



Press release, 14 December 2021

Bonava's Capital Markets Day 2021: Towards profitable growth and increased value creation

As previously communicated, Bonava has revised the company's targets and strategy for the purpose of promoting long-term value creation. The profitability and growth targets that have been set for 2026 are defined based on a well-supported business plan, with a gradual shift over time. The interim target for 2024 is for earnings before tax of SEK 1.6 Bn and 7,000 homes sold. These targets assume a gradual increase of SEK 15 to 18 Bn in the company's assets during the period from 2020 to 2026, of which approximately SEK 6 Bn pertains to acquisitions of building rights and SEK 9 to 12 Bn pertains to investments in new housing projects. The Capital Markets Day webcast will begin at 9:00 a.m. CET.

During the Capital Markets Day, there will be presentations by the company's management aimed at creating a deeper understanding of the newly-updated strategic framework and the revised financial targets, as well as providing insights into Bonava's operations and market conditions.

Financial targets for 2026 and interim targets for 2024

On 28 October, six revised targets for 2026 – two of which are financial – were presented. The profitability target is attaining earnings before tax of SEK 2.2 Bn – an increase of 120 per cent from 2020 – and the growth target is 8,000 homes sold, an increase of 44 per cent from 2020. The financial targets are based on the business plan for 2022–2026, which was developed by the respective business units. The interim target for 2024 is earnings before tax of SEK 1.6 Bn – an increase of 60 per cent from 2020 – and 7,000 homes sold, an increase of 26 per cent from 2020.

Starting projects under the right conditions is the engine for generating improved profitability and efficiency throughout the Group. To meet the target for homes sold, the number of units started must be approximately 6,000 for 2022 and just over 7,000 for 2024.

Strategic focus areas

At the Capital Markets Day, Bonava will describe three strategic focus areas that have been defined as part of the updated strategy, and how their integration will promote value creation. First, the company will invest in more building rights. Second, the company will work on increased resource efficiency through repetition and continual improvements in production. Third, Bonava will have a clearer commercial focus.

At present, the Group is underinvested, which means there is a need to invest in more land and to balance and expand its portfolio with a greater number of attractive building rights in order to achieve its growth target. In total, it is believed that there is a need to increase total assets to between SEK 15 and 18 Bn in the period from 2020 to 2026. Approximately SEK 6 Bn pertains to acquisitions of building rights and SEK 9 to 12 Bn pertains to investments in new housing projects. The plan is to finance the increase through undistributed profits generated during the period, as well as interest-bearing liabilities. The ambition is to allocate resources and investments in order to strengthen presence and position in the regions that offer the best conditions for long-term value creation and improvements to profitability. In these regions, Bonava will invest in building rights that ensure continued growth. These investments entail a need for various financing solutions in which the existing capital structure and project financing constitute an important foundation and are supplemented with expanded financing.

"Our cash flow is stable, and in combination with SEK 3.6 Bn in unutilised credit facilities, it provides us with a solid platform for financing these investments. At the same time, we are evaluating new financing solutions for the increased level of investment and a continued balance in the capital structure," says Lars Granlöf, CFO.

Efficient governance

Bonava's financial earnings over the last several years has been impacted by variable efficiency and profitability in the implementation of projects among various markets. Improving governance and cost efficiency in design, production and purchasing is therefore of the highest priority in order to ensure profitable projects throughout the Group, where the gross margin is the primary driver.



"Even though growth will contribute to achieving our EBT goal of SEK 2.2 Bn in 2026, improvements to the gross margin will be the primary driver. We need efficient project control in order to ensure profitable growth. The entire process of development, including design and standardised construction systems for commercial planning, needs to be in place before we sell our housing units," says Peter Wallin, President and CEO.

Profitable growth in three phases

Since the business units differ as regards maturity and conditions, the strategic orientation for profitable growth is divided into three phases that involve stabilising the operations, ensuring profitability and growing the operations. The business units are currently in different phases, and the objective is for them to take one step at a time, from stabilising the operations to ensuring profitability before they enter the growth phase.

The first phase focuses on stabilising the operations. The purpose is to ensure sufficient and continuous volumes to ensure viable operations, and to meet challenges related to an operation without growth. The second phase is to ensure profitability and minimise variations in profitability among projects while simultaneously obtaining a clearer commercial focus and development of more well-defined construction systems and repetitive procedures to drive cost-efficient production. Ensuring profitability also includes investments in building rights in order to attain a stronger presence and position. The third phase is growing the business. For business areas in this phase, repetitive production processes and construction systems are well defined and established. Stable, profitable and growing business is ensured over time by optimising investments in building rights based on risk and return in combination with evaluating and introducing new business models to meet customer needs and utilise growth opportunities.

Operating model for leveraging local business

Ensuring a more business-driven approach based on local market conditions requires a more balanced working method among the business units and the Group's support functions. This involves a need for more clearly-defined responsibilities all the way to residential development projects. The strategy and mandate are adapted to each business unit based on its degree of maturity and its capacity. Through this more decentralised business model, with support from the Group, the business units can adapt their offering more rapidly based on the local market and customer needs, which could also entail an expansion of the business model through, for example, own management of rental housing projects over a certain period of time.

"Linking a firmer grasp of our business and taking Bonava into the future requires a clearer and more stable foundation for the entire organisation. Our ambition is to deliver both customer value and a good return for our shareholders. With a focus on our employees, digitalisation as an enabler and sustainability that is fully integrated into our operations, we are creating a decentralised and simultaneously more integrated model that supports decision-making close to the projects and our customers," says Peter Wallin, President and CEO of Bonava.

Bonava's way forward is implementing the strategy and delivering on the previously communicated targets linked to profitability, growth, health and safety, customer satisfaction, climate actions and employee commitment – since all these goals are needed to fulfil our purpose of creating happy neighbourhoods for the many.

To attend the digital Capital Markets Day, please register here:

bonava.com/CMD 2021

The presentation material will be available at www.bonava.com just before 9:00 a.m. CET.

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Bonava is a leading residential developer in Northern Europe that creates homes and neighbourhoods where people have the highest quality of life. The company is the first residential developer in Europe to receive approval from the Science Based Targets initiative for its climate targets. With its 2,100 co-workers, Bonava develops residential housing in Germany, Sweden, Finland, Denmark, Norway, St. Petersburg, Estonia, Latvia and Lithuania, with net sales of approximately SEK 17 Bn in 2020. Bonava's shares and green bond are listed on Nasdaq Stockholm.

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