancement, modestly dampening the expected value decline in 2023e. Based on our valuation scenario, NAV per share would according to our estimates drop from EUR 28.8 as at YE '22 to EUR ~21 as at YE '23e. For purpose of our analysis and our valuation, we prefer to focus on cash flow-related figures, though.

**Annotation:** In the long term, one might see upside rather than downside for Noratis's portfolio valuation, for example in light of the current housing shortage in many major German cities or due to risen cost of construction and increasing wages as a consequence of inflation. For the time being, however, we believe that downside risks are prevailing compared to Noratis's portfolio valuation.

## Noratis: About 1/4 of the portfolio seems to need major action to improve energy-efficiency in the medium-term

## Property portfolio break-down by energy-efficiency level\* as at YE '22



Sources: Noratis, Metzler Research / 100% = 295 buildings

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

**Improving energy-efficiency level is part of the company's business model, though, possibly offering opportunities**

The CEO told in the FY 2022 earnings call that Noratis managed in individual projects to improve the energy-efficiency level by 3 categories by executing conventional measures, i.e. no complete overhaul of the building. Moreover, management seems to actively deal with the need to carry out energy-efficiency measures. We expect that there should be plenty of opportunities for Noratis to acquire small portfolios in the years to come with major improvement needs regarding energy-efficiency: owners of such portfolios are probably less in the position to execute these measures compared to Noratis. Whether Noratis may seize such opportunities will in our view depend on its capital position and indebtedness, though.

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

**Cash flow development**

in EUR m	2019	2020	2021	2022	2023e	2024e	2025e
<b>Operating cash flow (Metzler Research definition)</b>	<b>7.0</b>	<b>3.5</b>	<b>7.4</b>	<b>3.7</b>	<b>-0.1</b>	<b>2.0</b>	<b>4.5</b>
- Change in working capital	34.1	100.5	76.4	44.6	-30.3	4.6	4.6
Operating cash flow after change in working capital	-27.2	-96.9	-68.9	-40.8	30.3	-2.6	-0.1
- CAPEX	0.1	0.1	0.1	0.2	0.5	0.5	0.5
<b>Free cash flow</b>	<b>-27.3</b>	<b>-97.0</b>	<b>-69.1</b>	<b>-41.0</b>	<b>29.8</b>	<b>-3.1</b>	<b>-0.6</b>
- 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	29.8	-3.1	-0.6
<b>Operating cash flow per share (in EUR)</b>	<b>1.93</b>	<b>0.87</b>	<b>1.54</b>	<b>0.78</b>	<b>-0.01</b>	<b>0.41</b>	<b>0.94</b>

Sources: Noratis, Metzler Research

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

**WACC estimate lifted in our model**

Our new WACC estimate for Noratis is 5.17% vs. previously 5.08%. While our assumption for the target capital structure is unchanged (30% equity, 70% debt), our COE is up by 25 basis points to 9.5%. Our new cost of debt estimate is 4.5% before taxes (previously: 3.85%). The lifted cost of debt forecast partly relates to our more cautious stance on Noratis's debt situation than previously.

# company note

Noratis: From our DCF-model, we derive a rounded price target of EUR 9.0

## Valuation

	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Value
<b>in EUR m</b>									
Sales	69.2	96.9	106.1	114.0	121.4	128.1	134.2	139.6	142.0
Sales growth (%)	-19.2	40.0	9.5	7.5	6.5	5.5	4.8	4.0	1.75
EBIT margin (%)	10.8	17.6	18.5	19.5	20.0	20.0	20.0	20.0	17.5
EBIT	7.5	17.1	19.7	22.2	24.3	25.6	26.8	27.9	24.8
- Revaluation of properties	-4.8	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
adjusted (cash-effective) EBIT	12.3	17.1	19.5	22.2	24.3	25.6	26.8	27.9	24.8
adjusted (cash-effective) EBIT-margin	17.8	17.6	18.4	19.5	20.0	20.0	20.0	20.0	17.5
- Cash taxes	3.3	4.5	5.2	5.9	6.4	6.8	7.1	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	9.5	13.0	14.8	16.9	18.4	19.4	20.3	21.1	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)	4.5	4.6	4.6	4.8	4.9	5.1	5.3	5.5	2.0
Free Cash Flow	4.5	7.9	9.7	11.6	12.9	13.7	14.4	15.0	16.3
Discounted Free Cash Flow	4.5	7.4	8.7	9.8	10.4	10.5	10.5	10.4	
Discounted Terminal Value									330
Sum DCF	72								
Terminal Value	330								
Enterprise Value	402								
						WACC (%)			5.17
						Cost of Debt after taxes (%)			3.31
						COE (%)			9.50
- Net Debt ex pensions	358								
- Minorities	1					Debt/Total Capital (%)			70.0
+ Adjustment for financial participations	0					Equity/Total Capital (%)			30.0
= Equity Value	43								
<b>Estimated Fair Value per share (in EUR)</b>	<b>8.94</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 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%
4.92%	12.3	13.4	14.6	15.8	17.0	18.3	19.6	21.0	22.4
4.97%	10.9	12.0	13.2	14.3	15.5	16.8	18.1	19.4	20.8
5.02%	9.6	10.7	11.8	12.9	14.1	15.3	16.5	17.8	19.1
5.07%	8.4	9.4	10.5	11.5	12.7	13.8	15.0	16.3	17.5
5.12%	7.1	8.1	9.2	10.2	11.3	12.4	13.6	14.8	16.0
<b>5.17%</b>	5.9	6.9	7.9	8.9	10.0	11.1	12.2	13.3	14.5
5.22%	4.8	5.7	6.7	7.7	8.7	9.8	10.8	12.0	13.1
5.27%	3.7	4.6	5.5	6.5	7.5	8.5	9.5	10.6	11.7
5.32%	2.6	3.4	4.4	5.3	6.2	7.2	8.2	9.3	10.4
5.37%	1.5	2.4	3.2	4.1	5.1	6.0	7.0	8.0	9.1

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 sensi-

# company note

tively on any changes in WACC or long-term growth. However, rising interest rates triggered by 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.

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.

# 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.

### 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	%
<b>Sales</b>	<b>29</b>	<b>-62.2</b>	<b>74</b>	<b>156.4</b>	<b>86</b>	<b>16.3</b>	<b>69</b>	<b>-19.2</b>	<b>97</b>	<b>40.0</b>	<b>106</b>	<b>9.5</b>
<b>Gross profit on sales</b>	<b>15</b>	<b>-30.6</b>	<b>24</b>	<b>60.6</b>	<b>25</b>	<b>2.5</b>	<b>22</b>	<b>-9.4</b>	<b>27</b>	<b>22.8</b>	<b>30</b>	<b>10.8</b>
Gross margin (%)	52.1	83.6	32.6	-37.4	28.7	-11.9	32.2	12.0	28.3	-12.3	28.6	1.2
<b>EBITDA</b>	<b>9</b>	<b>-46.7</b>	<b>20</b>	<b>129.6</b>	<b>13</b>	<b>-34.5</b>	<b>8</b>	<b>-38.5</b>	<b>18</b>	<b>119.9</b>	<b>20</b>	<b>14.9</b>
EBITDA margin (%)	30.1	41.0	26.9	-10.5	15.2	-43.7	11.5	-23.9	18.1	57.1	19.0	4.9
<b>EBIT</b>	<b>8</b>	<b>-48.1</b>	<b>19</b>	<b>135.9</b>	<b>12</b>	<b>-35.5</b>	<b>7</b>	<b>-40.1</b>	<b>17</b>	<b>127.9</b>	<b>20</b>	<b>15.3</b>
EBIT margin (%)	28.6	37.4	26.3	-8.0	14.6	-44.5	10.8	-25.9	17.6	62.8	18.5	5.3
<b>Financial result</b>	<b>-4</b>	<b>5.0</b>	<b>-6</b>	<b>-46.4</b>	<b>-1</b>	<b>91.4</b>	<b>-18</b>	<b>n.m.</b>	<b>-18</b>	<b>-2.6</b>	<b>-15</b>	<b>17.0</b>
<b>EBT</b>	<b>4</b>	<b>-64.0</b>	<b>13</b>	<b>223.2</b>	<b>12</b>	<b>-10.7</b>	<b>-10</b>	<b>-183.9</b>	<b>-1</b>	<b>90.8</b>	<b>5</b>	<b>610.3</b>
Taxes	1	-58.4	4	186.6	4	-4.6	-3	-168.5	-0	89.8	1	610.3
Tax rate (%)	32.7	n.a.	29.0	n.a.	31.0	n.a.	25.3	n.a.	28.0	n.a.	28.0	n.a.
Net income	3	-66.2	10	240.9	8	-13.2	-8	-190.8	-1	91.1	3	610.3
Minority interests	0	-38.1	0	392.3	0	-31.3	0	13.6	0	0.0	0	100.0
<b>Net Income after minorities</b>	<b>3</b>	<b>-66.3</b>	<b>9</b>	<b>240.2</b>	<b>8</b>	<b>-13.1</b>	<b>-8</b>	<b>-191.9</b>	<b>-1</b>	<b>90.5</b>	<b>3</b>	<b>560.9</b>
Number of shares outstanding (m)	5	33.8	5	0.0	5	0.0	5	0.0	5	0.0	5	0.0
<b>EPS adj. (EUR)</b>	<b>0.69</b>	<b>-69.8</b>	<b>1.97</b>	<b>184.4</b>	<b>1.71</b>	<b>-13.1</b>	<b>-1.57</b>	<b>-191.9</b>	<b>-0.15</b>	<b>90.5</b>	<b>0.69</b>	<b>560.9</b>
<b>DPS (EUR)</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>0.00</b>	<b>n.a.</b>	<b>0.10</b>	<b>n.a.</b>
Dividend yield (%)	2.8	n.a.	2.8	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	1.3	n.a.
<b>Cash Flow (in EUR m)</b>	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023e</b>	<b>%</b>	<b>2024e</b>	<b>%</b>	<b>2025e</b>	<b>%</b>
<b>Operating Cash Flow</b>	<b>4</b>	<b>-49.6</b>	<b>7</b>	<b>111.7</b>	<b>4</b>	<b>-49.6</b>	<b>-0</b>	<b>-101.5</b>	<b>2</b>	<b>n.m.</b>	<b>5</b>	<b>127.6</b>
Increase in working capital	100	194.3	76	-24.0	45	-41.6	-30	-168.0	5	115.2	5	0.0
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.
<b>Free cash flow (post dividend)</b>	<b>-100</b>	<b>-212.4</b>	<b>-71</b>	<b>28.5</b>	<b>-44</b>	<b>38.9</b>	<b>30</b>	<b>168.1</b>	<b>-3</b>	<b>-110.5</b>	<b>-1</b>	<b>81.7</b>
<b>Balance sheet (in EUR m)</b>	<b>2020</b>	<b>%</b>	<b>2021</b>	<b>%</b>	<b>2022</b>	<b>%</b>	<b>2023e</b>	<b>%</b>	<b>2024e</b>	<b>%</b>	<b>2025e</b>	<b>%</b>
<b>Assets</b>	<b>368</b>	<b>41.0</b>	<b>447</b>	<b>21.5</b>	<b>494</b>	<b>10.6</b>	<b>459</b>	<b>-7.1</b>	<b>462</b>	<b>0.7</b>	<b>467</b>	<b>1.0</b>
<b>Goodwill</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>
<b>Shareholders' equity</b>	<b>74</b>	<b>41.2</b>	<b>81</b>	<b>9.5</b>	<b>87</b>	<b>6.8</b>	<b>79</b>	<b>-8.6</b>	<b>79</b>	<b>-0.9</b>	<b>82</b>	<b>4.2</b>
<b>Net Debt incl. Provisions</b>	<b>256</b>	<b>45.2</b>	<b>337</b>	<b>31.4</b>	<b>388</b>	<b>15.1</b>	<b>358</b>	<b>-7.6</b>	<b>361</b>	<b>0.8</b>	<b>362</b>	<b>0.1</b>
Gearing (%)	345.3	n.a.	414.5	n.a.	446.6	n.a.	451.7	n.a.	459.5	n.a.	441.5	n.a.
Net debt/EBITDA	29.7	n.a.	17.0	n.a.	29.9	n.a.	44.9	n.a.	20.6	n.a.	17.9	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 at year-end 2022, about 17% 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 * Previous	Current	Current price **	Price target *	Author ***
<b>Issuer/Financial Instrument (ISIN): Noratis (DE000A2E4MK4)</b>					
06.06.2023	Hold	Hold	9.55 EUR	10.80 EUR	Schmitt, Jochen
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
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A189ZX0)</b>					
25.01.2023	Hold	Buy			Rack, Juliane
30.11.2022	Buy	Hold			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A19UR79)</b>					
25.01.2023	Hold	Buy			Rack, Juliane
30.11.2022	Buy	Hold			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A19X8C0)</b>					
25.01.2023	Hold	Hold			Rack, Juliane
30.11.2022	Buy	Hold			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A1ML7J1)</b>					
29.08.2023	Hold	Hold	20.38 EUR	21.00 EUR	Schmitt, Jochen
05.05.2023	Hold	Hold	18.59 EUR	20.40 EUR	Schmitt, Jochen
27.04.2023	Hold	Hold	19.09 EUR	20.40 EUR	Schmitt, Jochen
22.03.2023	Hold	Hold	18.57 EUR	20.00 EUR	Schmitt, Jochen
22.02.2023	Hold	Hold	24.95 EUR	25.00 EUR	Schmitt, Jochen
29.09.2022	Hold	Hold	21.83 EUR	23.00 EUR	Schmitt, Jochen
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A2R8ND3)</b>					
25.01.2023	Hold	Buy			Rack, Juliane
30.11.2022	Buy	Hold			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A30VQA4)</b>					
25.01.2023	n.a.	Buy			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A30VQB2)</b>					
25.01.2023	n.a.	Hold			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A3MP4V7)</b>					
30.11.2022	Buy	Hold			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A3MQS56)</b>					
30.11.2022	n.a.	Hold			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A3MQS64)</b>					
25.01.2023	n.a.	Buy			Rack, Juliane
<b>Issuer/Financial Instrument (ISIN): Vonovia (DE000A3MQS72)</b>					
25.01.2023	n.a.	Hold			Rack, Juliane

# company note

- \* 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

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