

## Noratis (NUVA GY) | Real Estate

October 13, 2023

### Management expects business to remain challenging in 2nd half '23

In 6M/23, EBT declined to EUR -4.4 m (6M/22: EUR 11.2 m). This earnings drop was caused by lower disposal gains, an impairment charge on inventory properties, mark-downs (rather than mark-ups) on derivatives and higher cash-effective cost of debt compared to 6M/22. Although we expect a recovery of Noratis's disposal result in the medium-term, the shorter-term outlook appears to be difficult. Against this background and due to the company's indebtedness which we deem to be high (LTV YE '23e: 76%), the interest service cover ratio gets weakened. As stated earlier, financial debt covenants seem to be in place only for a minor share of Noratis's debt and the shareholder structure eases our debt concerns. We keep our HOLD-recommendation on Noratis-shares, new price target EUR 7.4 (9.0).

**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. Furthermore, we consider a theoretical scenario in which Merz Real Estate could increase their stake in Noratis as not impossible.

**Changes in estimates:** Our estimates are cut further. However, for operating cash flow '24e & '25e, our forecast is largely unchanged.

**Valuation:** Currently, Noratis-shares trade at P/BV '23e of approx. 0.4 (before taking into account hidden reserves on inventory properties).

Fundamentals (in EUR m) <sup>1</sup>	2020	2021	2022	2023e	2024e	2025e
Sales	29	74	86	61	91	102
EBITDA	9	20	13	5	17	19
EPS adj. (EUR)	0.69	1.97	1.71	-2.00	-0.20	0.59
Gross profit	15.8	24.5	25.1	21.9	27.3	30.3
DPS (EUR)	0.50	0.55	0.00	0.00	0.00	0.10
Operating Cash Flow (EUR)	4	7	4	-2	2	4
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	82.1	23.2	20.1
PCFR	20.7	13.6	12.9	-18.2	13.7	6.8
P/E adj.	26.0	9.9	6.8	-3.0	-30.3	10.2
Dividend yield (%)	2.8	2.8	0.0	0.0	0.0	1.7
EBIT margin (%)	28.6	26.3	14.6	7.2	17.8	18.4
Gearing (%)	345.3	414.5	446.6	478.8	470.1	454.2
PBV	1.0	1.2	0.6	0.4	0.4	0.4

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

**Hold**  **unchanged**

**Price\*** **EUR 6.00**

**Price target** **EUR 7.40 (9.00)**

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

Market Cap (EUR m) <sup>1</sup>	29
Enterprise Value (EUR m) <sup>1</sup>	399
Free Float (%) <sup>1</sup>	45.0



Performance (in %) <sup>1</sup>	1m	3m	12m
Share	-20.5	-35.8	-54.9
Rel. to SDAX	-18.9	-31.6	-63.0
Changes in estimates (in %) <sup>1</sup>	2023e	2024e	2025e
Sales	-12.5	-6.0	-3.4
EBIT	-41.7	-4.8	-4.3
EPS	-27.1	-32.6	-14.4

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**Author: Jochen Schmitt**

Financial Analyst Equities

+49 69 2104-4359

JSchmitt@metzler.com

# company note

## 6M/23 EBT in the loss zone, although not surprisingly

Given what some German residential peers reported about the value development of their property portfolio in 6M/23, we were not taken by surprise that Noratis booked an impairment charge of almost EUR 4 m on inventory properties. The order of magnitude of this charge was, however, somewhat higher than we had anticipated. In this context, we had mentioned in our previous research note that we recognized uncertainty which part of our expected decline in appraisal value may be absorbed by hidden reserves before hitting the P&L. Hidden reserves on inventory properties amounted to EUR 59 m as at June vs. EUR 73 m as at YE 2022 (total market value of the portfolio: roughly EUR 500 m at the end of Q2/23).

Regarding cash-relevant figures, the decline in the disposal result and the higher burden from interest expenses had largely been expected by us. The disposal result of only EUR 3.5 m (-64% y-o-y) underlines, in our view, that Noratis's earnings situation is currently difficult given the environment for apartment transactions in Germany. Although Noratis's second key revenue source is rental income, the company's business model requires, in our view, a certain level of disposal gains to be profitable, at least in the current interest rate environment.

## But EBT looks meagre to us even after adjusting for non-recurring items

Even if we were to adjust for inventory impairment, mark-downs on investment properties and P&L-effective value changes on interest rate derivatives approaching maturity, we would end up at earnings before taxes (EBT) of only approx. EUR 1 m. This is too low, in our opinion, relative to the company's net financial debt of around EUR 380 m as at June 2023. While we expect Noratis's disposal result to recover in the medium-term which would improve earnings, we believe that the company has to reduce indebtedness in the current interest rate environment.

## Noratis: 6M/23 net loss characterized by a drop in disposal result, an impairment charge and risen cost of debt

### 6M/23 results at a glance

in EUR m	6M/22	6M/23	y-o-y
Total revenue	68.1	33.5	-51%
<b>Gross profit from sales of properties</b>	<b>9.8</b>	<b>3.5</b>	<b>-64%</b>
<i>Disposal margin</i>	<i>18.2%</i>	<i>19.6%</i>	<i>+1.2%-age points</i>
<b>Gross profit from letting</b>	<b>7.2</b>	<b>7.9</b>	<b>10%</b>
<b>Gross profit total</b>	<b>17.3</b>	<b>11.9</b>	<b>-31%</b>
Operating expenses (incl. other expenses)	5.4	5.4	0%
Fair-value-result on investment properties	0.0	-0.2	na
Impairment charge on inventory properties	0.0	3.7	na
<b>EBIT</b>	<b>11.9</b>	<b>2.6</b>	<b>-78%</b>
Financial result	-0.6	-7.0	nm
<i>of which valuation result from derivatives</i>	<i>3.7</i>	<i>-1.0</i>	<i>na</i>
<b>EBT</b>	<b>11.2</b>	<b>-4.4</b>	<b>na</b>
<b>Net income after taxes</b>	<b>8.0</b>	<b>-3.4</b>	<b>na</b>

Sources: Noratis, Metzler Research

## Disposal result provides glimmer of hope...

On the positive side, Noratis was still able to sell 176 apartments in 6M/23 (corresponding to 4% of the total portfolio), underlining in our view that the company is active in a size bracket in which transactions are still possible at this stage. The gross disposal margin was 19% which we deem to be a fairly good outcome in the current market environment.

## ...and has bolstered free cash flow

The gross disposal proceeds amounted to EUR 18 m (before considering the outflows for the purchase of 18 apartments). This helped Noratis to reduce net financial debt by approx. 2% in 6M/23 (probably, debt underlying the properties sold

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had to be repaid after the disposal transaction). If Noratis was able to close some further disposals without any too large price concessions, this would in our opinion provide a reasonable opportunity to improve the capital structure and free cash flow.

**For our view on the debt situation, see our previous research note**

We continue to expect an LTV of approx. 76% at year-end 2023e (YE 2022: 72%), including our assumptions of a further, moderate portfolio value decline and the disposal of around further 75 apartments in the second half 2023e. Regarding the interest service cover ratio, our forecast is 0.9 for FY '23e, 1.2 for '24e and 1.4 for '25e. Given that we highlighted Noratis's debt situation in our recently released research note (published on 18 September), we do not delve into the details here again.

**Noratis: Our new estimates based on the co.'s P&L structure - pressure on disposal result, mark-downs on interest rate derivatives & risen 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>60.5</b>	<b>91.0</b>	<b>102.4</b>
Revenue from the sales of inventory properties	63.0	12.0	50.6	55.9	29.7	59.4	70.0
Cost of sales of inventory properties	48.6	7.0	39.2	45.7	24.1	49.0	57.4
<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>5.6</b>	<b>10.4</b>	<b>12.6</b>
Letting revenues	12.9	16.7	23.0	29.7	30.8	31.6	32.4
Letting costs	5.8	6.7	10.4	15.3	15.2	15.4	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>15.6</b>	<b>16.2</b>	<b>16.9</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>21.9</b>	<b>27.3</b>	<b>30.3</b>
Personnel costs	4.1	5.0	5.3	5.9	6.3	6.7	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	6.0	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>4.4</b>	<b>16.2</b>	<b>18.8</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	-3.5	-3.5	-1.3
Financial costs (net of interest income by derivatives as from 2023e)*	4.4	4.3	6.5	9.3	13.0	14.0	13.5
<b>Financial result</b>	<b>-4.3</b>	<b>-4.1</b>	<b>-5.9</b>	<b>-0.5</b>	<b>-16.5</b>	<b>-17.5</b>	<b>-14.7</b>
<b>Financial result excl. fair-value changes of derivatives</b>	<b>-4.3</b>	<b>-4.1</b>	<b>-6.4</b>	<b>-8.9</b>	<b>-13.0</b>	<b>-14.0</b>	<b>-13.5</b>
<b>EBT</b>	<b>11.5</b>	<b>4.2</b>	<b>13.4</b>	<b>12.0</b>	<b>-12.1</b>	<b>-1.3</b>	<b>4.1</b>
Income taxes	3.3	1.4	3.9	3.7	-2.5	-0.4	1.1
Tax rate	28.3%	32.7%	29.0%	31.0%	20.7%	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>-9.6</b>	<b>-0.9</b>	<b>2.9</b>
Non-controlling interest	0.0	0.0	0.1	0.0	0.0	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>-9.6</b>	<b>-1.0</b>	<b>2.9</b>

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

**Changes in earnings estimates**

We have cut our forecast for disposal gains, in particular for 2023e. Some further changes concern the inventory impairment charge (in 2023e) as well as mark-downs on interest rate derivatives gradually approaching their maturity. Our EPS estimates are down for 2023e-2025e. Regarding operating cash flow which according to our definition includes disposal gains but excludes changes in working capital, our forecast for 2023e is now EUR -1.6 m (previously: around break-even level). The changes in our expectation for operating cash flow 2024e and 2025e are not significant compared to our former forecast.

On portfolio size, we have now taken the assumption that Noratis will reduce the number of apartments by around 100 to approx. 4,225 until year-end 2024e from 4,325 which we expect for YE 2023e (YE 2022: 4,548; June 2023: 4,390) in order to reduce debt. Regarding disposals gross of new apartment purchases, we expect that Noratis will sell slightly more than 350 apartments in 2024e.

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## Cash flow development

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

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>6.9</b>	<b>4.3</b>	<b>-1.6</b>	<b>2.1</b>	<b>4.2</b>
- Change in working capital	34.1	100.5	76.4	46.7	-18.6	-9.4	4.6
Operating cash flow after change in working capital	-27.2	-96.9	-69.4	-42.3	17.0	11.5	-0.4
- 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>-69.6</b>	<b>-42.5</b>	<b>16.5</b>	<b>11.0</b>	<b>-0.9</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	-72.0	-45.2	16.5	11.0	-0.9
<b>Operating cash flow per share (in EUR)</b>	<b>1.93</b>	<b>0.87</b>	<b>1.44</b>	<b>0.90</b>	<b>-0.33</b>	<b>0.44</b>	<b>0.88</b>

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 7.4

	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	Terminal Value
<b>in EUR m</b>									
Sales	60.5	91.0	102.4	112.7	121.7	129.0	135.4	140.9	143.3
Sales growth (%)	-29.3	50.4	12.5	10.0	8.0	6.0	5.0	4.0	1.75
EBIT margin (%)	7.2	17.8	18.4	19.0	19.5	19.5	19.5	19.5	17.0
EBIT	4.4	16.2	18.8	21.4	23.7	25.2	26.4	27.5	24.4
- Revaluation of properties	-6.8	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
adjusted (cash-effective) EBIT	11.2	16.2	18.7	21.4	23.7	25.2	26.4	27.5	24.4
adjusted (cash-effective) EBIT-margin	18.4	17.8	18.2	19.0	19.5	19.5	19.5	19.5	17.0
- Cash taxes	3.0	4.3	4.9	5.7	6.3	6.7	7.0	7.3	6.5
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	8.7	12.4	14.2	16.2	18.0	19.0	20.0	20.7	18.5
- 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)	4.3	-9.4	4.6	4.8	4.9	5.1	5.3	5.5	2.0
Free Cash Flow	4.0	21.3	9.1	11.0	12.5	13.3	14.1	14.6	15.9
Discounted Free Cash Flow	3.9	20.1	8.2	9.3	10.1	10.3	10.3	10.2	
Discounted Terminal Value									324
Sum DCF		82							
Terminal Value		324							
Enterprise Value		406							
									WACC (%) 5.17
									Cost of Debt after taxes (%) 3.31
									COE (%) 9.50
- Net Debt ex pensions		370							
- Minorities		1							Debt/Total Capital (%) 70.0
+ Adjustment for financial participations		0							Equity/Total Capital (%) 30.0
= Equity Value		36							
<b>Estimated Fair Value per share (in EUR)</b>		<b>7.4</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).

# 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								
	1.60%	1.65%	1.70%	1.75%	1.80%	1.85%	1.90%	1.95%	2.00%
4.92%	10.6	11.8	12.9	14.1	15.3	16.6	17.9	19.2	20.6
4.97%	9.3	10.4	11.5	12.7	13.9	15.1	16.3	17.6	19.0
5.02%	8.1	9.1	10.2	11.3	12.4	13.6	14.8	16.1	17.4
5.07%	6.8	7.8	8.9	9.9	11.1	12.2	13.4	14.6	15.8
5.12%	5.6	6.6	7.6	8.6	9.7	10.8	12.0	13.1	14.3
<b>5.17%</b>	4.4	5.4	6.4	<b>7.4</b>	8.4	9.5	10.6	11.7	12.9
5.22%	3.3	4.2	5.2	6.2	7.2	8.2	9.3	10.4	11.5
5.27%	2.2	3.1	4.0	5.0	5.9	6.9	8.0	9.0	10.1
5.32%	1.1	2.0	2.9	3.8	4.7	5.7	6.7	7.7	8.8

Source: Metzler Research

## Interest rate sensitivity maybe a bit overstated

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, there may be a connection of rising interest rates triggered by inflationary pressure and the nominal long-term growth assumption, at least theoretically. Therefore, in practical terms the sensitivity to rising cost of debt in our DCF-model is probably less pronounced than the sensitivity analysis suggests: rising WACC might be accompanied by a simultaneous increase in (nominal) long-term growth.

Furthermore, Noratis has the opportunity to consider higher interest rates in the acquisition of new apartments. Accordingly, from a business model's perspective 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 to gross profit according to the company definition as shown on the front page of our research report.

# 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>61</b>	<b>-29.3</b>	<b>91</b>	<b>50.4</b>	<b>102</b>	<b>12.5</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>21</b>	<b>-13.6</b>	<b>27</b>	<b>25.3</b>	<b>29</b>	<b>10.6</b>
Gross margin (%)	52.1	83.6	32.6	-37.4	28.7	-11.9	35.1	22.2	29.3	-16.7	28.8	-1.7
<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>5</b>	<b>-62.6</b>	<b>17</b>	<b>244.4</b>	<b>19</b>	<b>15.4</b>
EBITDA margin (%)	30.1	41.0	26.9	-10.5	15.2	-43.7	8.0	-47.0	18.4	128.9	18.9	2.6
<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>4</b>	<b>-65.1</b>	<b>16</b>	<b>272.4</b>	<b>19</b>	<b>15.9</b>
EBIT margin (%)	28.6	37.4	26.3	-8.0	14.6	-44.5	7.2	-50.6	17.8	147.6	18.4	3.0
<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>-16</b>	<b>n.m.</b>	<b>-17</b>	<b>-6.3</b>	<b>-15</b>	<b>15.8</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>-12</b>	<b>-200.9</b>	<b>-1</b>	<b>89.6</b>	<b>4</b>	<b>425.1</b>
Taxes	1	-58.4	4	186.6	4	-4.6	-2	-167.3	-0	85.9	1	425.1
Tax rate (%)	32.7	n.a.	29.0	n.a.	31.0	n.a.	20.7	n.a.	28.0	n.a.	28.0	n.a.
Net income	3	-66.2	10	240.9	8	-13.2	-10	-215.9	-1	90.6	3	425.1
Minority interests	0	-38.1	0	392.3	0	-31.3	0	-54.5	0	150.0	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>-10</b>	<b>-216.8</b>	<b>-1</b>	<b>90.1</b>	<b>3</b>	<b>397.6</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>-2.00</b>	<b>-216.8</b>	<b>-0.20</b>	<b>90.1</b>	<b>0.59</b>	<b>397.5</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.	1.7	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>97.4</b>	<b>4</b>	<b>-37.3</b>	<b>-2</b>	<b>-136.7</b>	<b>2</b>	<b>232.9</b>	<b>4</b>	<b>100.1</b>
Increase in working capital	100	194.3	76	-24.0	47	-38.9	-19	-139.8	-9	49.4	5	148.9
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>-72</b>	<b>28.0</b>	<b>-45</b>	<b>37.3</b>	<b>16</b>	<b>136.5</b>	<b>11</b>	<b>-33.1</b>	<b>-1</b>	<b>-107.9</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>468</b>	<b>-5.3</b>	<b>457</b>	<b>-2.2</b>	<b>462</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>77</b>	<b>-11.0</b>	<b>76</b>	<b>-1.2</b>	<b>79</b>	<b>3.7</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>370</b>	<b>-4.6</b>	<b>359</b>	<b>-3.0</b>	<b>360</b>	<b>0.2</b>
Gearing (%)	345.3	n.a.	414.5	n.a.	446.6	n.a.	478.8	n.a.	470.1	n.a.	454.2	n.a.
Net debt/EBITDA	29.7	n.a.	17.0	n.a.	29.9	n.a.	76.1	n.a.	21.4	n.a.	18.6	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 published its first sustainability report in 2022 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 were oil-heated. Several of Noratis's oil heating systems have 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

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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>					
18.09.2023	Hold	Hold	7.85 EUR	9.00 EUR	Schmitt, Jochen
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

\* 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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## 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	
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