

# Q3 2015

Oslo 12 November 2015

Baard Schumann, CEO

Sverre Molvik, CFO

# SELVAAG BOLIG

Start

Hjem

Pluss



# Agenda

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



# Highlights Q3 2015

- Continued strong margins
- High sales and construction activity
- Continued strong demand in key markets
- Focus on land bank development



Kilenkollen, Fornebu, Greater Oslo

# Key financials Q3 2015

Operating revenues

**778**

NOK million

Adjusted EBITDA margin

**17.2**

per cent

Equity ratio

**39.5**

per cent

EBITDA margin (NGAAP)

**14.8**

per cent



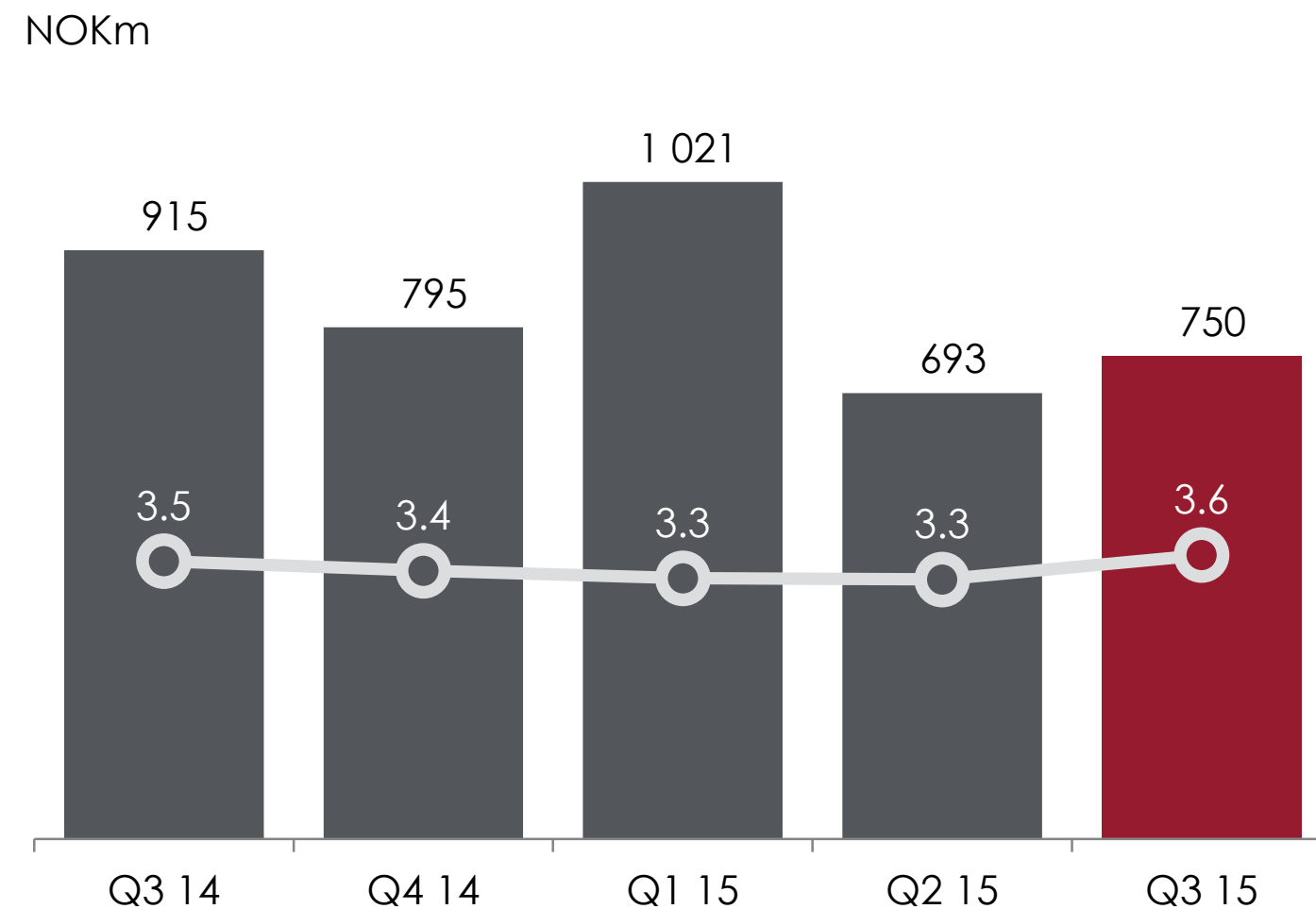
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- **Operational update**
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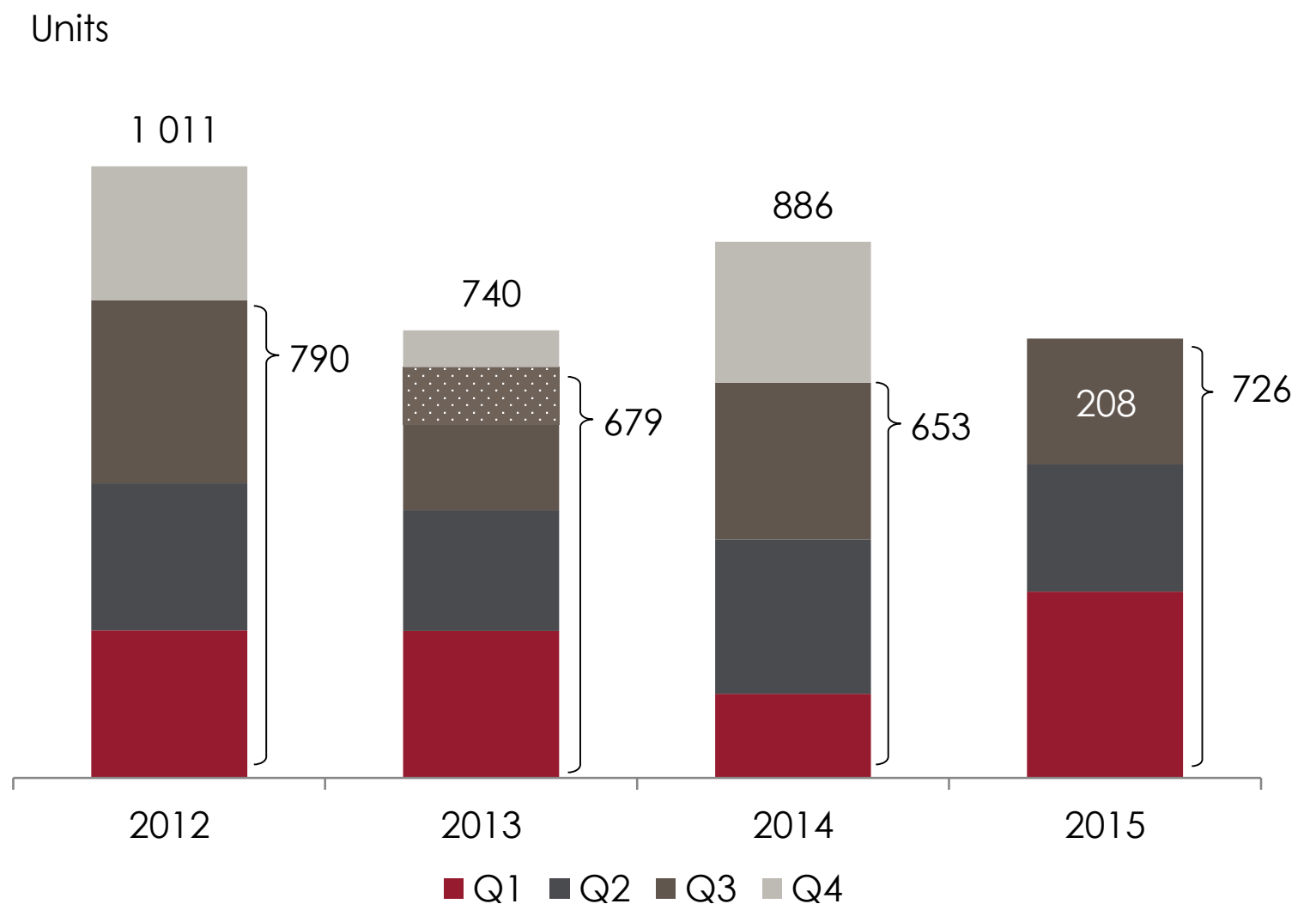
# Continued high sales activity in Q3

## Total sales value and value per sold unit



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

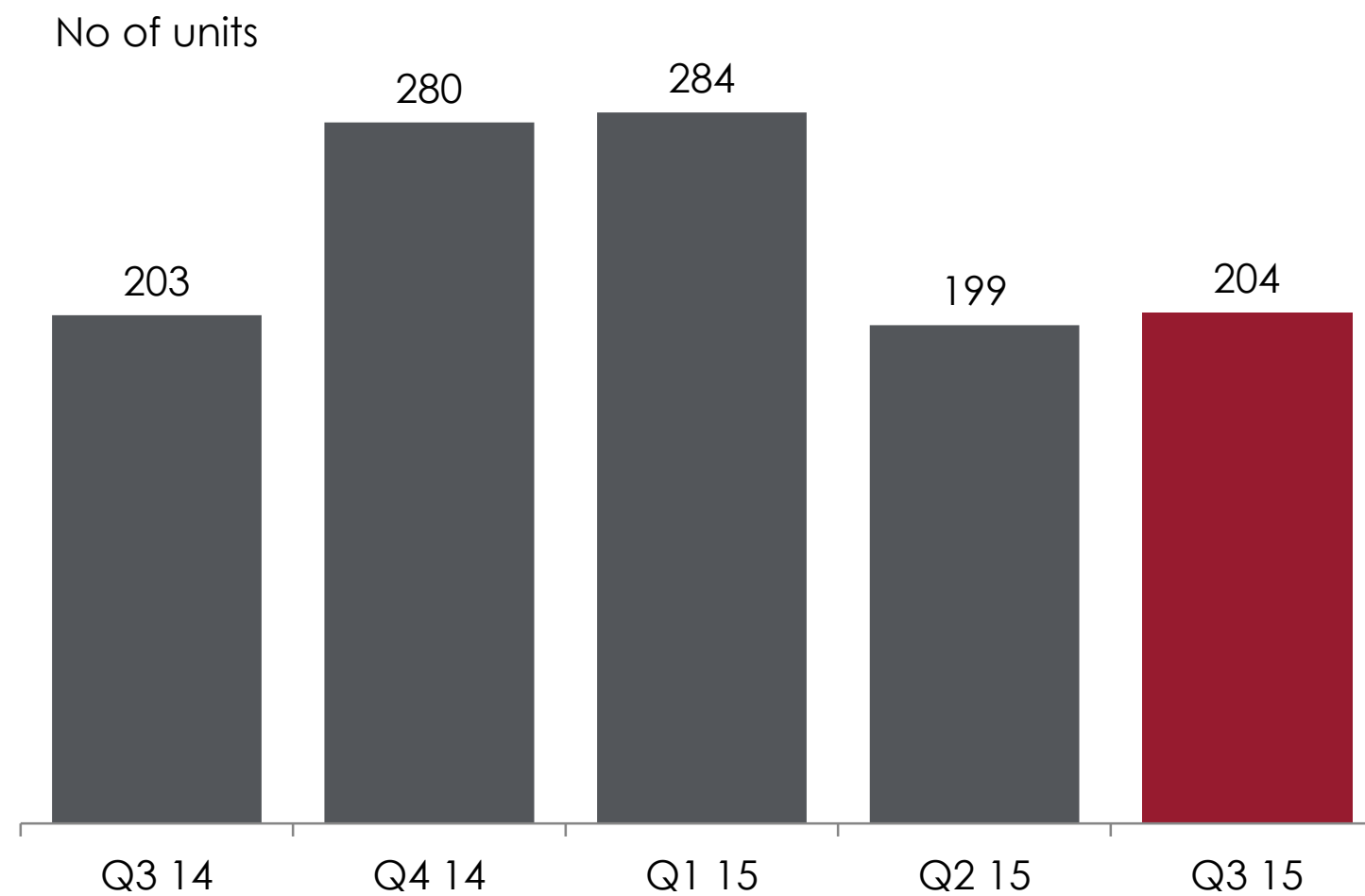
## Residential units sold



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

# Majority of construction starts in Oslo area

## Construction starts per quarter

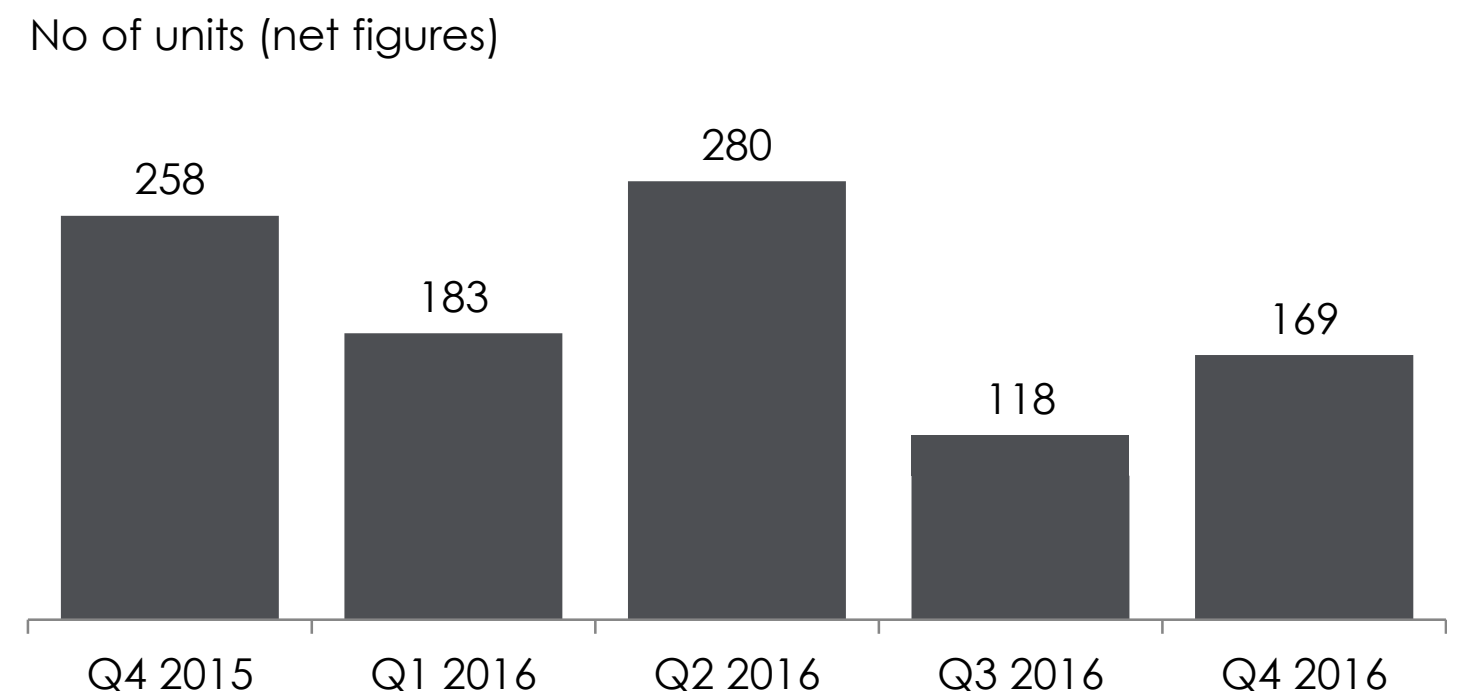
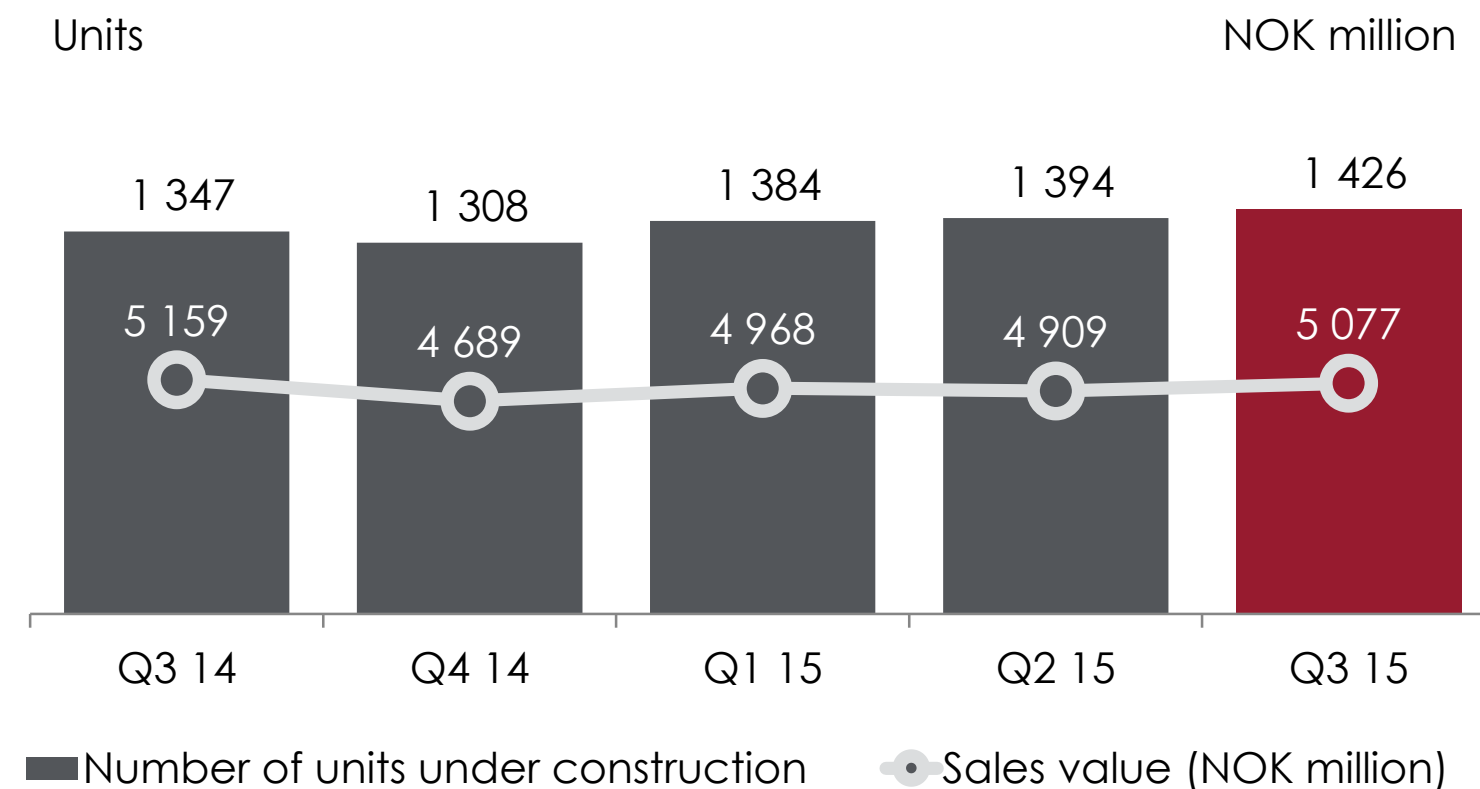


- 104 apartments in Oslo area
  - Expected revenue NOK 441 million
- 67 apartments in Trondheim area
  - Expected revenue NOK 216 million
- 33 apartments in Bergen area
  - Expected revenue NOK 152 million

# High number of units for delivery

## Development units under construction

## Expected completions per quarter



- Q3 2015: 78% sold, 57% of construction volume in Greater Oslo
- YE 2016: ~80% of construction volume in Greater Oslo

- 95% of 2015 completions sold by Q3 2015
- 87% of 2016 completions sold by Q3 2015

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



# Agenda

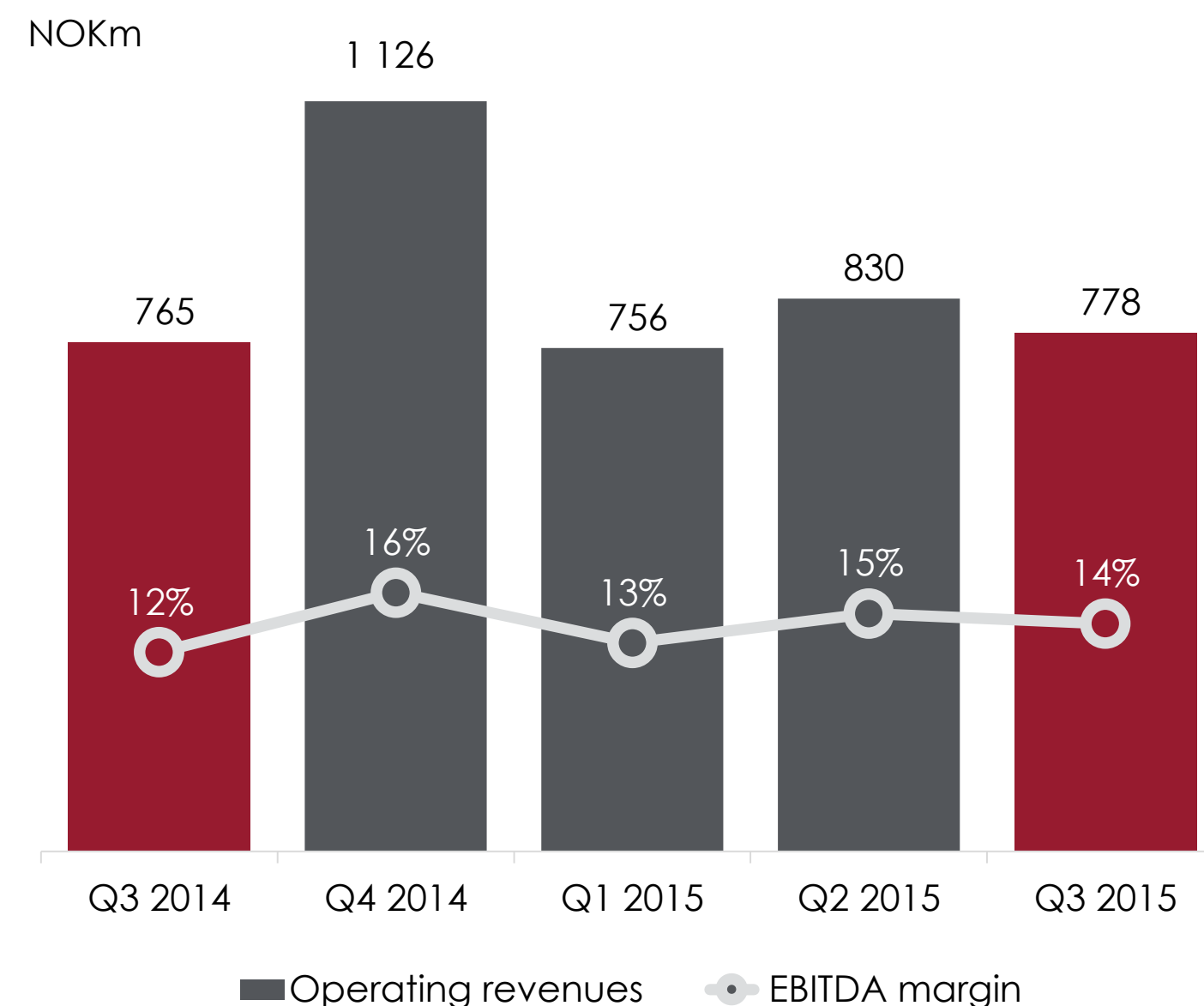
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# Income statement highlights Q3 2015 (IFRS)

- Delivery of 202 units (279)
- Revenues NOK 778m (765)
  - Sale of units NOK 763m (752)
  - Other revenues NOK 16m, mainly lease income
- Project costs NOK 624m (628)
  - Of which NOK 23m are interests
- Other costs NOK 59m (47)
  - Salaries, sales and marketing key components
- EBITDA adjusted 134m (125)
  - Adjusted for financial expenses included in project costs
- EBITDA NOK 111m (95)
- EPS in the quarter NOK 0.76, YTD NOK 2.28

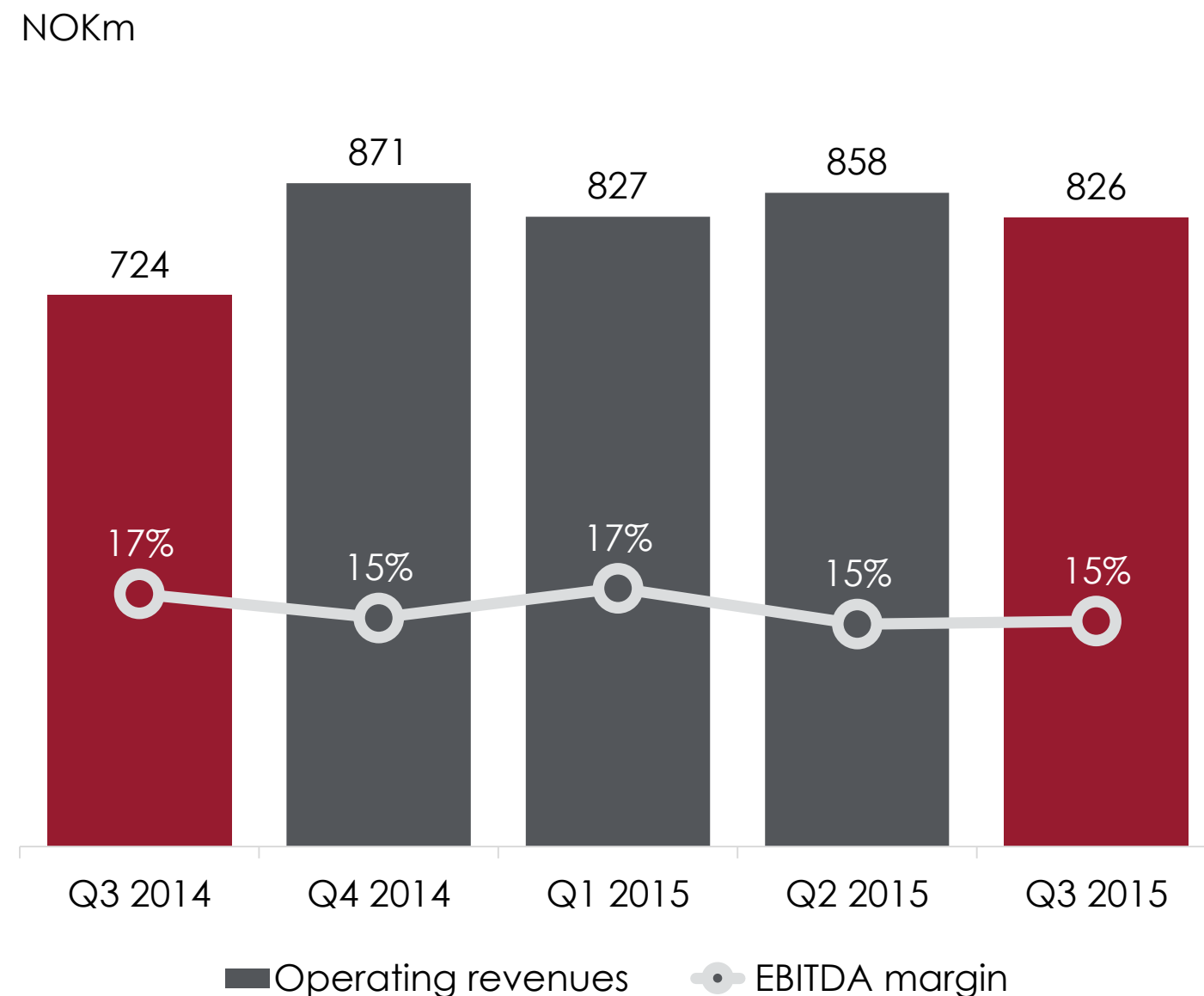
## Revenues and EBITDA margin (IFRS)



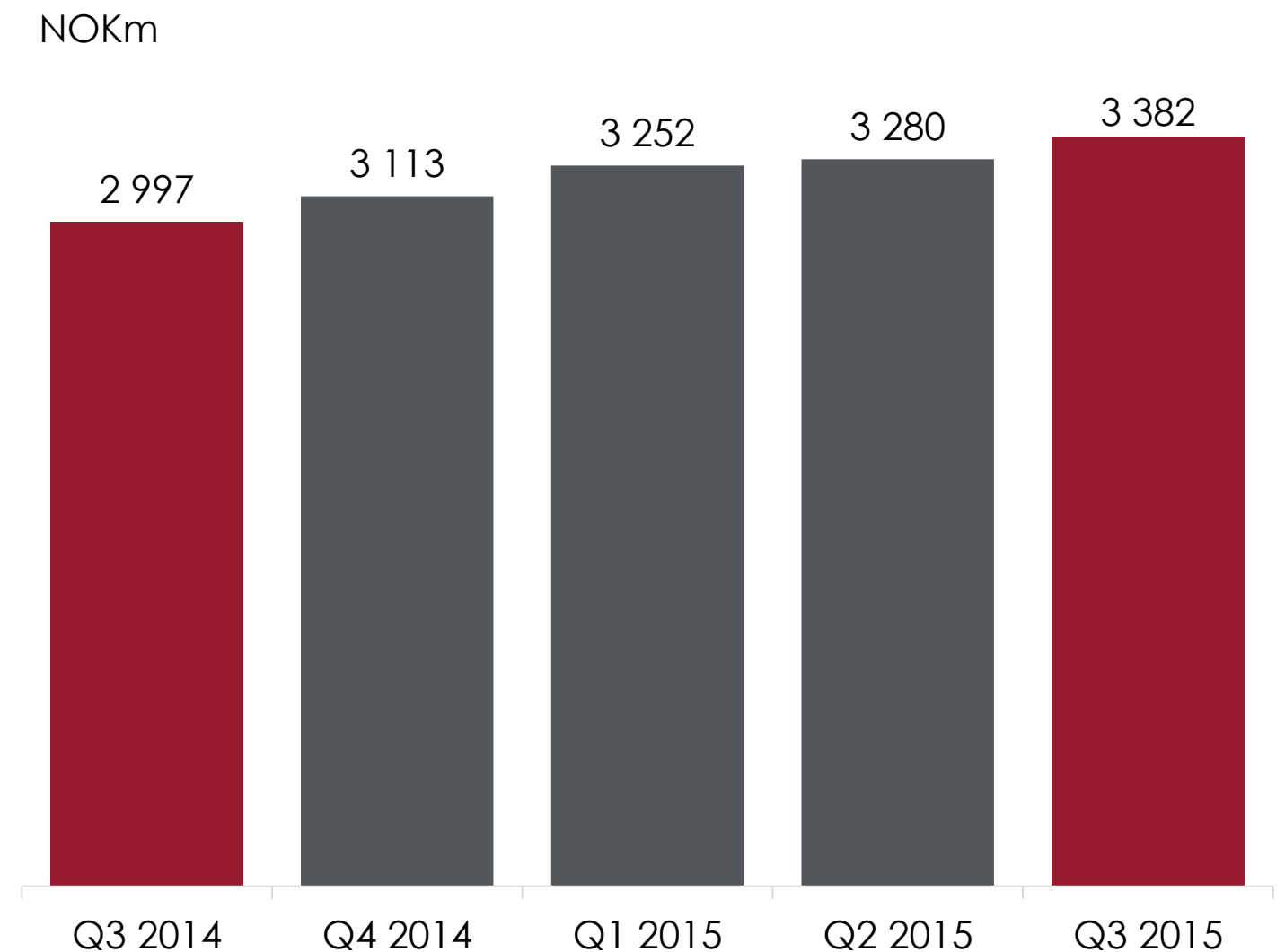


# Income statement highlights Q3 2015 (NGAAP)

## Revenues and EBITDA margin (NGAAP)\*



## 12 months rolling revenues (NGAAP)\*



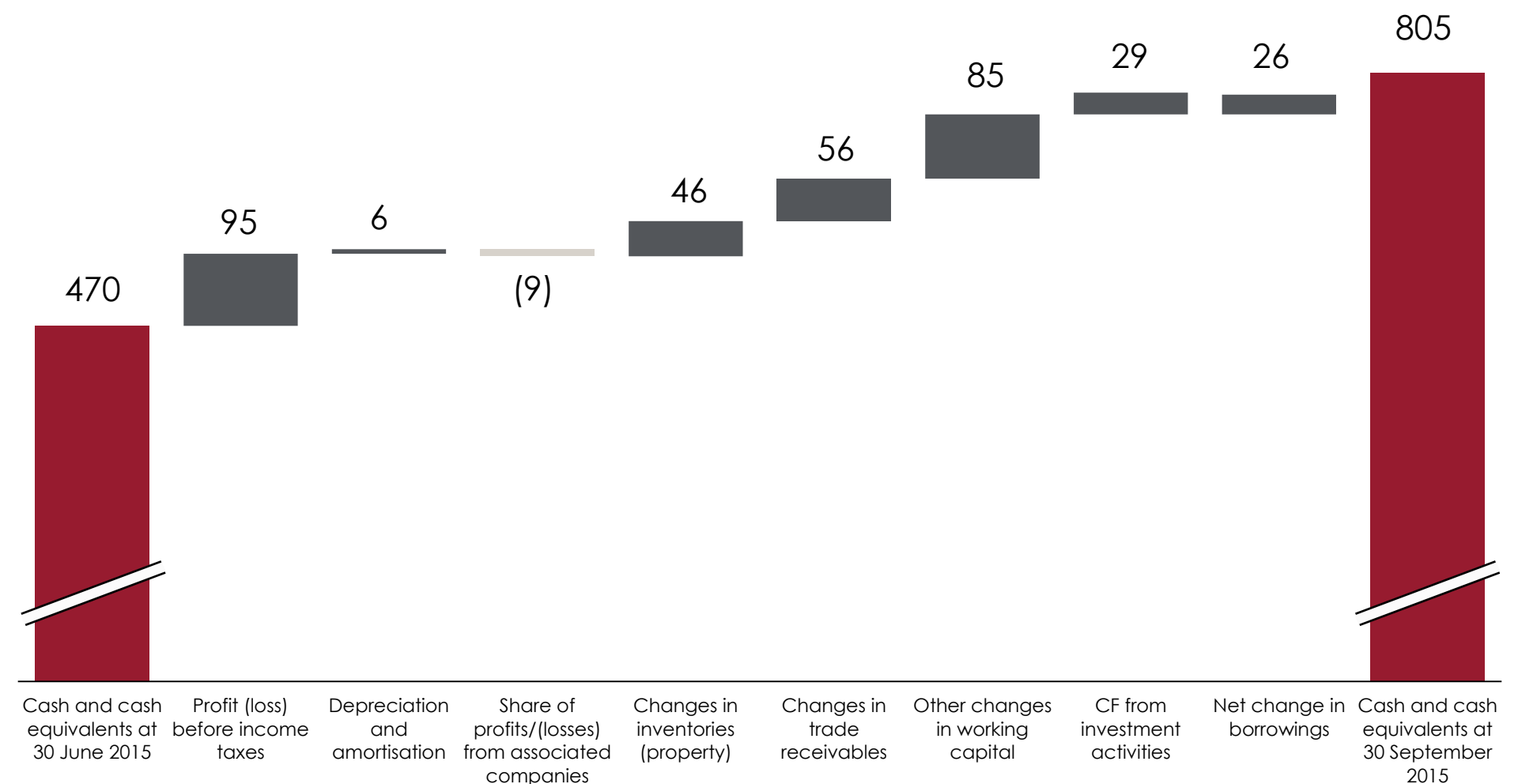
\* Construction costs are exclusive of financial expenses in the segment reporting (NGAAP)

# Cash flow development Q3 2015

- Cash flow from operating activities NOK 280m
- Proceeds from sale of associated companies NOK 24m
- Acquisitions, tax and dividend payments reduce cash level in Q4

## Condensed cash flow

NOKm

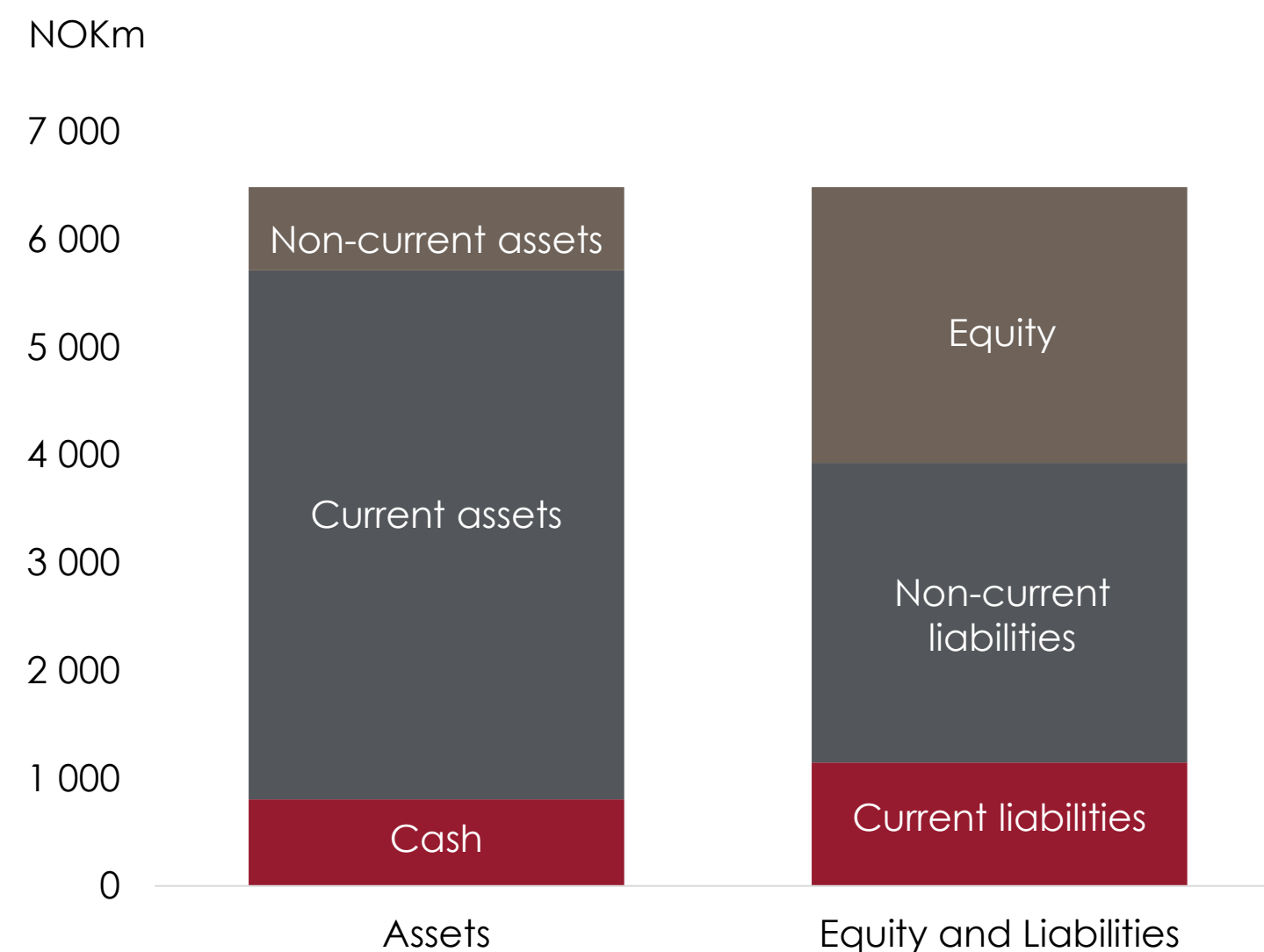




# Balance sheet highlights Q3 2015

- Book value per share NOK 27.2 (40%)
  - NOK 26.4 in Q2 2015 (40%)
- Changes since Q2 2015:
  - Inventories decreased by NOK 32m
  - Trade receivables decreased by NOK 56m
  - Cash increased by NOK 334m
- Prepayments from customers account for NOK 282m of other current non interest-bearing liabilities

## Balance sheet composition

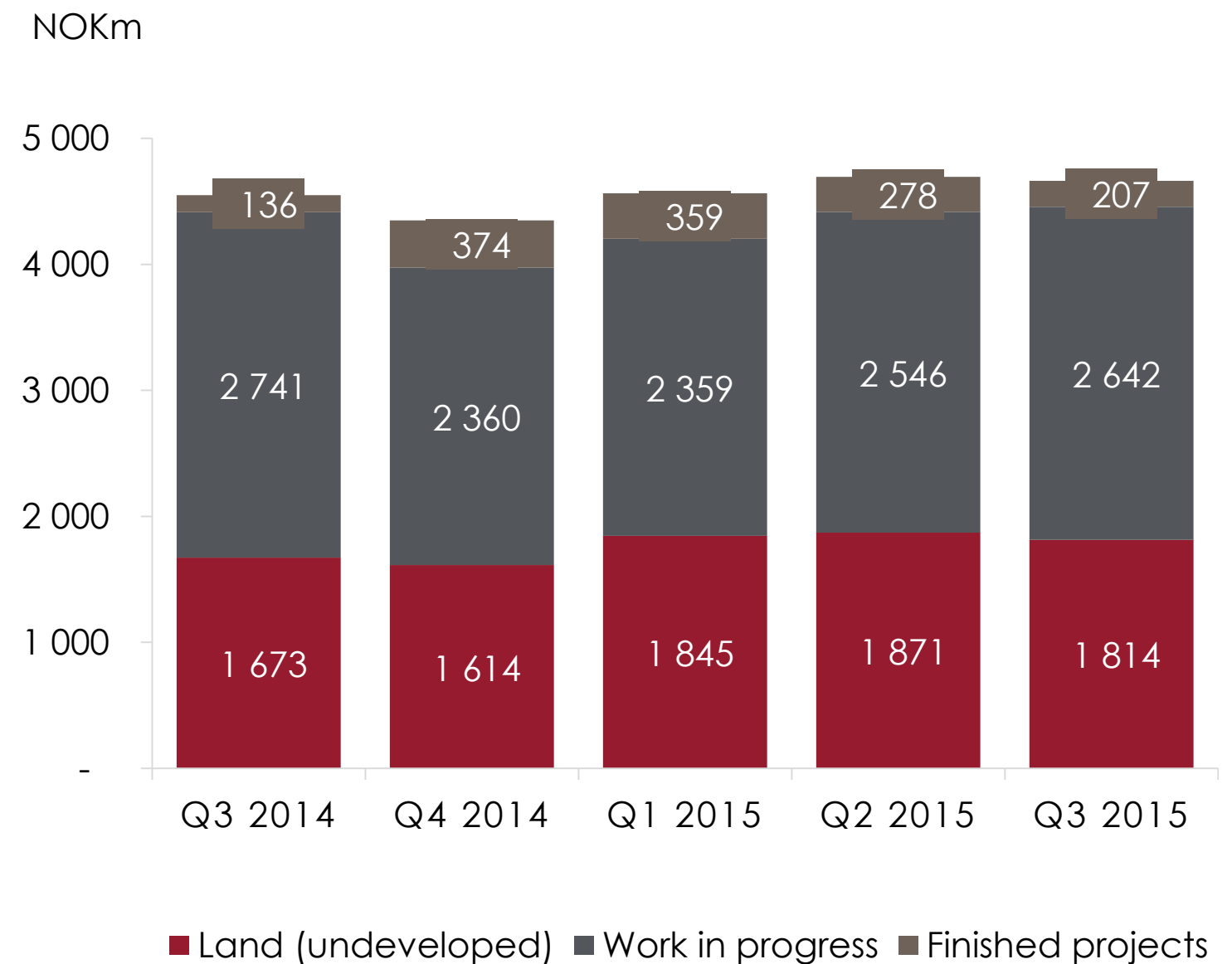


# Inventories (property) Q3 2015

## Q3'15 vs Q2'15

- Land value down NOK 57m
  - Due to construction starts
- Work in progress up NOK 96m
- Finished goods down NOK 71m
  - Due to delivered units

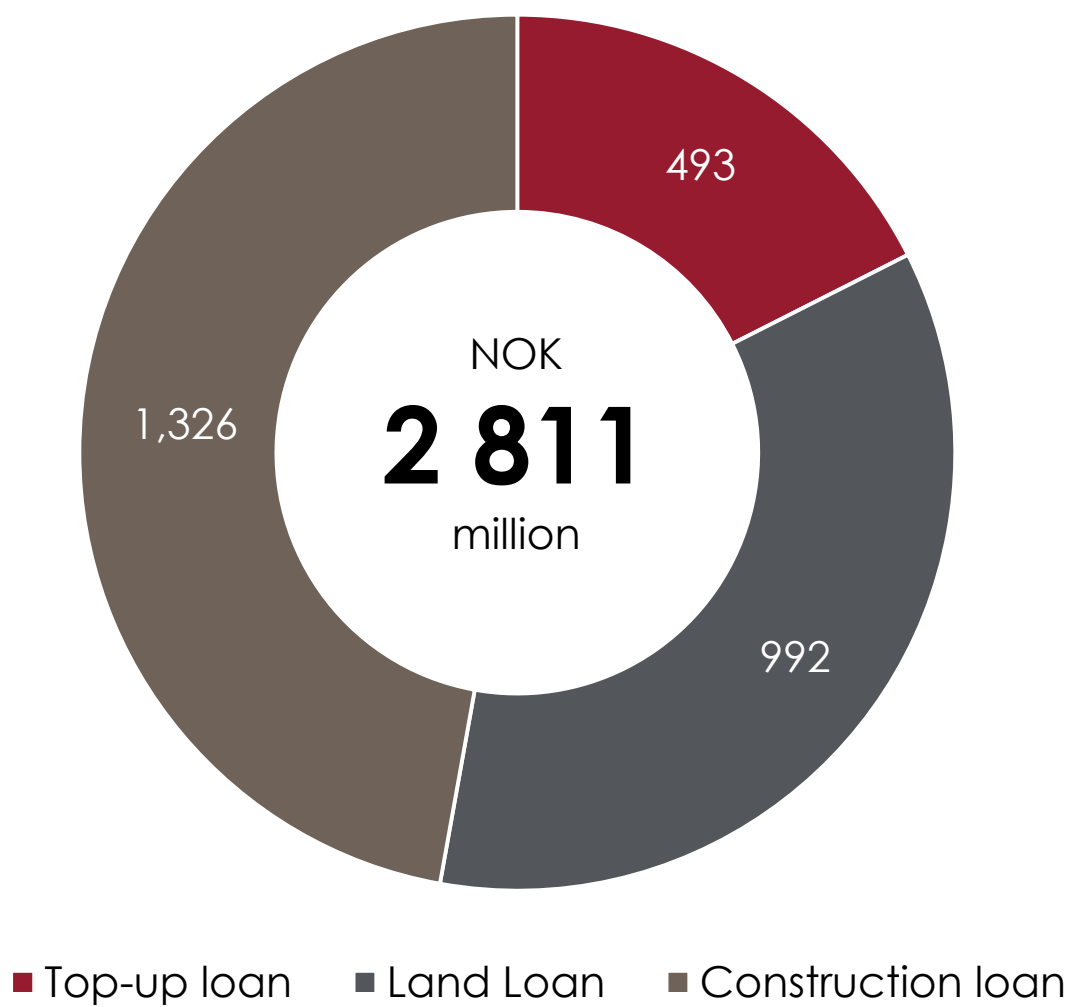
## Inventory value development





# Sound debt structure

## Interest bearing debt as at 30 September 2015



	Loan facility	Drawn per 30 Sep (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	992	2.00% - 2.50%
5	Construction loan facilities from a range of Nordic credit institutions	1 326	1.90% - 2.50%

**Total net interesting bearing debt NOK 2 006 million**

Note: Top-up loan of NOK 500m in the table differs from the summed up top up loan in the pie chart (NOK 493m). The difference is due to NOK -7m in amortized cost which is not actual debt.

# New dividend policy implemented

## Dividend policy

- To pay dividend twice a year
- Up to 50 per cent of net profit

## Approved by bondholders

- The bondholders of the NOK 500m Senior Unsecured Bond 2013/2018 approved amendments to the dividend covenant to allow payments more than once a year

## H1 2015 dividend

- H1 2015 EPS NOK 1.52
- H1 2015 dividend of NOK 0.7 per share paid in October



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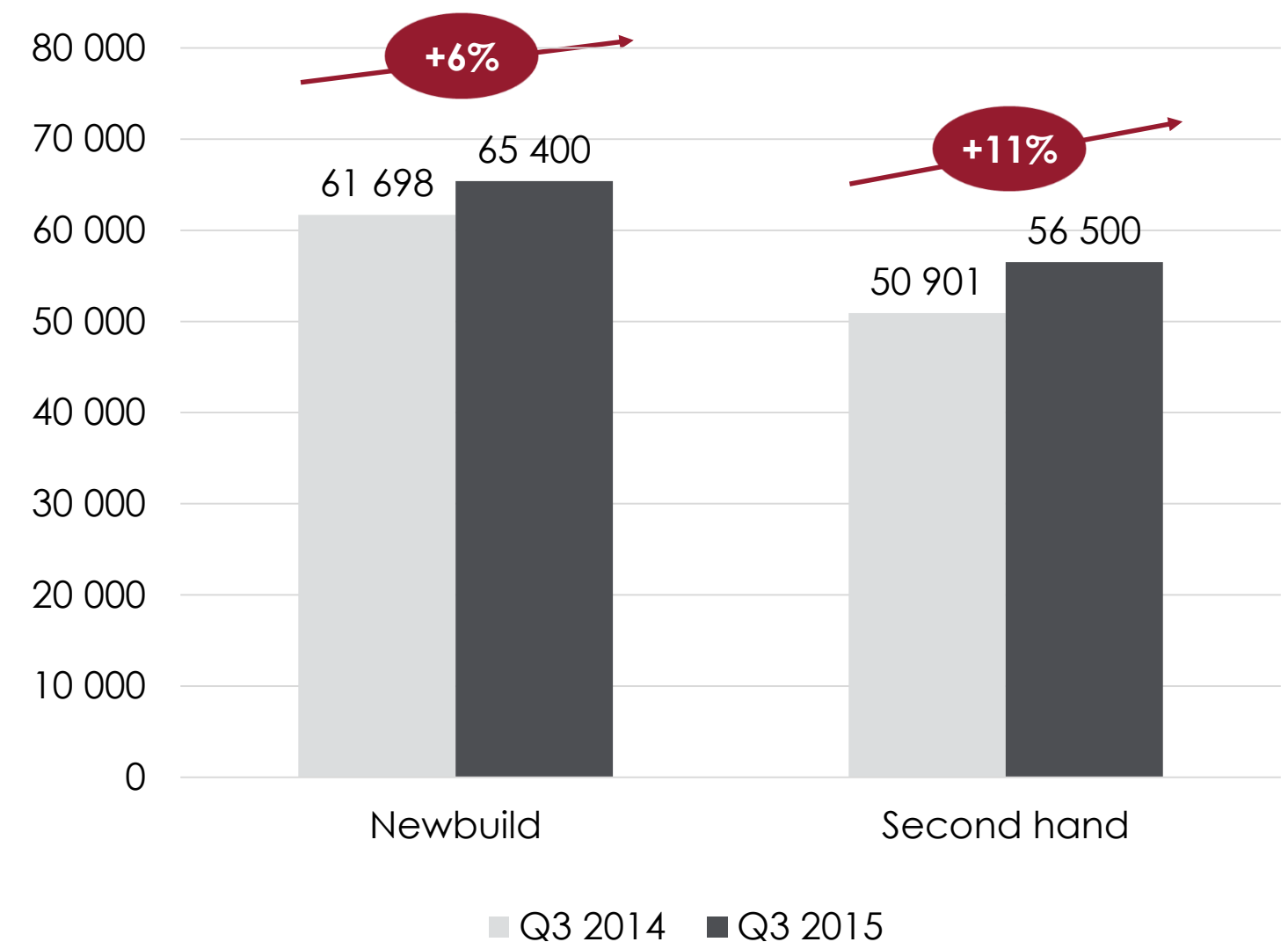


# Price development in Oslo reflects tight market

- Rising prices for second-hand homes in Oslo
  - Up 11% last 12 months, up 4% in Q3
- Prices for new-built homes have increased less
  - Up 6% last 12 months, up 1% in Q3
- Low reaction/sales time: 35 days in Norway / 17 days in Oslo

## New-build vs second-hand last 12 months

Price per square meter, NOK

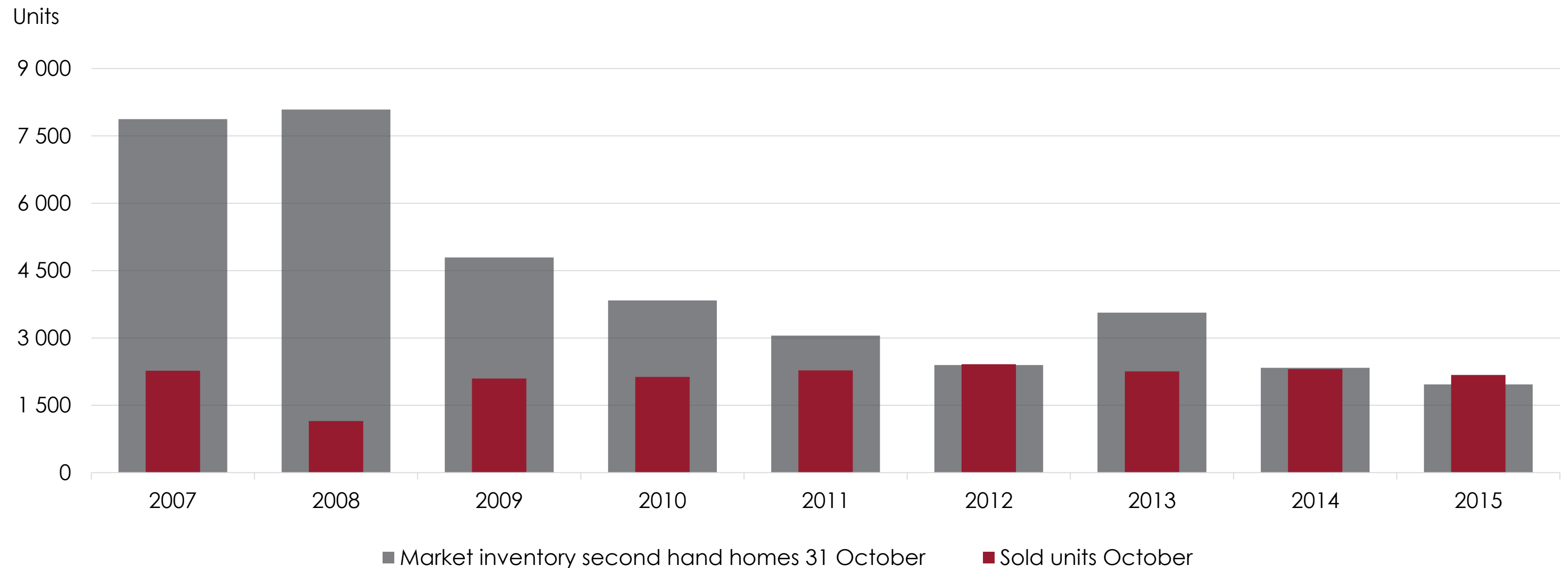


\*Source: DNB Eiendom Nybygg Oslo og Akershus. Nr 3 2015



# Inventory in Oslo at historical low

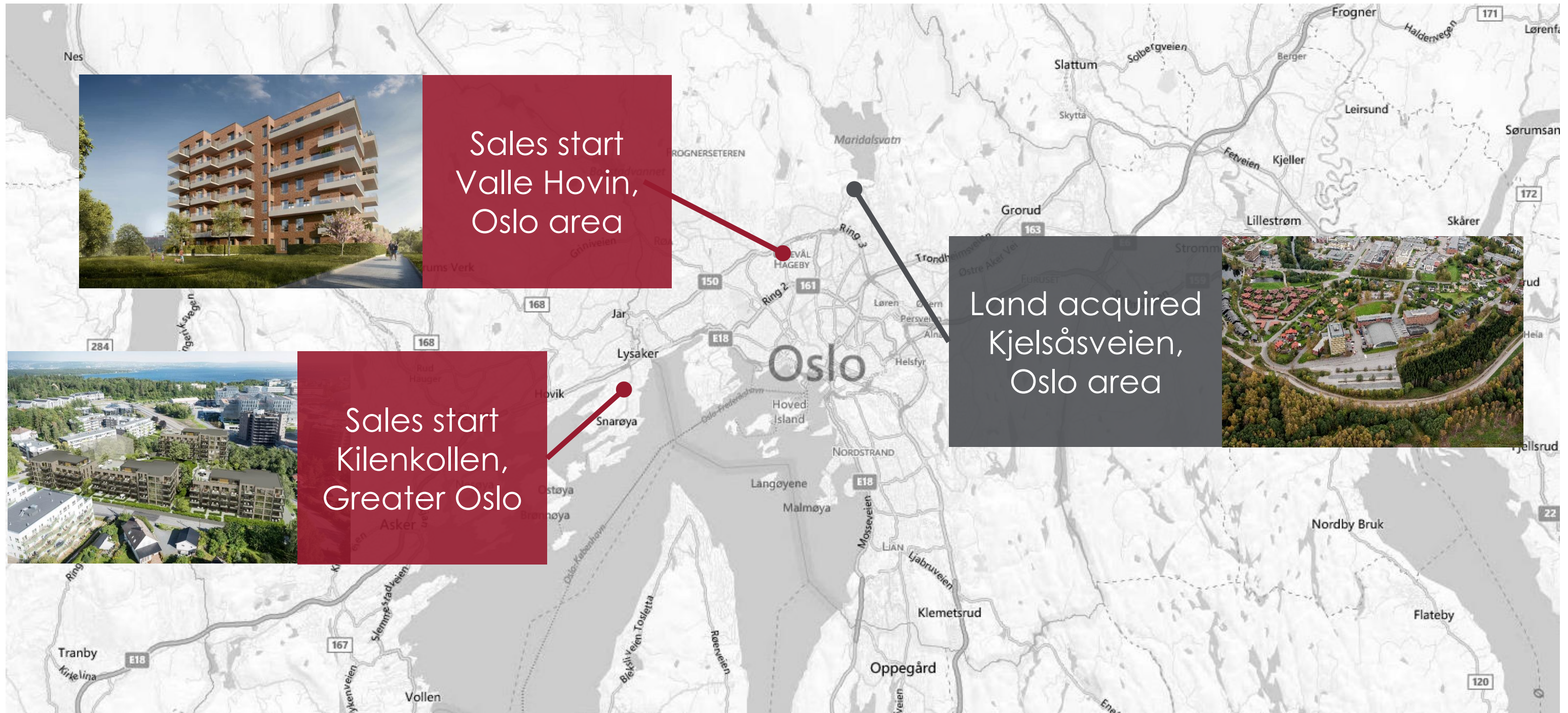
## Oslo and Akershus, October 2007-2015



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

Source: Eiendomsverdi

# New projects with prime locations





**Sales start October**  
Valle Hovin - growth area in Oslo




~375 units | 2-4 rooms | ~40-100 sq. m  
Sales start phase 1 October 2015  
40 of the first 70 units sold first week

Time from acquisition to sales start: 8 months

NOK 220m acquisition in Feb. '15

Sales start Oct. '15



An aerial photograph of a modern apartment complex in Fornebu, Oslo. The complex consists of several multi-story buildings with dark facades and numerous balconies. It is surrounded by lush green trees and a body of water in the background. A red text overlay is positioned in the upper left quadrant of the image.

**Sales start October**  
Kilenkollen, Fornebu - growth area in  
Greater Oslo

~160 units | 1-4 rooms | 35-111 sq. m  
Sales start phase 1 24 October 2015  
45 of the first 80 units sold first week

Time from acquisition to sales start: 7 months

NOK 156m acquisition March '15

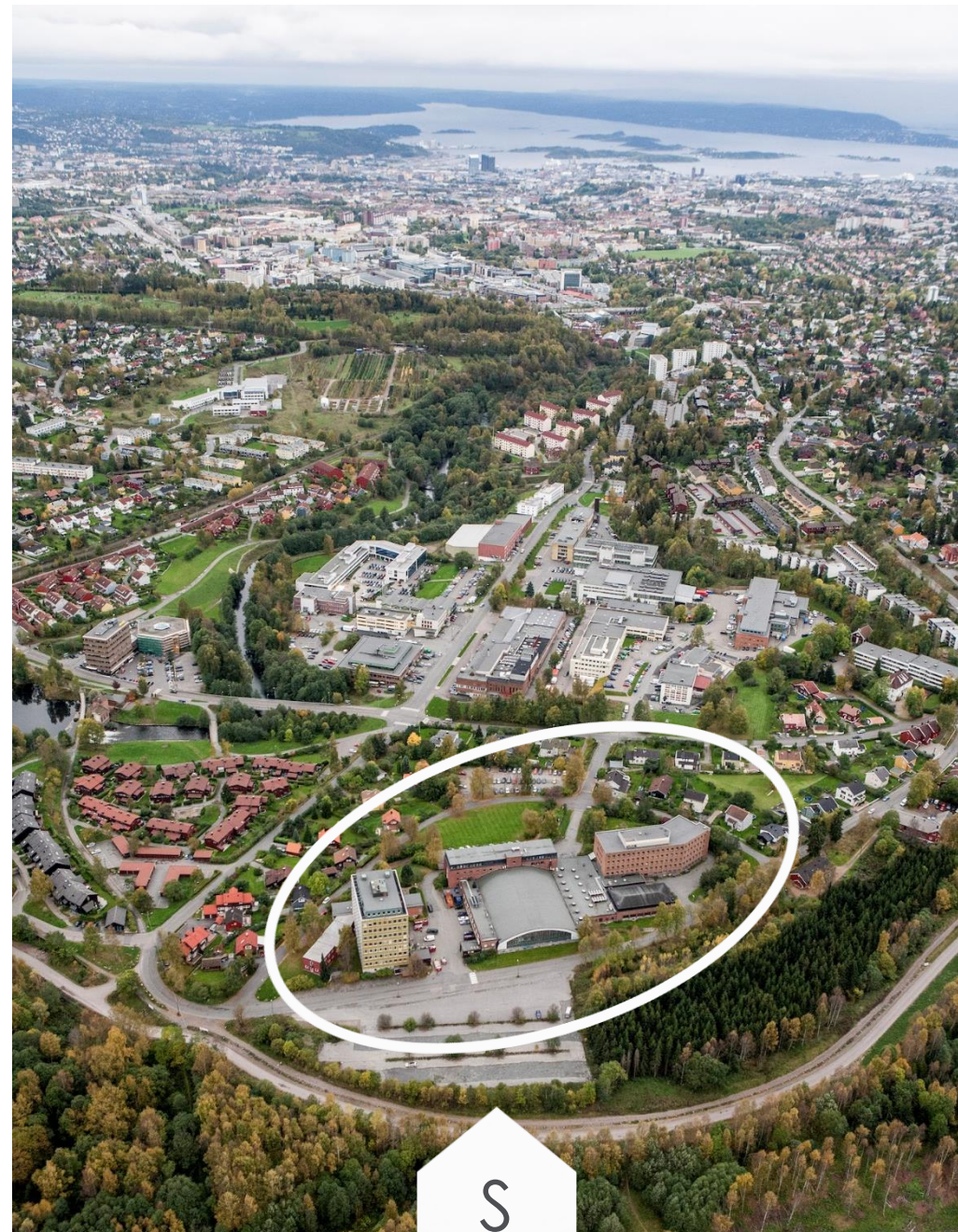
Sales start Oct. '15



# New prime development project in Oslo

## Acquisition of site at Frysja, Oslo

- Situated in city outskirts, in one of Oslo's most attractive residential areas
- Seeking permission for ~22 000 square metres of housing, up to 350 apartments – all sizes





# Political shift in Norway after municipal election

- The September 2015 election shifted political power from centre/conservative to labour/green/left
- New Oslo city council wants to reclassify more land for residential use
- Can result in new project opportunities



Politikk og samfunn Arbeiderpartiet

## Raymond Johansen: – Vi har gjort et formidabelt valg

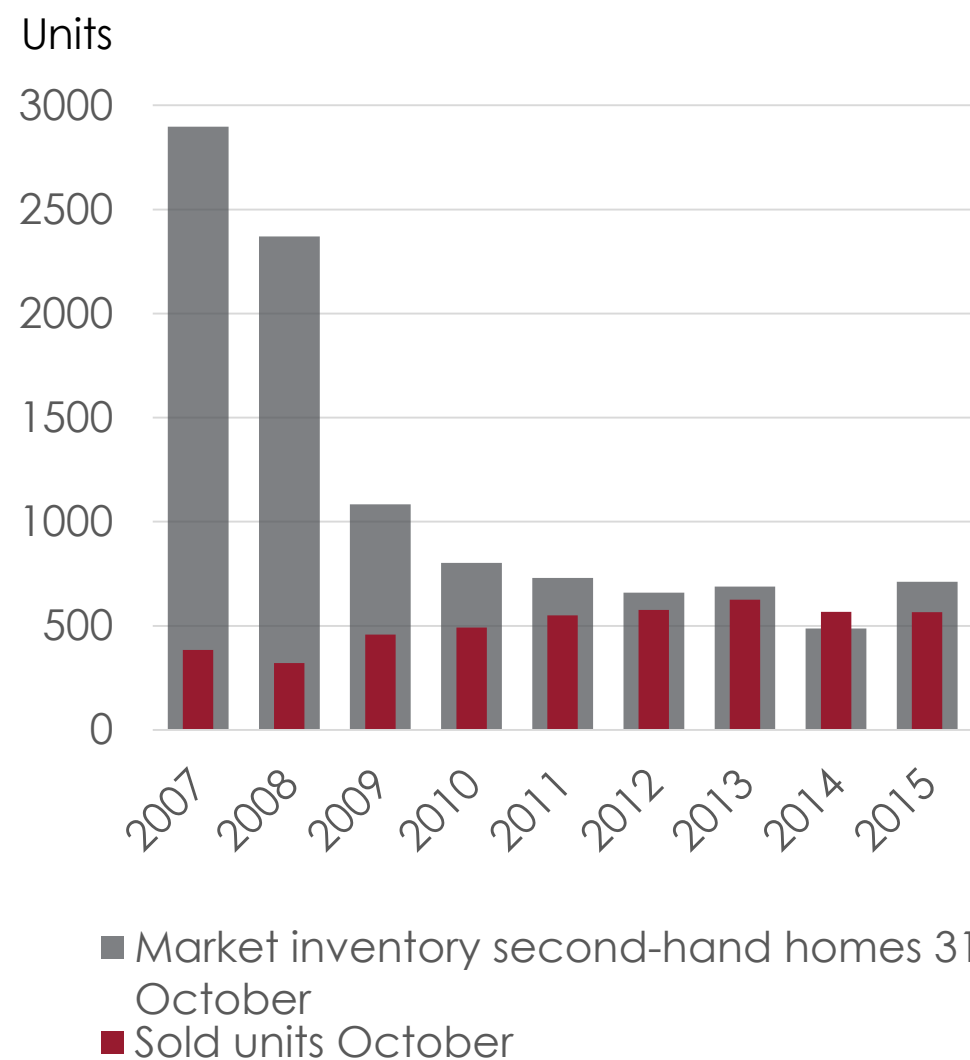
En nervepirrende natt endte med et formidabelt valgresultat for Arbeiderpartiet og byrådsleder kandidat i Oslo, Raymond Johansen.



# Low in Bergen and Trondheim, high in Stavanger

## Bergen

October 2007-2015

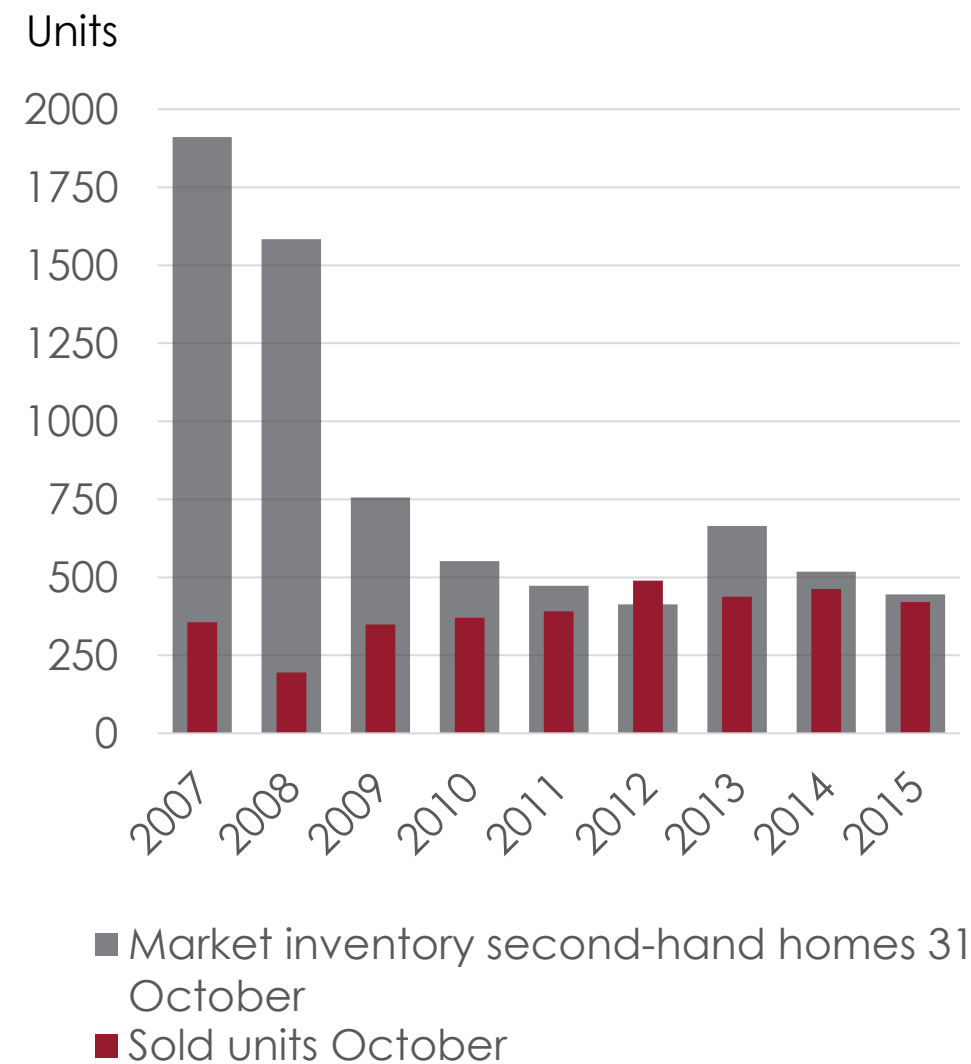


Selected areas: Bergen

Source: Eiendomsverdi

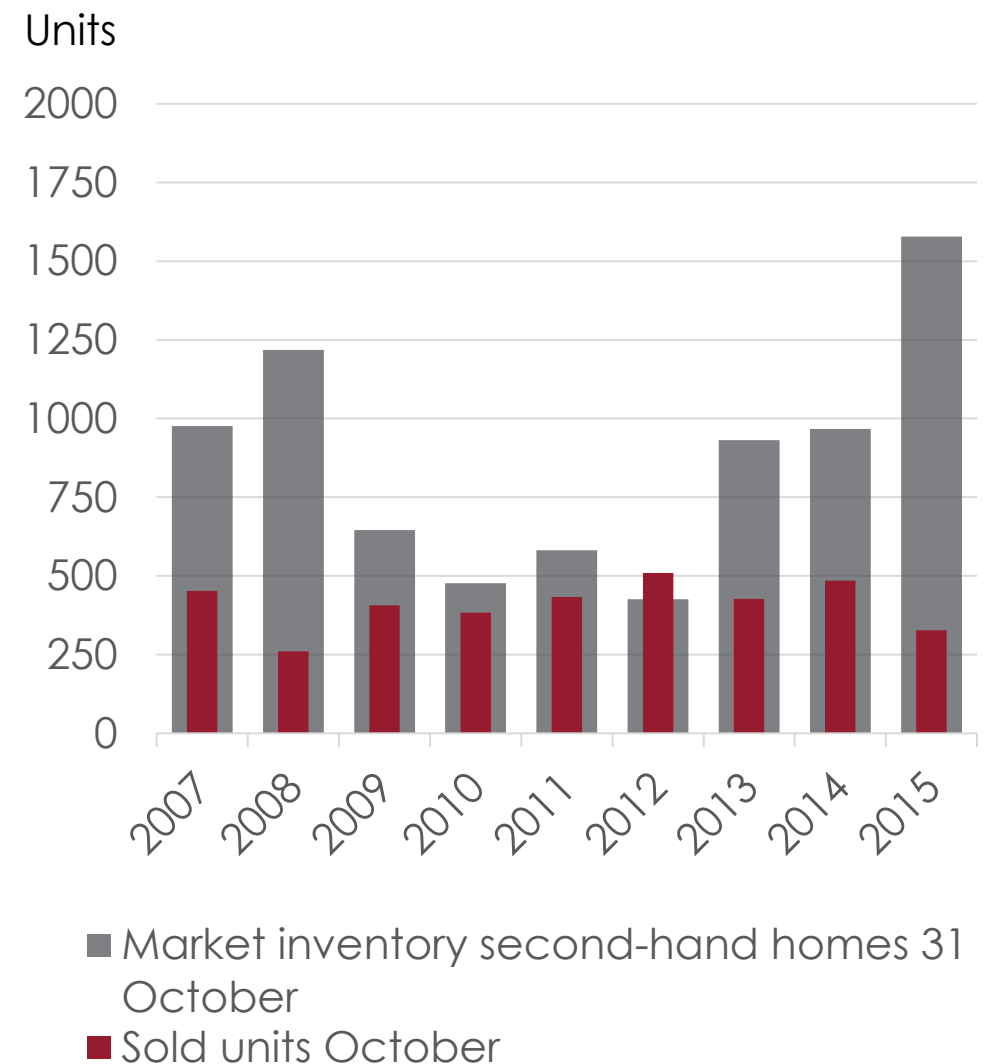
## Trondheim

October 2007-2015



## Stavanger area

October 2007-2015



Selected areas: Stavanger, Sola, Randaberg, Sandnes

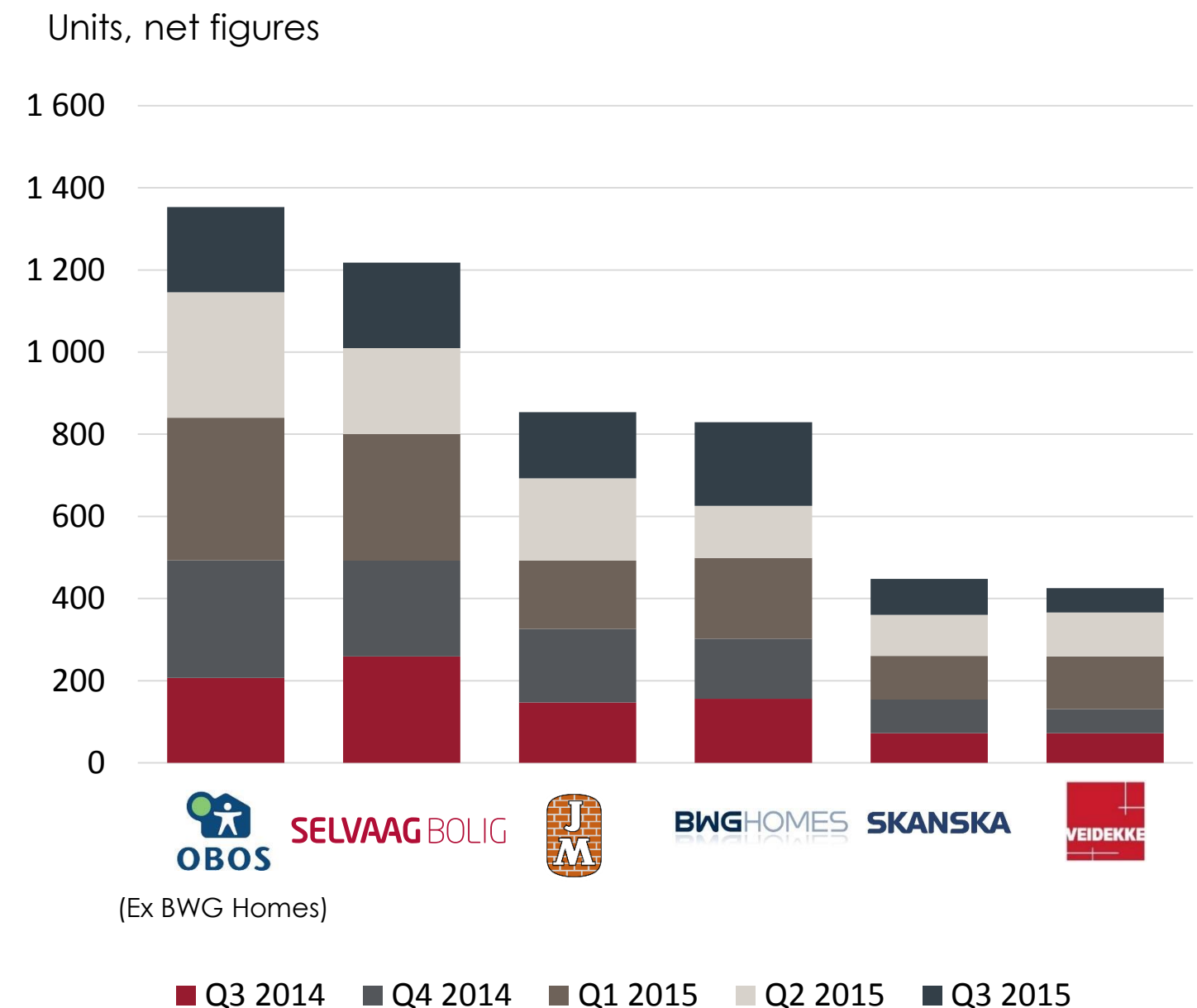
# Strong sales compared to peers

- High sales reflect Selvaag Bolig's competitive prices and defined housing strategy
  - All construction activity put out to competitive tender
  - Large land bank in fast growing urban areas
- Selvaag Bolig average price in Q3 2015: NOK 3.6m
- Total market (second-hand) average price in YTD 2015\*: flats NOK 3.4m , terraced NOK 4.4m, semi-detached NOK 5.3m

\* Selected markets: Greater-Oslo, Tromsø, Trondheim, Bergen and Stavanger  
Housing types Selvaag Bolig: flats, semi-detached and terraced homes

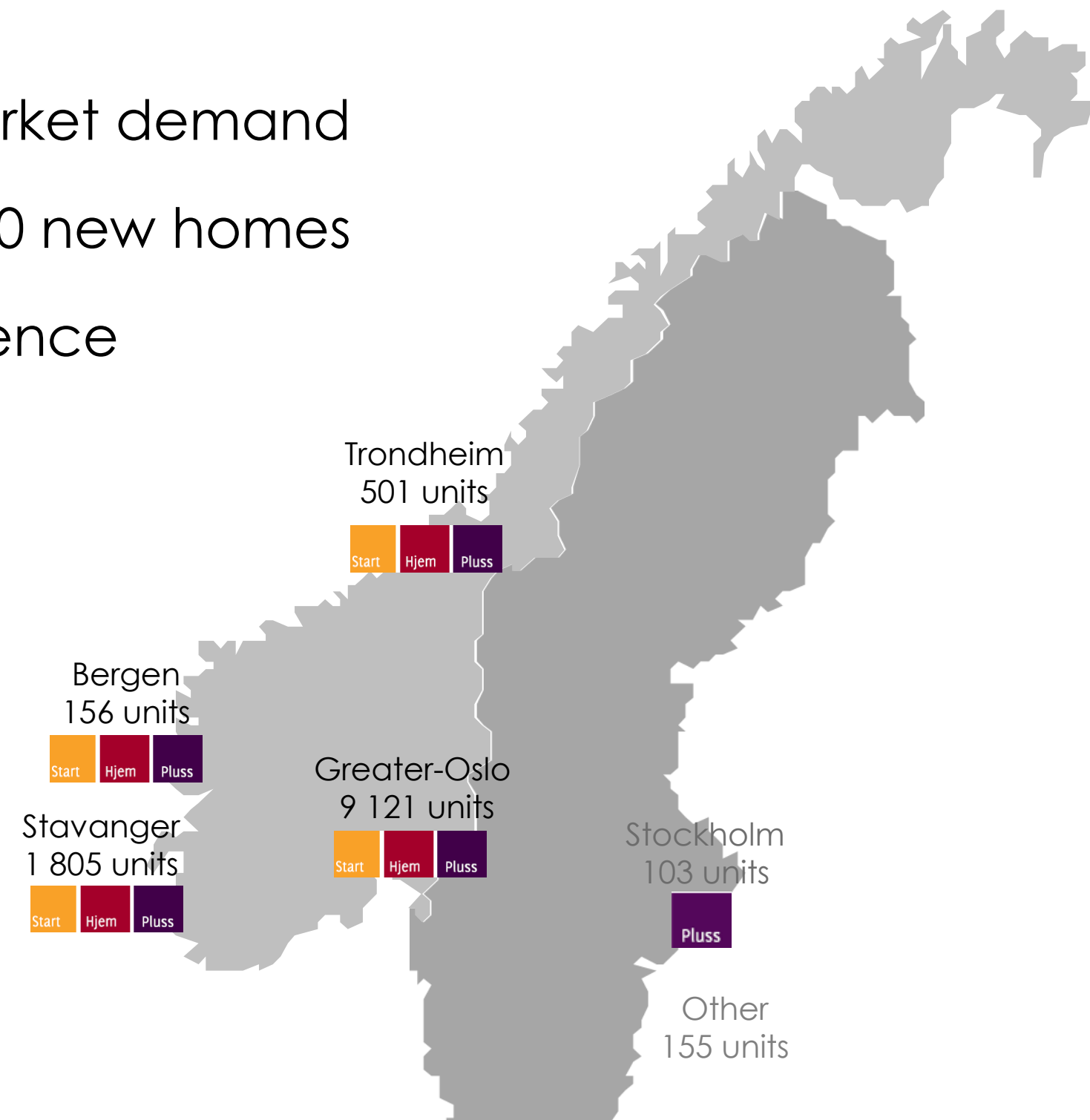
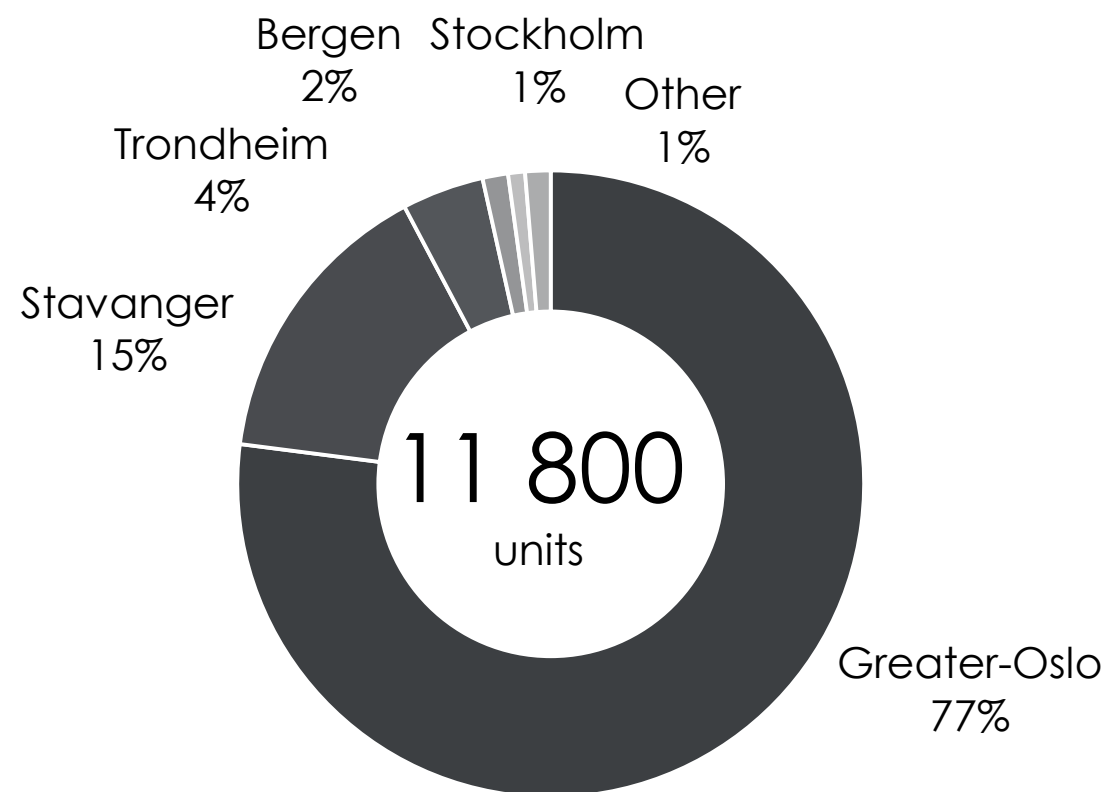
Source: Selvaag Bolig and Eiendomsverdi

## Sales activity vs. peers last 5 quarters



# Focus on growing urban areas

- Portfolio development adapted to local market demand
- YTD: Acquired land in Greater Oslo for ~1 700 new homes
- New office in Bergen strengthens local presence





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# Positive overall outlook for Selvaag Bolig

- High sales activity and number of sold units give high future revenues
- Strong demand in core market Greater Oslo, inventory at historical low
- Strong demand in Bergen and Trondheim, low inventory
- Weak Stavanger market has limited effect on Selvaag Bolig due to business model



Lade Allé, Trondheim



# Summary

- Continued strong margins
- High sales and construction activity
- Continued strong demand in key markets
- Focus on land bank development



Kilenkollen, Fornebu, Greater Oslo

# Thank you for your attention – follow us online!

Next event:  
4<sup>th</sup> quarter 15 February 2016



@SelvaagAksjen



An architectural rendering of a modern waterfront residential complex. The scene features a tall, multi-story tower with a mix of white and grey facades and large glass windows. To its left are several colorful, modular-style apartment units in shades of red, blue, and green. The buildings are situated along a waterfront with a calm body of water in the foreground. Several sailboats are docked on the left, and a speedboat is on the right. The sky is a clear blue with light clouds. A semi-transparent red banner is overlaid across the middle of the image, containing the word 'Appendix' in white text.

# Appendix



# Norwegian housing market

- 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
  - 26% of mortgage loan interest payments are tax-deductible
  - Transfer stamp duty for new houses is lower than for second-hand homes
- Strong population growth
  - Norway's urban areas are among the fastest growing in Europe.
  - Good demand for new homes

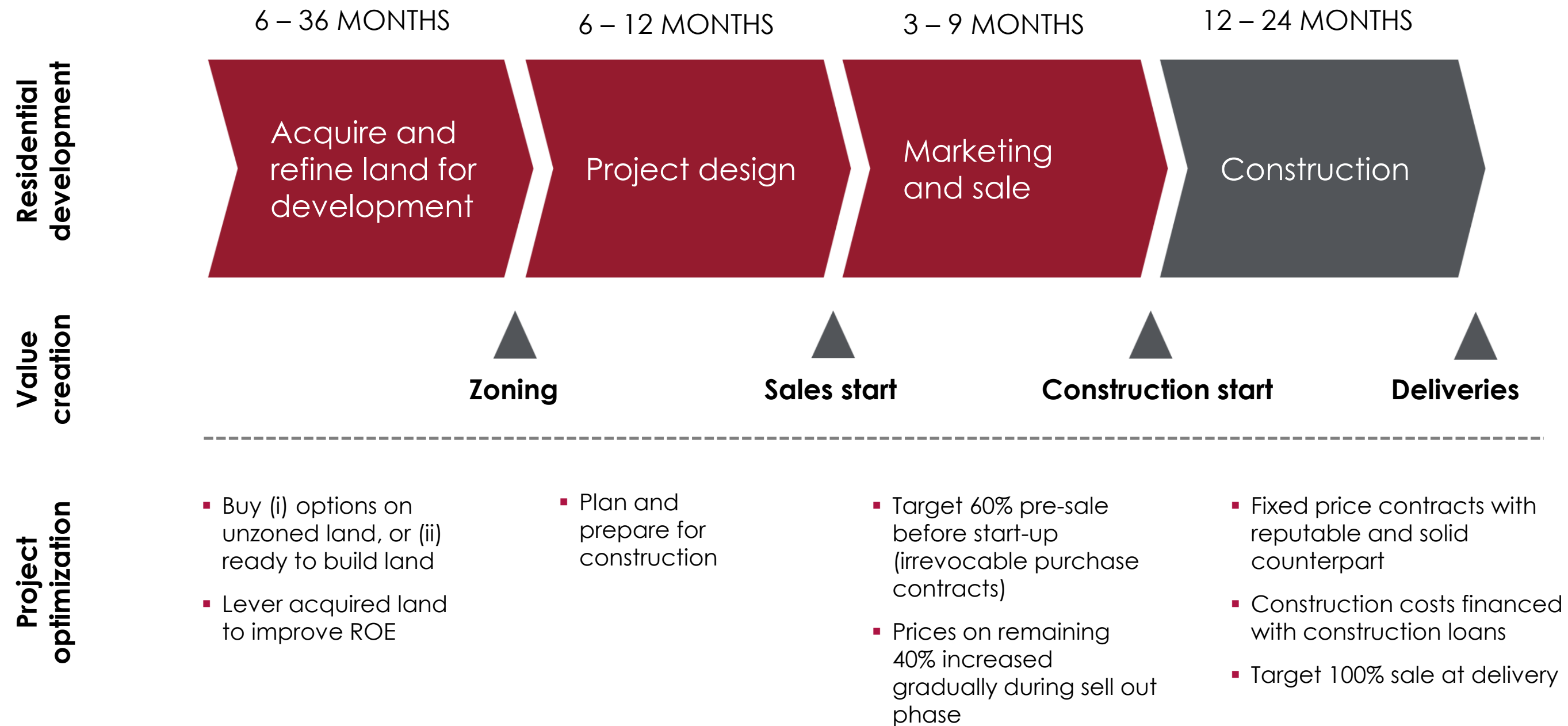


# Selvaag Bolig – value proposition

*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.*

- Low risk business model
  - 60 per cent presale before construction starts
  - Only present in fast growing urban regions with high demand and large market depth
  - Very competitive prices ensure a broad customer base
- No in-house construction arm
  - All construction activity put out to competitive tender
  - Lower 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 projects with more than 150 apartments
- Large land bank
  - Several thousand homes under development in Norway's four fastest growing urban regions

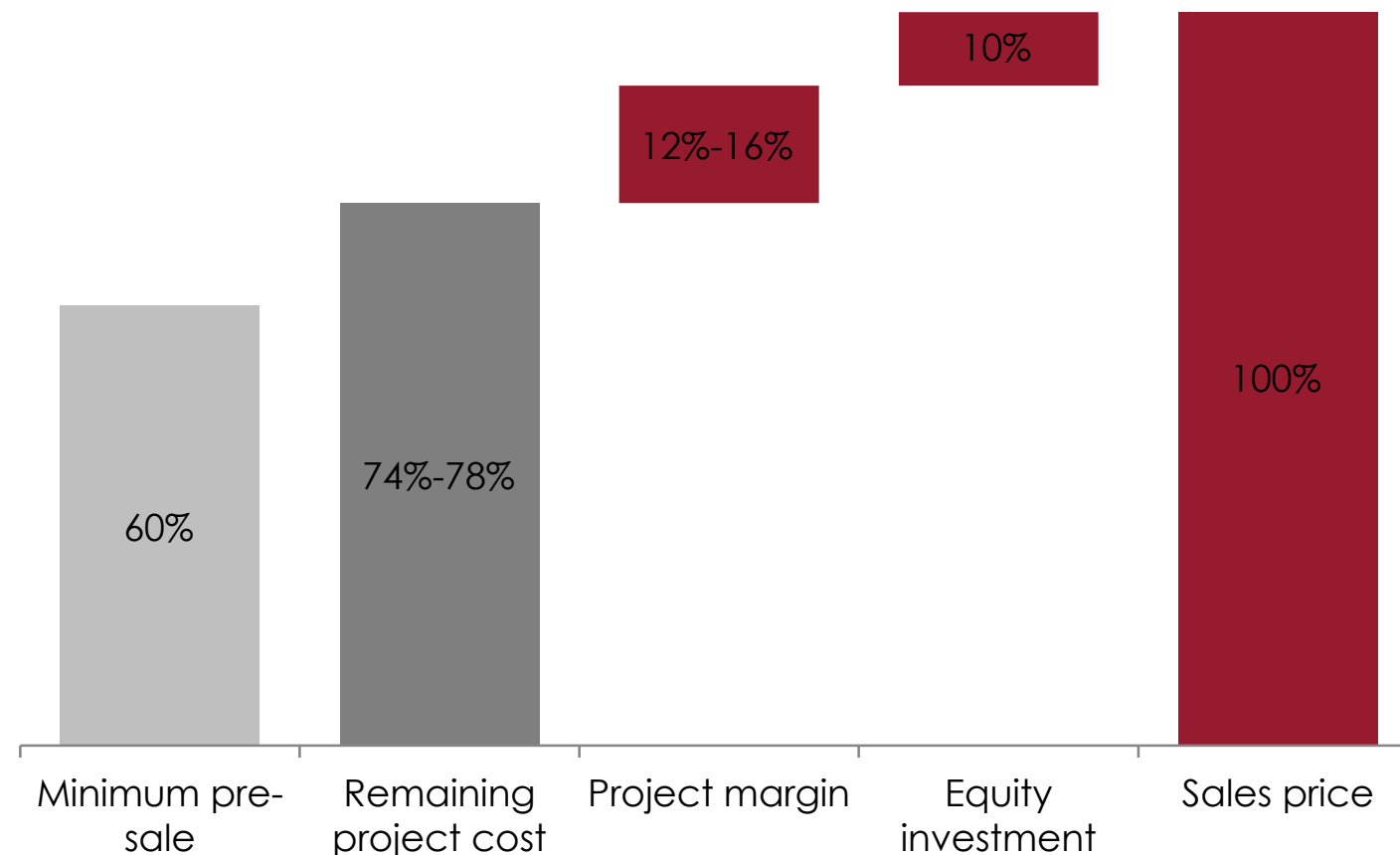
# Value creation in Selvaag Bolig





# 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
- 78% of units in production are sold per Q3'15

## 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

# Income statement IFRS

(figures in NOK million)	Q3 2015	Q3 2014	9M 2015	9M 2014	2014
Total operating revenues	778.4	764.7	2 364.1	1 818.8	2 945.2
Project expenses	(623.9)	(628.3)	(1 892.5)	(1 507.2)	(2 371.8)
Other operating expenses	(53.1)	(41.6)	(158.3)	(135.1)	(215.5)
Other gains (loss)	-	-	-	-	(3.5)
Associated companies and joint ventures	9.4	0.5	19.7	28.0	32.4
<b>EBITDA</b>	<b>110.9</b>	<b>95.3</b>	<b>333.0</b>	<b>204.5</b>	<b>386.9</b>
Depreciation and amortisation	(6.1)	(5.1)	(17.9)	(15.5)	(21.2)
<b>EBIT</b>	<b>104.7</b>	<b>90.1</b>	<b>315.1</b>	<b>189.0</b>	<b>365.7</b>
Net financial expenses	(9.4)	(5.9)	(24.5)	(16.7)	(17.0)
<b>Profit/(loss) before taxes</b>	<b>95.4</b>	<b>84.3</b>	<b>290.6</b>	<b>172.3</b>	<b>348.7</b>
Income taxes	(25.9)	(23.4)	(78.8)	(46.7)	(94.2)
<b>Net income</b>	<b>69.5</b>	<b>60.9</b>	<b>211.8</b>	<b>125.6</b>	<b>254.5</b>
<b>Net income for the period attributable to:</b>					
Non-controlling interests	(1.4)	0.1	(1.7)	1.2	1.2
Shareholders in Selvaag Bolig ASA	74.5	60.8	217.1	124.4	253.2



# Cash Flow statement

(figures in NOK million)	Q3 2015	Q3 2014	9M 2015	9M 2014	2014
Net cash flow from operating activities	279.7	56.6	316.6	16.1	187.3
Net cash flow from investment activities	28.7	23.1	(20.8)	30.2	(5.7)
Net cash flow from financing activities	26.0	(56.7)	(57.1)	143.6	(202.7)
Net change in cash and cash equivalents	334.4	23.0	238.7	189.9	(21.1)
Cash and cash equivalents at start of period	470.2	754.0	565.9	587.0	587.0
Cash and cash equivalents at end of period	804.6	777.0	804.6	777.0	565.9

# Balance sheet

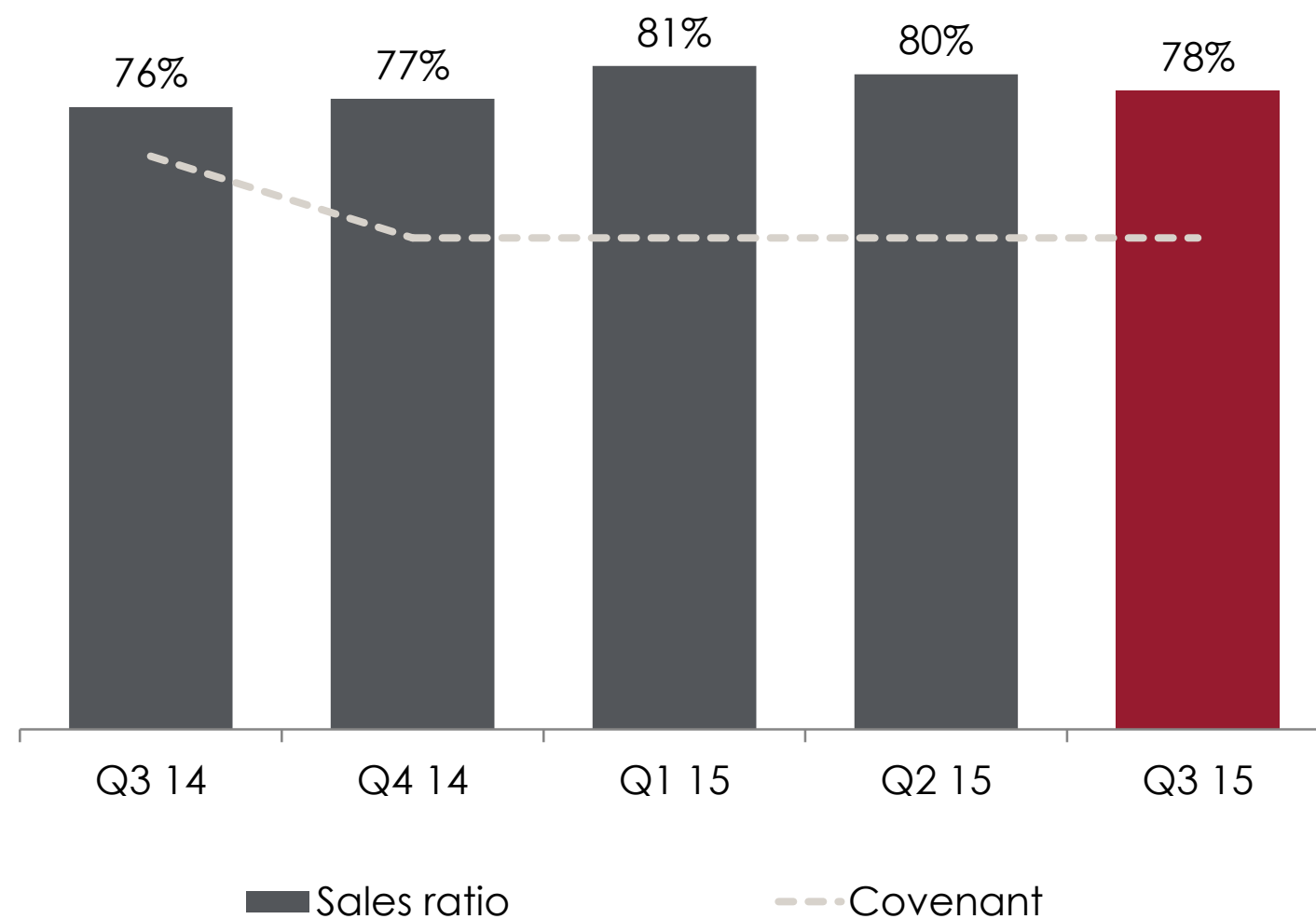
(figures in NOK million)

	Q3 2015	Q2 2015	Q3 2014	2014
Intangible assets	401.8	406.4	420.3	415.6
Property, plant and equipment	21.4	22.6	7.9	17.4
Investments in associated companies and joint ventures	192.3	209.0	144.0	156.7
Other non-current assets	122.2	123.5	125.5	121.8
<b>Total non-current assets</b>	<b>737.8</b>	<b>761.5</b>	<b>697.7</b>	<b>711.5</b>
<b>Inventories (property)</b>	<b>4 663.3</b>	<b>4 695.3</b>	<b>4 550.1</b>	<b>4 348.8</b>
- Land	1 814.1	1 871.2	1 673.4	1 614.4
- Work in progress	2 641.9	2 546.0	2 740.6	2 360.3
- Finished goods	207.4	278.1	136.0	374.1
Other current receivables	280.3	350.1	291.9	588.0
Cash and cash equivalents	804.6	470.2	777.0	565.9
<b>Total current assets</b>	<b>5 748.2</b>	<b>5 515.6</b>	<b>5 618.9</b>	<b>5 502.8</b>
<b>TOTAL ASSETS</b>	<b>6 486.0</b>	<b>6 277.1</b>	<b>6 316.6</b>	<b>6 214.2</b>
Equity attributed to shareholders in Selvaag Bolig ASA	2 547.1	2 472.6	2 313.8	2 442.6
Non-controlling interests	13.1	14.5	23.9	14.7
<b>Total equity</b>	<b>2 560.2</b>	<b>2 487.1</b>	<b>2 337.7</b>	<b>2 457.3</b>
Non-current interest-bearing liabilities	2 470.1	2 018.5	2 295.0	1 752.4
Other non-current non interest-bearing liabilities	309.1	308.4	302.9	293.6
<b>Total non-current liabilities</b>	<b>2 779.2</b>	<b>2 326.9</b>	<b>2 598.0</b>	<b>2 046.0</b>
Current interest-bearing liabilities	340.4	748.9	728.1	959.5
Other current non interest-bearing liabilities	806.2	714.2	652.8	751.4
<b>Total current liabilities</b>	<b>1 146.6</b>	<b>1 463.1</b>	<b>1 380.9</b>	<b>1 710.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 486.0</b>	<b>6 277.1</b>	<b>6 316.6</b>	<b>6 214.2</b>

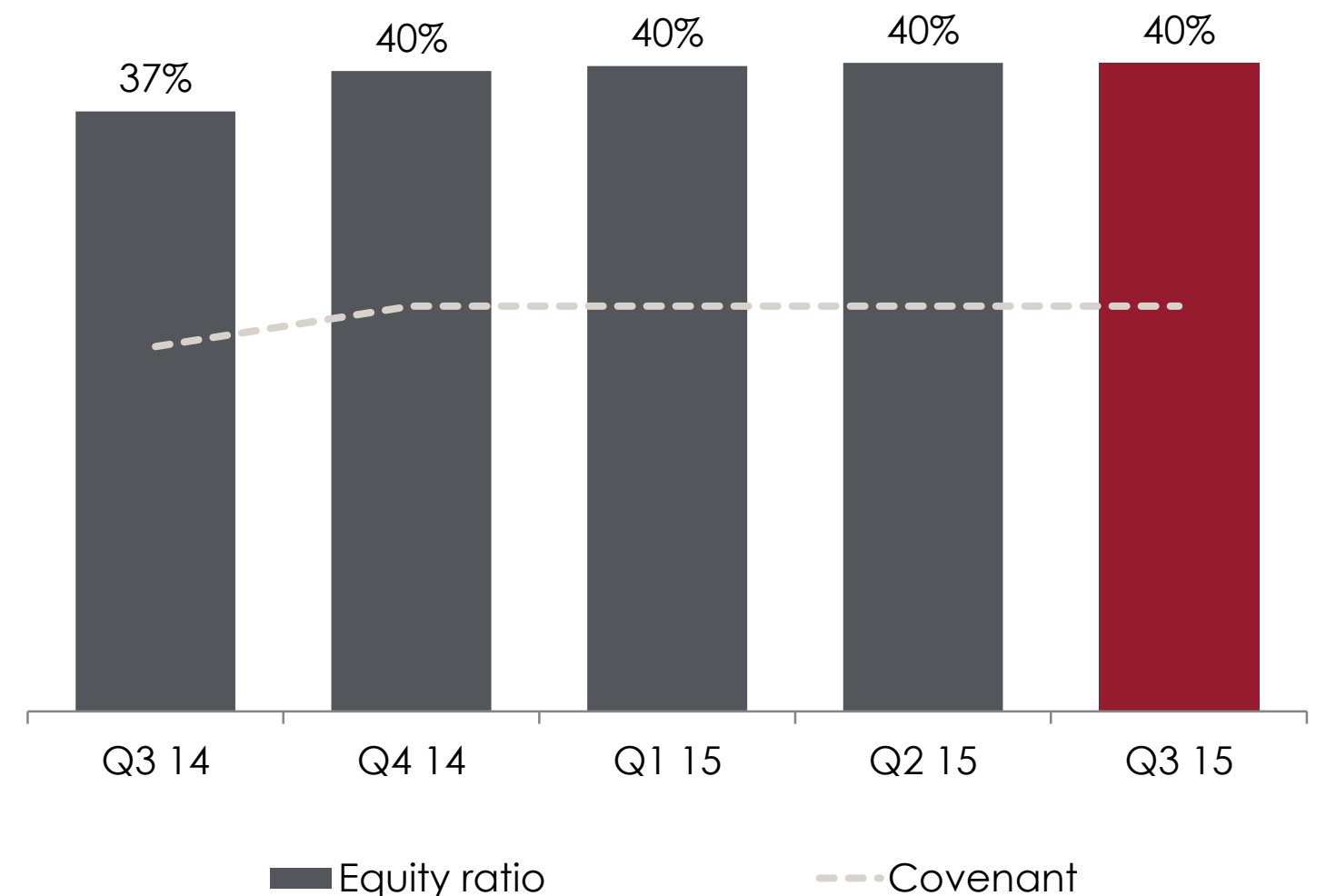


# In compliance with financial covenants

## Sales ratio covenant (minimum 60.0%)



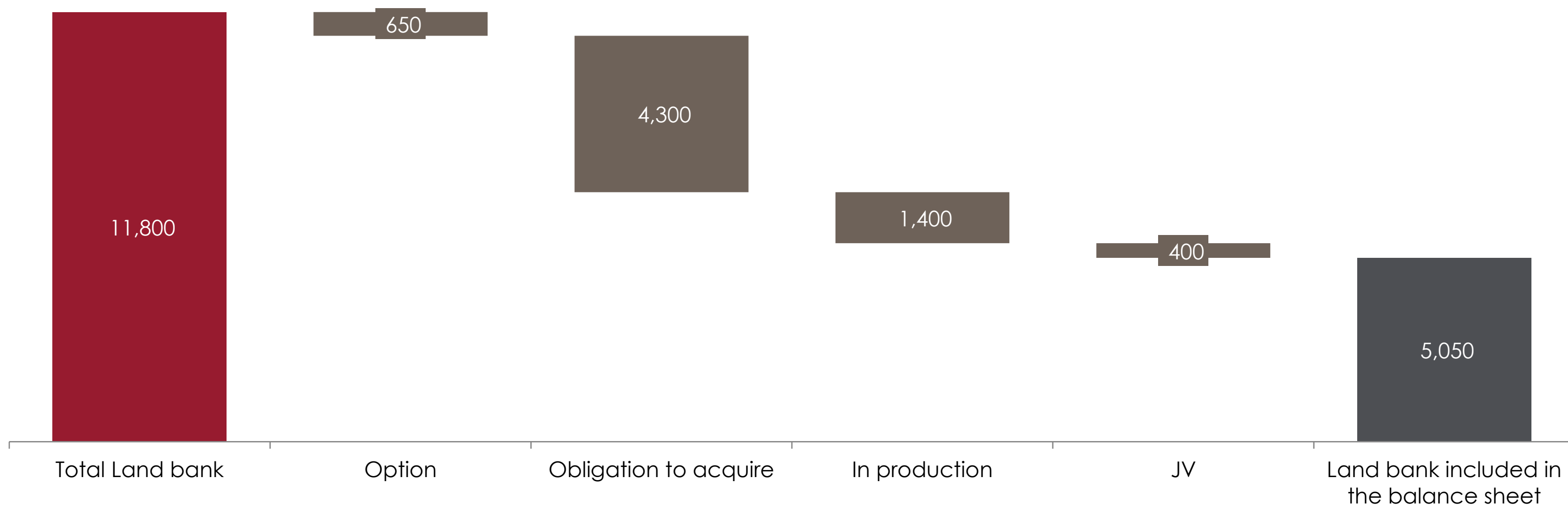
## Equity ratio covenant (minimum 25.0%)



# Substantial portfolio for development

## Total land bank portfolio at 30 September 2015

No of units



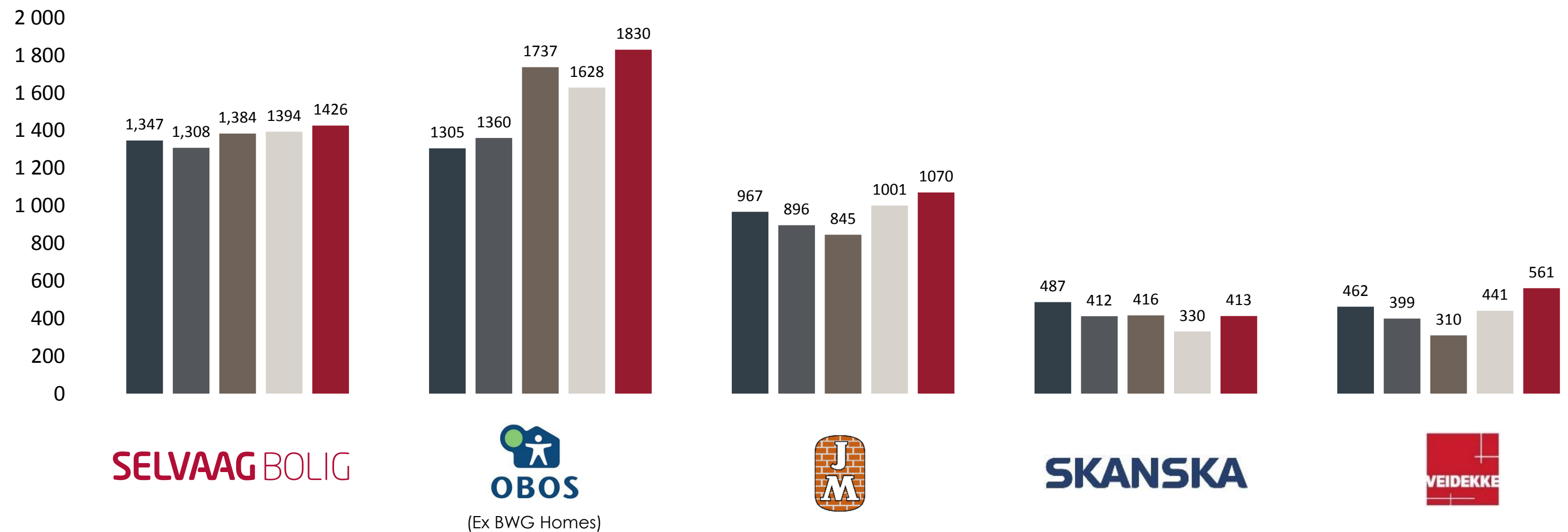


# Maintaining strong market position

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

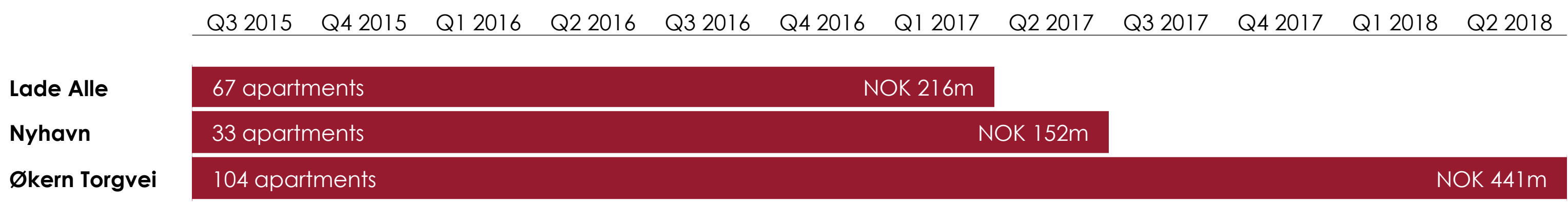
Number of units

■ Q3 14 ■ Q4 14 ■ Q1 15 ■ Q2 15 ■ Q3 15



# Construction starts in the quarter

**Construction starts, scheduled completion and expected revenue**  
Quarterly, expected revenues (IFRS) in NOK million





# Operational highlights – key operating figures

	Q3 14	Q4 14	Q1 15	Q2 15	Q3 15
Number of units sold	259	233	308	210	208
Number of construction starts	203	280	284	199	204
Number of units completed	274	319	208	190	172
Number of units delivered	279	266	224	232	202
Number of units under construction	1 347	1 308	1 384	1 394	1 426
Proportion of sold units under construction	76%	77%	81%	80%	78%
Number of completed unsold units	18	39	40	31	25
Sales value of units under construction (NOK million)	5 159	4 689	4 968	4 909	5 077
Number of employees	100	99	99	99	99

# IFRS EBITDA Q3 2015

(figures in NOK million)

	Property development	Other	Total
<b>IFRS EBITDA for the quarter, per segment</b>			
Operating revenues	771.6	6.6	778.2
Project expenses	(622.6)	(1.0)	(623.6)
Other operating expenses	(16.1)	(37.0)	(53.1)
Share of income (losses) from associated companies and joint ventures	9.4	-	9.4
Other gain (loss), net	-	-	-
<b>EBITDA</b>	<b>142.2</b>	<b>(31.4)</b>	<b>110.9</b>



# Operational reporting Q3 2015

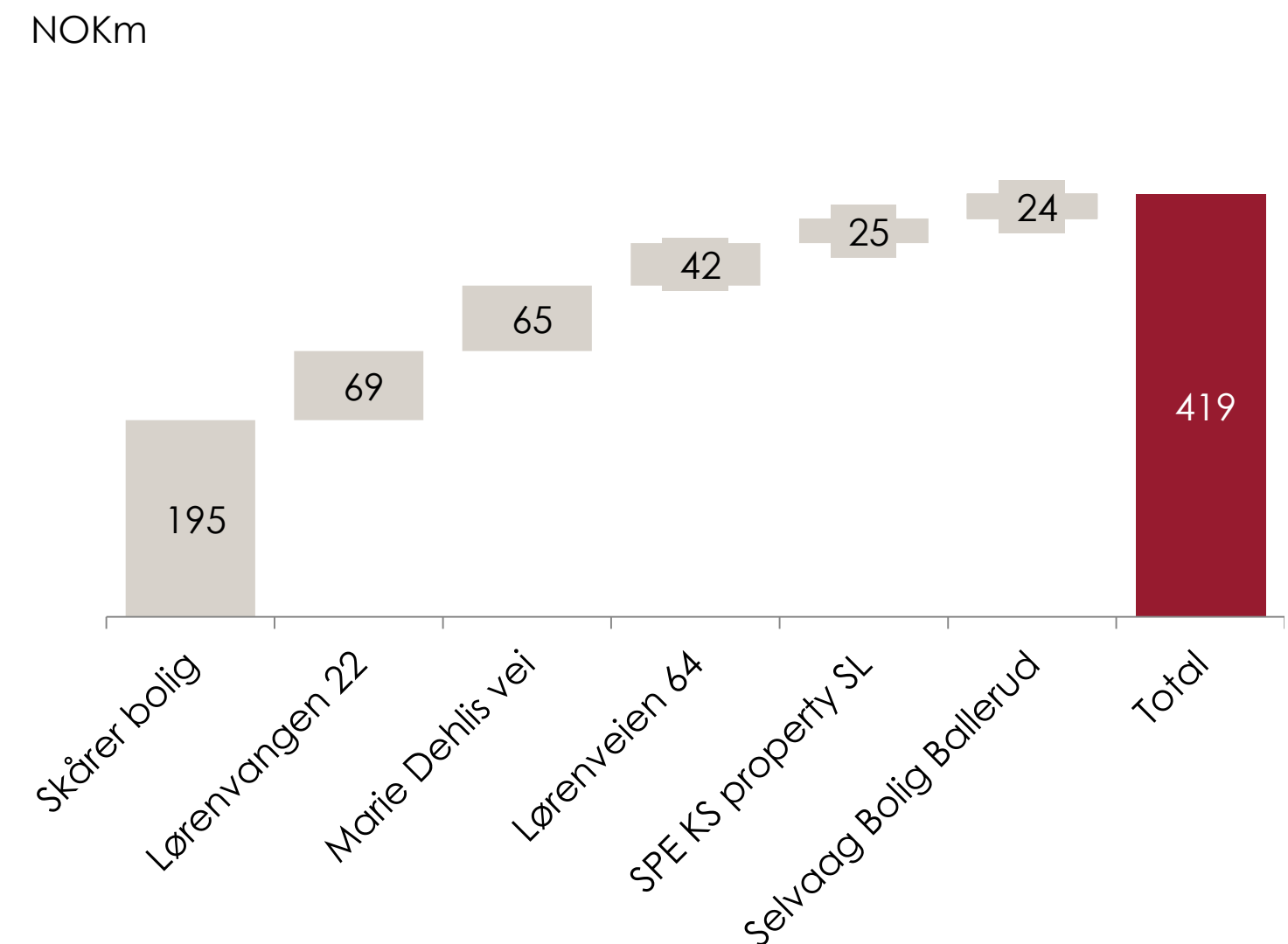
<b>(figures in NOK million)</b>	Property development	Other	Total
<b>Operating revenues</b>	<b>819.0</b>	<b>6.6</b>	<b>825.6</b>
Project expenses	(649.4)	(1.0)	(650.4)
Other operating expenses	(16.1)	(37.0)	(53.1)
<b>EBITDA (percentage of completion)</b>	<b>153.5</b>	<b>(31.4)</b>	<b>122.2</b>

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

# Land loan interests on the P&L

- Total land loans are NOK 992 million of which NOK 573 million are loans where interest cost are activated
- Land loan interests activated at regulation
- At 30 September interests connected to land loans of NOK 419 million was charged on the P&L

## Loans recognised in profit and loss at 30.09.2015





# 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

