

# Noratis Promissory Notes

## Opportunity to invest in Noratis 3 year 5.25% EUR Promissory Notes

### About Noratis

- A leading portfolio developer of **affordable residential properties** in Germany, listed on Frankfurt Stock Exchange since 2017, with market cap of EUR 81m.
- Noratis business model is based on combination of regular rental income from its property portfolio, covering its recurring cost base, and additional upside from real estate development.
- Highly experienced and committed management team with a successful track record.
- In March 2020 Noratis attracted a new **strong strategic shareholder** – Merz Group, a privately held German company with global presence, operating primarily in healthcare industry. Its 2019 revenue reached EUR 1.1bn.
- Merz Group has committed to invest **up to EUR 50m** additional equity in Noratis by the end of 2024.
- With additional financial support from its strategic shareholder, Noratis has decided to temporarily focus on **portfolio expansion**, by limiting property sales. These measures will potentially create a more stable revenue flow in the future, while allowing the company to use market opportunities presented by Covid-19.



### Financial highlights, EUR m

	FY 2018	FY 2019	1H 2020 <sup>1</sup>
<b>Revenue</b>	56.1	75.9	42.2
<b>EBITDA</b>	15.8	16.0	11.4
<b>EBITDA margin</b>	28.2%	21.1%	27.0%
<b>Net profit</b>	9.3	8.7	1.6
<b>Total assets</b>	214.0	258.9	266.3
<b>Cash</b>	7.9	7.0	6.3
<b>Total Equity</b>	49.5	53.4	60.2
<b>Total borrowings</b>	154.9	180.9	200.6
<b>Interest coverage ratio<sup>2</sup></b>	5.7x	4.3x	3.1x
<b>Capitalization ratio<sup>3</sup></b>	24.0%	21.2%	23.2%

<sup>1</sup> Last twelve month data

<sup>2</sup> EBITDA / Net Finance charges

<sup>3</sup> Adjusted equity / (Total assets – Cash)

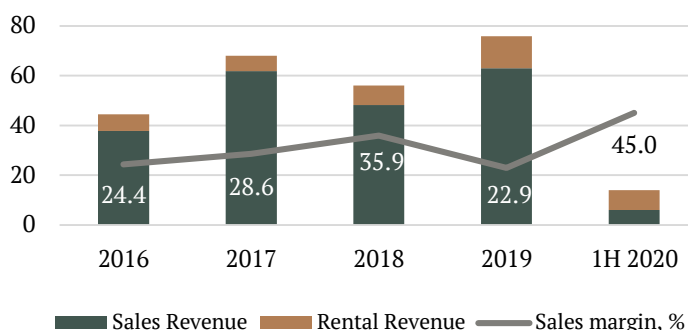
### Portfolio characteristics

- Noratis invests in peripheral regions of German metropolitan areas with more than 10 000 inhabitants and a generally stable demographic development.
- Focus on economy class projects built between 1919 and 1986 and potential for development. Demand for such assets is less volatile and sensitive to economic cyclicity.
- Targeting an underpenetrated market segment with up to 1 000 residential units, that is too large for private investors and too small for large institutional investors.
- Average holding period** for assets sold since 2014 has been **25 months** with total revenue from property sale of more than EUR 250m.
- Unchanged strong demand for relatively good and affordable real estate in Germany at rental rates below EUR 10/m<sup>2</sup>. Real estate prices continue to rise, as demand continues to exceed supply (insufficient newbuild activity).

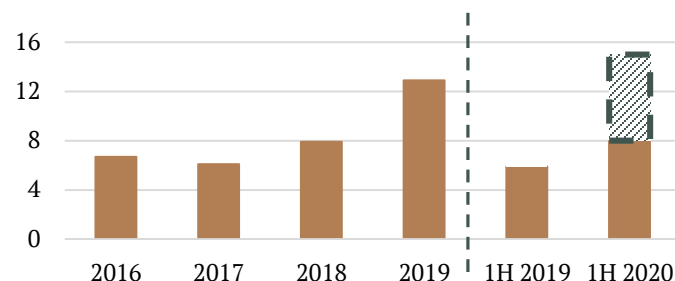
### Financial Overview

- Demonstrated sustainably high profitability levels over the years, with annual EBITDA exceeding EUR 15m for each of the years 2017 – 2019.
- In 2020 revenue and EBITDA levels have been lower, due to the decision to slow down property sales and focus on portfolio expansion during 2020-21, to be able to boost rental revenue to fully cover its cost base (86% coverage as of end 2019) and increase timing flexibility for property sales.
- In 1H 2020 rental revenue continued growing (+35 yoy). With average rental rate of EUR 6/m<sup>2</sup>, Noratis has seen very limited impact from Covid-19 related economic downturn.
- Total **book value of properties** as of 1H'2020 reached **EUR 254m**, while secured and unsecured loans from German regional and saving banks stood at EUR 200m (average interest rate of 1.3% p.a.).
- Hidden reserve** in the balance sheet, as profits from real estate development are recorded only upon sale of properties (assets are reported at cost). **Profit margin** from sold properties has historically exceeded **20%**.

### Revenue and sales margin, EUR m



### Rental revenue, EUR m



Source: Noratis AG financial reports and presentations

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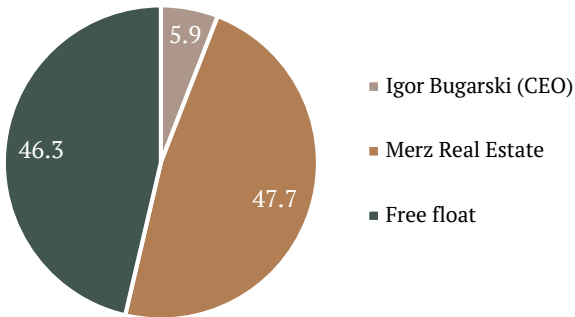
## Term Sheet

Issuer	Noratis AG
Sector	Real Estate development
Type	Private placement
Security type	Unsecured
Issue size	EUR 2'500'000 (Issuer can increase the offering size)
Interest rate	5.25%
Payment frequency	Quarterly
Price	100% of the Nominal value
Term	3 years (bullet)
Call Option	After 1Y @100%, with 1 month notice
Nominal value	EUR 100 000
Minimum subscription	EUR 100 000
Covenants	<ul style="list-style-type: none"><li>Interest coverage ratio at least 1.50x</li><li>Capitalization ratio at least 15%</li></ul>
Use of proceeds	Real estate portfolio expansion
Organizer	Signet Bank AS

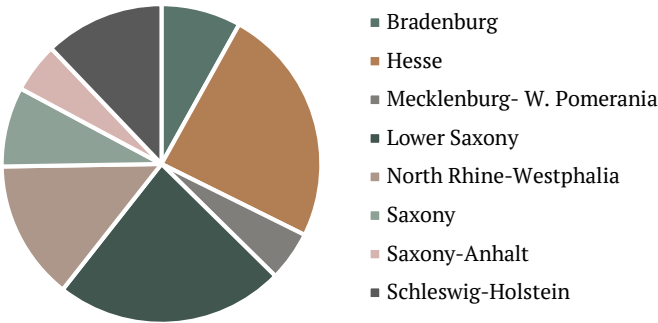
## Real estate portfolio (1H 2020)

Portfolio book value	EUR 253.5m
Number of assets	More than 25 buildings
Units	2 530
Parking slots	1 441
Total rental space	167 000 m <sup>2</sup>
Vacancy rate	6.3%
Average rent per m <sup>2</sup>	6 EUR/month

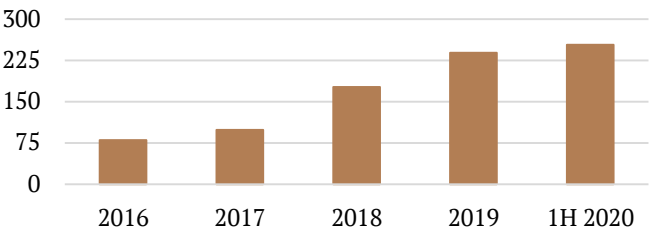
## Shareholder structure, % (Sep 2020)



## Real Estate portfolio split by region (1H 2020)



## Real estate portfolio, EUR m



Source: Noratis AG financial reports and presentations

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- MiFID II product governance – the distributor has adopted the product manufacturer’s target market assessment in respect of the Notes, and the following has been concluded: (i) the target market for the Promissory notes is eligible counterparties, professional clients, and retail clients with a minimum investment horizon of three years and a high level of knowledge and experience working with similar types of securities, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of the Promissory notes to eligible counterparties, professional clients and respective retail clients are appropriate.

## **Risk factors:**

- When making this investment in the Promissory notes, investors will incur certain risks. The main risk factors that influence Noratis AG and the Promissory notes are: macroeconomic and political risk, competition risk, reputation risk, counterparty risk, liquidity risk, employees risk, foreign exchange risk, litigation risk, natural disaster and other business disruption risk, taxation risk, notes repayment risk, notes structure risk, price risk and repurchase or redemption risk.
- The risks indicated in this section may reduce Noratis’ ability to fulfil its obligations and cause its insolvency in the worst-case scenario. This section may not feature all the potential risks, which may affect Noratis AG.