

# **SBB sells a 49% stake in its social infrastructure portfolio for public education to Brookfield for SEK 9.2 billion in cash with an additional earn-out of up to SEK 1.2 billion in cash.**

- Depending on the value of the Earn-Outs achieved, the transaction price represents between a 2.7% discount and a 2.7% premium to the Book Value as of the third quarter of 2022.<sup>1</sup>
- Samhällsbyggnadsbolaget i Norden AB (publ) ("SBB") contributes its SEK 44.9 billion<sup>2</sup> social infrastructure portfolio for public education to a newly formed SBB subsidiary EduCo AB<sup>3</sup> ("EduCo").
- Brookfield, one of the world's largest infrastructure investors, through its open-ended core infrastructure fund (Brookfield Super-Core Infrastructure Partners), acquires a 49% minority stake in EduCo from SBB (the "Transaction") for approx. SEK 9.2 billion in cash up front, plus up to approx. SEK 1.2 billion<sup>4</sup> in cash through earn-outs ("Earn-Outs").
- EduCo will be operated and managed by SBB through an asset management agreement with respect to the management of the EduCo portfolio in its entirety.
- EduCo offers strong and predictable, low-risk, inflation-secured cashflows backed by "AAA" government funding<sup>5</sup>.
- Proceeds from the Transaction will mainly be used to deleverage SBB, in line with its communicated strategy, bringing SBB's loan-to-value ratio to approx. 42.4%<sup>6</sup> from approx. 46.9% as of the third quarter of 2022.

## **1. Key transaction terms**

Brookfield Super-Core Infrastructure Partners ("Brookfield") acquires a minority stake of 49% in EduCo from SBB, while SBB retains the majority stake of 51%. EduCo is formed by contributing SBB's entire SEK 44.9 billion social infrastructure portfolio for public education (including preschools, elementary schools, upper-secondary schools and universities), currently wholly owned by SBB, into the newly formed subsidiary at a transaction price of approx. SEK 43.7 billion ("Transaction Price"; refer to "Appendix A" for further details on Transaction Price overview). SBB will consolidate 100% of EduCo post-Transaction.

Brookfield will pay SBB approx. SEK 9.2 billion upfront in cash. The Transaction also includes two separate Earn-Outs, expiring after six (6) years from the date of the first closing of the Transaction, based on (i) achieved refinancing terms, and (ii) achieved net operating

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<sup>1</sup> 2.7% discount calculated as Transaction Price of SEK 43.7 billion, divided by Book Value of SEK 44.9 billion; 2.7% premium calculated as Transaction Price of SEK 43.7 billion inclusive of maximum value of Earn-Outs at 100% of SEK 2.4 billion, divided by Book Value of SEK 44.9 billion.

<sup>2</sup> Book value as of the third quarter of 2022 for the assets contributed to EduCo amounting to SEK 44.9 billion ("Book Value").

<sup>3</sup> Goldcup 31998 AB (under name change to EduCo AB).

<sup>4</sup> Total maximum cash amount payable by Brookfield to SBB for Earn-Outs will not exceed approx. SEK 1.2 billion (refers to 49% payable by Brookfield based on agreed maximum value of Earn-Outs at 100% of SEK 2.4 billion).

<sup>5</sup> Approx. 95% by Gross Asset Value ("GAV") of EduCo portfolio located in "AAA" sovereign credit ratings countries (55% Sweden by GAV, 38% Norway, 2% Denmark) and approx. 5% by GAV in an "AA+" country (Finland).

<sup>6</sup> SBB loan-to-value ratio calculated as SBB's net debt / total assets as of the third quarter of 2022, pro-forma for (i) the Transaction, (ii) assets divestments to date since the latest reporting as of the third quarter of 2022, and (iii) tender offer on hybrid and debt securities as communicated on 17 November 2022.

income yield on new developments and acquisitions, respectively. Total maximum cash amount payable to SBB from Brookfield for Earn-Outs will not exceed SEK 1.2 billion<sup>7</sup>.

In addition, EduCo will enter into an asset management agreement with SBB, whereby EduCo will pay SBB 1.8% of the net operating income per annum.

Debt financing of EduCo will consist of existing external bank financing of approx. SEK 6.9 billion and SEK 14.5 billion of inter-company financing provided by SBB to EduCo with a tenor of up to six (6) years. The inter-company financing has a fixed interest rate of 3.0%<sup>8</sup>. EduCo's target loan-to-value ratio is 50 to 55%. EduCo intends to refinance the inter-company loan at market terms in the medium-term.

## **2. Overview of EduCo**

The investment strategy of EduCo will be to invest in and manage social infrastructure assets within the public-backed education sector in Sweden, Denmark, Norway and Finland, and will be the main vehicle for SBB's opportunities within the public education sector.

The EduCo portfolio will consist of 585 income producing assets spread across the Nordic region (55% by GAV in Sweden, 38% in Norway, 5% in Finland and 2% Denmark), generating a revenue and net operating income in 2023E of SEK 2.3 billion<sup>9</sup>, and SEK 1.9 billion<sup>10</sup> respectively, representing a 4.4%<sup>11</sup> net initial yield excluding Earn-Outs and a 4.1%<sup>12</sup> net initial yield excluding Earn-Outs on the net operating income earnings capacity as of the third quarter of 2022. The portfolio benefits from long-term leases with minimum turnover: 13-year weighted average term.

EduCo will be chaired by Ilija Batljan. Jenny Asmundsson, part of SBB Group's executive management team, will be responsible for the EduCo operations.

SBB's majority stake in EduCo forms the basis for SBB's segment Social infrastructure for Public Education. SBB Group's existing segments are:

- Social infrastructure for Public Education
- Social infrastructure for Elderly Care
- Social infrastructure for Health Care
- Social infrastructure for Special Residential Care
- Government infrastructure and municipal buildings
- Swedish Rent Regulated Residential
- Associated companies and investments

## **3. Transaction rationale**

The transaction provides multiple benefits for SBB. EduCo is a leading, difficult-to-replicate, Nordic social infrastructure portfolio for public education favored by preferred relationships

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<sup>7</sup> Total maximum cash amount payable by Brookfield to SBB for Earn-Outs will not exceed approx. SEK 1.2 billion (refers to 49% payable by Brookfield based on agreed maximum value of Earn-Outs at 100% of SEK 2.4 billion).

<sup>8</sup> Being above SBB's current average cost on outstanding debt.

<sup>9</sup> Revenue in 2023E, calculated as revenue earnings capacity as of the third quarter of 2022, adjusted for 2022E inflation.

<sup>10</sup> Net operating income in 2023E, calculated as net operating income earnings capacity as of the third quarter of 2022, adjusted for 2022E inflation.

<sup>11</sup> Calculated as: net operating income in 2023E / (Transaction Price of SEK 43.7 billion – SEK 772 million of building rights as of the third quarter of 2022).

<sup>12</sup> Calculated as: net operating income earnings capacity as of the third quarter 2022 / (Transaction Price of SEK 43.7 billion – SEK 772 million of building rights as of the third quarter of 2022).

with municipalities and publicly funded operators in the Nordics within the educational sectors. It benefits from strong and predictable, inflation-secured cashflows backed by “AAA” government funding<sup>13</sup> and the essential nature of underlying assets in the Nordics in a market with favorable tailwinds.

Partnering with Brookfield best positions SBB to continue delivering critical social infrastructure for municipalities within public education. The Transaction will also enable diversification of funding sources and acceleration of deleveraging of SBB’s balance sheet with pro-forma loan-to-value of approx. 42.4%<sup>14</sup> and interest coverage ratio of 5.1x<sup>15</sup>, from approx. 46.9% and 4.8x, respectively as of the third quarter 2022.

Eduardo Salgado, a Managing Partner in Brookfield’s Infrastructure Group and Head of Brookfield Super-Core Infrastructure Partners, said, “By partnering with SBB, we achieve a best-in-class operational set-up with an organisation that has a strong local market presence, deep expertise and an exceptional track record in executing social infrastructure transactions in the Nordics. This is a unique opportunity to invest in the leading social infrastructure educational portfolio in the Nordic region. This is a sought after and resilient asset class, underpinned by the essential nature of the underlying assets and its predictable, inflation-secured cash flows under very long contracts. This partnership is highly attractive for us given SBB’s extensive experience in working with municipalities and publicly funded operators in the Nordics within the educational sector.”

“We are delighted to join forces with Brookfield, a world-class, highly reputable infrastructure asset investor. Establishing EduCo will make us even better placed to continue delivering important infrastructure to the Nordic welfare states. There will be an increasing need for schools, preschools and university buildings in the Nordics, a market in which we already have a strong foothold. With Brookfield as our long-term partner we will also benefit from diversifying SBB Group’s funding sources, whilst we accelerate deleveraging of our Group balance sheet in line with our strategy,” comments Ilija Batljan, CEO and Founder of SBB.

#### **4. Indicative timetable**

The Transaction is unconditional and expected to be completed in two steps, a first closing and a second closing, with approx. 77% of the assets value expected to be transferred into EduCo in the first closing and the remaining approx. 23% of the assets value is transferred in the second closing.

The parties’ intention is to complete the first closing on 30 December 2022 or latest in the beginning of 2023. The second closing is expected to be completed in the first or second quarter or 2023.

#### **5. Previously announced letter of intent 8 September 2022**

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<sup>13</sup> Approx. 95% by Gross Asset Value (“GAV”) of EduCo portfolio located in “AAA” sovereign credit ratings countries (55% Sweden by GAV, 38% Norway, 2% Denmark) and approx. 5% by GAV in an “AA+” country (Finland).

<sup>14</sup> SBB loan-to-value ratio calculated as SBB’s net debt / total assets as of the third quarter of 2022, pro-forma for (i) the Transaction, (ii) assets divestments to date since the latest reporting as of the third quarter of 2022, and (iii) tender offer on hybrid and debt securities as communicated on 17 November 2022.

<sup>15</sup> Interest coverage ratio calculated as EBITDA / net interest expense, pro-forma for (i) the Transaction, (ii) assets divestments to date since the latest reporting as of the third quarter of 2022, and (iii) tender offer on hybrid and debt securities as communicated on 17 November 2022.

SBB has prior to the entering into the Transaction terminated the Letter of Intent related to the proposed divestment of a portfolio of approx. SEK 9 billion, signed with an institutional investor and announced on 8 September 2022.

## **Investor presentation**

SBB will present the Transaction at 09:30 CET on 30 November 2022 via conference call and webcast.

The presentation will be held in English and will be concluded with a Q&A session. Questions can be asked on the conference call or in written form through the webcast. No pre-registration is needed.

Webcast link: <https://financialhearings.com/event/46251>

To participate via telephone please dial-in on the numbers below

SE: +46 856642651 PIN: 33406246#

UK: +44 3333000804 PIN: 33406246#

US: +1 6319131422 PIN: 33406246#

After the presentation a recording of the webcast will be available on the webcast link.

## **Advisors**

J.P. Morgan Securities PLC is sole financial advisor to SBB on the Transaction. Advokatfirman Vinge is legal advisor to SBB and Linklaters is legal advisor to Brookfield.

## **For further information, please contact:**

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This disclosure contains information that Samhällsbyggnadsbolaget i Norden AB is obliged to make public pursuant to the EU Market Abuse Regulation (EU nr 596/2014). The information was submitted for publication, through the agency of the contact person, on 30 November 2022 at 03:15 CET.

## **About Brookfield**

Brookfield (NYSE: BAM, TSX: BAM.A) is a leading global alternative asset manager with over \$750 billion of assets under management across infrastructure, real estate, renewable power and transition, private equity and credit. Brookfield owns and operates long-life assets and businesses, many of which form the backbone of the global economy. Utilising its global reach, access to large-scale capital and operational expertise, Brookfield offers a range of alternative investment products to investors around the world - including public and private pension plans, endowments and foundations, sovereign wealth funds, financial institutions, insurance companies and private wealth investors.

For more information, please visit our website at [www.brookfield.com](http://www.brookfield.com).

## **About SBB**

Samhällsbyggnadsbolaget i Norden AB (publ) (“SBB”, “Company”) is the Nordic region’s leading social infrastructure player. The Company’s strategy is to long term own and manage social infrastructure assets in the Nordics and rent regulated residential assets in Sweden, and to actively work with asset development. Through SBB’s commitment and engagement in community participation and social responsibility, municipalities and other stakeholders find the Company an attractive long-term partner. The Company’s series B shares (ticker SBB B) and D shares (ticker SBB D) are listed on Nasdaq Stockholm, Large Cap. Further information about SBB is available at <http://www.sbbnorden.se>.

## Appendix A - Transaction Price Overview

		SEK billion
<b>A</b>	<b>Transaction Price, incl. 100% Earn-Outs (SEK 2.4bn)</b>	<b>46.1</b>
B	(-) Earn-Outs (assumes 50% of max. value of SEK 2.4bn is achieved)	1.2
<b>A – B = C</b>	<b>Transaction Price, incl. 50% Earn-Outs (SEK 1.2bn)</b>	<b>44.9</b>
D	(-) Earn-Outs (assumes 50% of max value of SEK 2.4bn is achieved)	1.2
<b>C – D = E</b>	<b>Transaction Price</b>	<b>43.7</b>
F	(-) Deferred Tax Liabilities ("DTL")	2.7
<b>E – F = G</b>	<b>Transaction Price, excl. DTL</b>	<b>41.0</b>
H	(-) Calculated present value of management fee under the asset management agreement ("CPV") payable by EduCo to SBB	1.0
<b>G – H = I</b>	<b>Transaction Price, excl. CPV</b>	<b>40.0</b>
J	(-) Existing external bank financing	6.9
K	(-) Inter-company financing provided by SBB to EduCo	14.5
<b>J + K = L</b>	<b>Total Financing</b>	<b>21.5</b>
M	(-) Cash	0.3
<b>L - M = N</b>	<b>Net Debt</b>	<b>21.2</b>
I – N = O	Equity Value (100%)	18.8
<b>49% * O</b>	<b>49% Equity Value Purchase Price by Brookfield</b>	<b>9.2</b>
<b>N / E = P</b>	<b>Loan-to-value</b>	<b>48.6%</b>

### Transaction Price elements

- Transaction includes two separate Earn-Outs, expiring after 6 years from the date of the first closing of the Transaction, based on:
  - (i) achieved refinancing terms for outperformance on cost of debt on the new financing once the take-out has been fully completed; and
  - (ii) achieved net operating income yield for outperformance on capex deployment on new developments and acquisitions, respectively.
  - Total maximum cash amount payable to SBB from Brookfield for Earn-Outs will not exceed approx. SEK 1.2 billion (**B + D**)<sup>16</sup>.
- Transaction Price of approx. SEK 43.7 billion (**E**)
- Transaction Price, exclusive of SEK 2.7 billion of DTL, of SEK 41.0 billion (**G**)
- CPV payable by EduCo to SBB, based on 1.8% of the net operating income per annum (**H**).

<sup>16</sup> Total maximum cash amount payable by Brookfield to SBB for Earn-Outs will not exceed approx. SEK 1.2 billion (refers to 49% payable by Brookfield based on agreed maximum value of Earn-Outs at 100% of SEK 2.4 billion).

- Existing external bank financing of approx. SEK 6.9 billion (**J**) and approx. SEK 14.5 billion of inter-company financing provided by SBB to EduCo with a tenor of up to 6 years with a fixed interest rate of 3.0% (**K**).
- Brookfield acquires 49% of EduCo through approx. SEK 9.2 billion upfront in cash (**O**).