

# Q1 2015

Oslo 21 May 2015  
Baard Schumann, CEO  
Sverre Molvik, CFO

# SELVAAG BOLIG

Start

Hjem

Pluss



# Agenda

- **Highlights**
- Operational update
- Financial update
- Outlook and summary



# Highlights Q1 2015

- All time high sales
- Continued strong market sentiment
- High construction activity
- Strengthened land bank with three acquisitions
- The board has proposed to pay dividend twice a year (up to 50 per cent of net profit)



Nybyen Økern, Oslo

# Key financials Q1 2015

Operating revenues

**756**

million NOK

EBITDA margin

**13.1**

per cent

Equity ratio

**39.8**

per cent

EBITDA margin (NGAAP)

**17.0**

per cent



# Agenda

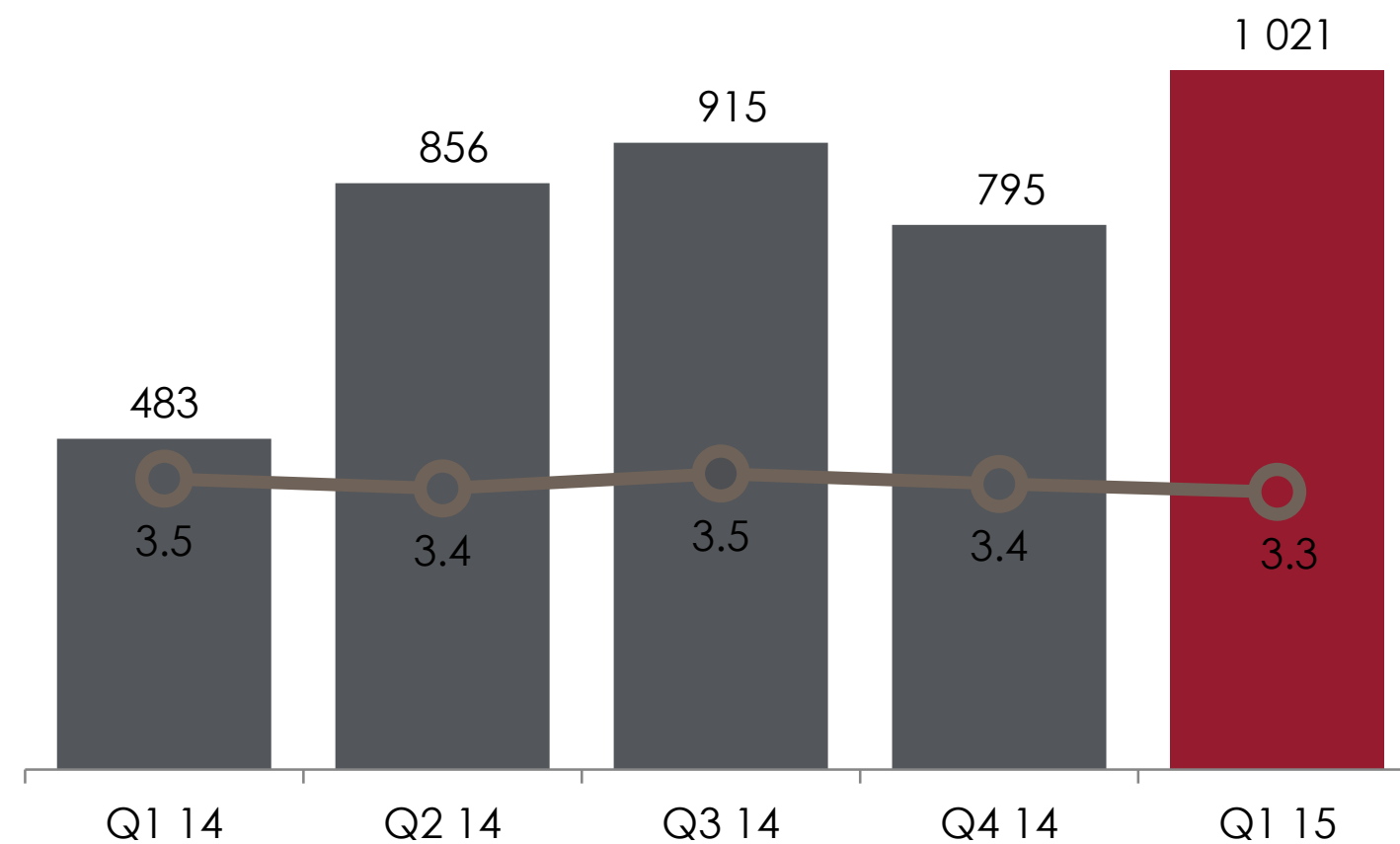
- Highlights
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# Record sales level with 308 units sold

## Total sales value and value per sold unit

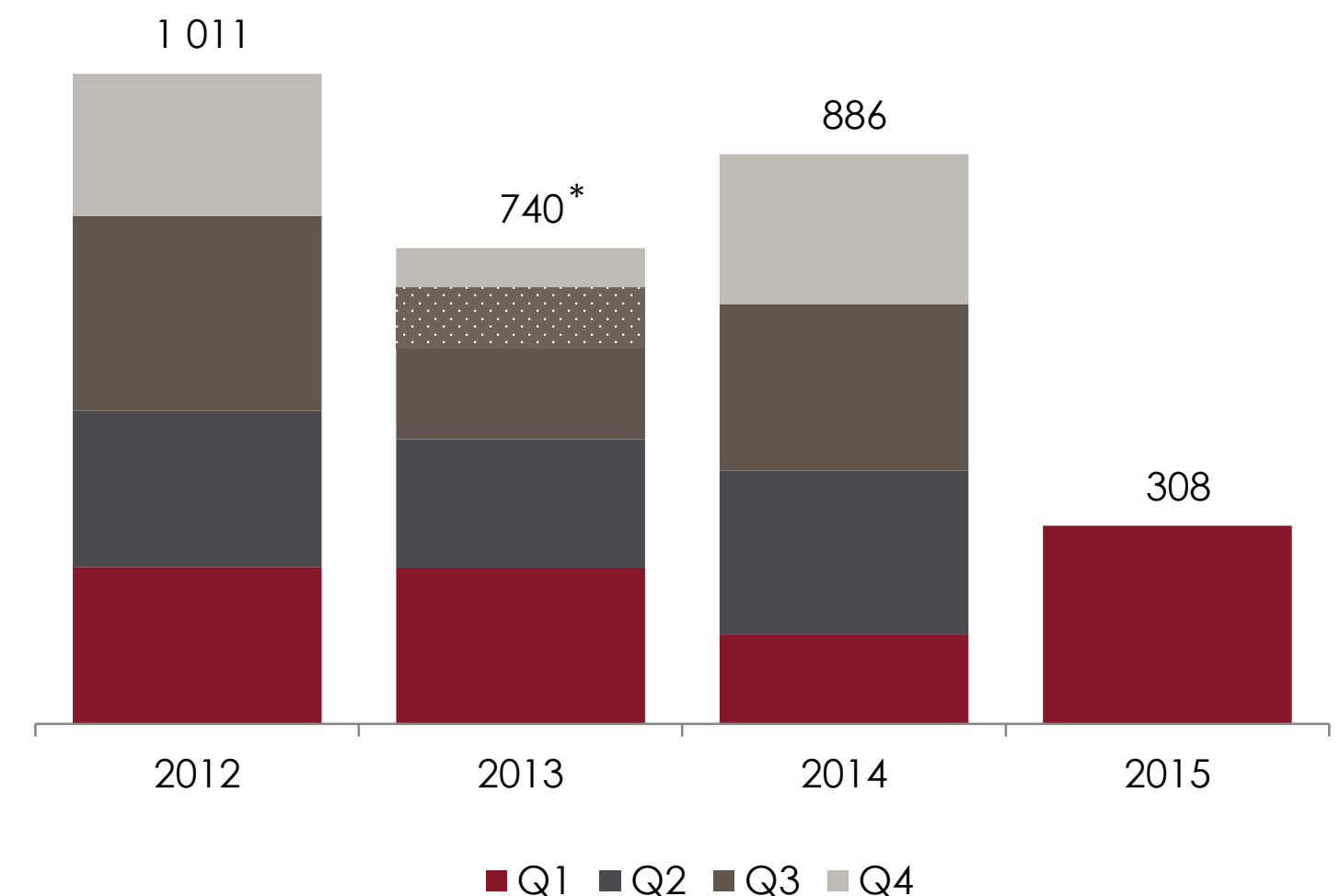
NOKm



Note: All numbers are adjusted for Selvaag Bolig's ownership in joint ventures.

## Residential units sold

Units



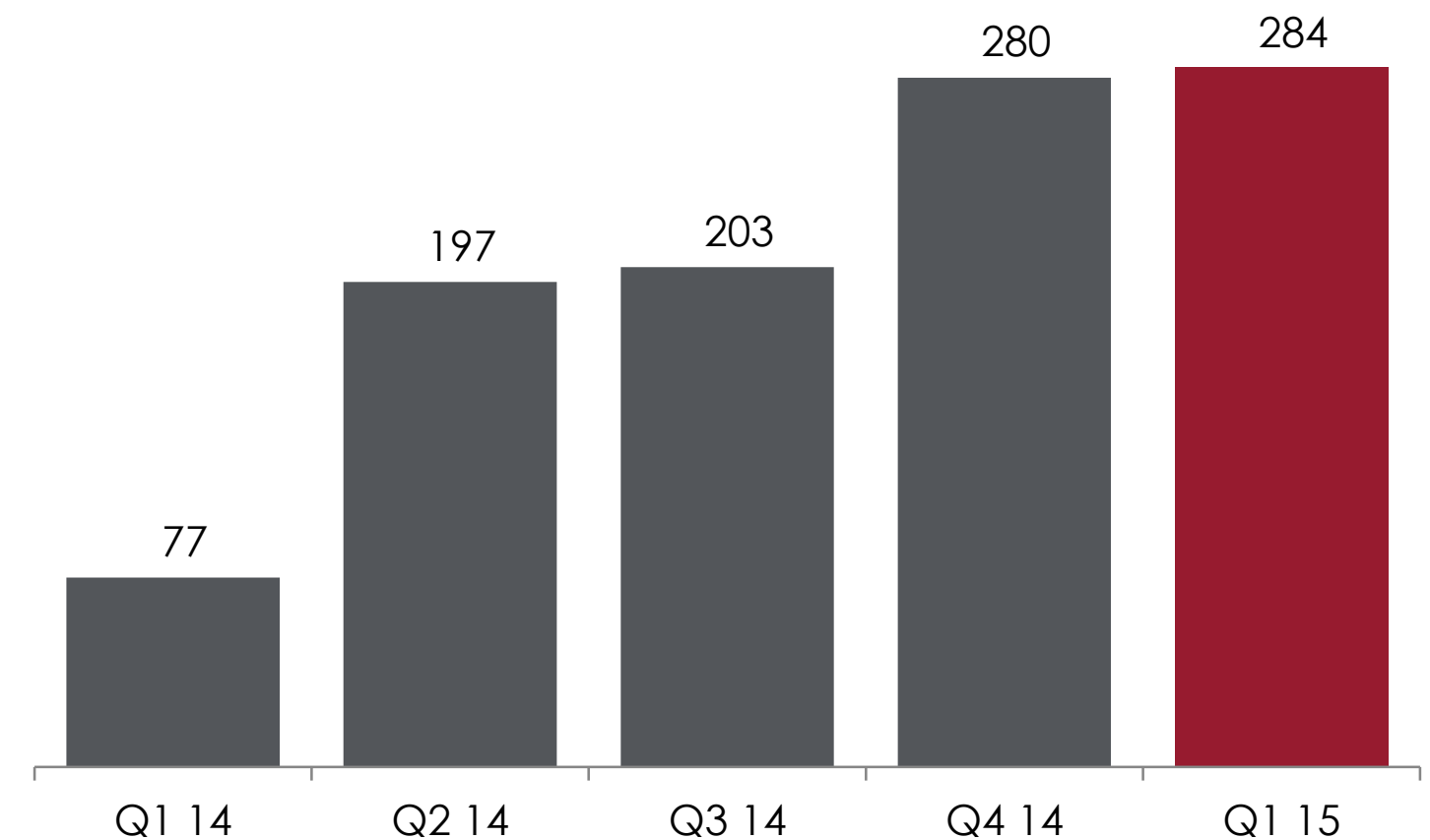
\* Includes 95 student residences with an average value of NOK 0.7 million (dotted area)

# Construction starts reflecting market momentum

- Construction start on nine projects
  - Jaasund, Rogaland
  - Strandkanten, Tromsø
  - Moss Glassverk, Greater Oslo
  - Skårerødegården, Greater Oslo (two projects)
  - Vestparken, Greater Oslo (two projects)
  - Økern Torgvei 30, Oslo (two projects)

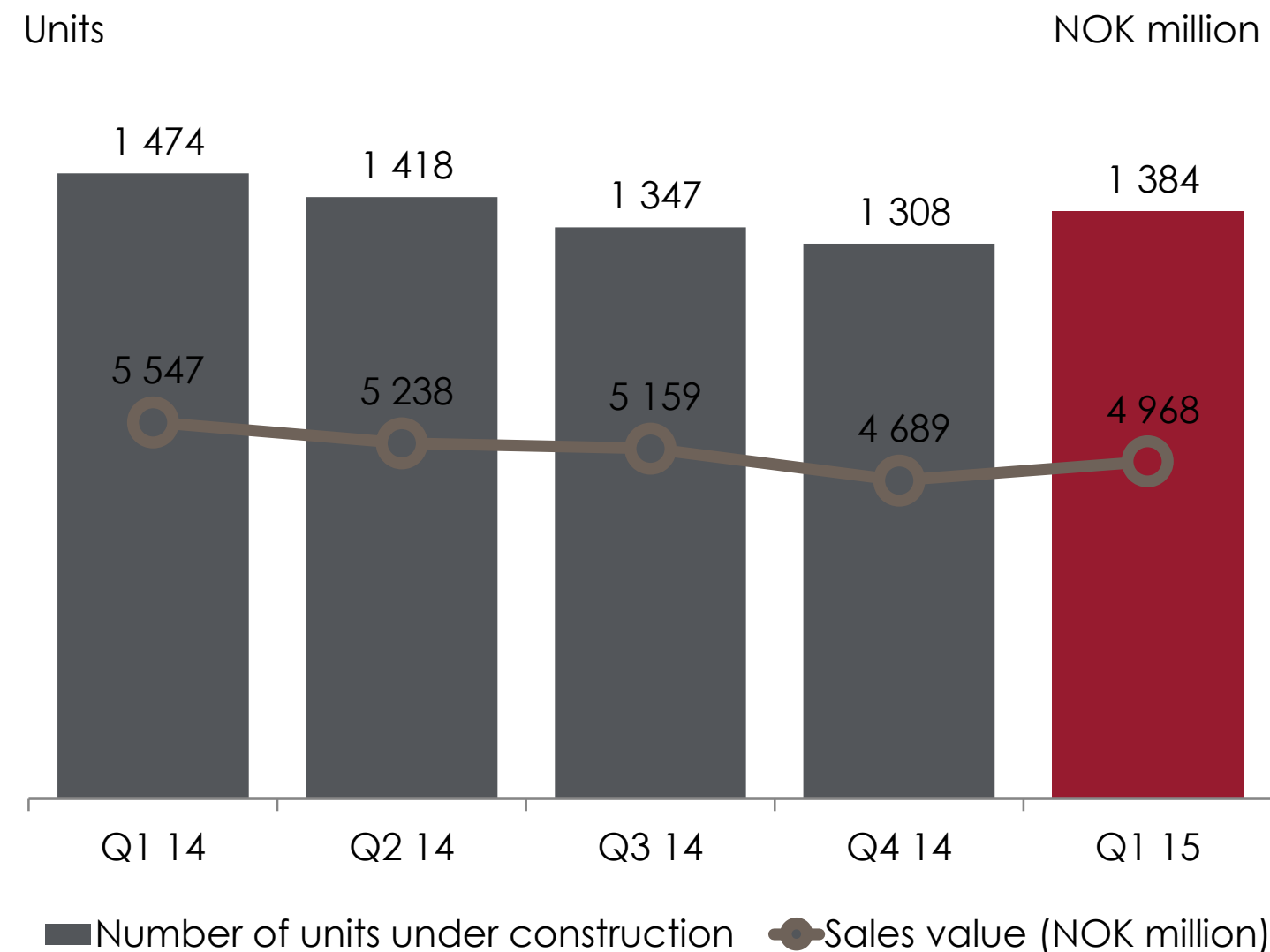
## Construction starts per quarter

No of units



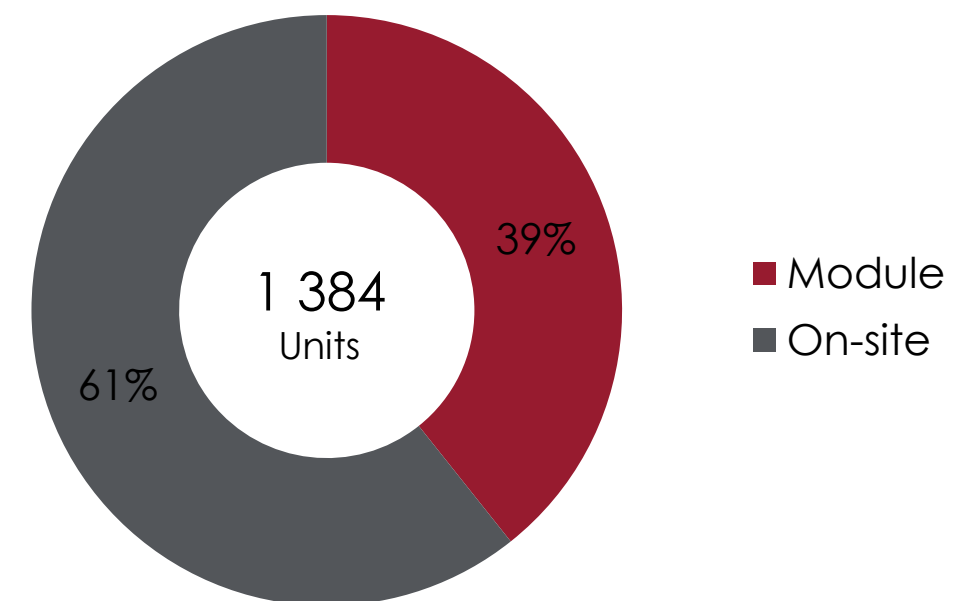
# Increase in units under construction

## Development units under construction



Note: Projects are included when construction start is decided. All numbers are adjusted for Selvaag Bolig's ownership share in joint ventures.

## Production split



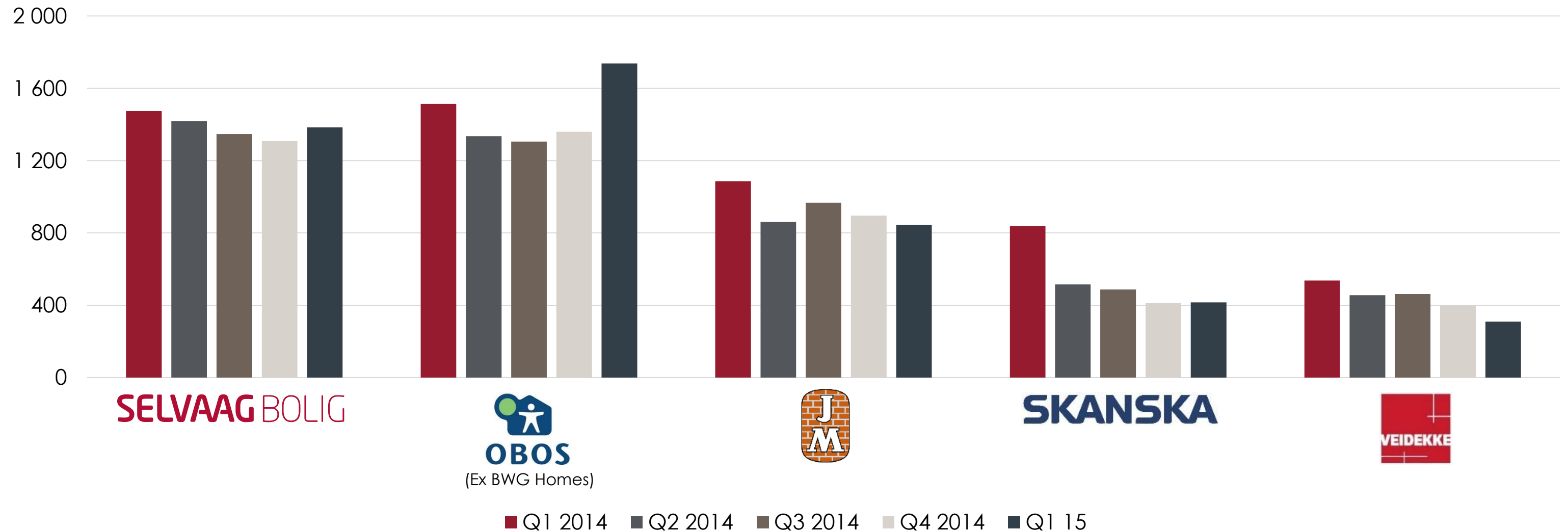
- Sales value of units under construction NOK 4 968 million
- 65% of production volume in Greater Oslo
- 81% of the units are sold



# Selvaag Bolig competitively positioned

## Units under construction vs. peers (net figures)

No of units

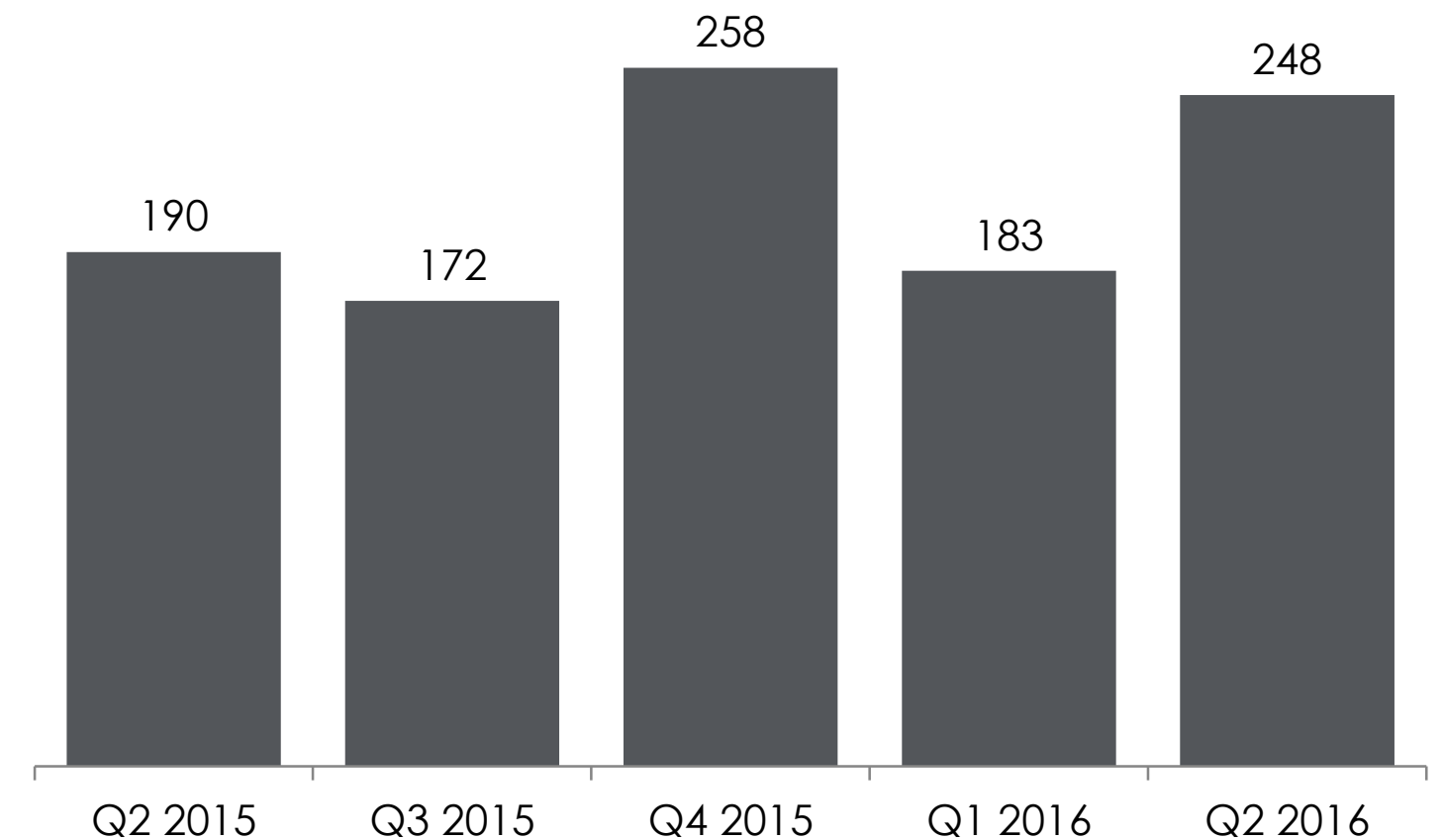


# 1 051 units for delivery next five quarters

- 90% of 2015 completions were sold by the end of Q1 2015
- Net changes in expected deliveries since the previous quarter
  - Q4 2015: -10
  - Q1 2016: +11

## Expected deliveries per quarter

No of units



■ Expected deliveries, wholly owned units



# Acquisitions

## Three new projects

- Project at Lørenvangen 22 in Oslo
  - Approximately 200 apartments
  - Acquired for NOK 137 million
- Sinsenveien 45-49 in Oslo - 50/50 JV with Veidekke
  - Approximately 400 apartments in total
  - Acquired for NOK 375 million
- Kilenveien and Arnstein Arnebergsvei at Fornebu
  - Approximately 160 apartments
  - Acquired for NOK 156 million



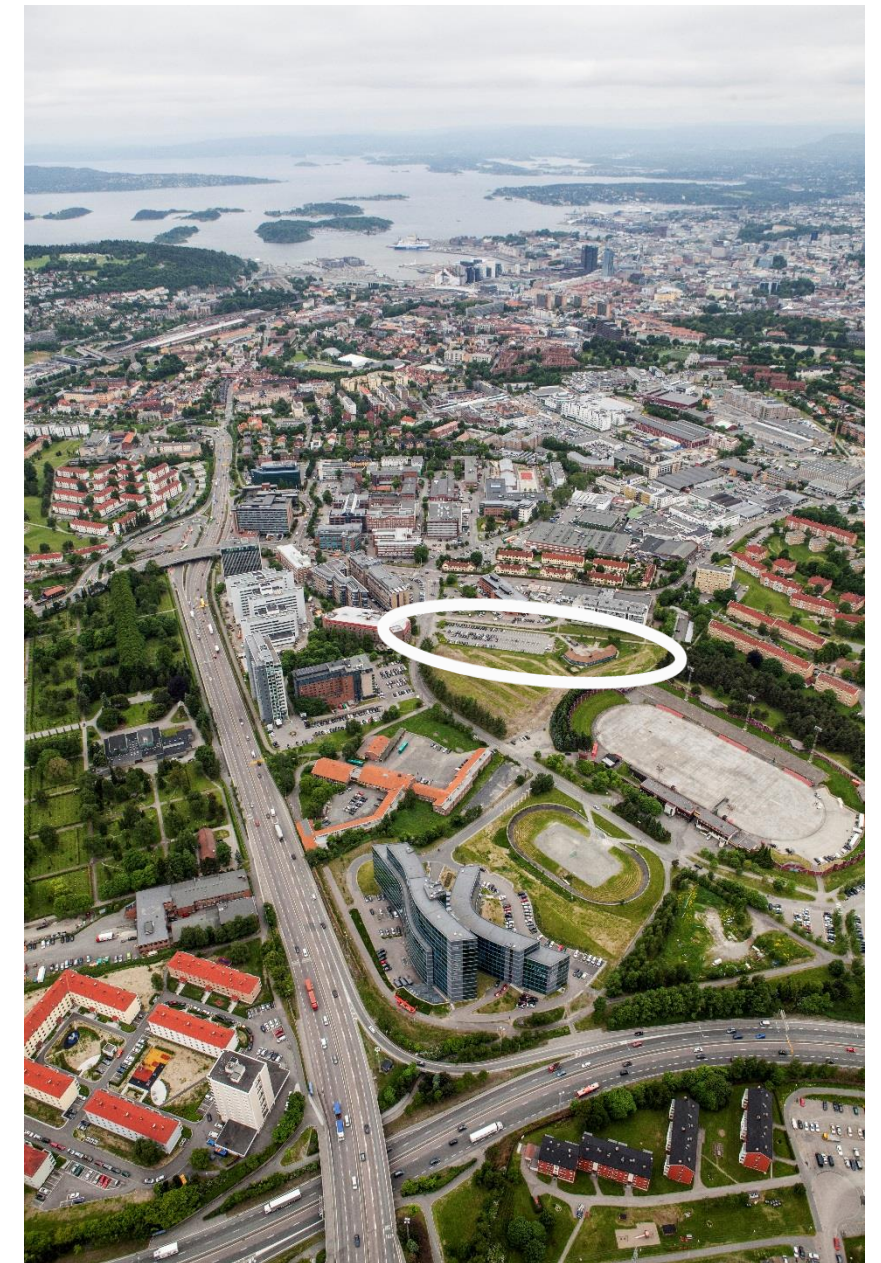
Kilenveien Fornebu,  
Greater Oslo



# Disclosure of acquisition from Q4 2014

## Announced last quarter as “Project in central Oslo”

- Plot for development at Valle Hovin
- Approximately 400 apartments
- Acquired for NOK 220 million
- Agreement signed in Q4 2014
- Expected sales start in Q4 2015
- About the location:
  - Central Oslo
  - Attractive situation next to the new football stadium of Vålerenga - one of Norway's most profiled football clubs
  - Close to the subway and other public transportation
- Transaction subject to ESA-approval



Valle Hovin, Oslo



# Agenda

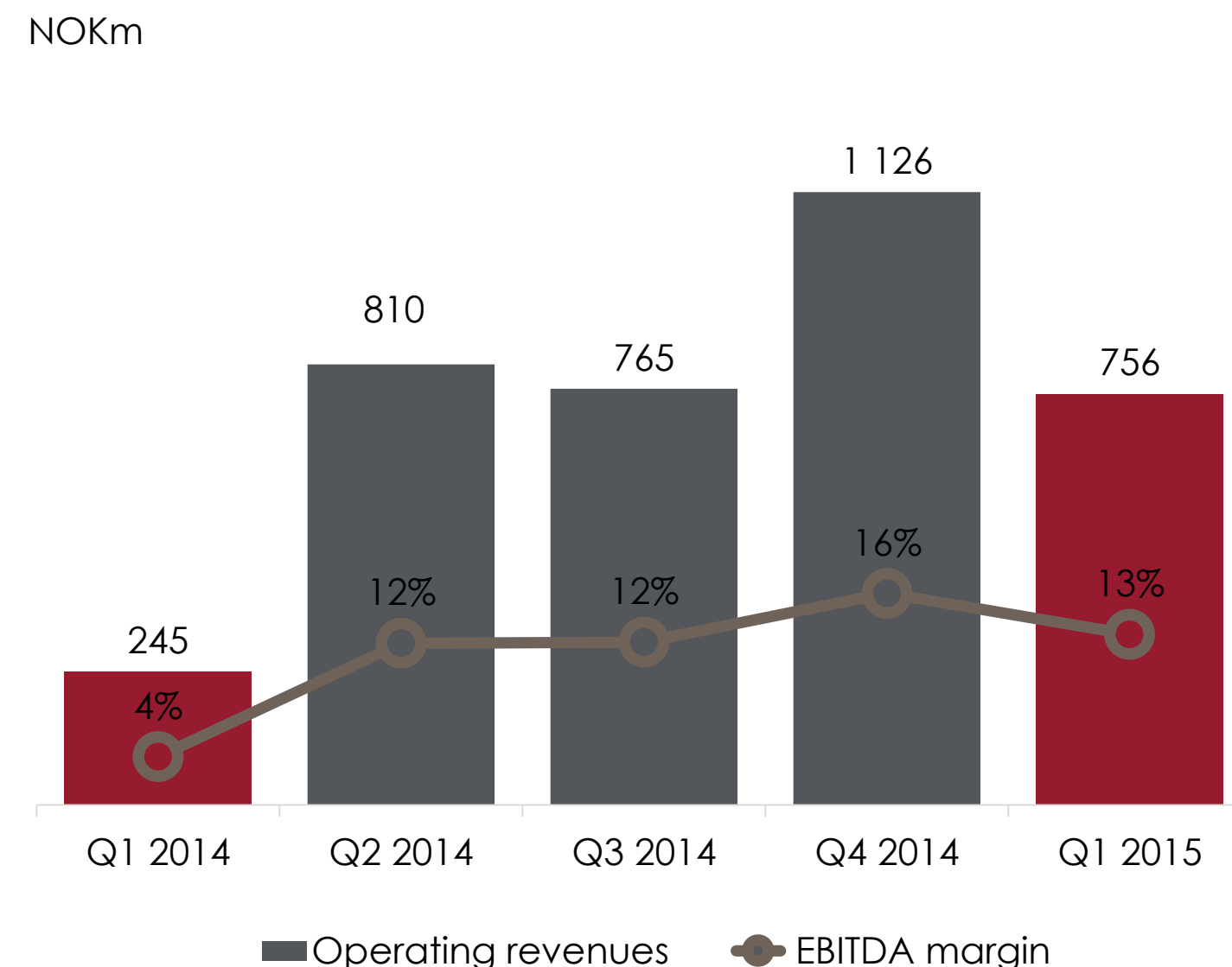
- Highlights
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# Income statement highlights Q1 2015 (IFRS)

- Delivery of 224 units (80)
- Revenues NOK 756 million (245)
  - Sale of land NOK 11 million
  - Other revenues NOK 15 million (18)
- Project costs NOK 609 million (193)
  - Of which NOK 22 million are interests
- Other costs NOK 48 million (43)
  - Due to increasing sales costs
- EBITDA adjusted 121 million (17)
  - Adjusted for financial expenses included in project costs
- EBITDA NOK 99 million (9)
- Earnings per share NOK 0.66

## Revenues and EBITDA margin (IFRS)

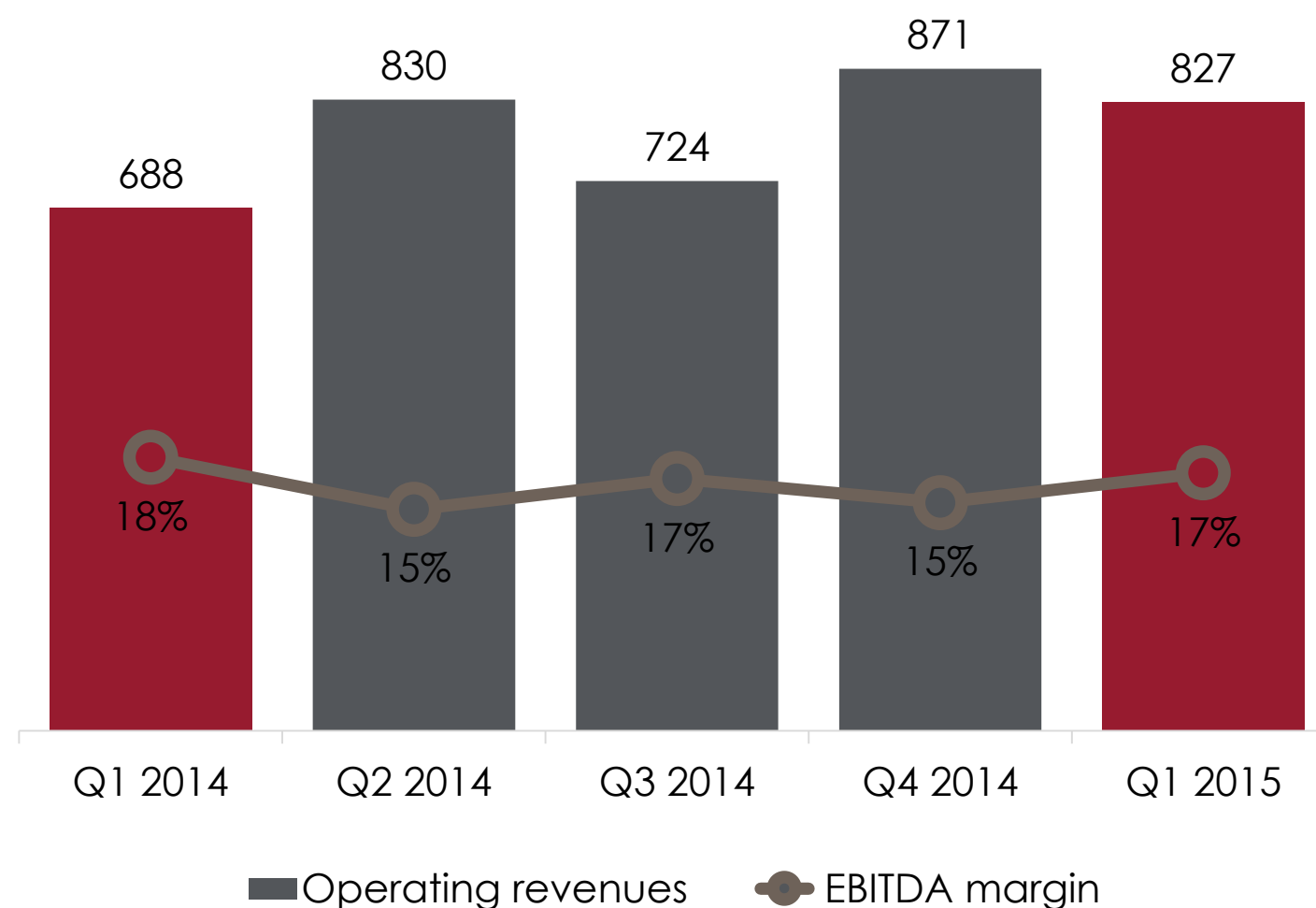




# Income statement highlights Q1 2015 (NGAAP)

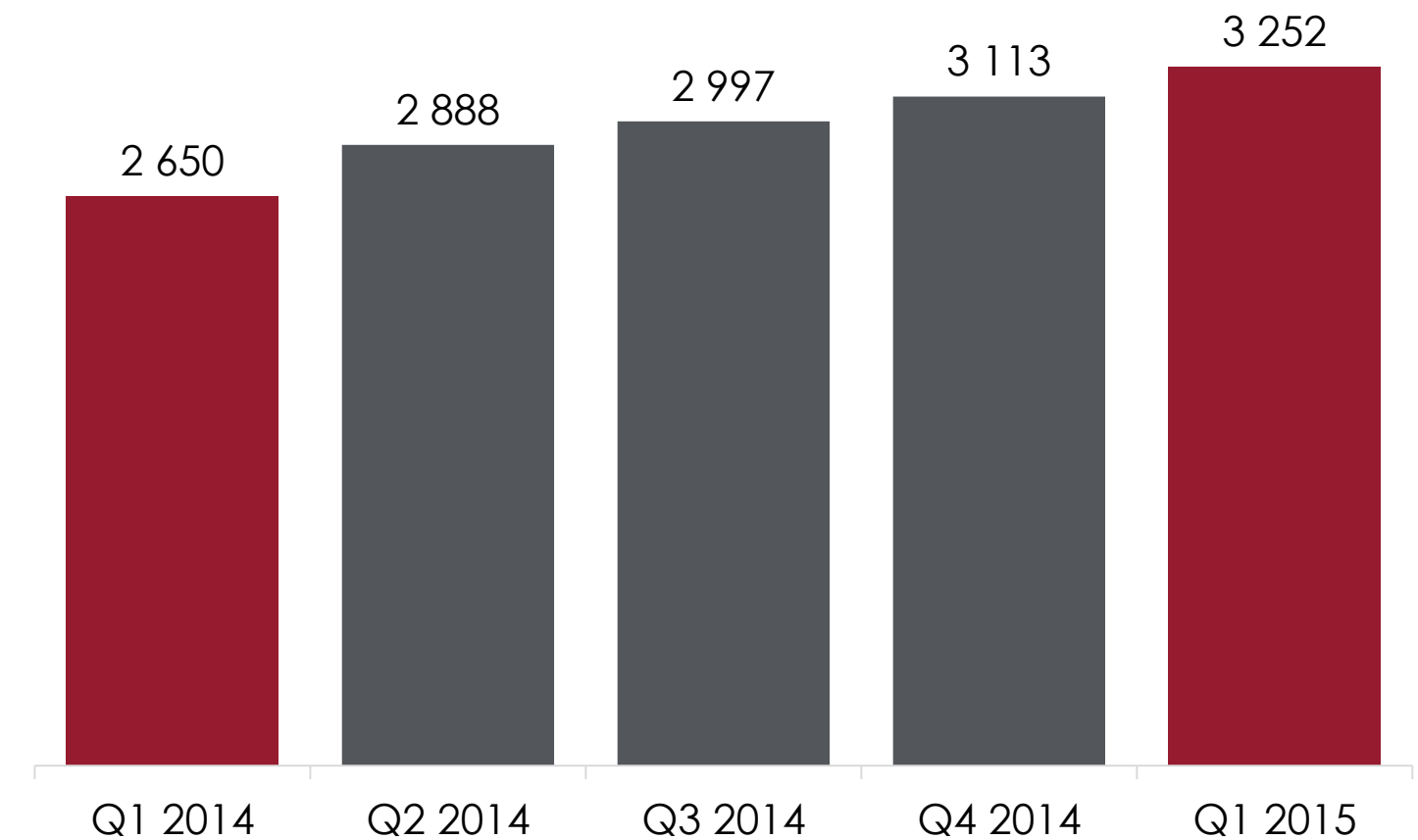
## Revenues and EBITDA margin (NGAAP)\*

NOKm



## 12 months rolling revenues (NGAAP)\*

NOKm

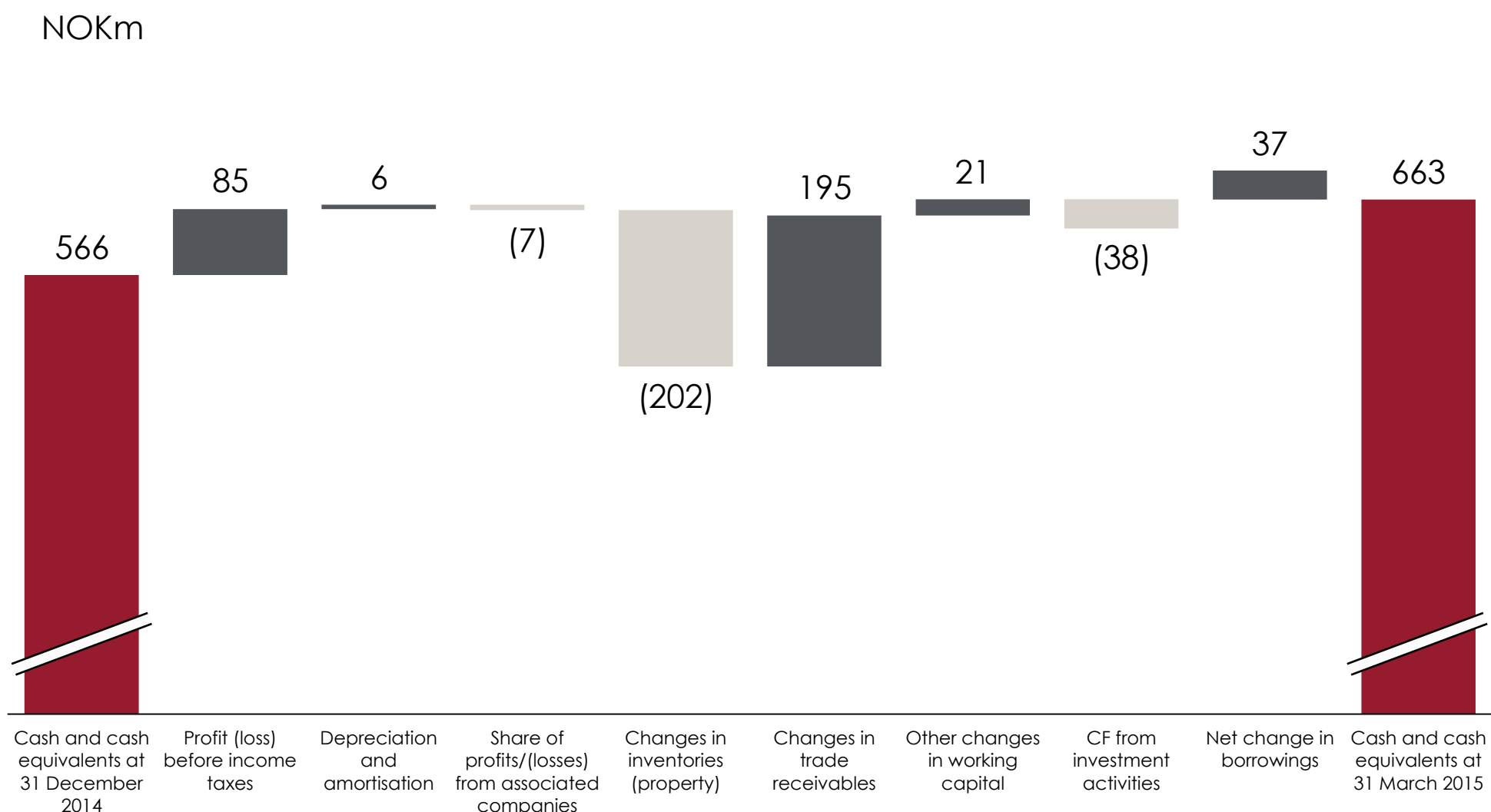


\* Construction costs are exclusive of financial expenses in the segment reporting (NGAAP)

# Cash flow development Q1 2015

- Positive cash flow from operating activities
- Changes in inventory a result of land acquisitions, construction and deliveries
- Net change in borrowings positive due to new land and construction loans, offset by down payment of credit facility

## Condensed cash flow

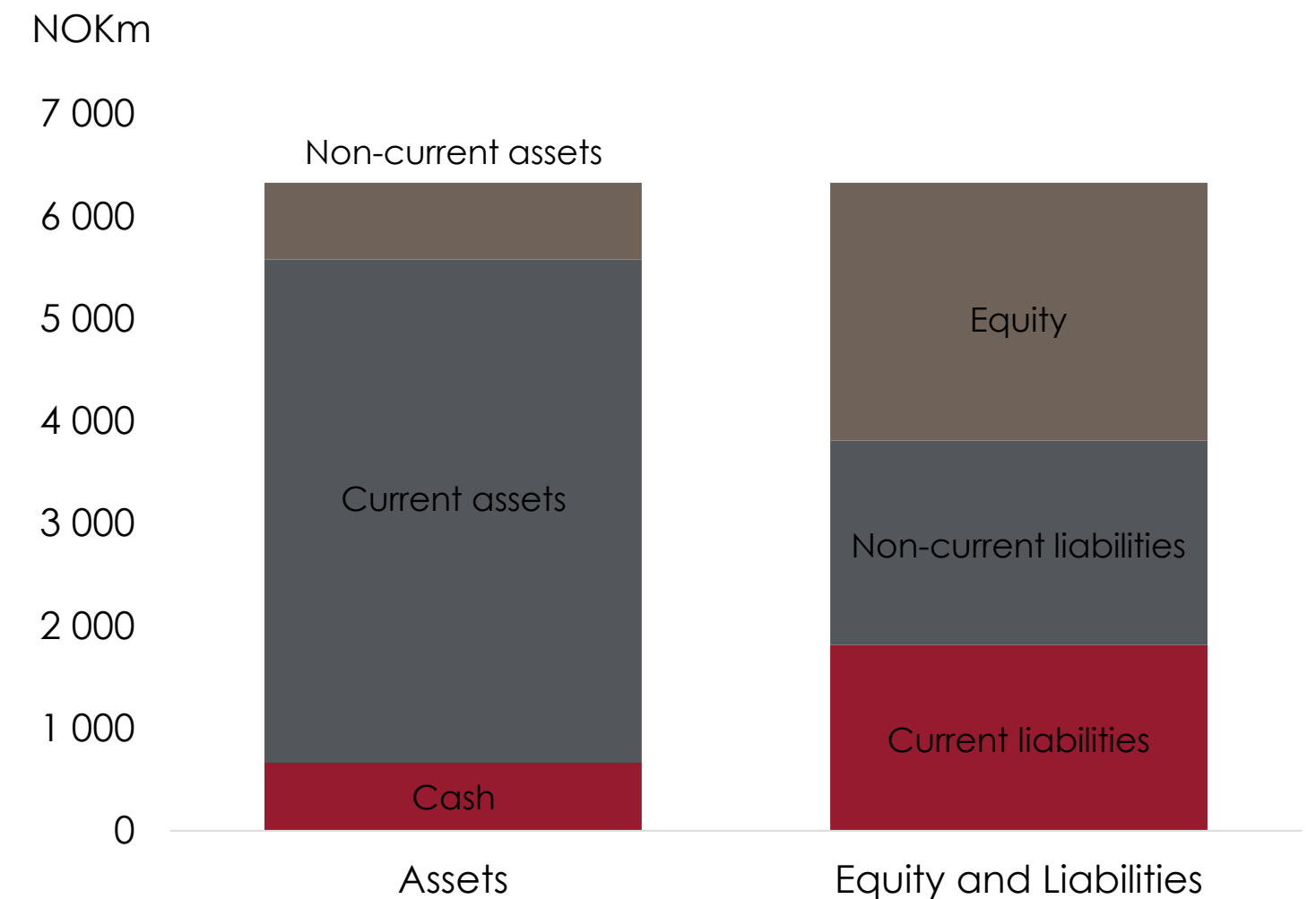




# Balance sheet highlights Q1 2015

- Book value per share NOK 26.7 (40%)
  - NOK 26.0 in Q4 2014
- Changes since Q4 2014:
  - Trade receivables decreased by NOK 195 million
  - Inventories increased by NOK 214 million
  - Net increase of NOK 49 million in interest-bearing liabilities
- Prepayments from customers count for NOK 290 million of other current non interest-bearing liabilities

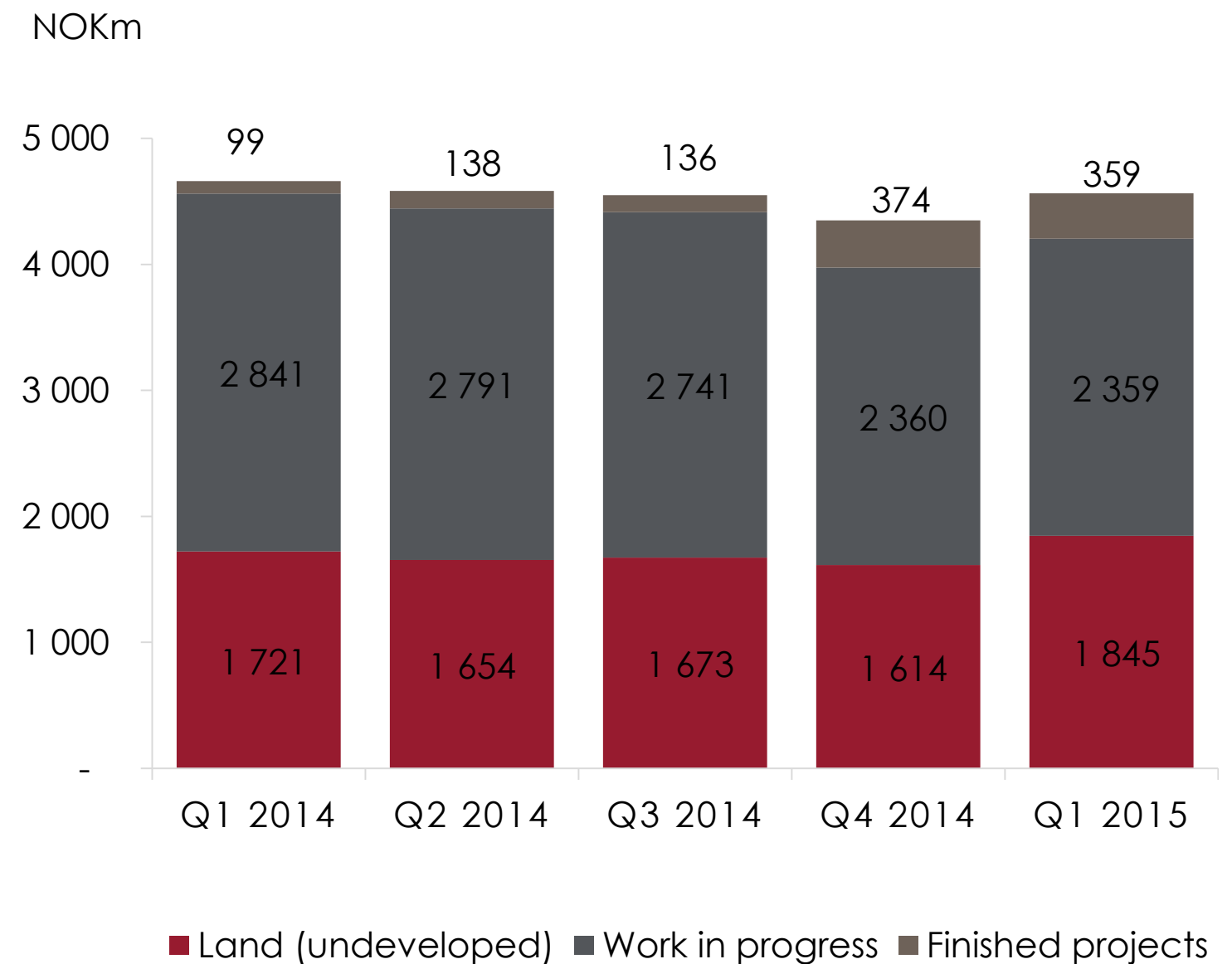
## Balance sheet composition



# Inventories (property) Q1 2015

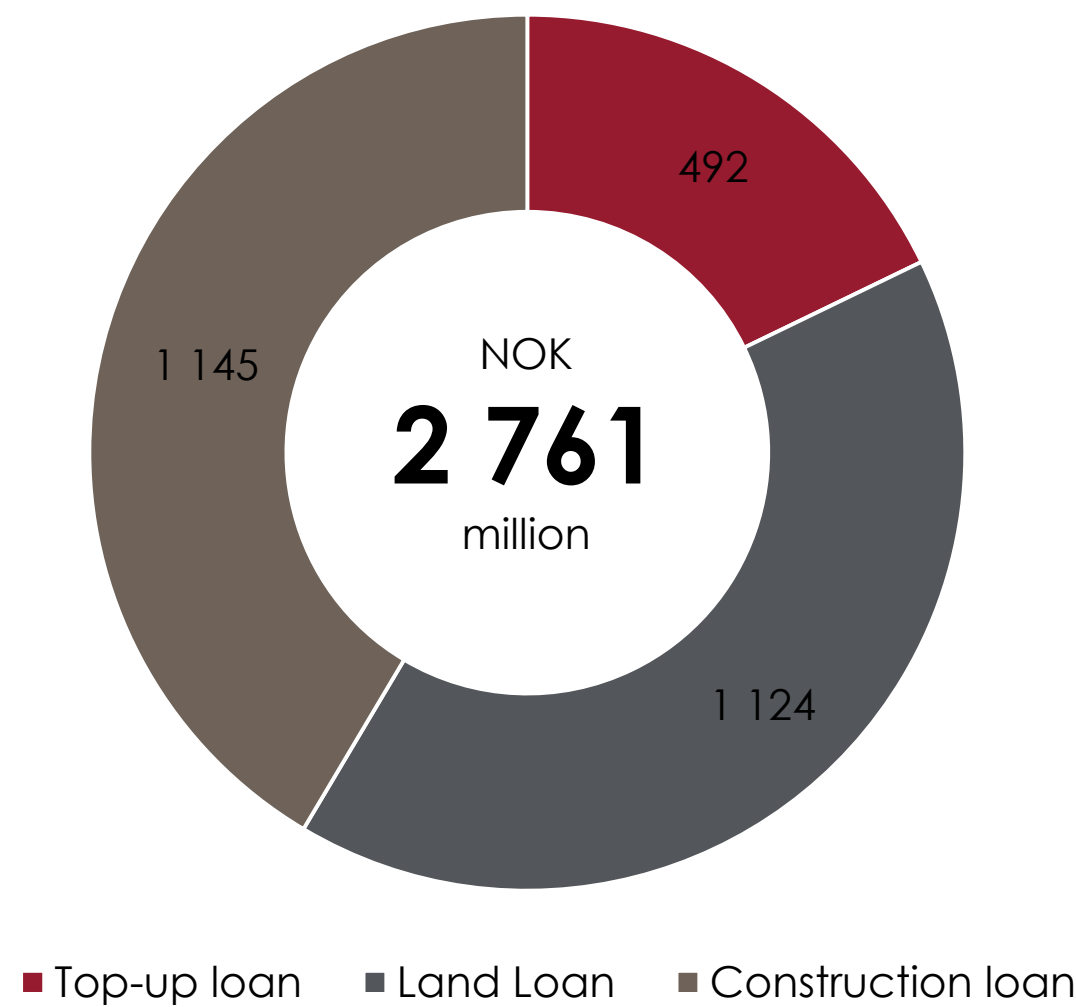
- Land value increased NOK 231 million from last quarter
  - Due to land acquisitions
- Work in progress decreased by NOK 1 million from last quarter
- Finished goods was reduced by NOK 15 million from last quarter
  - Due to increase in delivered units
  - Approximately 1/3 are unsold units

## Inventory value development



# Sound debt structure

## Interest bearing debt as at 31 March 2015



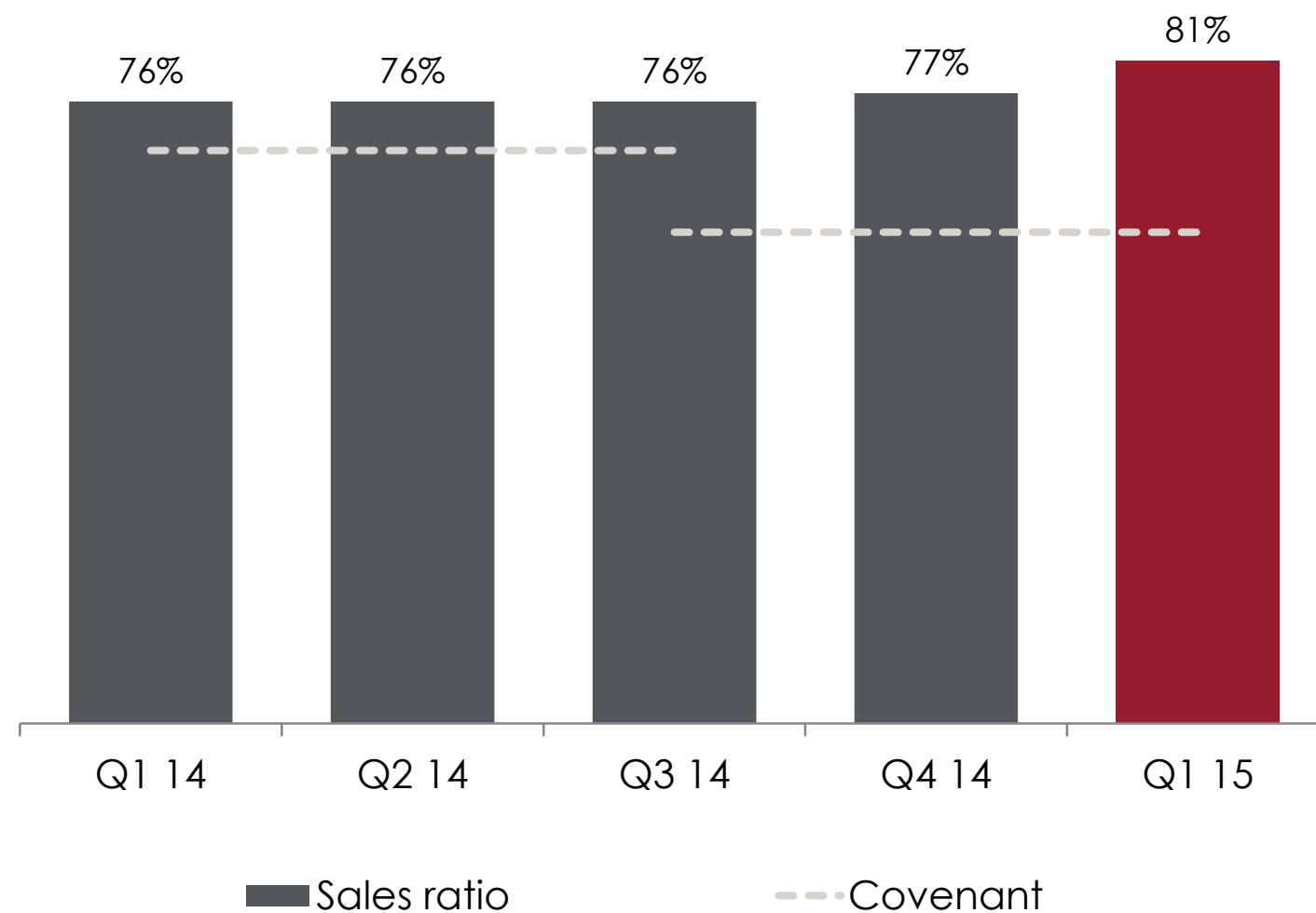
Loan facility		Drawn per 31 Mar (NOKm)	Interest rate margin
1	NOK 500 million senior unsecured bond loan maturing in 2018	500	4.75%
2	NOK 150 million revolving credit facility from DNB maturing in 2015	0	2.50%
3	NOK 150 million working capital facility from DNB maturing in 2015	0	2.00%
4	Land loan facilities from a range of Nordic credit institutions	1 124	2.00% - 2.50%
5	Construction loan facilities from a range of Nordic credit institutions	1 145	1.90% - 2.50%

Note: Top-up loan of NOK 500m in the table differs from the summed up top up loan in the pie chart (NOK 492m). The difference is due to NOK -8m in amortized cost which is not actual debt.

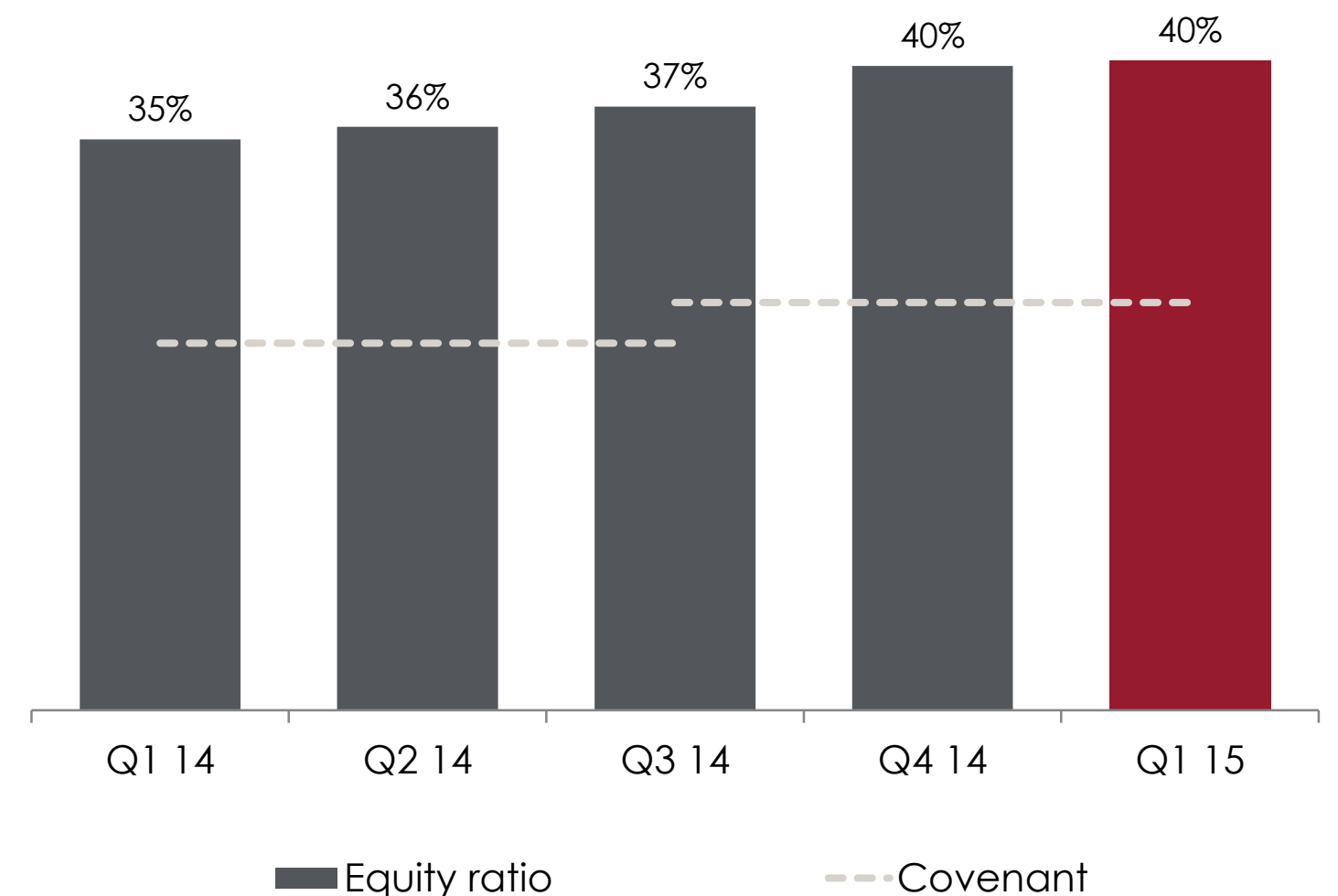


# In compliance with financial covenants

## Sales ratio covenant (minimum 60.0%)



## Equity ratio covenant (minimum 25.0%)





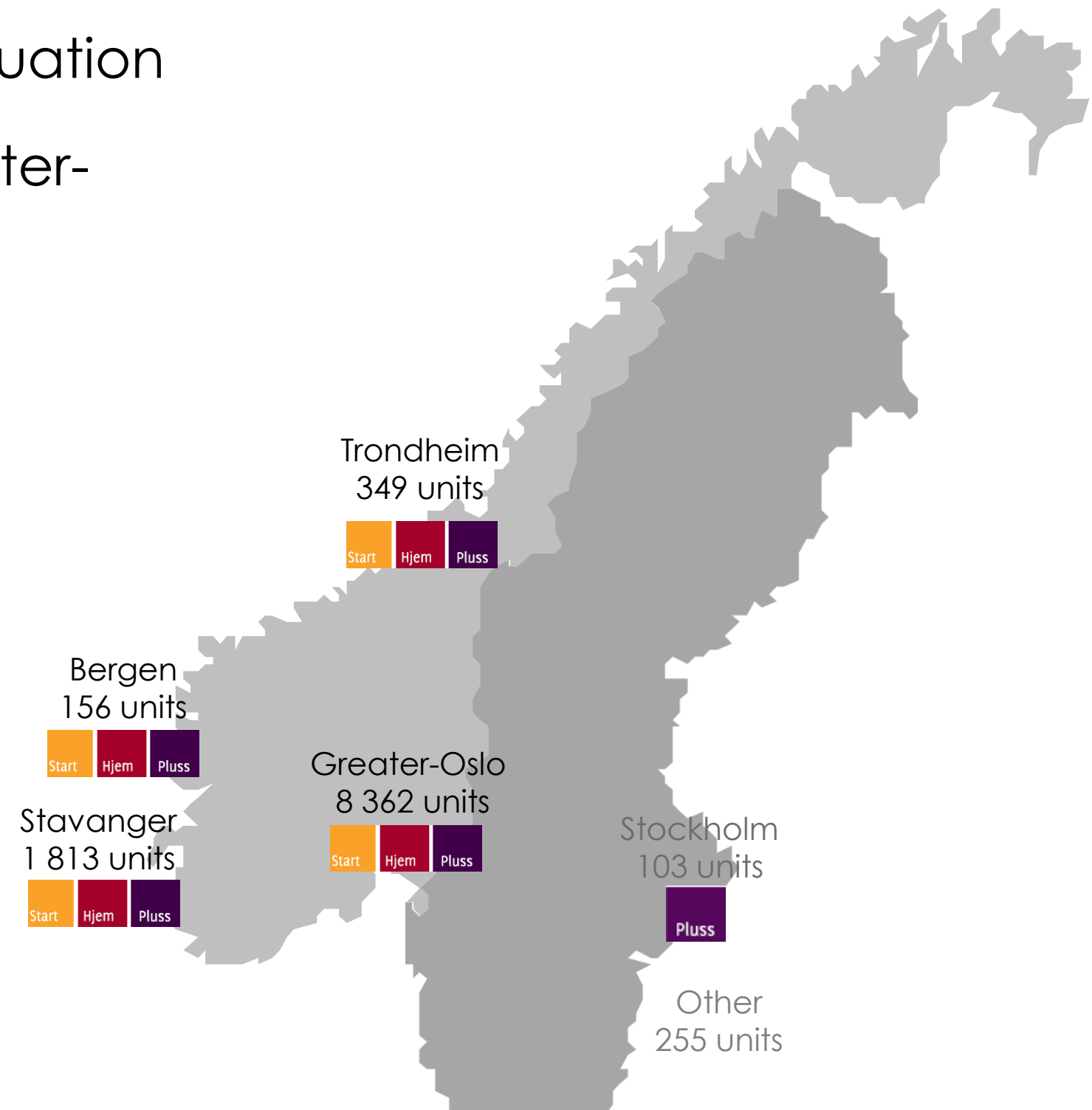
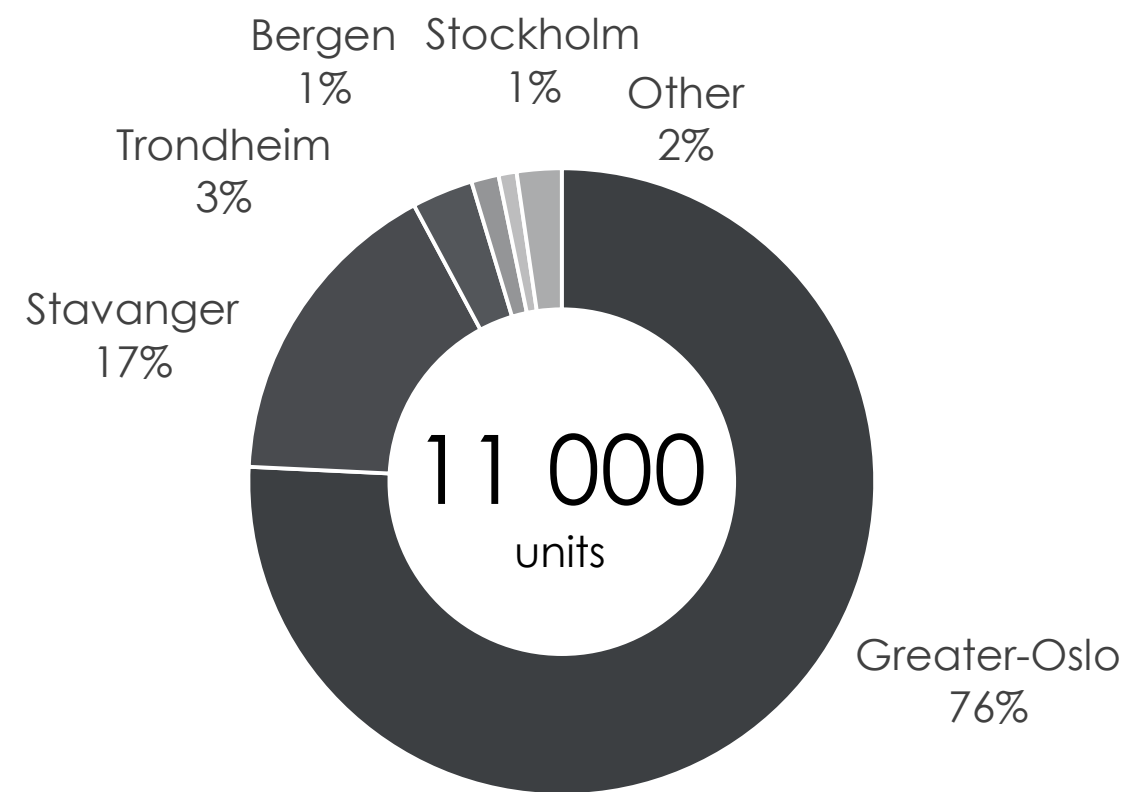
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# Optimal geographic spread

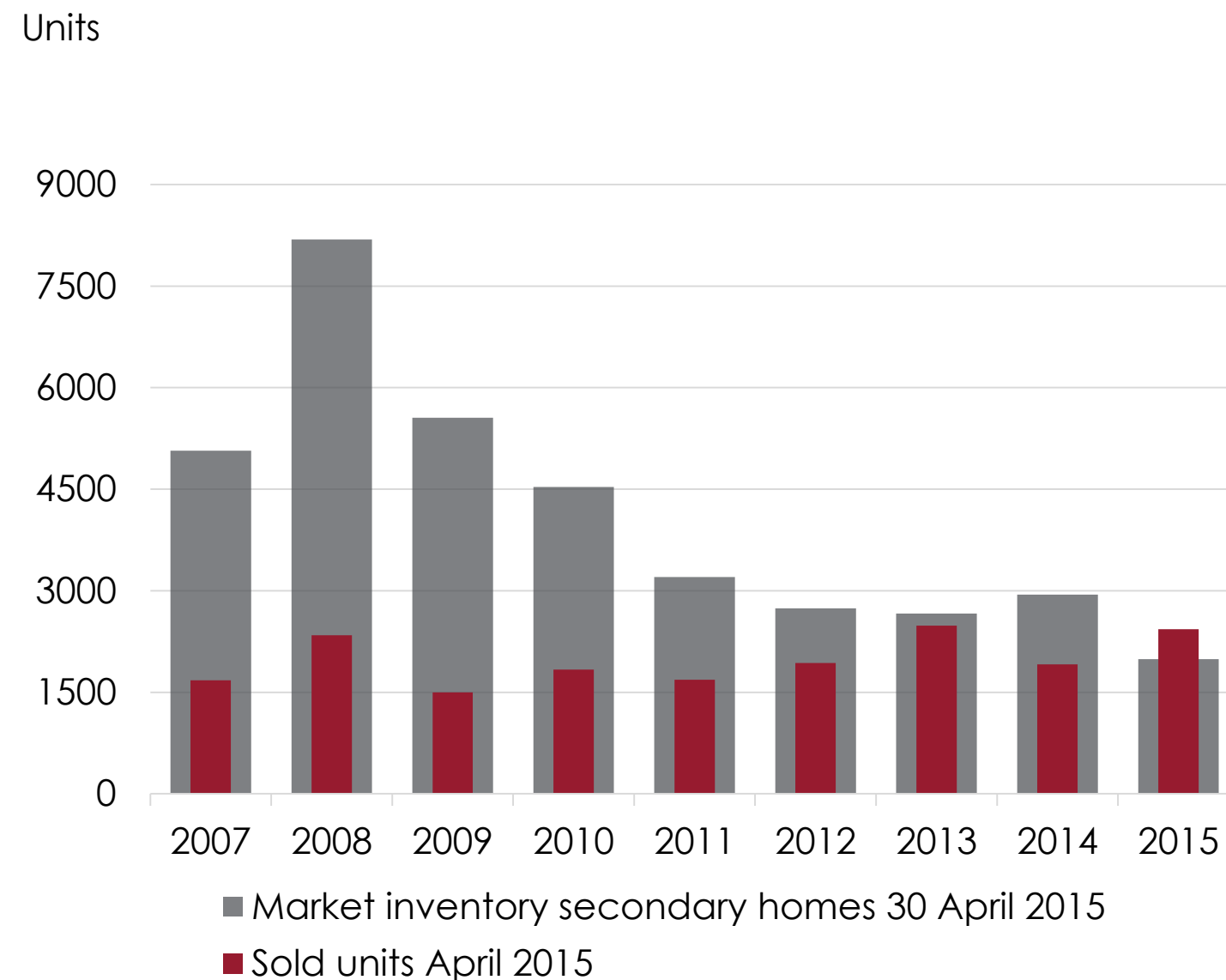
- Ideal land bank spread in current market situation
- Strongly positioned in the fast growing Greater-Oslo area



Second-hand market:

# Very strong in Oslo, high inventory in Stavanger

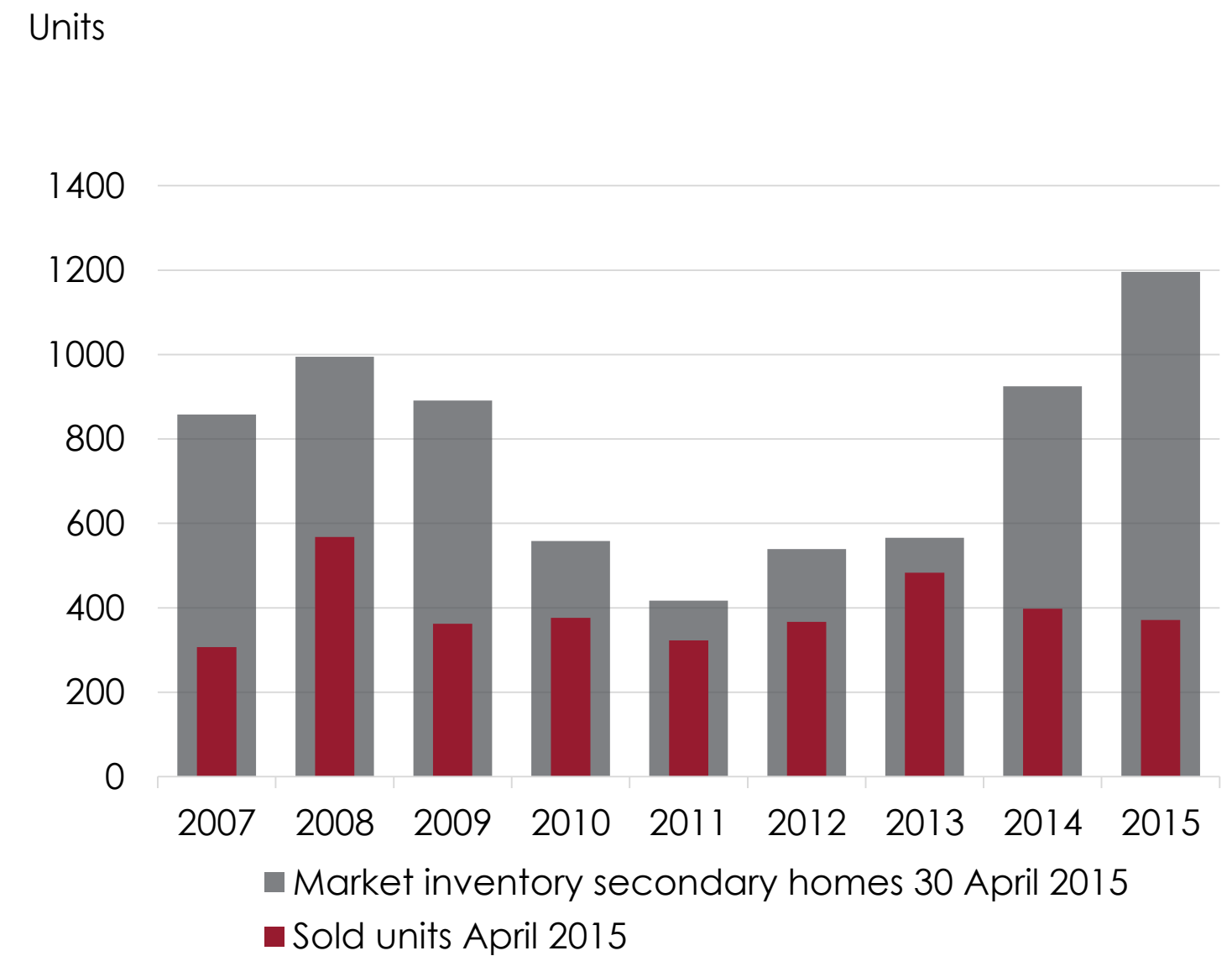
## Oslo and Akershus, April 2007-2015



Selected areas: Oslo, Lørenskog, Ski, Oppgård, Bærum, Asker

Source: Eiendomsverdi

## Stavanger area, April 2007-2015



Selected areas: Stavanger, Sola, Randaberg, Sandnes



Second-hand market:

# Strong market in Trondheim and Bergen

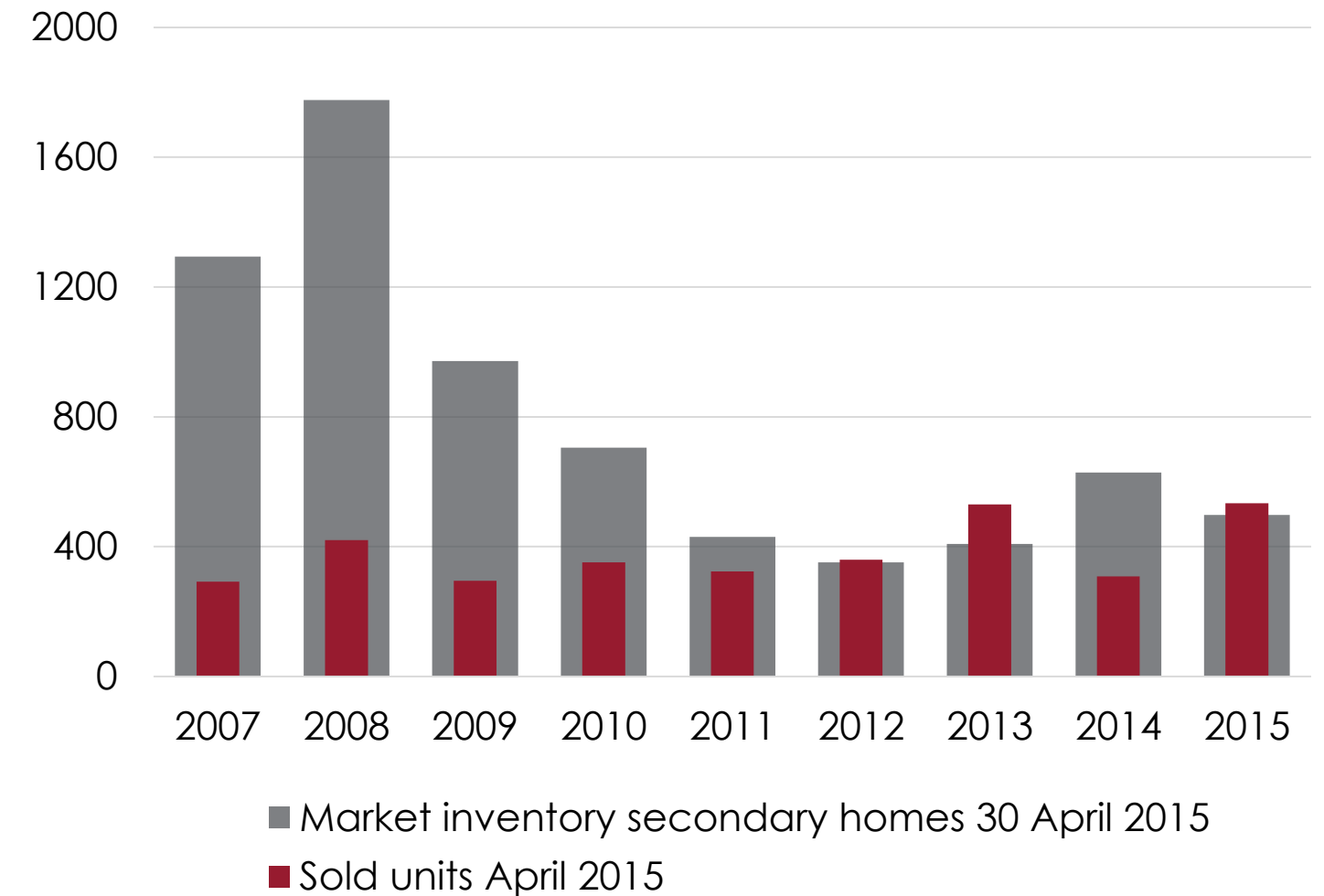
## Bergen, April 2007-2015

Units



## Trondheim, April 2007-2015

Units



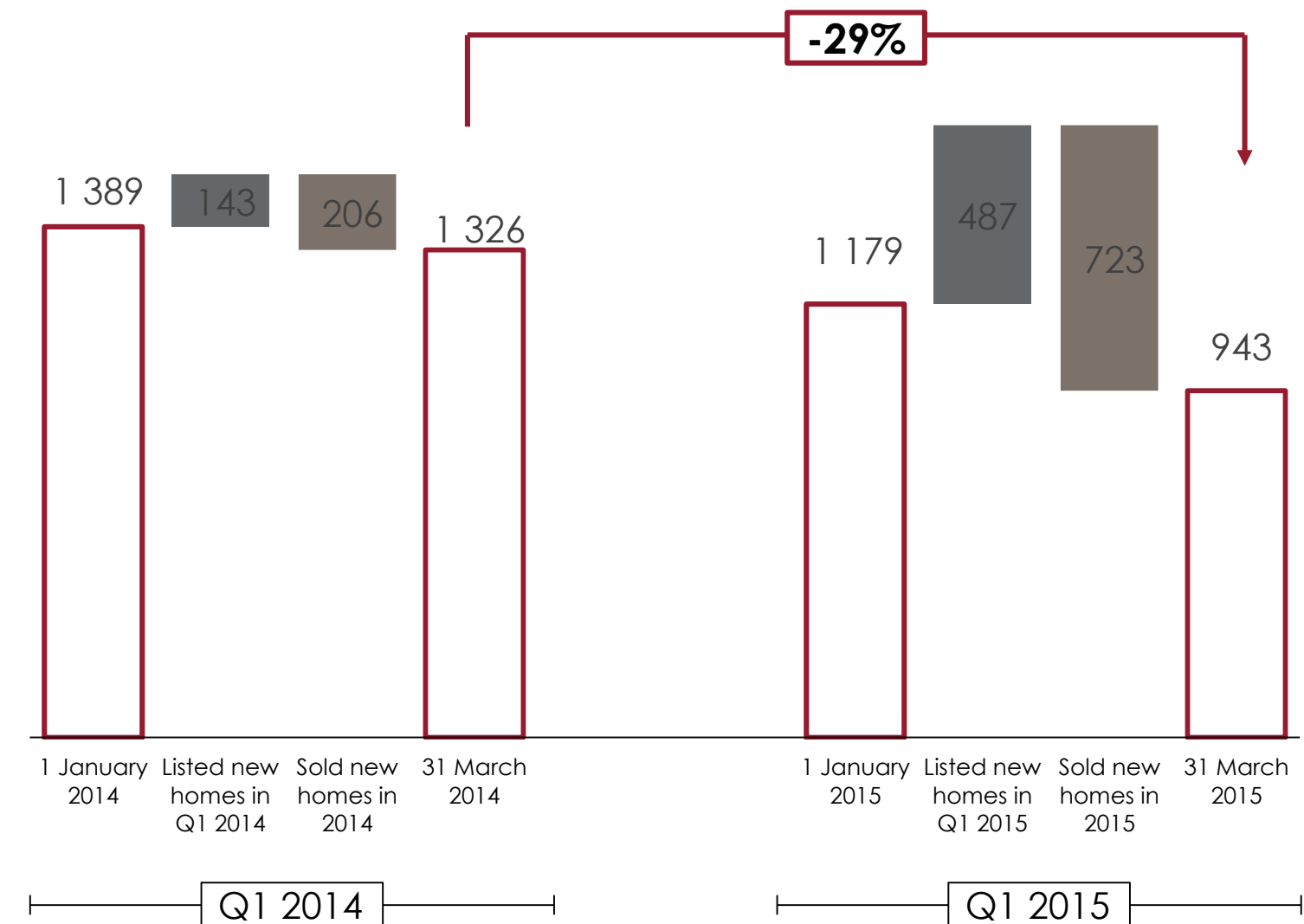
Selected areas: Bergen, Fjell og Askøy

Source: Eiendomsverdi

# Same price for second hand and new homes

- Historical price premium for new homes vs. secondary homes is +20% per m<sup>2</sup>
  - 55 000<sup>1)</sup> per m<sup>2</sup> vs. 57 000<sup>2)</sup> m<sup>2</sup>
  - Selvaag Bolig 53 400 per m<sup>2</sup>
- A consequence of supply shortage

## Available new homes in Oslo Q1 14 vs Q1 15



1) Average price secondary homes in Oslo Source: Eiendom Norge

2) Average price new homes in Oslo ex Tjuvholmen and Bjørvika (ex garage where applicable) Source: ECON

Source: Røisland & Co



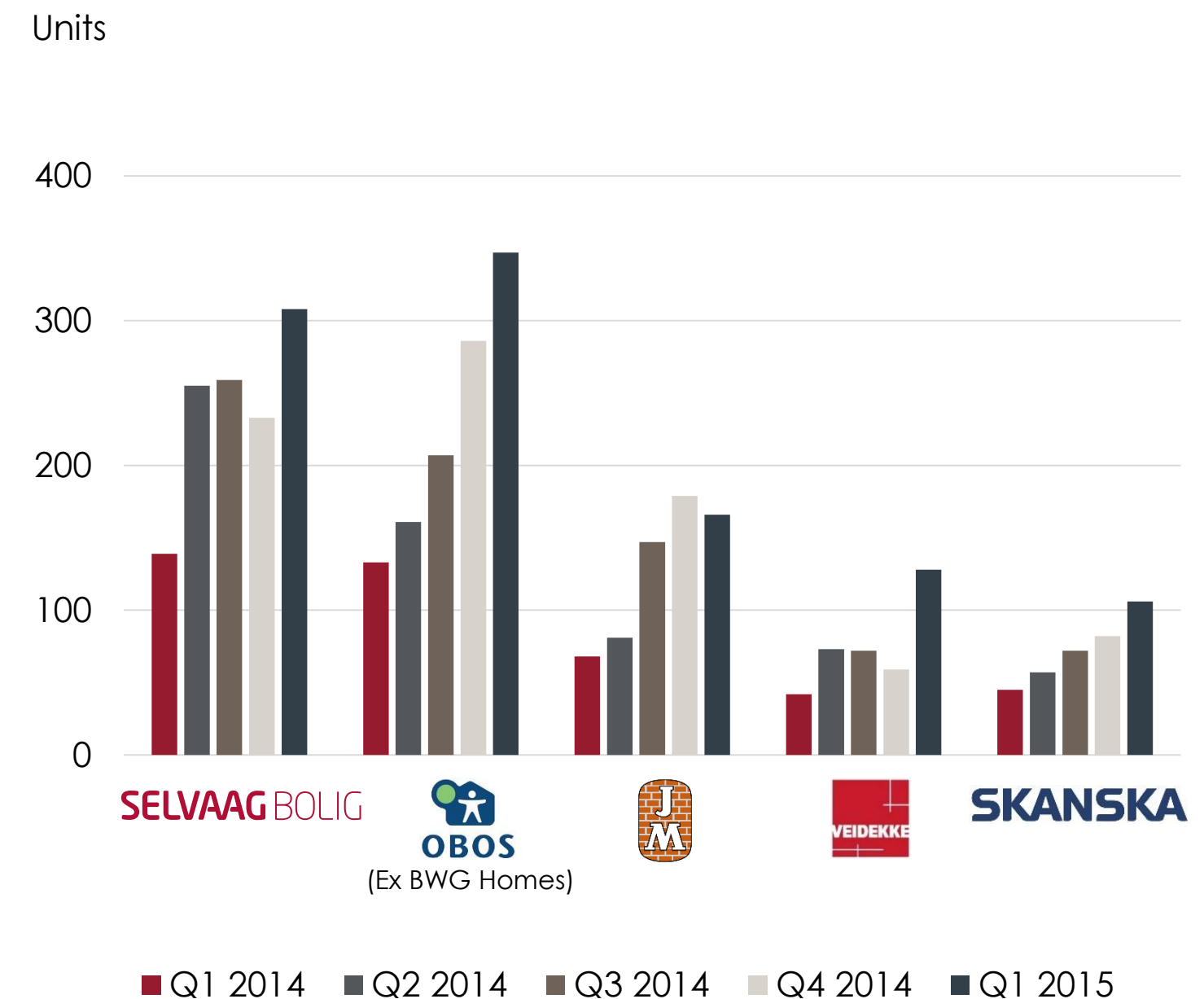
# Strong position

- Solid sales development for Selvaag Bolig
- Company strategy support market position:
  - Low-cost strategy:
    - Selvaag Bolig average price in Q1 2015\*: NOK 3.3m
    - Total market average price in Q1 2015\*: flats NOK 4.1m, terraced NOK 3.8m
  - No in-house construction arm
  - Defined housing concepts
  - Large land bank

\* Selected markets: Oslo, Akershus, Hordaland, Rogaland, Troms and Sør-Trøndelag  
Housing types Selvaag Bolig: flats, semi-detached and terraced homes

Source: Selvaag Bolig and Eiendomsverdi

## Sales activity vs. peers (net figures)



# Positive outlook for Selvaag Bolig

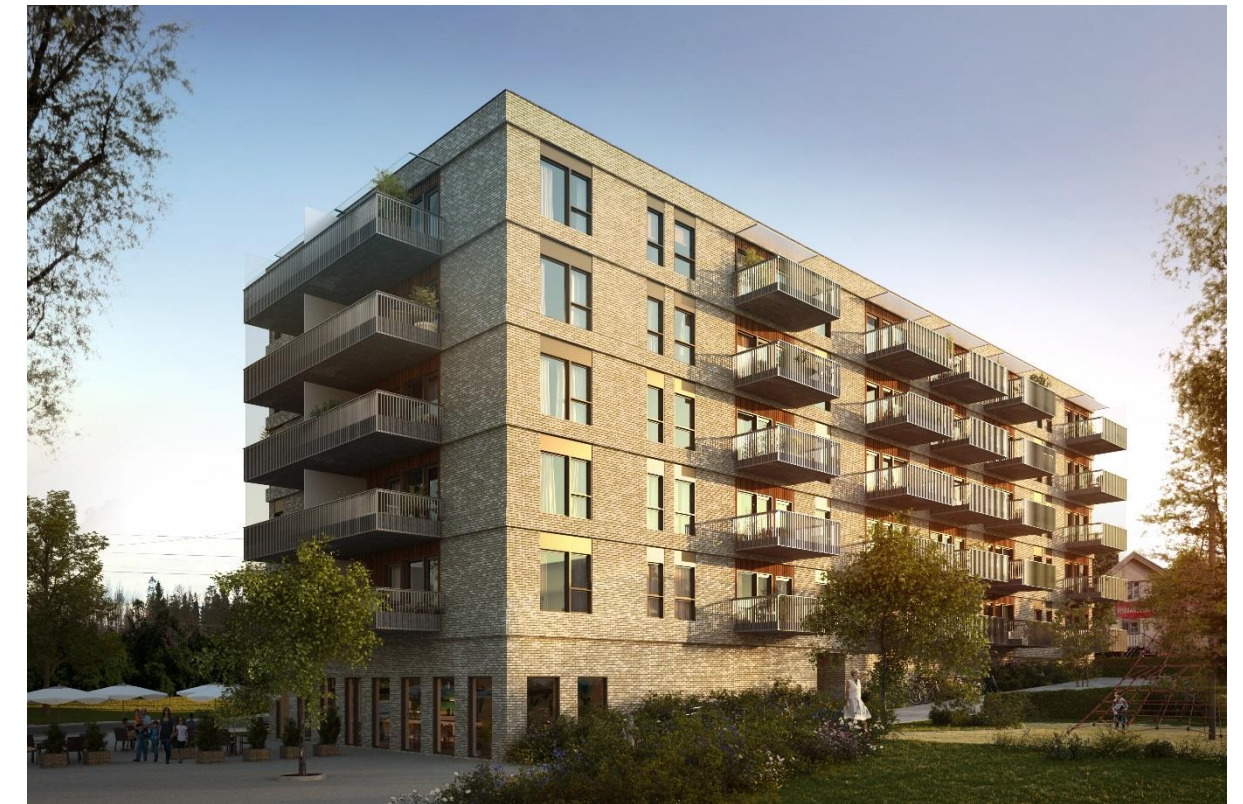
- Well positioned in core markets
  - Increased land bank in attractive Greater-Oslo area
  - Competitive housing prices for broad consumer groups
- Macro indicators are positive
  - Strong housing demand and low market inventory
  - Strong urbanisation and low interest rates



Nybyen Økern, Oslo

# Summary

- Record sales level driven by high demand and low supply in Greater-Oslo area
- Continued strong market sentiment
- High construction activity
- Proposed to pay out dividend twice a year (up to 50 per cent of net profit)



Startskuddet Lørenskog Stasjonsby,  
Greater Oslo



# Thank you for your attention – follow us online!

Next event:  
2nd quarter and 1st half year 19 August 2015



@SelvaagAksjen



An architectural rendering of a modern, multi-story apartment complex situated along a waterfront. The building features a mix of light-colored facades and dark-framed windows, with several balconies and terraces. To the left, a sailboat is docked, and to the right, a speedboat is on the water. The scene is set against a blue sky with light clouds. A semi-transparent red horizontal band is overlaid across the middle of the image, containing the word 'Appendix' in white text.

# Appendix



# Norwegian housing market

- Good demand for new homes and persistent population growth in urban areas
- Low risk for housebuilders
  - Advance sales: banks require that 50-70% of homes are sold before construction starts
  - Binding offers: offer to purchase is a binding sales contract, and requires a 10% minimum cash deposit
- High level of home ownership
  - 85% (one of the world's highest)
- Economic benefits for home owners
  - 27% of mortgage loan interest payments are tax-deductible
  - Transfer stamp duty for new houses is lower than for second hand homes
- Attractive market outlook
  - Strong population growth
  - High level of purchasing power
  - Favourable macro-economic climate and low interest rates

Source: Source Selvaag Bolig and Eurostat

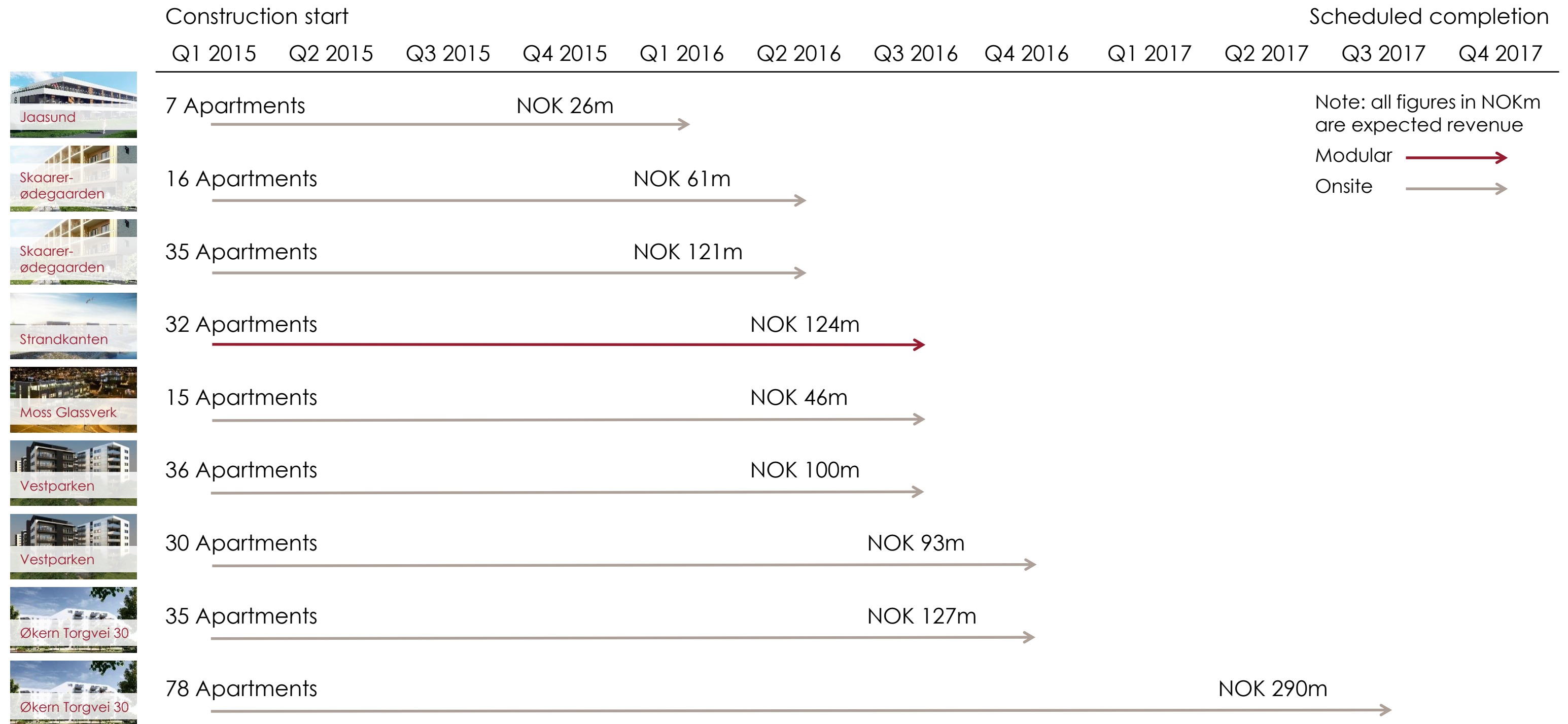


# Selvaag Bolig – value proposition

*Selvaag Bolig ASA is a Norwegian residential property developer with no in-house construction arm, which controls the entire value chain from the acquisition of land to the sale of homes.*

- Proven low-cost strategy
  - Very competitive prices ensure a broad customer base
- No in-house construction arm
  - low building costs
  - fixed construction price
  - reduced risk
  - smaller exposure to market fluctuations
- Defined housing concepts
  - Aimed at broad consumer categories
  - Profit maximisation in all projects
- Large land bank
  - Several thousand homes under development in Norway's four fastest growing urban regions

# Construction starts in the quarter



**Total units: 284**

# Income statement IFRS

<b>(figures in NOK million)</b>	<b>Q1 2015</b>	<b>Q1 2014</b>	<b>2014</b>
Total operating revenues	755.6	244.6	2 945.2
Project expenses	(609.5)	(193.1)	(2 371.8)
Other operating expenses	(54.4)	(41.3)	(215.5)
Other gains (loss)	-	-	(3.5)
Associated companies and joint ventures	6.9	(1.2)	32.4
<b>EBITDA</b>	<b>98.6</b>	<b>9.005</b>	<b>386.917</b>
Depreciation and amortisation	(5.8)	(5.2)	(21.2)
<b>EBIT</b>	<b>92.8</b>	<b>3.8</b>	<b>365.7</b>
Net financial expenses	(8.0)	(6.3)	(17.0)
<b>Profit/(loss) before taxes</b>	<b>84.9</b>	<b>(2.5)</b>	<b>348.7</b>
Income taxes	(23.0)	0.7	(94.2)
<b>Net income</b>	<b>61.9</b>	<b>(1.9)</b>	<b>254.5</b>
<b>Net income for the period attributable to:</b>			
Non-controlling interests	(0.0)	1.1	1.2
Shareholders in Selvaag Bolig ASA	61.9	(3.0)	253.2



# Cash Flow statement

(figures in NOK million)	Q1 2015	Q1 2014	2014
Net cash flow from operating activities	97.7	(413.7)	187.3
Net cash flow from investment activities	(37.7)	(2.6)	(5.7)
Net cash flow from financing activities	37.4	415.8	(202.7)
Net change in cash and cash equivalents	97.3	(0.4)	(21.1)
Cash and cash equivalents at start of period	565.9	587.0	587.0
Cash and cash equivalents at end of period	663.3	586.6	565.9

# Balance sheet

(figures in NOK million)

	Q1 2015	Q1 2014	2014
Intangible assets	411.0	429.8	415.6
Property, plant and equipment	17.3	4.4	17.4
Investments in associated companies and joint ventures	200.2	152.1	156.7
Other non-current assets	123.0	170.7	121.8
<b>Total non-current assets</b>	<b>751.5</b>	<b>756.9</b>	<b>711.5</b>
<b>Inventories (property)</b>	<b>4 563.1</b>	<b>4 661.3</b>	<b>4 348.8</b>
- Land	1 845.1	1 720.7	1 614.4
- Work in progress	2 358.8	2 841.2	2 360.3
- Finished goods	359.2	99.4	374.1
Other current receivables	350.3	444.1	588.0
Cash and cash equivalents	663.3	586.6	565.9
<b>Total current assets</b>	<b>5 576.7</b>	<b>5 692.1</b>	<b>5 502.8</b>
<b>TOTAL ASSETS</b>	<b>6 328.2</b>	<b>6 449.0</b>	<b>6 214.2</b>
Equity attributed to shareholders in Selvaag Bolig ASA*	2 504.5	2 233.3	2 442.6
Non-controlling interests	14.7	23.8	14.7
<b>Total equity</b>	<b>2 519.2</b>	<b>2 257.1</b>	<b>2 457.3</b>
Non-current interest-bearing liabilities	1 685.6	2 330.7	1 752.4
Other non-current non interest-bearing liabilities	308.3	265.1	293.6
<b>Total non-current liabilities</b>	<b>1 993.9</b>	<b>2 595.8</b>	<b>2 046.0</b>
Current interest-bearing liabilities	1 075.4	887.0	959.5
Other current non interest-bearing liabilities	739.7	709.0	751.4
<b>Total current liabilities</b>	<b>1 815.1</b>	<b>1 596.1</b>	<b>1 710.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 328.2</b>	<b>6 449.0</b>	<b>6 214.2</b>

\* Corresponding to a book value of NOK 26.7 per share

# Operational highlights – key operating figures

<b>(number of residential units, unless otherwise stated)</b>	<b>Q1 14</b>	<b>Q2 14</b>	<b>Q3 14</b>	<b>Q4 14</b>	<b>Q1 15</b>
Number of units sold	139	255	259	233	308
Number of construction starts	77	197	203	280	284
Number of units completed	77	253	274	319	208
Number of units delivered	80	236	279	266	224
Number of units under construction	1 474	1 418	1 347	1 308	1 384
Proportion of sold units under construction	76%	76%	76%	77%	81%
Number of completed unsold units	8	17	18	39	41
Sales value of units under construction (NOK million)	5 547	5 238	5 159	4 689	4 968
Number of employees	99	100	100	99	99



# IFRS EBITDA Q1 2015

(figures in NOK million)

	Property development	Other	Total
<b>IFRS EBITDA for the quarter, per segment</b>			
Operating revenues	750.2	7.1	757.3
Project expenses	(609.9)	(1.3)	(611.2)
Other operating expenses	(17.3)	(37.2)	(54.4)
Share of income (losses) from associated companies and joint ventures	6.9	-	6.9
Other gain (loss), net	-	-	-
<b>EBITDA</b>	<b>129.9</b>	<b>(31.3)</b>	<b>98.6</b>

# Operational reporting Q1 2015

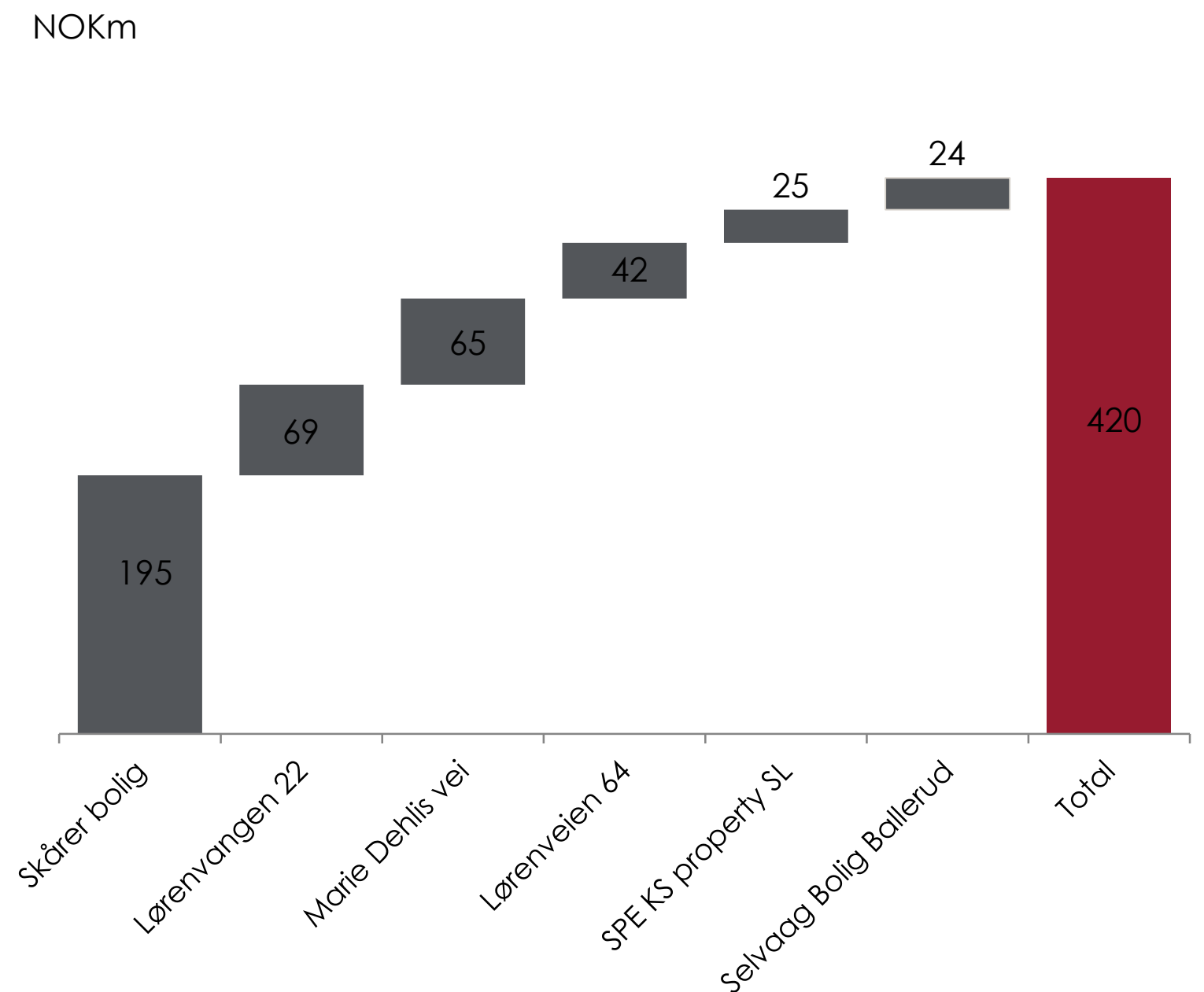
<b>(figures in NOK million)</b>	Property development	Other	Total
<b>Operating revenues</b>	<b>819.9</b>	<b>7.1</b>	<b>827.1</b>
Project expenses	(631.0)	(1.3)	(632.3)
Other operating expenses	(17.3)	(37.2)	(54.4)
<b>EBITDA (percentage of completion)</b>	<b>171.6</b>	<b>(31.3)</b>	<b>140.3</b>

Note: Construction costs are exclusive of financial expenses in the segment reporting.

# Land loan interests on the P&L

- Total land loans are NOK 1 124 million of which NOK 704 million are loans where interest cost are activated
- Land loan interests activated at regulation
- As at 31 March interests connected to land loans of NOK 420 million was charged on the P&L

## Loans recognised in profit and loss at 31.03.2015



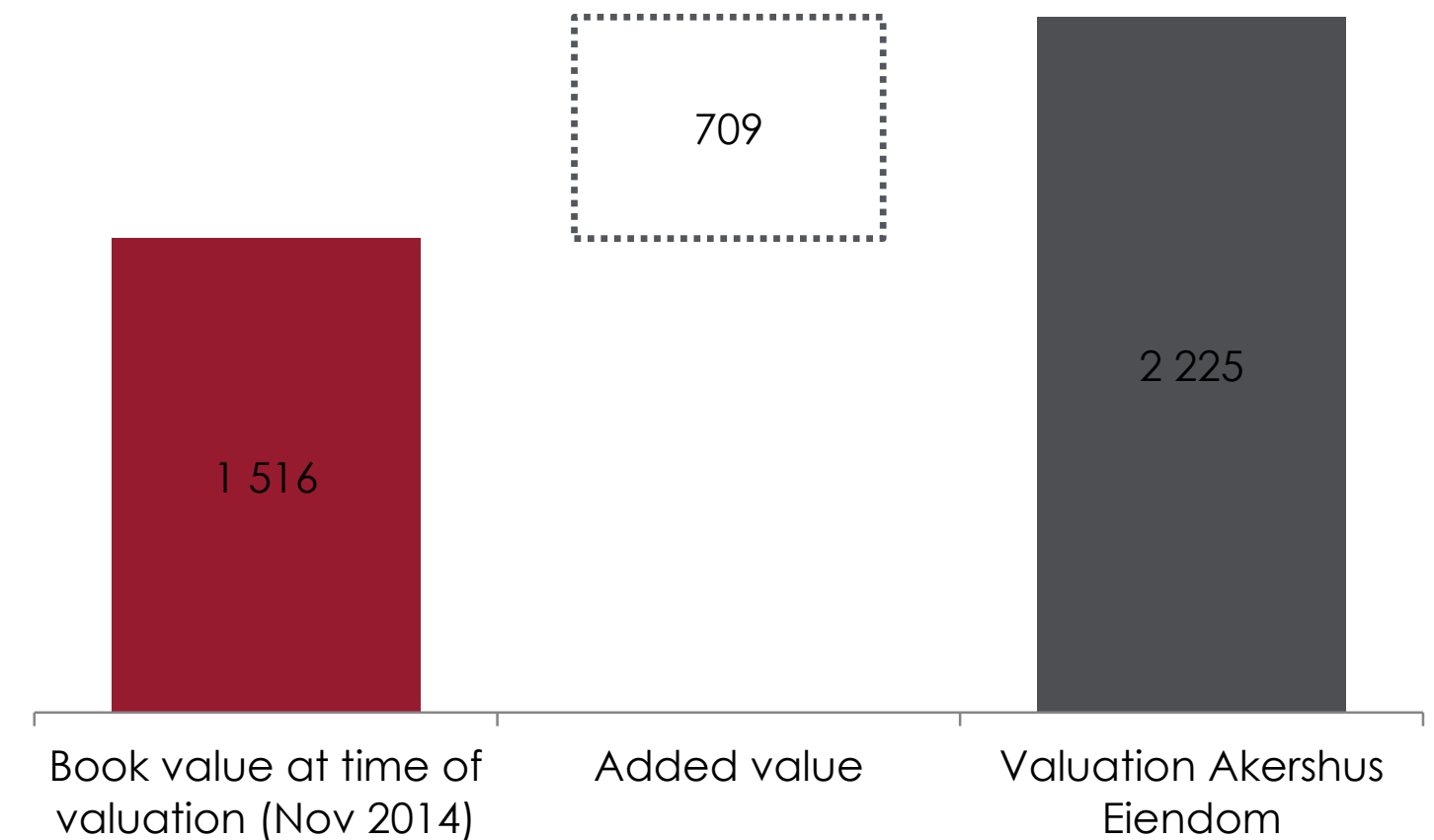


# Land bank valuation from Q4 2014

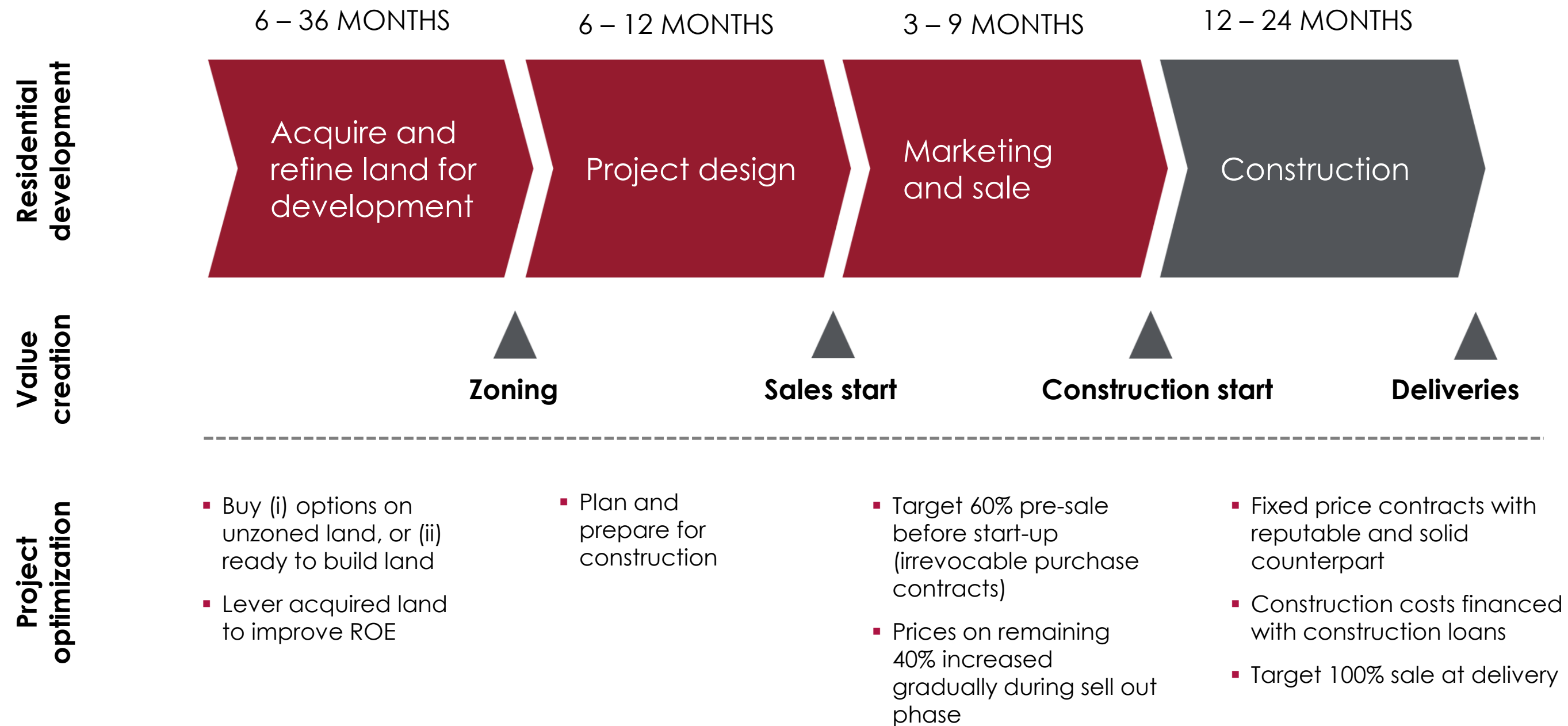
- Independent land valuation, by Akershus Eiendom.
- Valuation is mainly based on a calculated profit from sales of fully developed housing units
  - For projects under development, remaining costs are split on developer and buyer, affecting value distribution
- DCF valuation method is applied on residents for lease

## External valuation vs. book value

NOKm

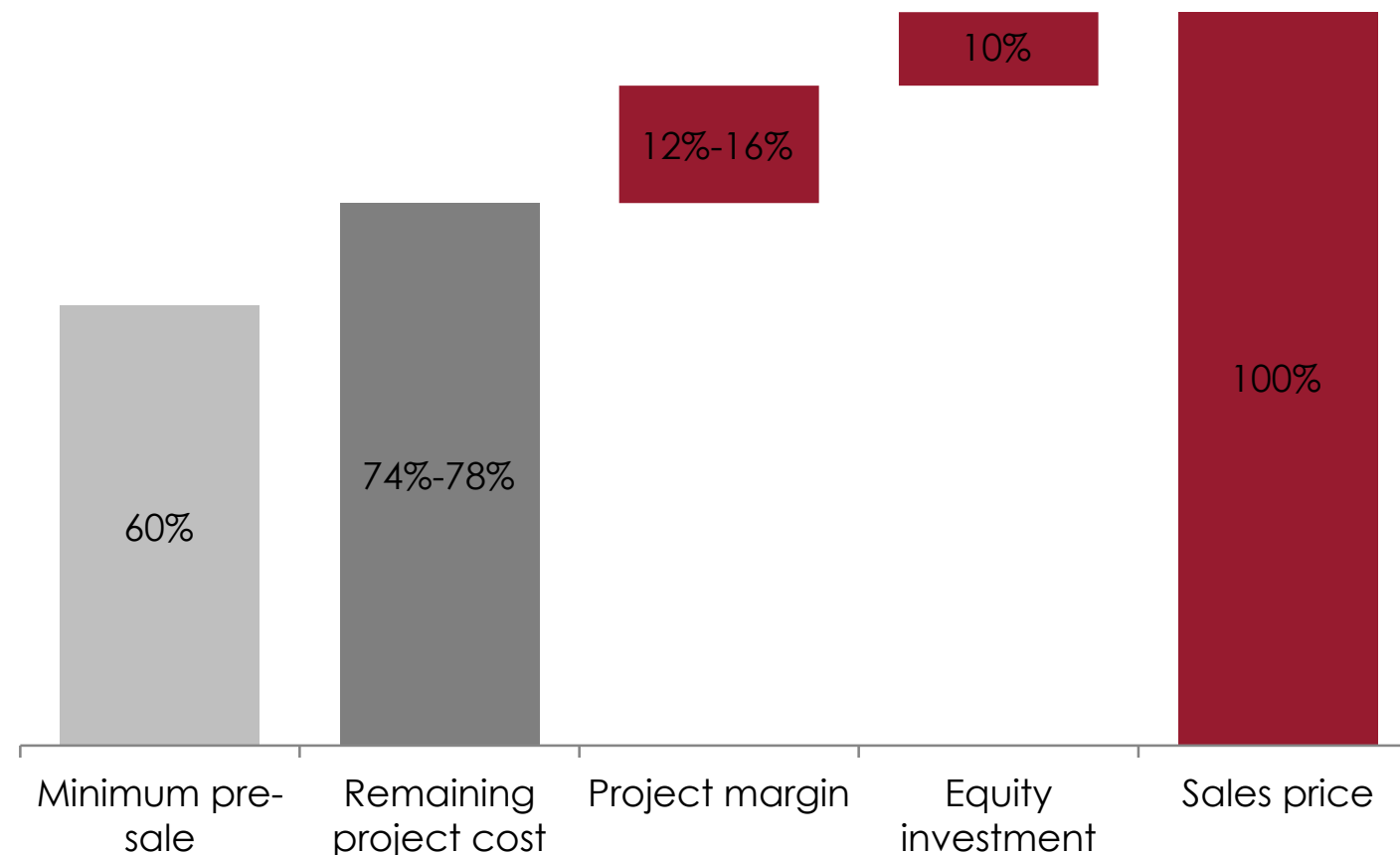


# Value creation in Selvaag Bolig



# Low-risk business model

## Risk profile at start of project



- Selvaag's equity investment in a project and project margin bring the remaining project cost down to 74%-78%
- With minimum 60% pre-sale, there is limited remaining project risk
- 81% of units in production are sold per Q1 '15

## De-risking in key stages of projects

### 1 Land purchase conditional on zoning approval

- Purchase and payment of land takes place after zoning plan approval. If this is not obtained, the purchase is cancelled
- SBO is in charge of the zoning process

### 2 Land purchase price based on market value at time of zoning approval

- Purchase price is decided by a land appraisal made by three external consultants at the time of zoning approval
- The median valuation is used as purchase price

### 3 Minimum sales rate of 60% before construction

- Pre-sales of minimum 60% secures the majority of revenue before construction
- 10% of purchase price paid by the buyer at point of sale, and proof of financing for the remaining amount is required

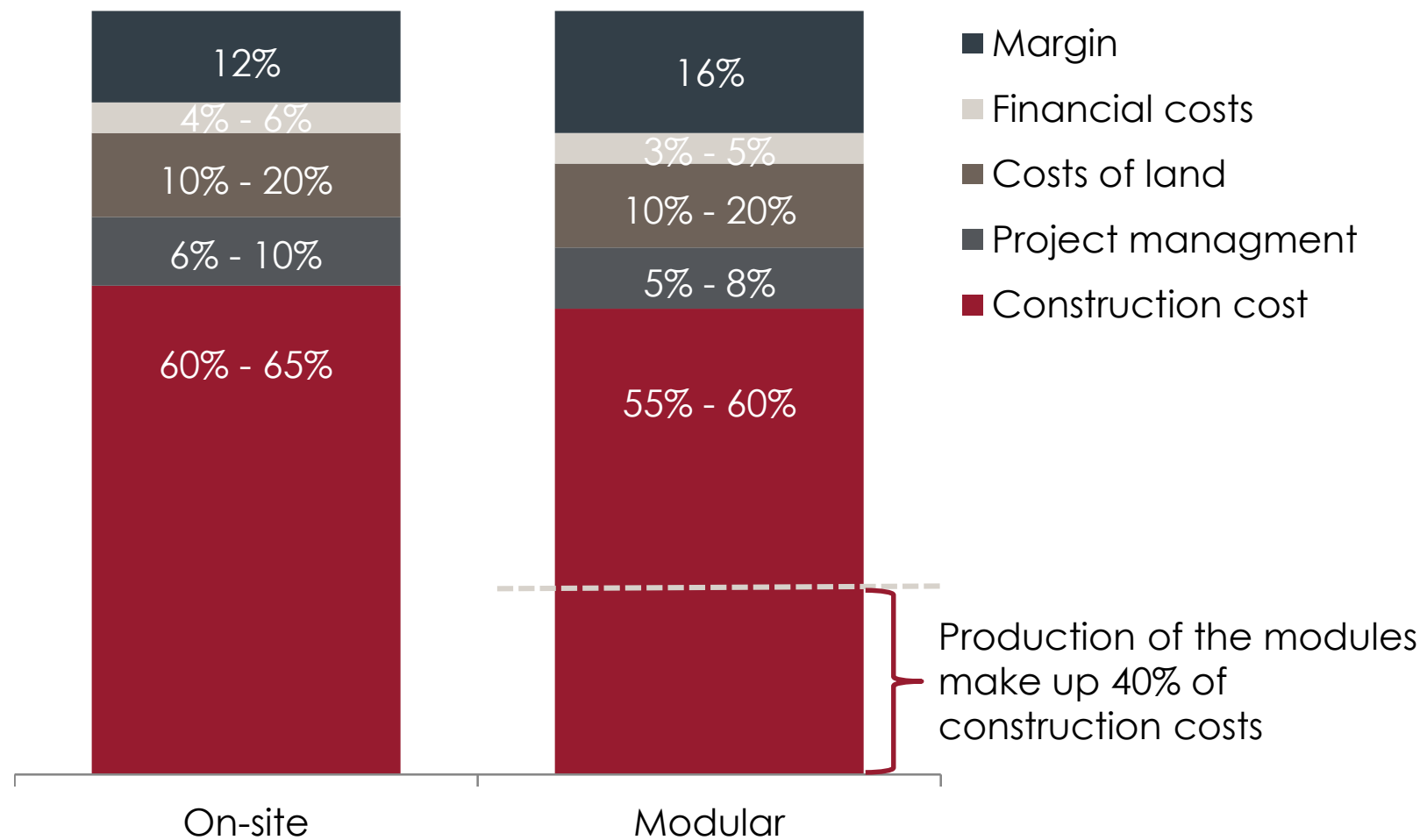
### 4 Fixed price construction contract

- Construction contracts with solid counterparties are made with fixed price
- Project costs are secured before construction starts



# Modules vs. on-site construction

## Approximate average value



Lørenskog stasjonsby - modular



Lervig Brygge – on-site