

# Q3 2016

Oslo 10 November 2016

Baard Schumann, CEO

Sverre Molvik, CFO

# SELVAAG BOLIG

Start

Hjem

Pluss

# Agenda

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



# Highlights Q3 2016

- Extraordinary strong Oslo market, other core markets balanced
- Stronger margins due to increased sales prices
- High construction activity
- Land acquisitions



Eyvind Lyckes vei 10, Bærum

# Key financials Q3 2016

Operating revenues

**387**

NOK million

Adjusted EBITDA margin

**23.8**

per cent

Equity ratio

**41.7**

per cent

EBITDA margin (NGAAP)

**21.6**

per cent



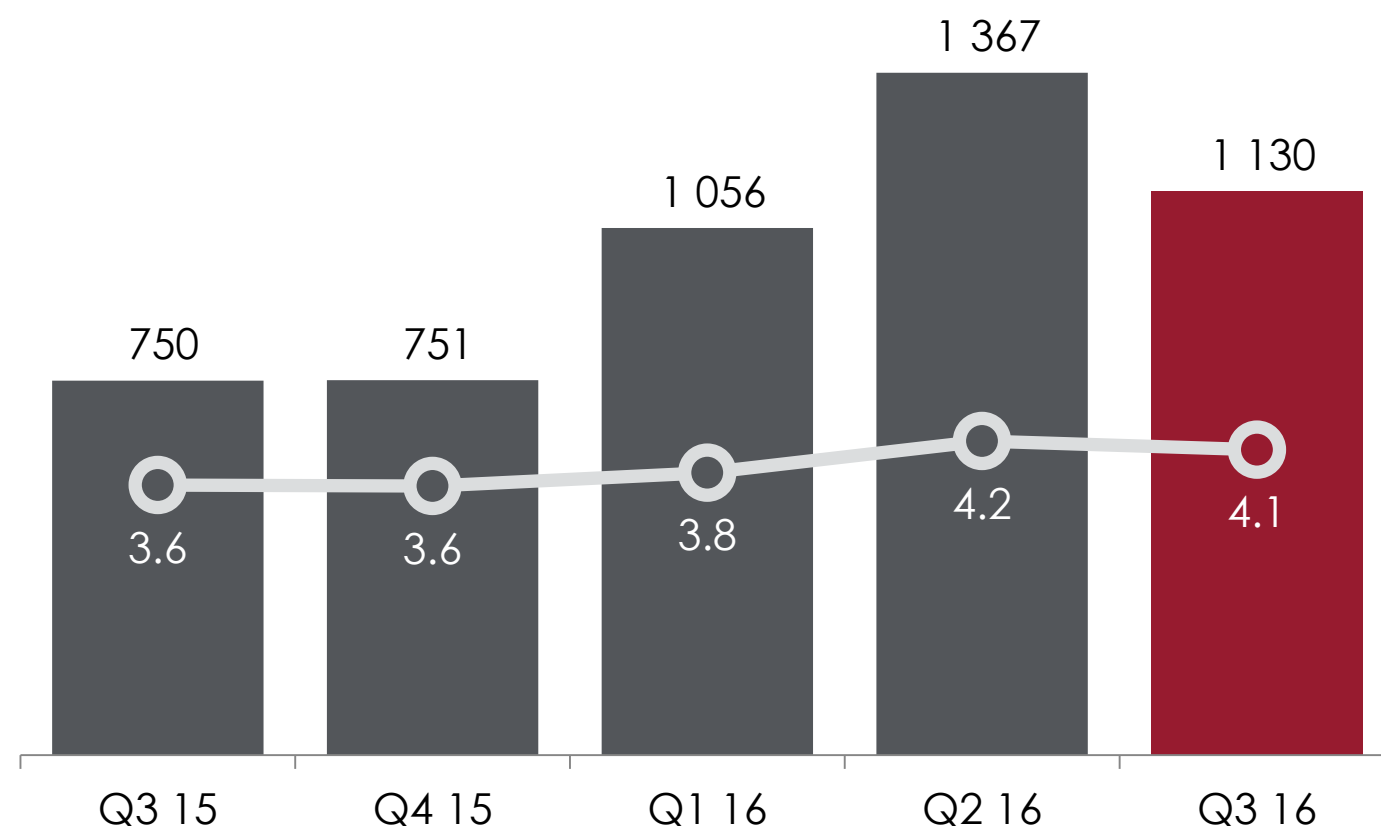
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# High sales value in Q3

## Total sales value and value per unit sold

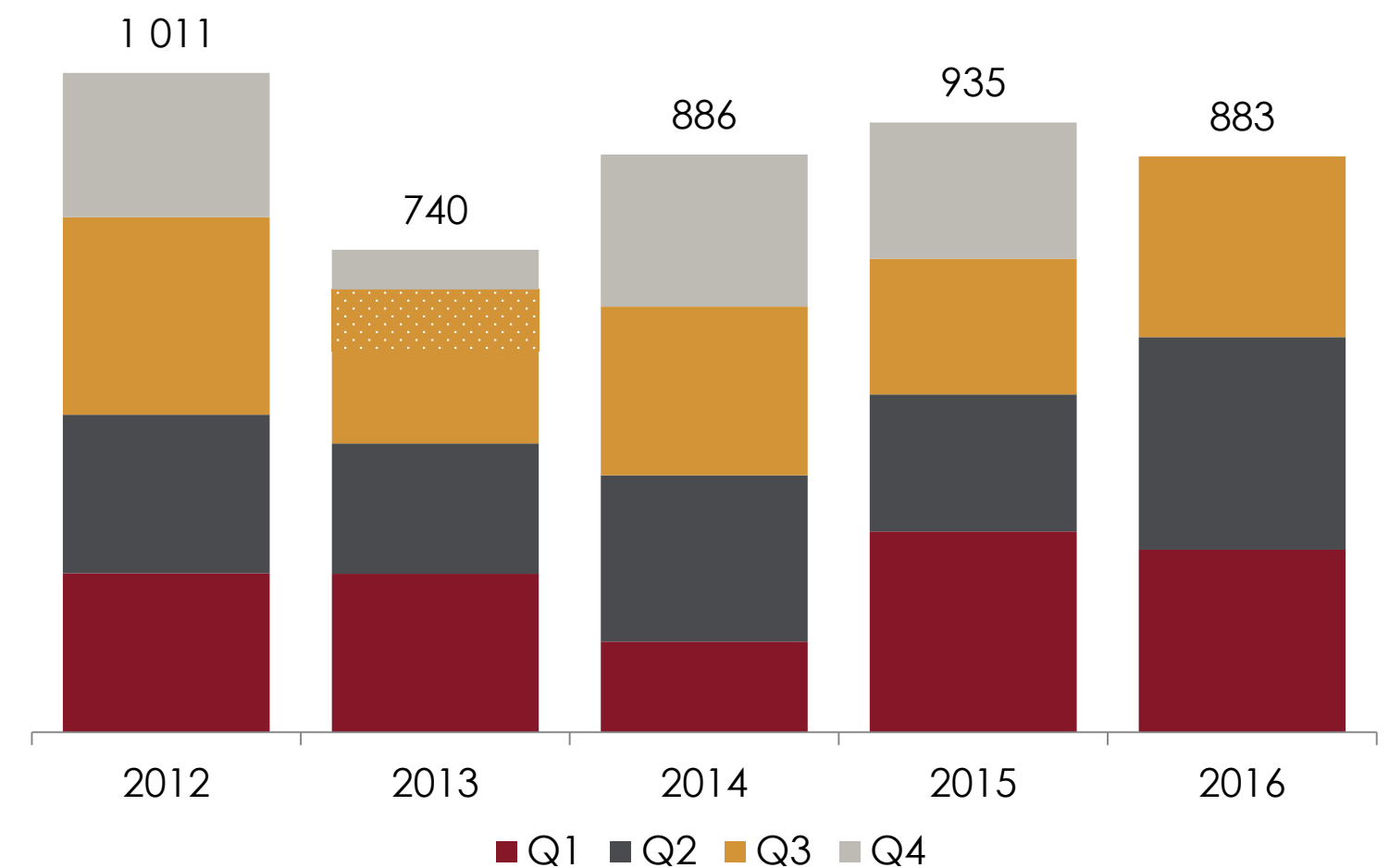
NOKm



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

## Residential units sold

Units



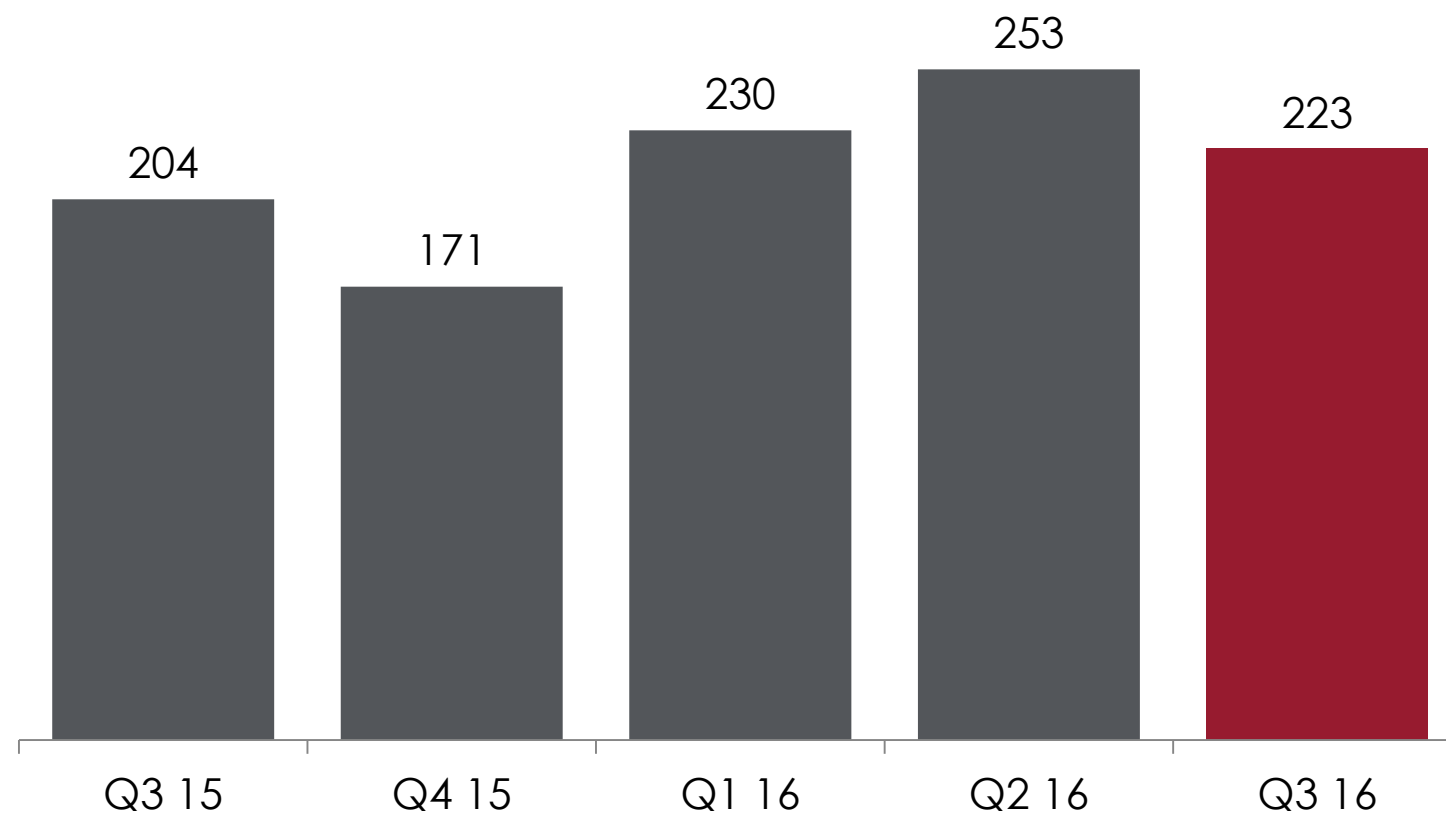
\* Includes 95 student residences with an average value of NOK 0.7 million (dotted area)



# Oslo market driving construction starts

## Construction starts per quarter

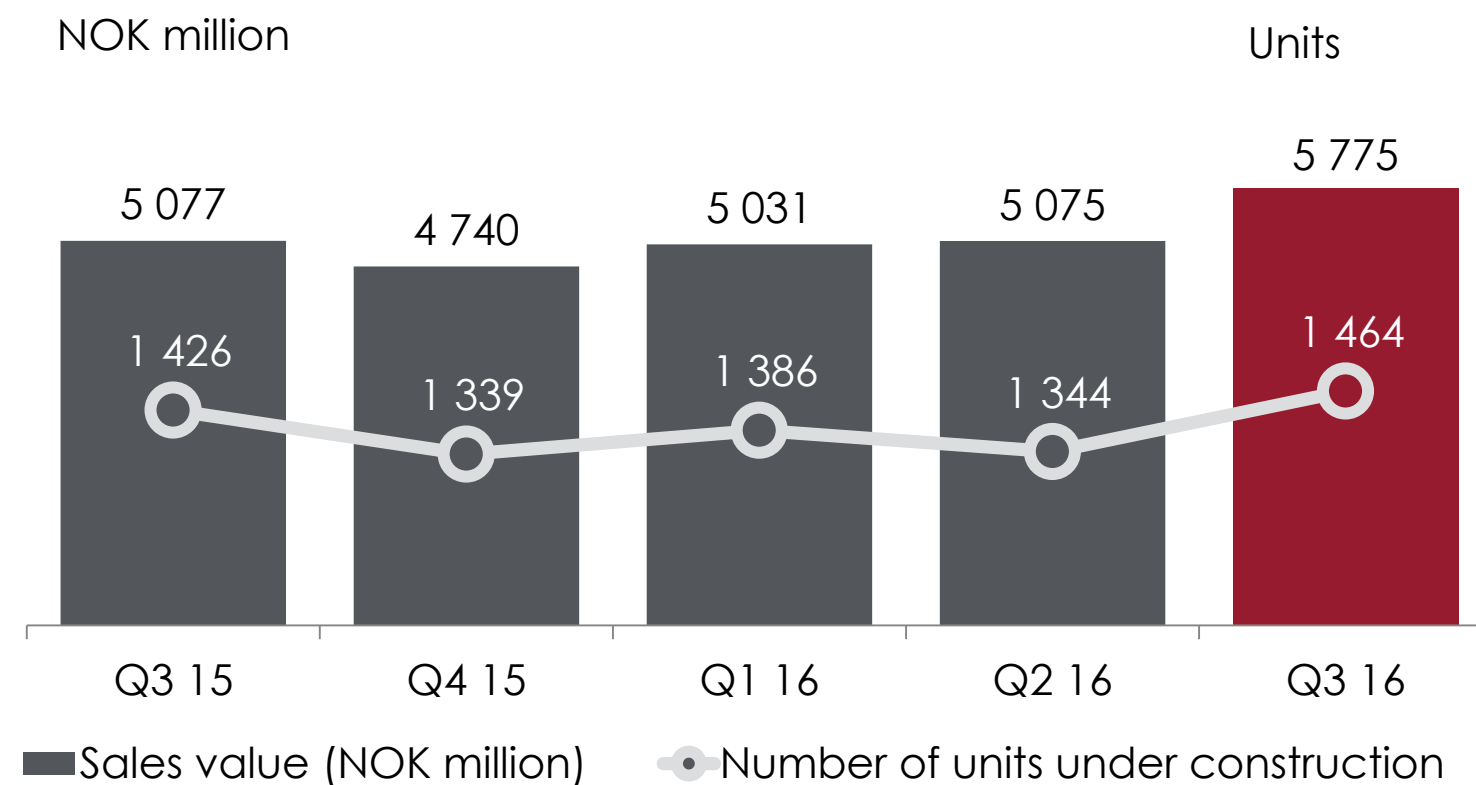
Units



■ All Q3 construction starts in Greater Oslo

# Units under construction increasing

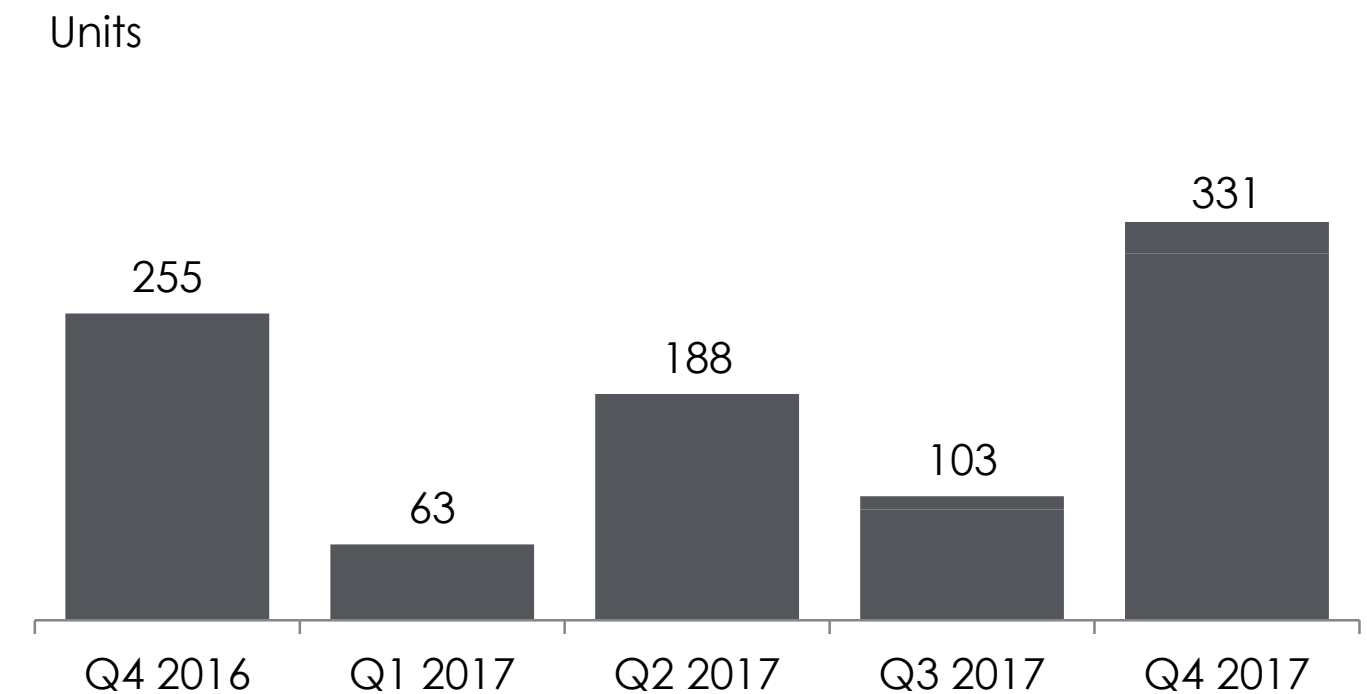
## Sales value, units under construction



- Q3 2016: 90% of units under constructions sold by Q3 2016
- Q3 2016: 88% of construction volume in Greater Oslo

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

## Expected completions per quarter



- Expected completions for 2016 as of Q3 16: 836 units
- Expected completions for 2016 as of Q2 16: 836 units
  - 183 (Q1 16), 295 (Q2 16), 103 (Q3 16), 255 (Q4 16)
- 98% of 2016 completions sold by Q3 2016



# Agenda

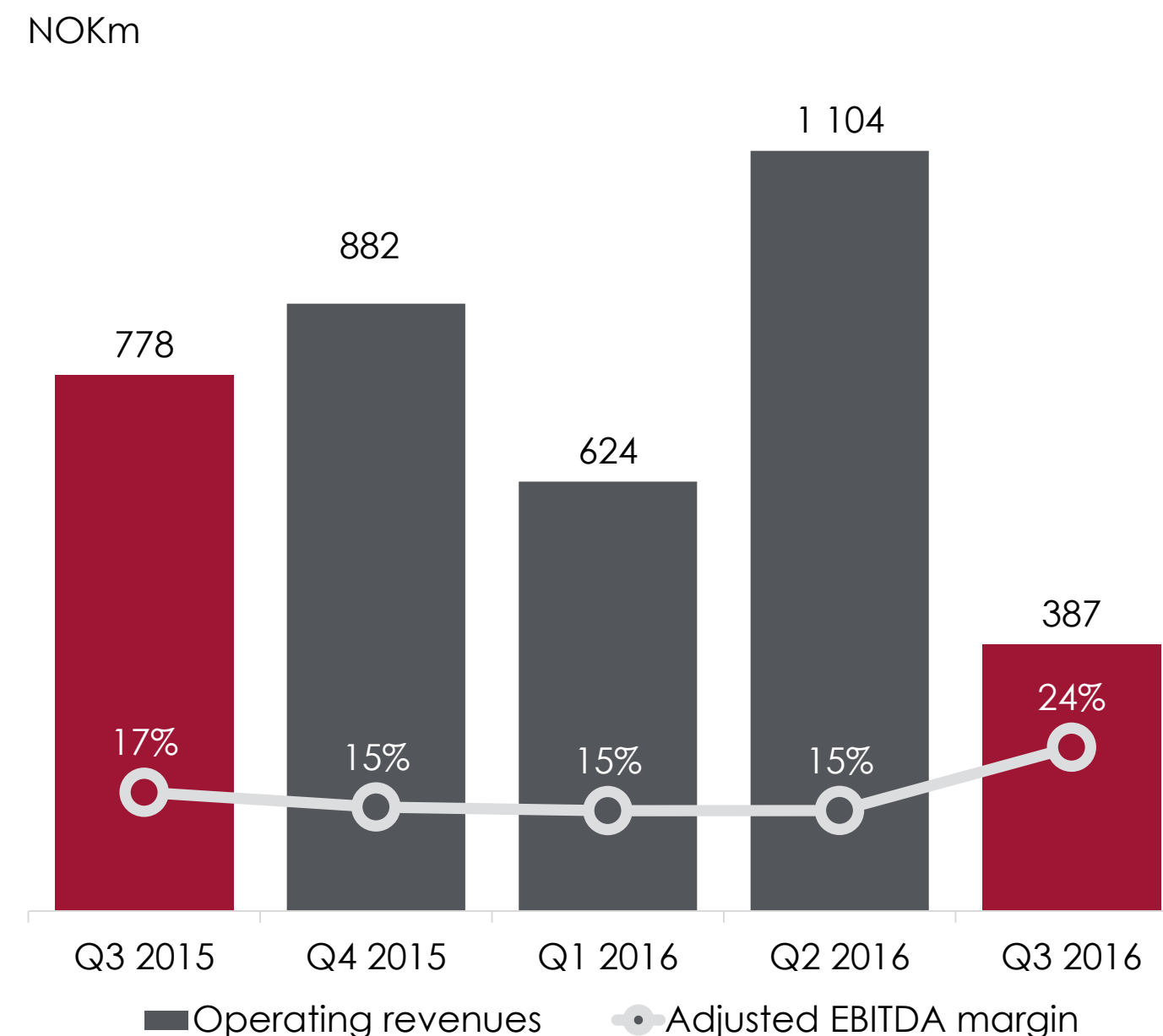
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# Income statement highlights Q3 2016 (IFRS)

- 129 units delivered (202)
- Revenues NOK 387m (778)
  - Units delivered NOK 365m (763)
  - Other revenues NOK 23m, mainly lease income
- Project costs NOK 283m (624)
  - Of which NOK 9m are interests
- Other costs NOK 61m (59)
  - Salaries, sales and marketing key components
- Adjusted EBITDA NOK 92m (134)
  - Adjusted for financial expenses included in project costs
  - Including NOK 32m land sale
- EBITDA NOK 84m (111)
- EPS in the quarter NOK 0.63, YTD NOK 1.98

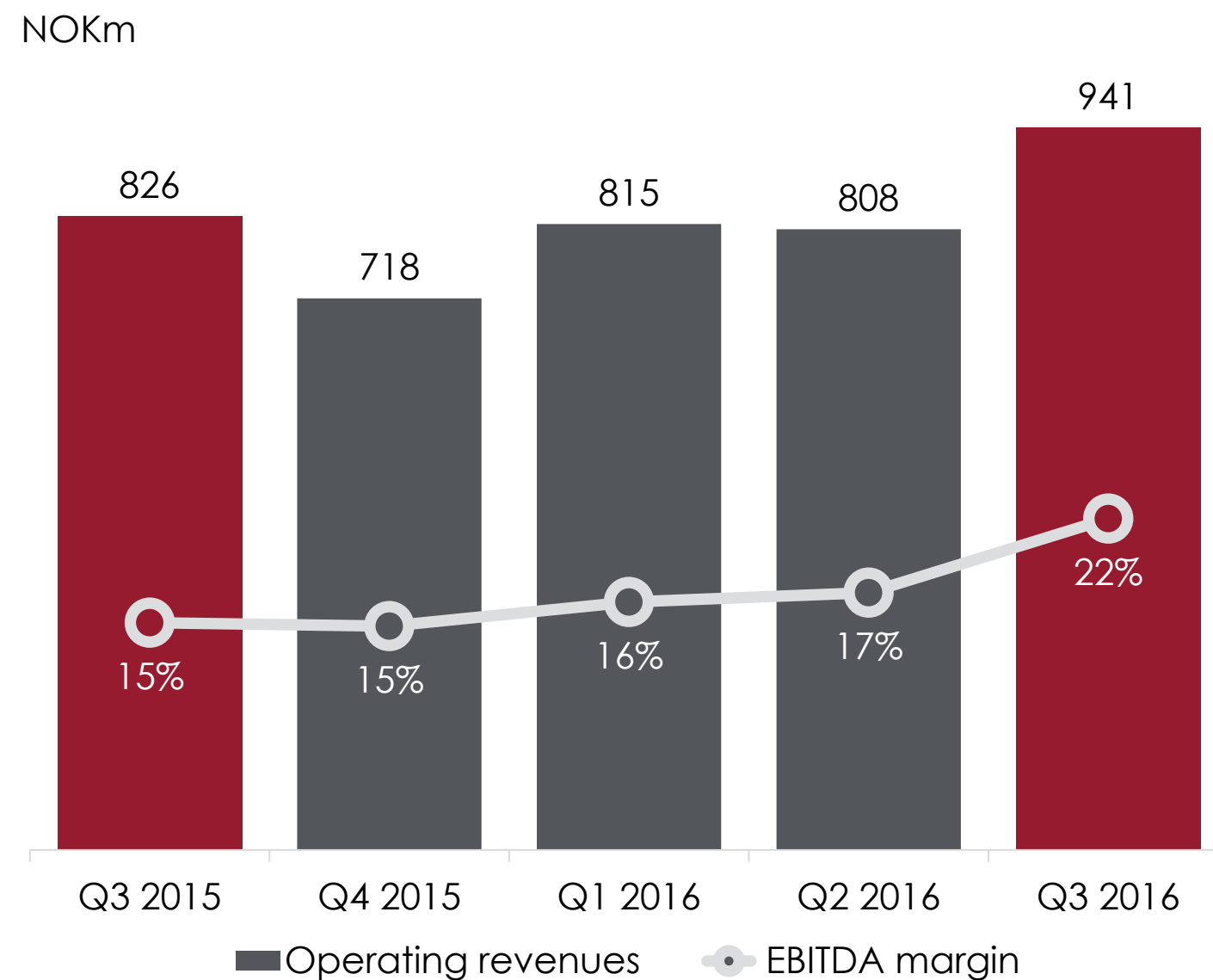
## Revenues and adjusted EBITDA margin (IFRS)



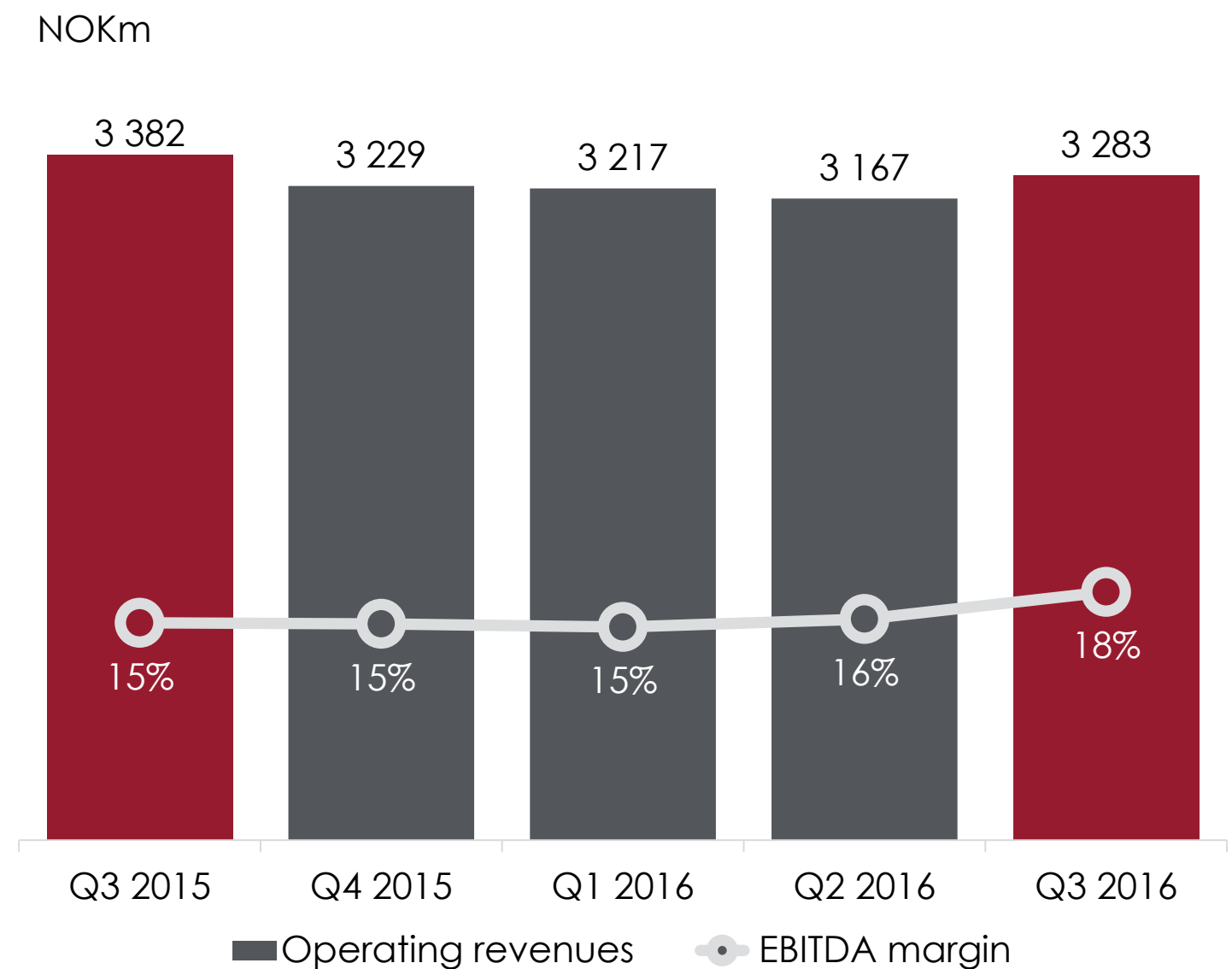


# Income statement highlights Q3 2016 (NGAAP)

## Revenues and EBITDA margin (NGAAP)\*

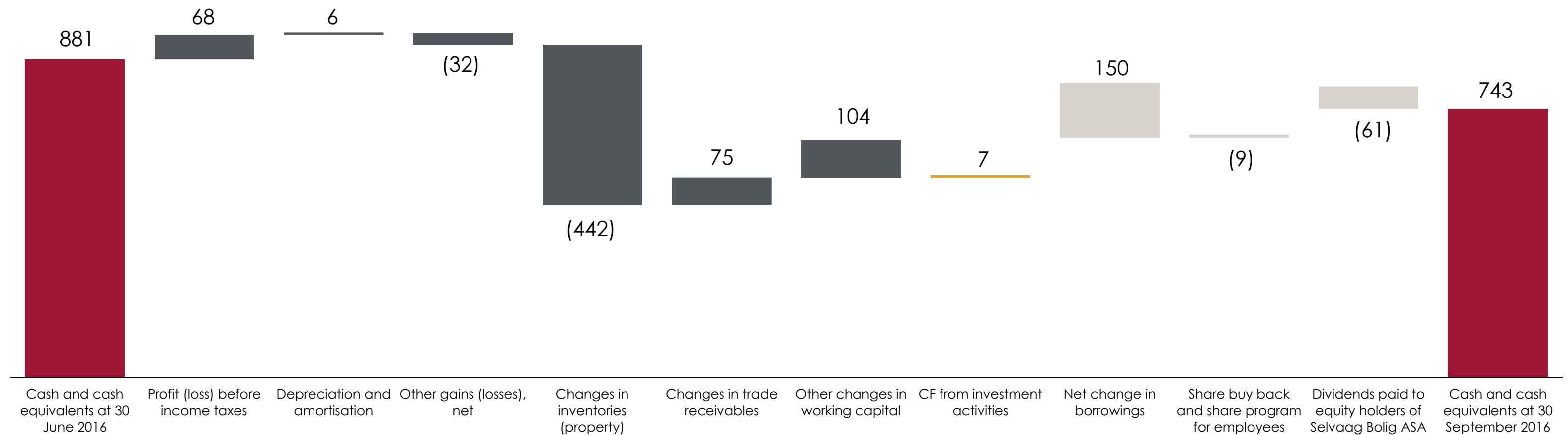


## 12 months rolling revenues (NGAAP)\*



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

# Cash flow development Q3 2016



- Cash flow from operations negative with NOK 224m due to high construction activity and land acquisition
- New land and construction loans increased net borrowings by NOK 150m
- Dividend of NOK 61m, NOK 0.65 per share, paid in the quarter

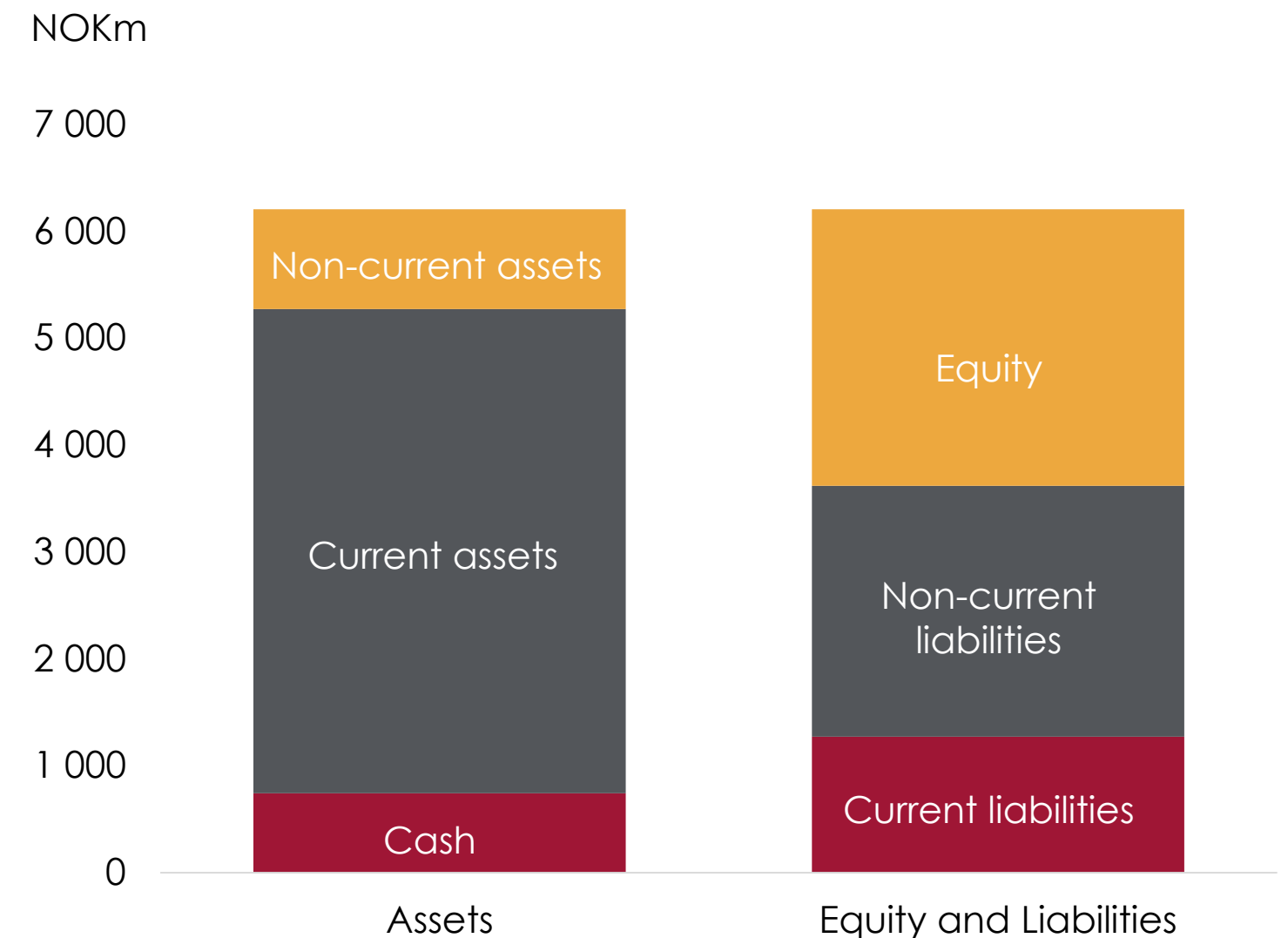
Note: Numbers under NOK 5m are excluded from the cash flow overview



# Balance sheet highlights Q3 2016

- Book value stable, NOK 27.5 per share
  - Equity ratio 41.7%
- Changes from Q2 2016:
  - Inventories increased by NOK 104m due to land acquisition and high construction activity
  - Trade receivables decreased by NOK 84m due to fewer deliveries in process – non-risk
  - Cash decreased by NOK 137m
- Prepayments from customers accounts for NOK 416m of other current non interest-bearing liabilities

## Balance sheet composition

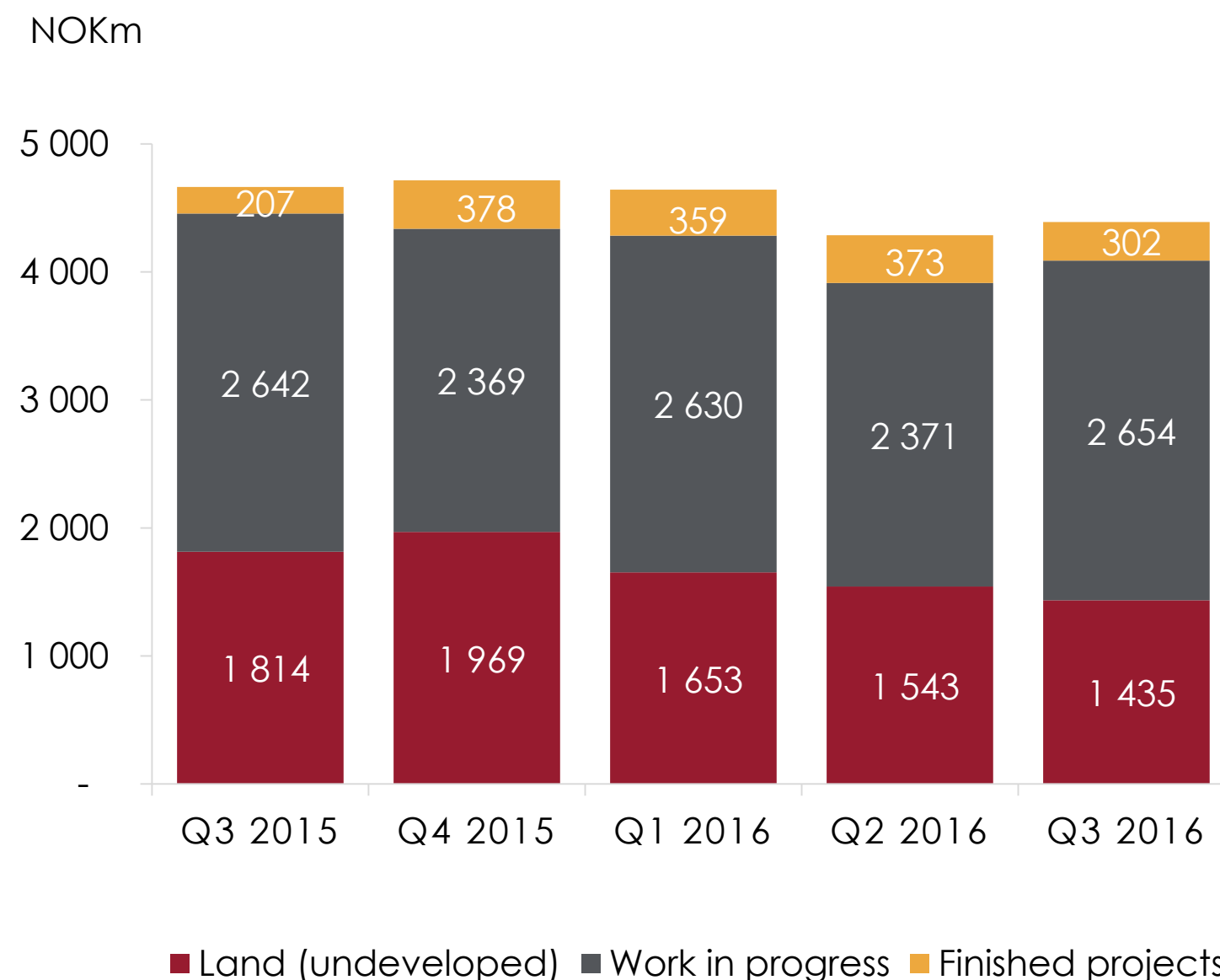


# Inventories (property) Q3 2016

## Q3'16 vs Q2'16

- Land value down NOK 108m
  - Due to construction starts and sale of Kaldnes Brygge\*
- Work in progress up NOK 283m
  - Due to high construction activity
- Finished goods down NOK 71m

## Inventory value development

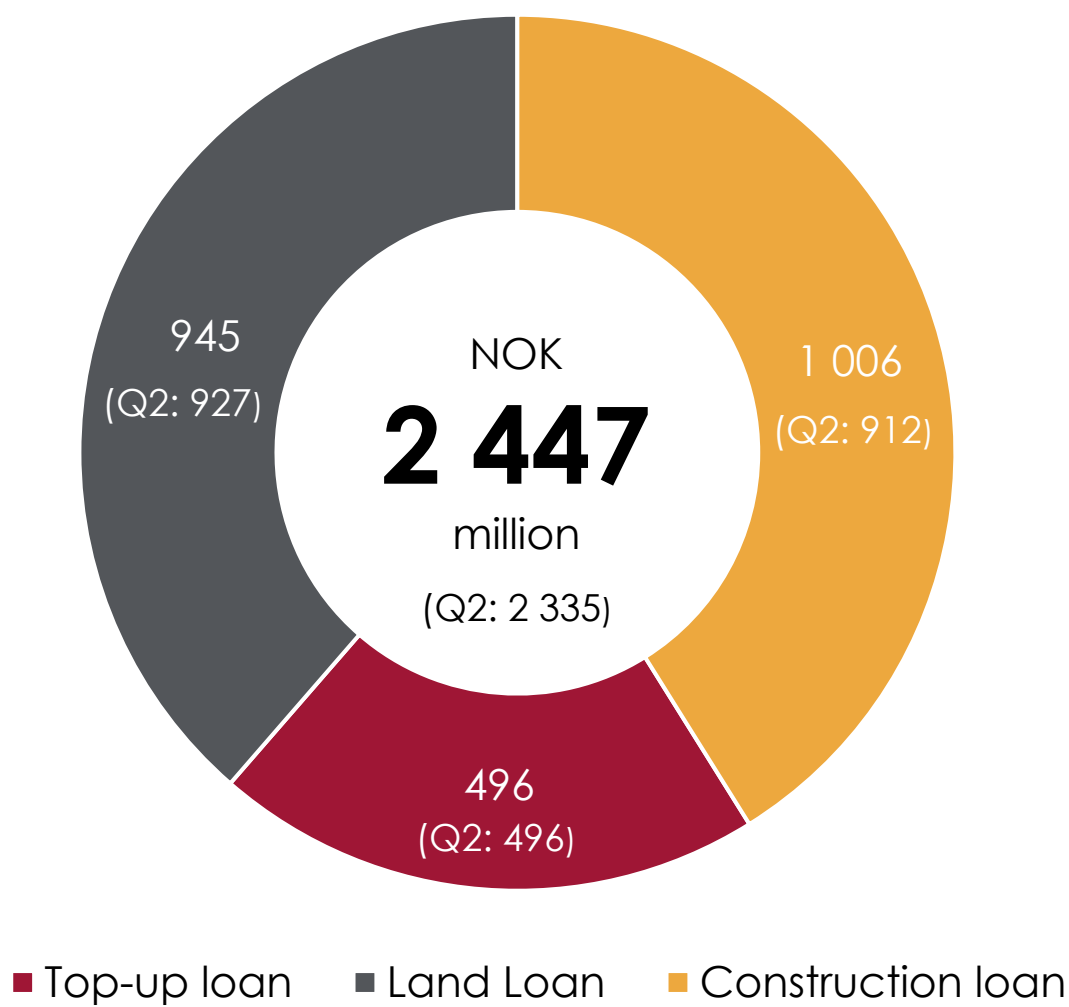


\*Sold 50% of shares, but as the company is deconsolidated, all inventory values are disposed in the group financial statements



# Sound debt structure

## Interest bearing debt as at 30 September 2016



Note: Top-up loan of NOK 500m in the table differs from the summed up top up loan in the pie chart (NOK 496m). The difference is due to NOK -4m in amortized cost which is not actual debt.

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 2016	0	2.00%
3	NOK 150 million working capital facility from DNB maturing in 2016	0	2.00%
4	Land loan facilities from a range of Nordic credit institutions	945	2.00% - 2.65%
5	Construction loan facilities from a range of Nordic credit institutions	1 006	1.75% - 2.95%

**Total Q3 2016 net interesting bearing debt NOK 1 704 million**

Total Q2 2016 net interesting bearing debt NOK 1 454 million



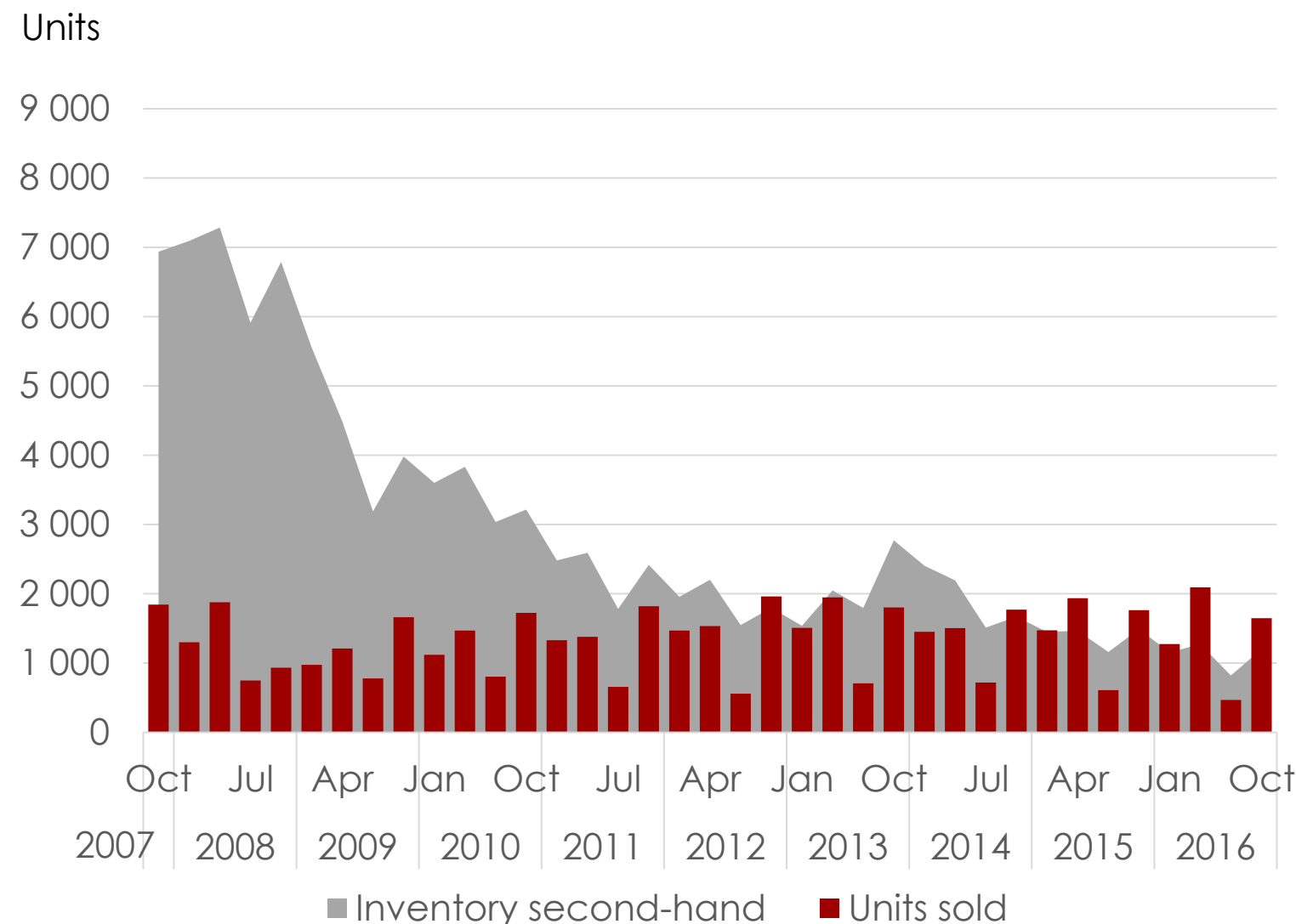
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# Extraordinary low supply in Oslo

## Oslo, October 2007-2016



## ■ October 2016 Oslo sum-up

### SECOND HAND – AVERAGE

- Sales price: NOK 69 847 per m<sup>2</sup>
- Turnover time: 13 days
- Price increase October: 1.8%
- Price increase last 12 months: 21.7%
- Units available for sale (31.10): ~1 200

### NEW HOMES (NOT BUILT)

- Units available for sale (31.10): ~350

**SELVAAG BOLIG HAS ~130 UNITS  
AVAILABLE FOR SALE (~35% MARKET SHARE)**

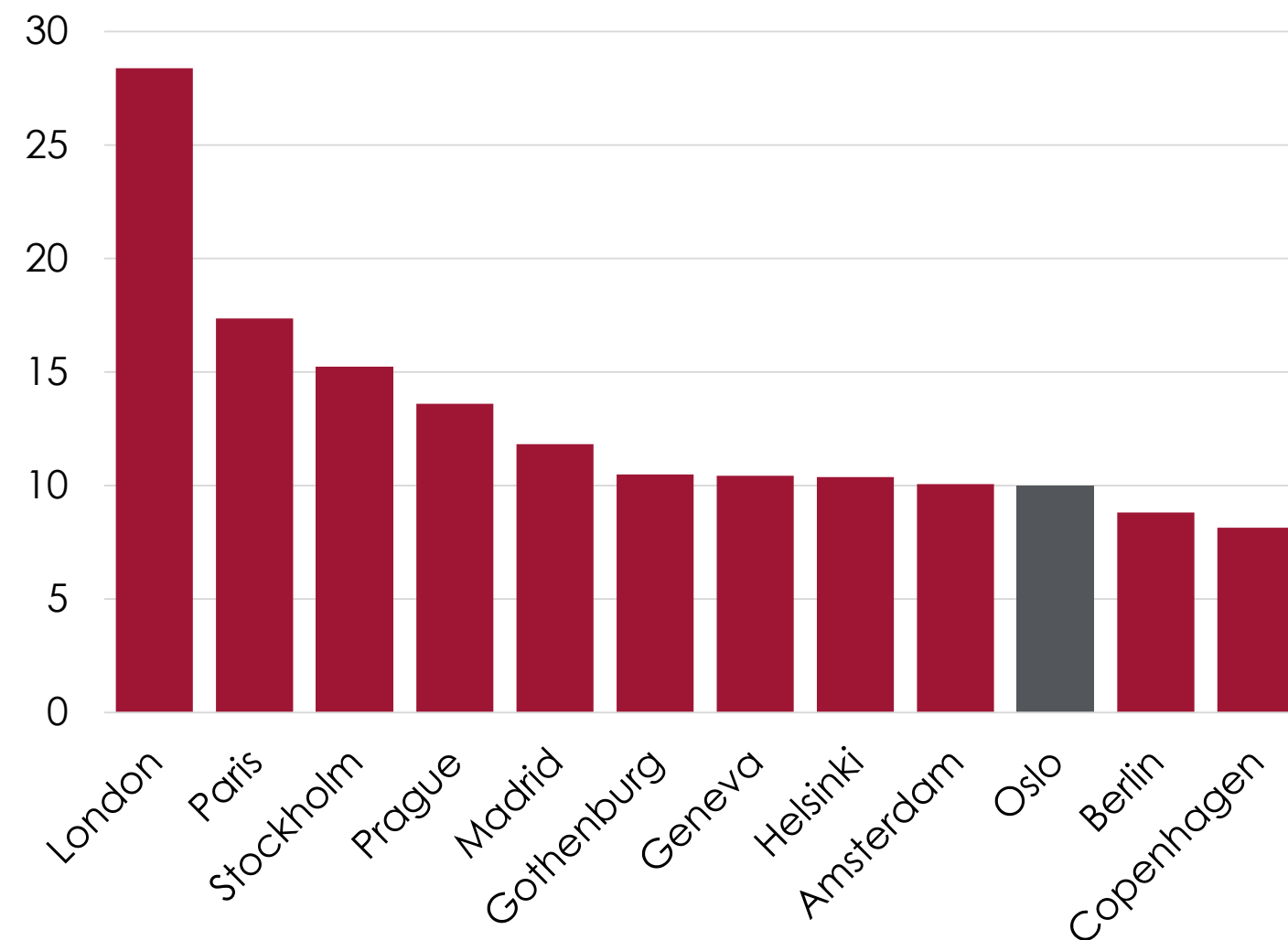
Source: Eiendomsverdi, Eiendom Norge and Selvaag Bolig



# Keep calm and carry on

## Current price to income ratios

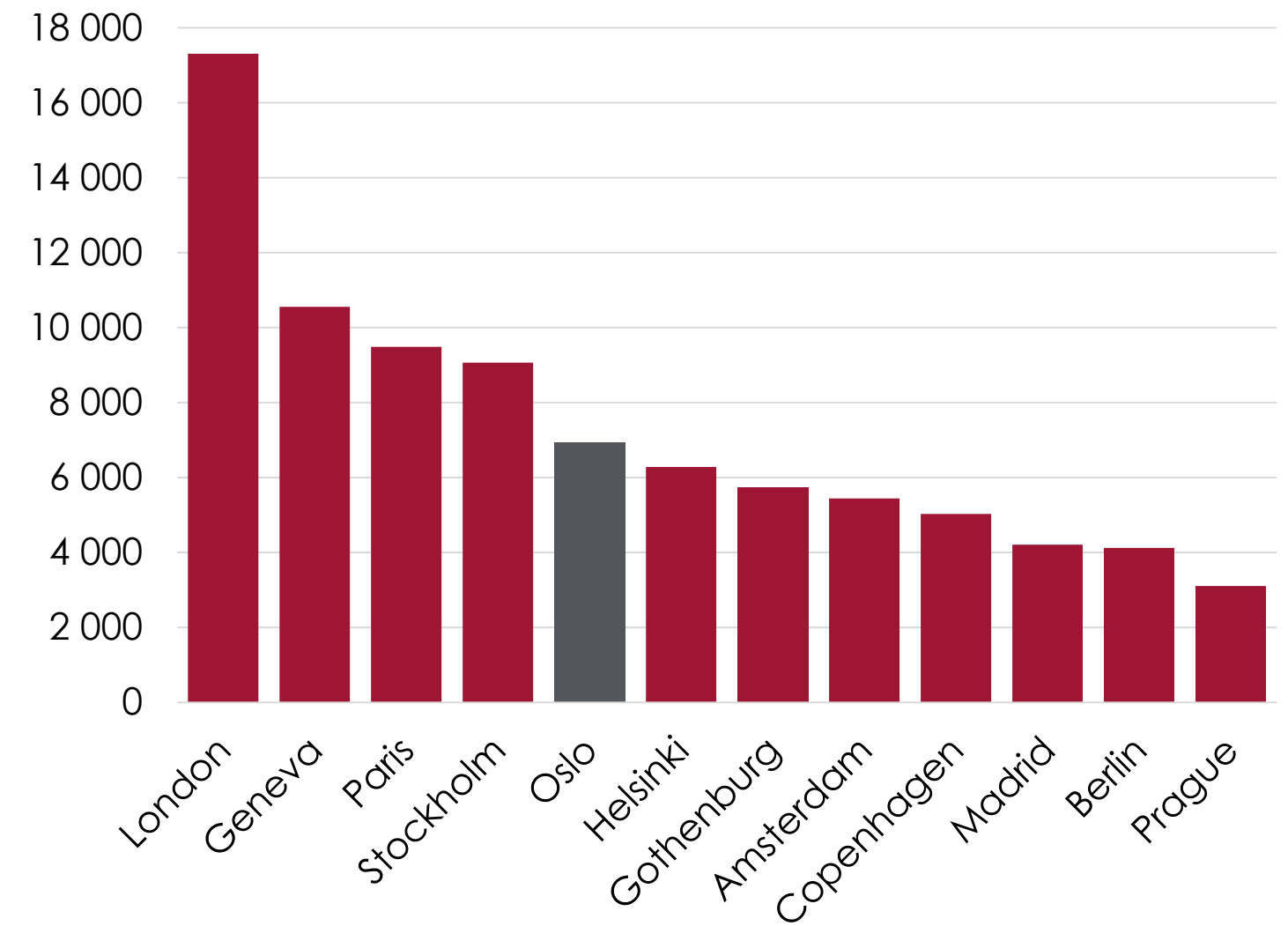
Price/income



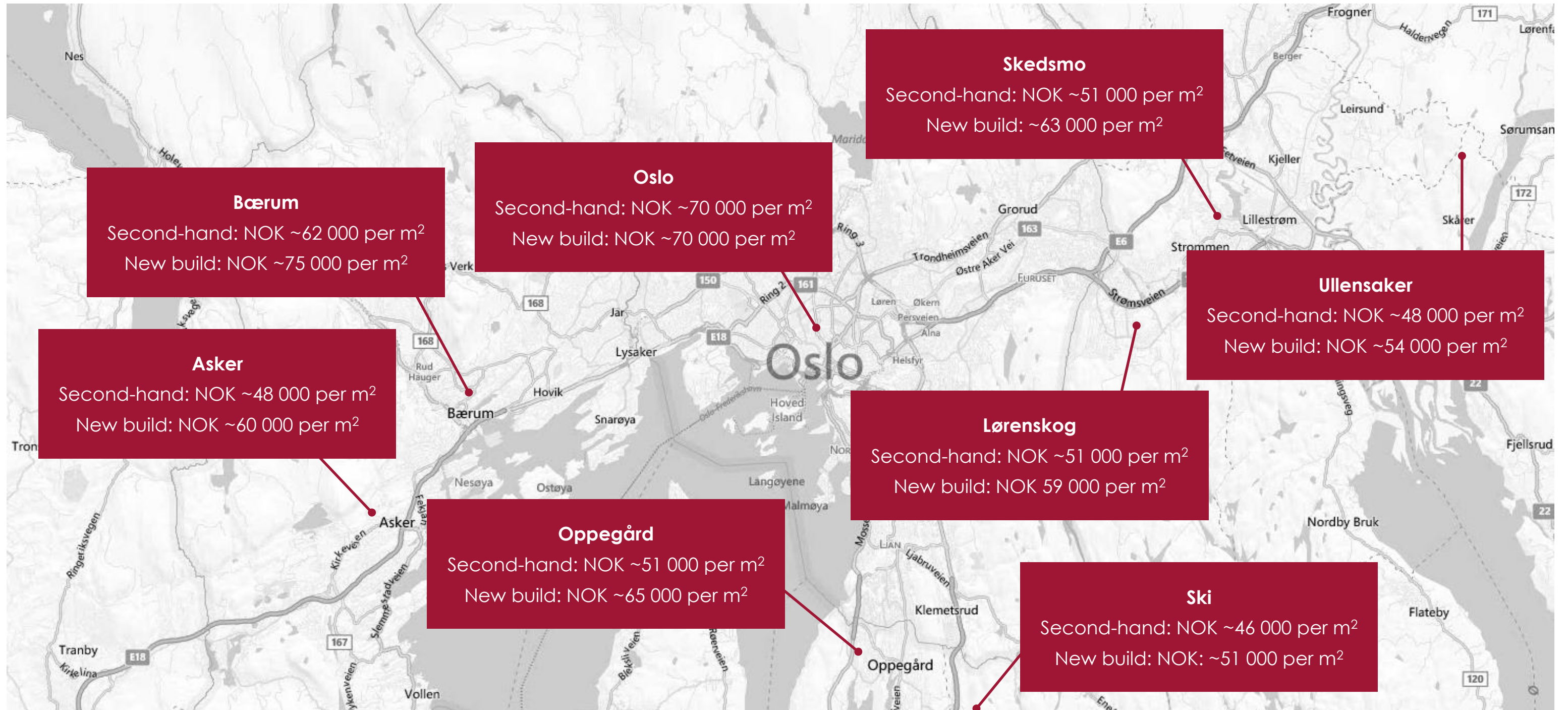
Selected European cities  
Source: [www.numbero.com](http://www.numbero.com)

## Prices per square metre in Euro

EUR



# High price-spread within Oslo region



Source: ECON and Eiendomsverdi

Second-hand = Total market, New build = Selected central apartments



# 8-month price growth 42 m2, 1 bedroom apartment

Lørenporten, Oslo



Total: 430-500 units | 1-4 rooms | 35-119 m<sup>2</sup>  
138 of 148 units sold per 03 November 2016

Time from acquisition to sales start: 11 months

Sales start May '16



# 8-month price growth 89 m<sup>2</sup>, 3 bedroom apartment

Lørenporten, Oslo



Total: 430-500 units | 1-4 rooms | 35-119 m<sup>2</sup>  
138 of 148 units sold per 03 November 2016

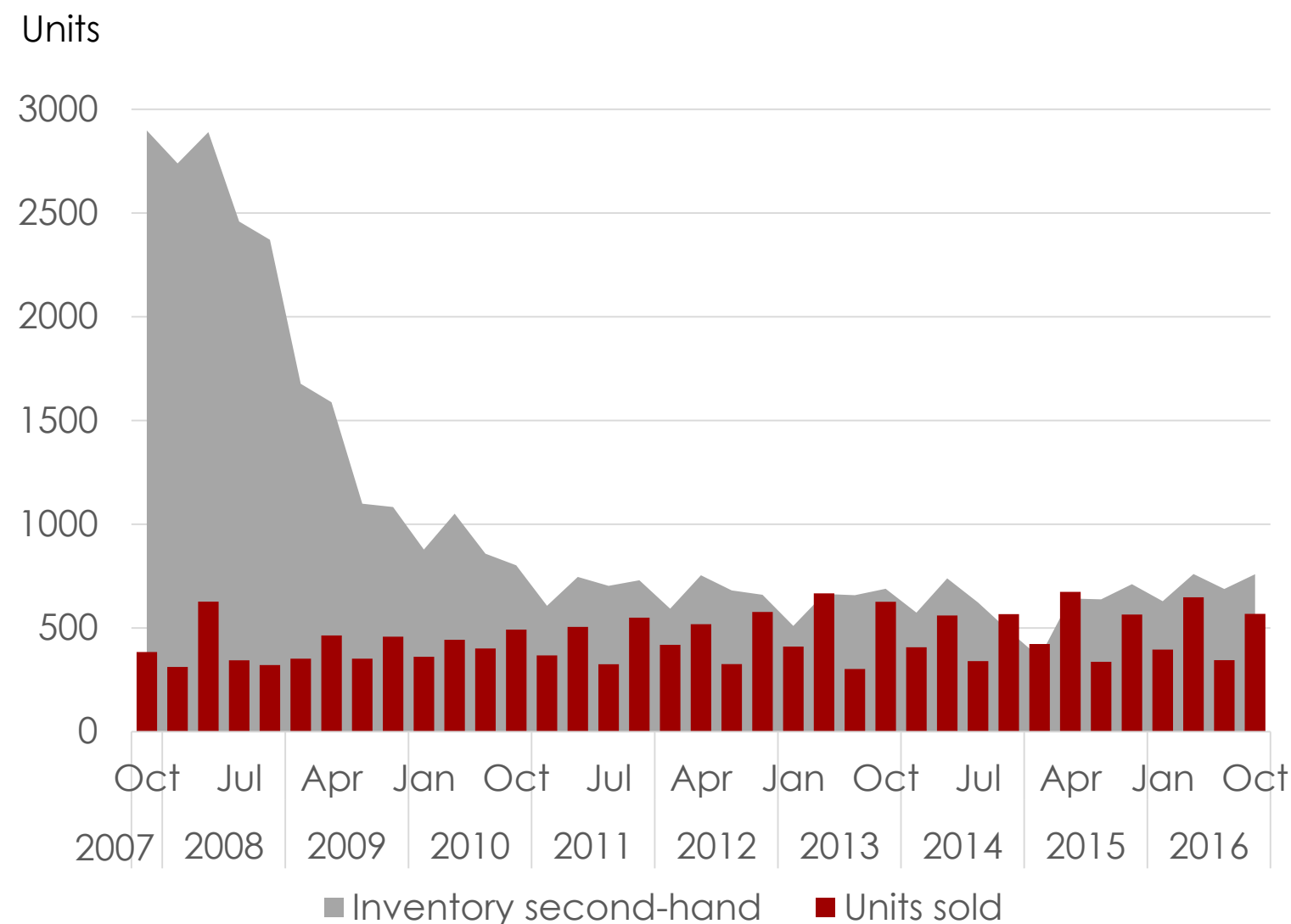
Time from acquisition to sales start: 11 months

Sales start May '16



# Sound supply/demand in Bergen

## Bergen, October 2007-2016



### ■ October 2016 sum-up

#### SECOND HAND – AVERAGE

- Sales price: NOK 39 446 per m<sup>2</sup>
- Turnover time: 24 days
- Price decrease October: 0.3%
- Price increase last 12 months: 4.5%
- Units available for sale (31.10): ~760

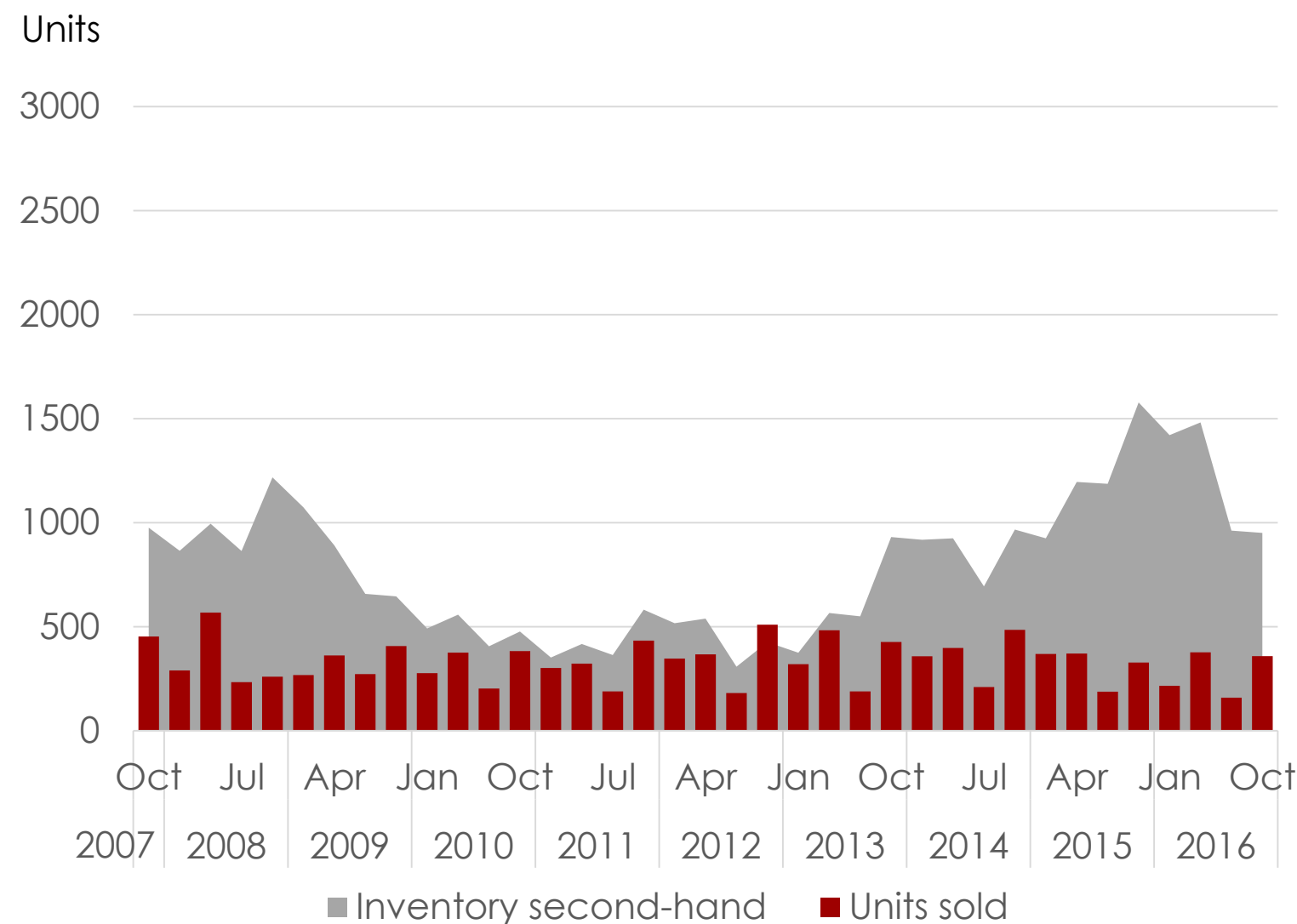
#### NEW HOMES (NOT BUILT)

- Units available for sale (31.10): ~500

Source: Eiendomsverdi, Eiendom Norge and Selvaag Bolig

# Reduced inventory in Stavanger

## Stavanger area, October 2007-2016



### ■ October 2016 sum-up

#### SECOND HAND (STAVANGER ONLY) – AVERAGE

- Sales price: NOK 37 590 per m<sup>2</sup>
- Turnover time: 78 days
- Price decrease October: 0.6%
- Price decrease last 12 months: 3.9%
- Units available for sale (31.10): ~520

#### NEW HOMES (NOT BUILT)

- Units available for sale (31.10): ~375

Second hand market: Stavanger, Sola, Randaberg and Sandnes

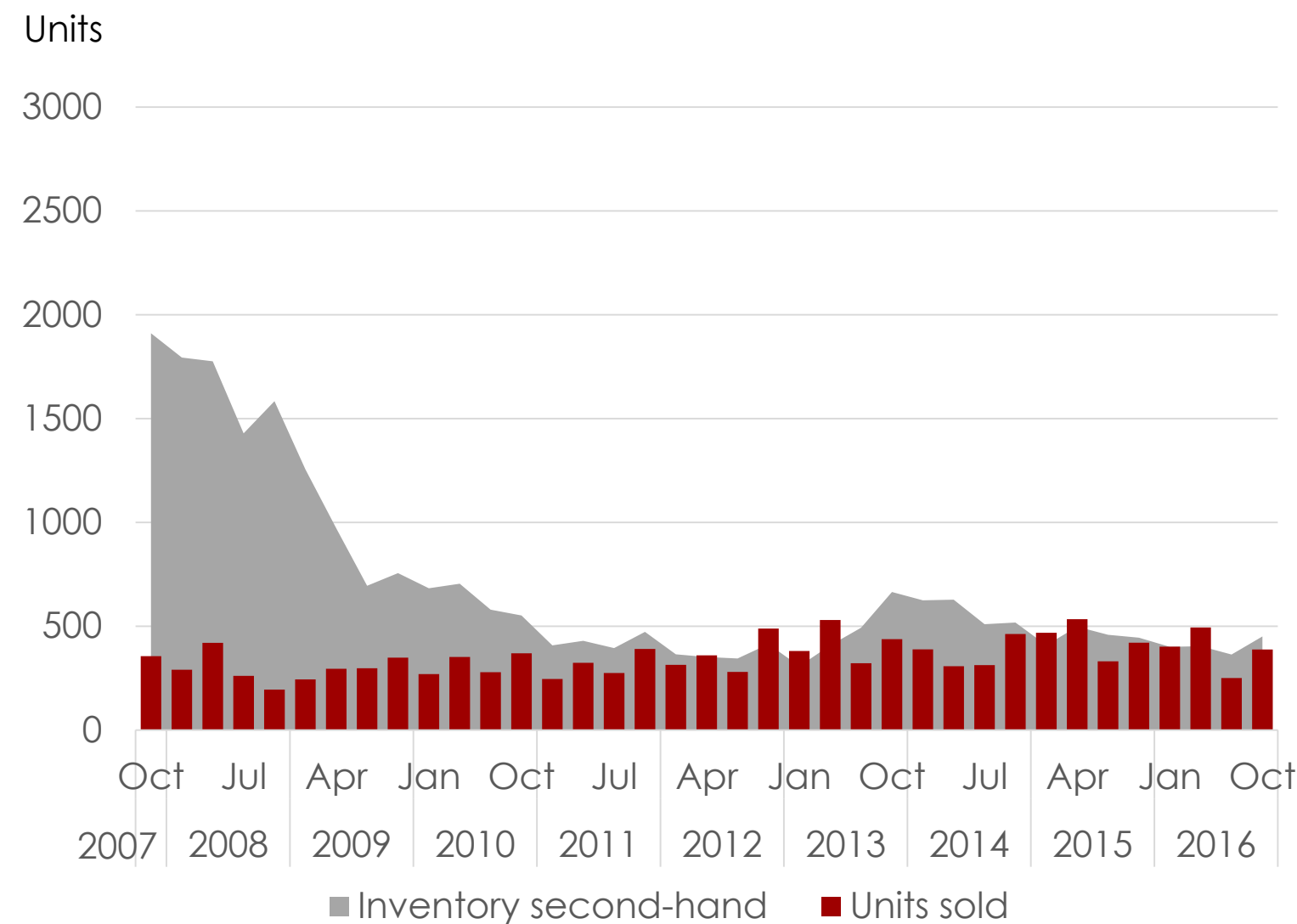
New homes market: Stavanger

Source: Eiendomsverdi, Eiendom Norge and Selvaag Bolig



# Balanced market in Trondheim

## Trondheim, October 2007-2016



### ■ October 2016 sum-up

#### SECOND HAND – AVERAGE

- Sales price: NOK 42 388 per m<sup>2</sup>
- Turnover time: 22 days
- Price increase October: 0.2%
- Price increase last 12 months: 10.1%
- Units available for sale (31.10): ~450

#### NEW HOMES (NOT BUILT)

- Units available for sale (31.10): ~550

Source: Eiendomsverdi, Eiendom Norge and Selvaag Bolig

# Adding new acquisitions to land bank

## Three new projects

- Lade Allé 65, Trondheim
  - Approximately 100 units
  - Sales start expected in H1 2017
- Sandsliåsen 57, Bergen – 50/50 JV with Odfjell
  - Approximately 180 units
  - Sales start expected in H2 2018
- Eyvind Lyckes vei 10, Bærum
  - Approximately 280 units
  - Sales start expected in H2 2019



Eyvind Lyckes vei 10, Bærum



# Reducing exposure in Tønsberg

## Reduced ownership in Kaldnes Brygge

- Reduced ownership from 100% to 50%
- Net result NOK 32 million in Q3
- According to strategy – resources made available for investments in other markets



Kaldnes Brygge, Tønsberg



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# Positive outlook for Selvaag Bolig

- Positive market outlook and strong demand in core markets
- SBO strengthening market position measured in sales
- High sales activity at high prices secure revenue increase going forward
- 1 464 units under construction
  - Sales value NOK ~ 5.8 billion
- Focus on continued land bank development



Lørenporten, Oslo



# Summary

- Extraordinary strong Oslo market, other core markets balanced
- Stronger margins due to increased sales prices
- High construction activity
- Land acquisitions



Eyvind Lyckes vei 10, Bærum



Thank you for your attention – follow us online!

Next event:  
4<sup>th</sup> quarter 15 February 2017



@SelvaagAksjen



# Appendix



# Share performance since IPO in June 2012

NOK



Source: Oslo Børs

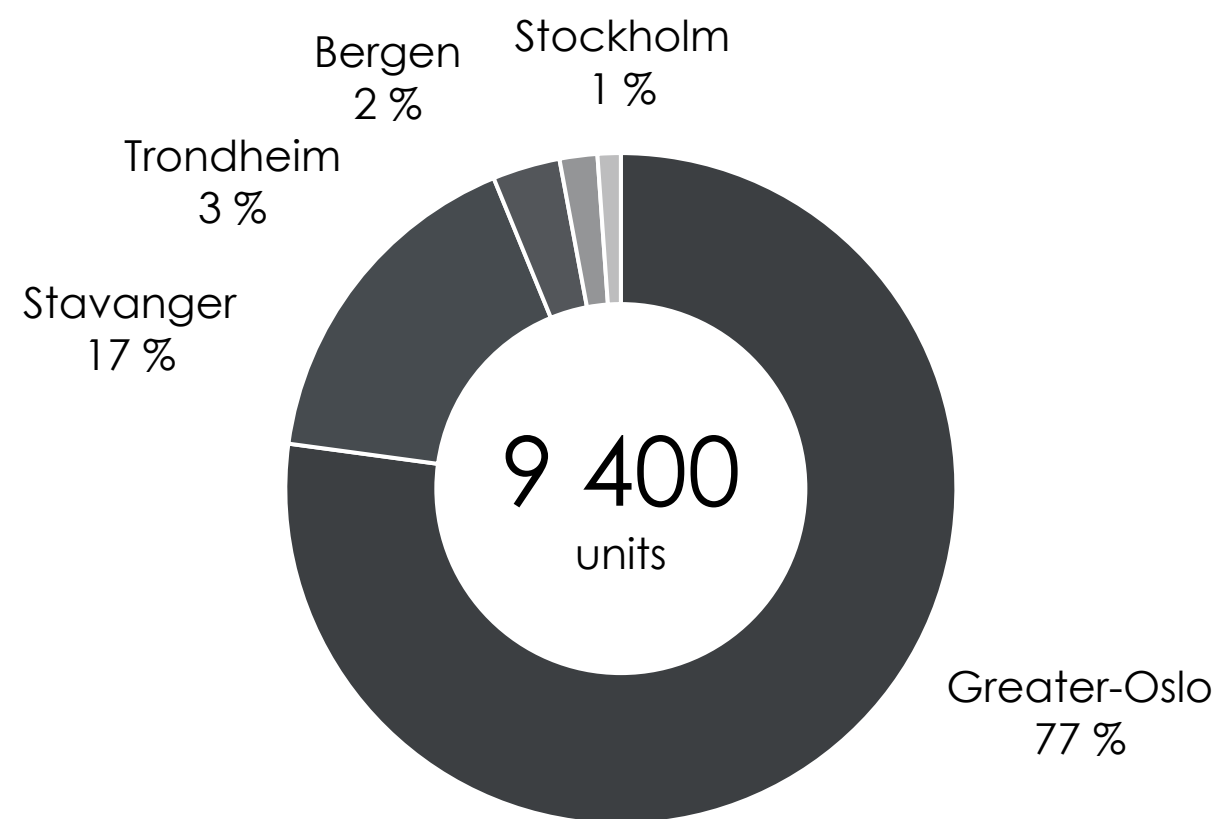
# Largest shareholders at 30 September 2016

Shareholder	# of shares	% share
SELVAAG GRUPPEN AS	50 180 087	53.5%
SKANDINAVISKA ENSKILDA BANKEN AB *)	5 271 003	5.6%
MORGAN STANLEY & CO. INTERNATIONAL *)	2 750 778	2.9%
FLPS - ALL SECTOR SUB	2 590 700	2.8%
PARETO AS	2 065 624	2.2%
VERDIPAPIRFONDET PARETO INVESTMENT	1 596 000	1.7%
MP PENSJON PK	1 426 221	1.5%
THE BANK OF NEW YORK MELLON *)	1 209 817	1.3%
HOLTA INVEST AS	1 200 000	1.3%
STOREBRAND NORGE I	983 944	1.0%
US BK EVERMORE GLO VAL FUND	892 805	1.0%
J.P. MORGAN CHASE BANK N.A. LONDON *)	859 229	0.9%
JPMORGAN CLEARING CORP. *)	809 029	0.9%
JPMORGAN CHASE BANK NA, LONDON *)	769 073	0.8%
FIDELITY SELECT PORTFOLIOS: FIDELI	702 900	0.7%
UTHALDEN A/S	637 306	0.7%
STATE STREET BANK AND TRUST CO. *)	635 185	0.7%
VERDIPAPIRFONDET ALFRED BERG GAMBA	598 102	0.6%
BANAN II AS	555 190	0.6%
HOLBERG NORDEN	523 705	0.6%
<b>Total 20 largest shareholders</b>	<b>76 256 698</b>	<b>81.3%</b>
Other shareholders	17 508 990	18.7%
<b>Total number of shares</b>	<b>93 765 688</b>	<b>100.0%</b>

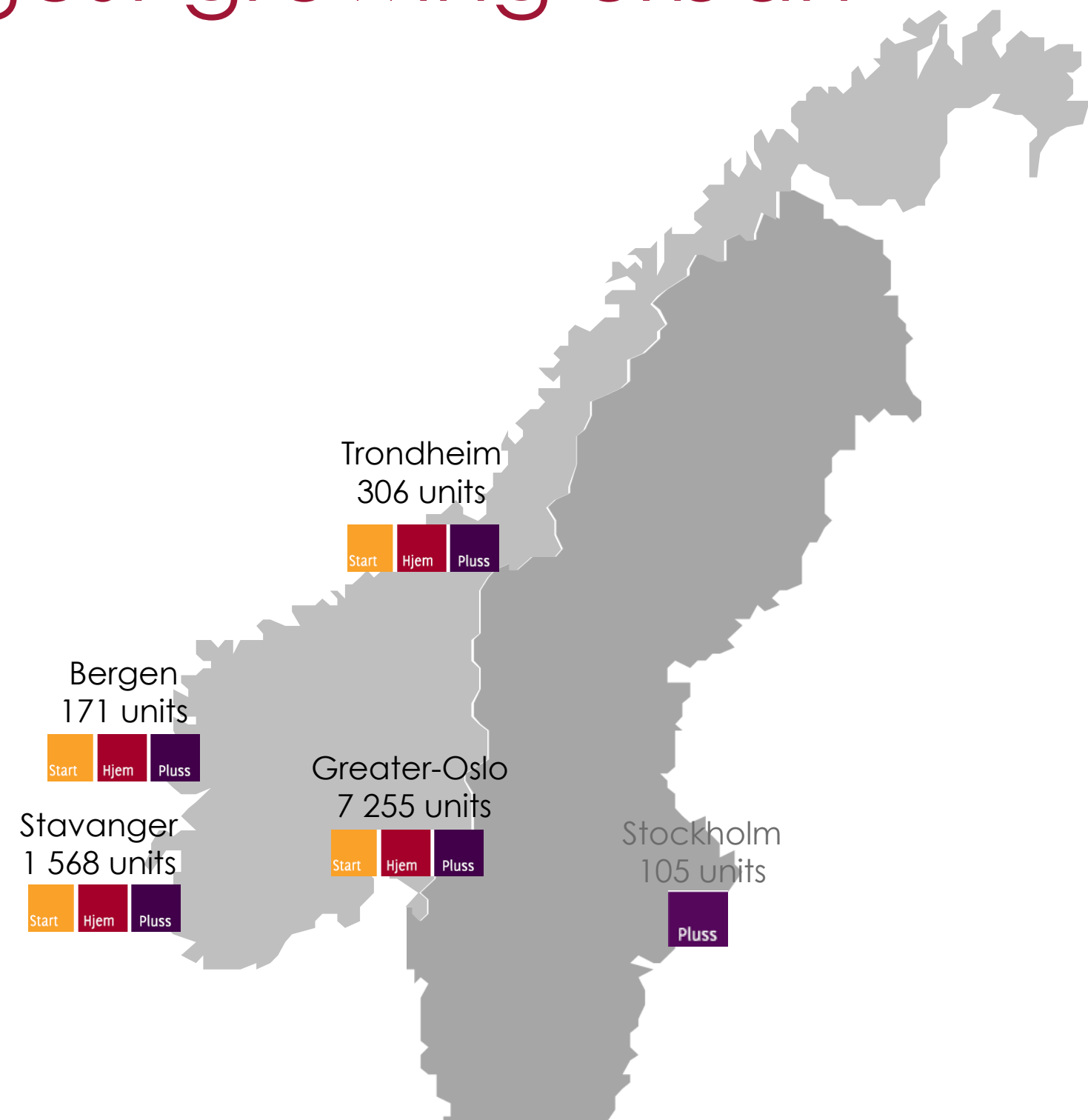
\*) Updated shareholder list and further information regarding nominee accounts is presented at: <http://sboasa.no/en/Aksjeinformasjon/Aksjonarer.aspx>



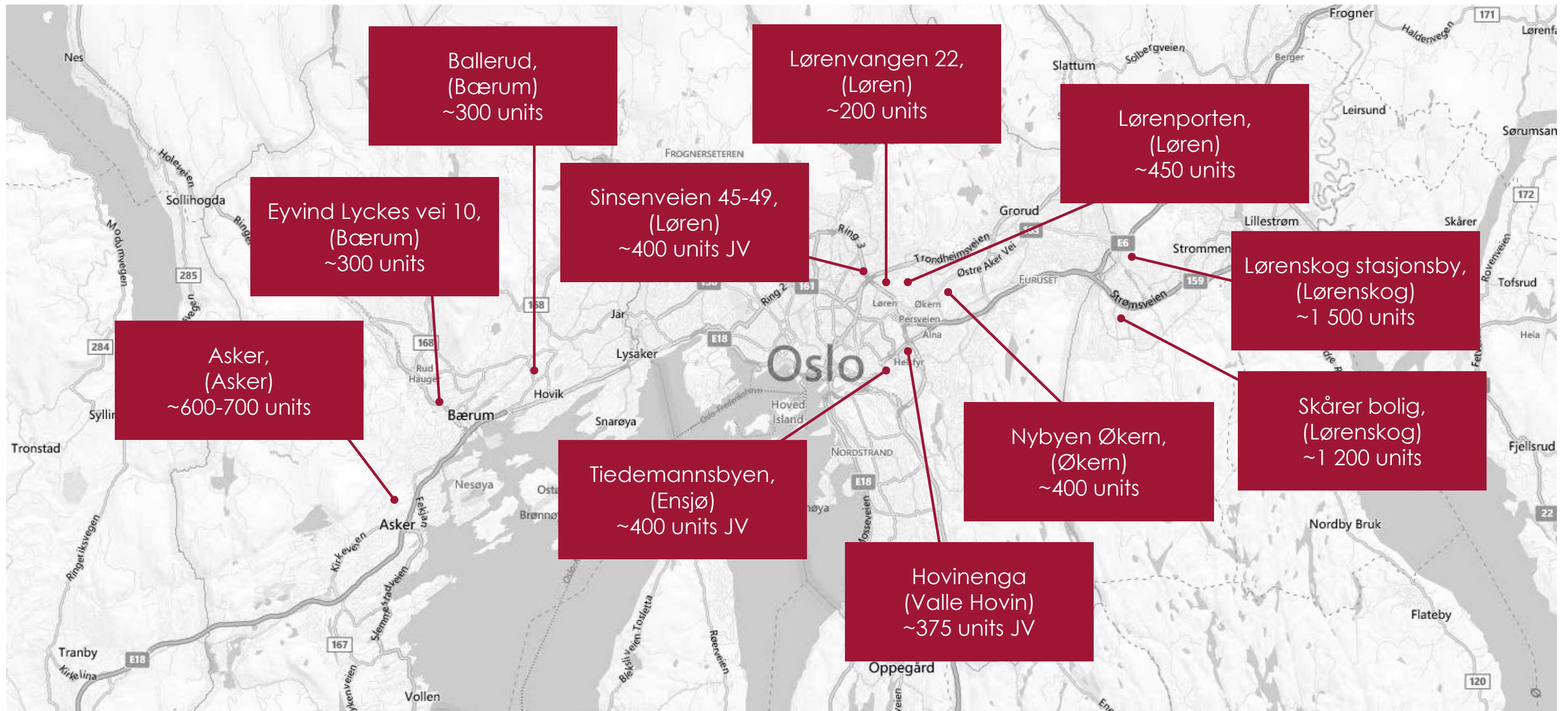
# Focus on Norway's four largest growing urban areas continues



- Oslo, Stavanger, Bergen and Trondheim  
Norway's four largest cities
  - All among top 15 in the Nordics



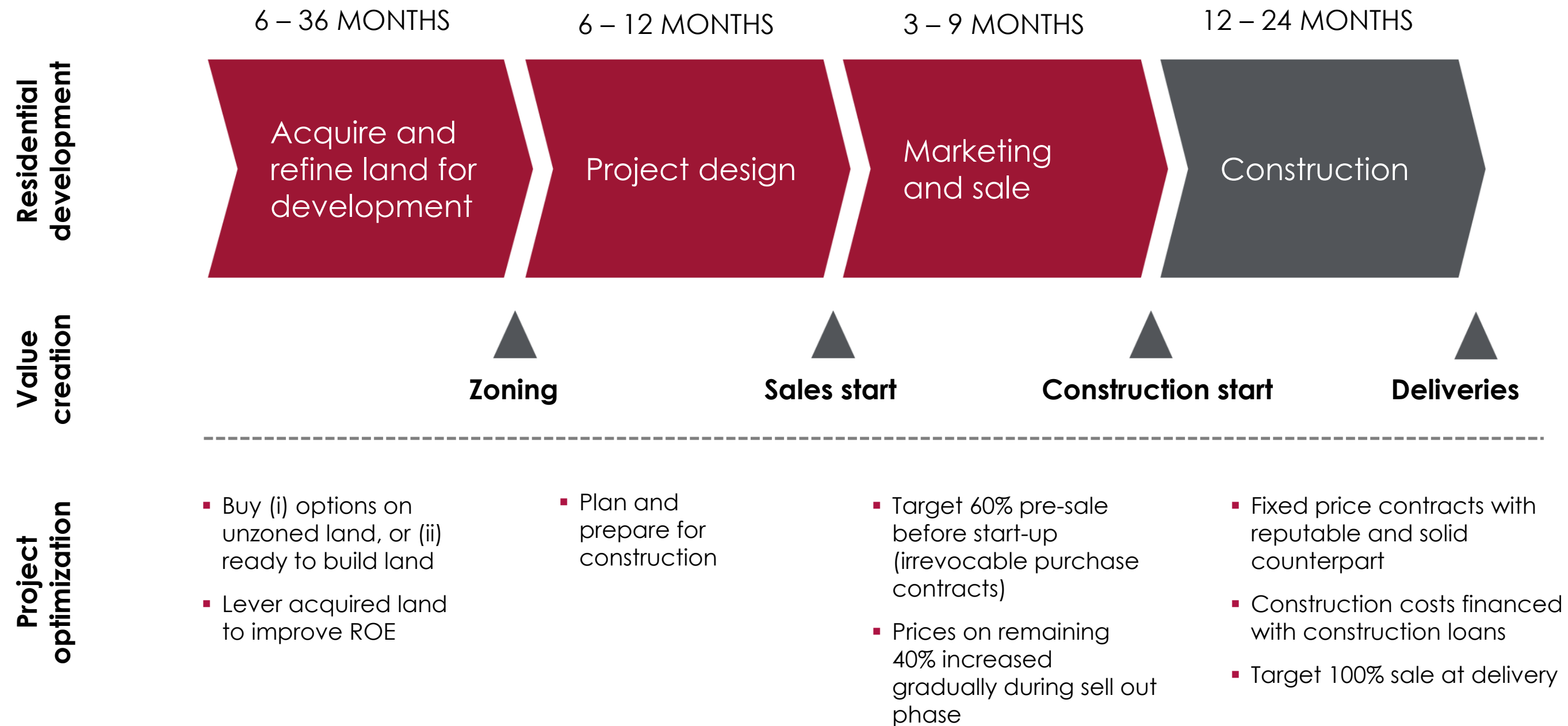
# Selected projects in Oslo 2016 →



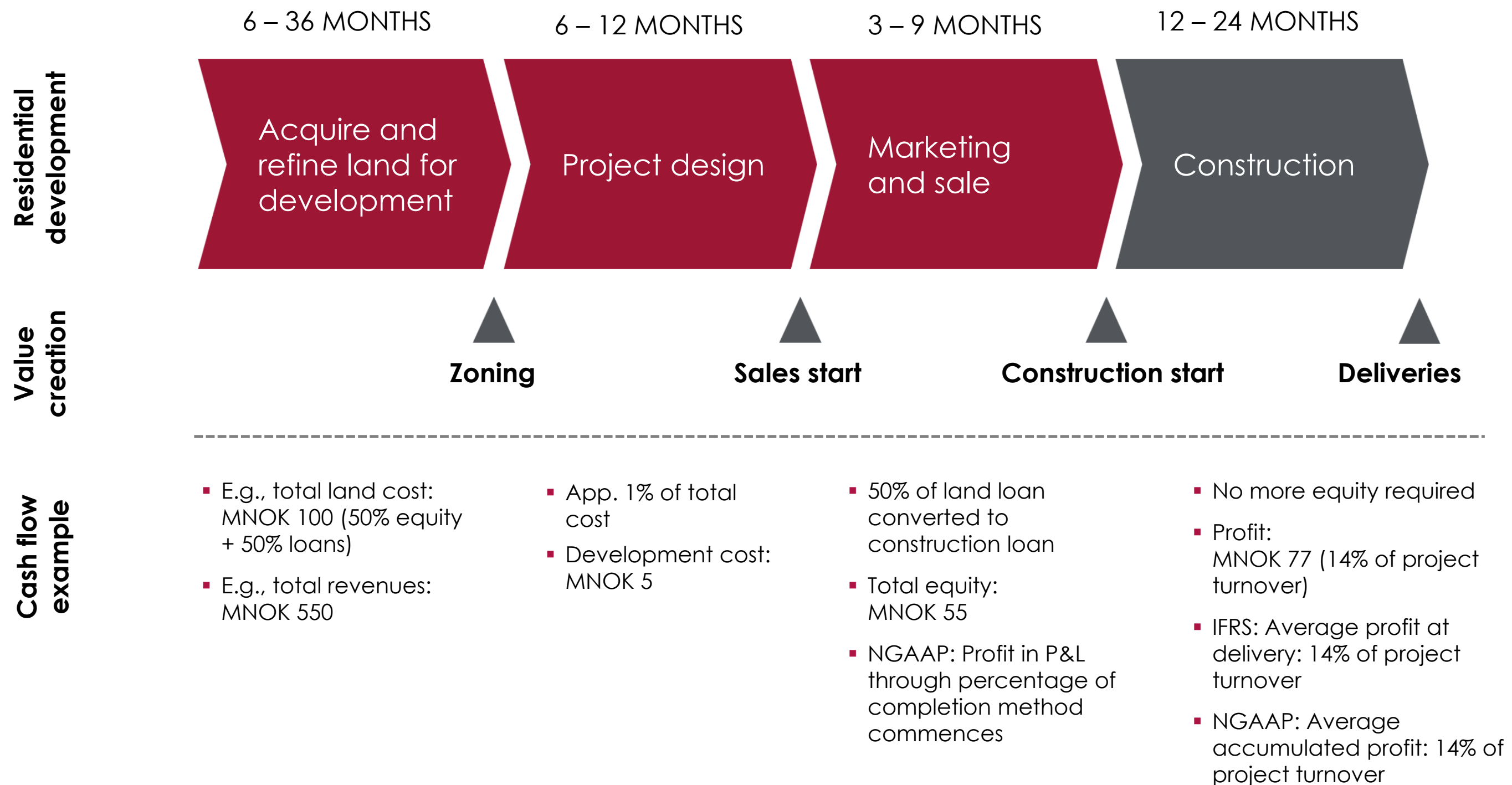
\*Sales update November 2016



# Value creation in Selvaag Bolig



# Value creation and project cash flow





# 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
  - 25% 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

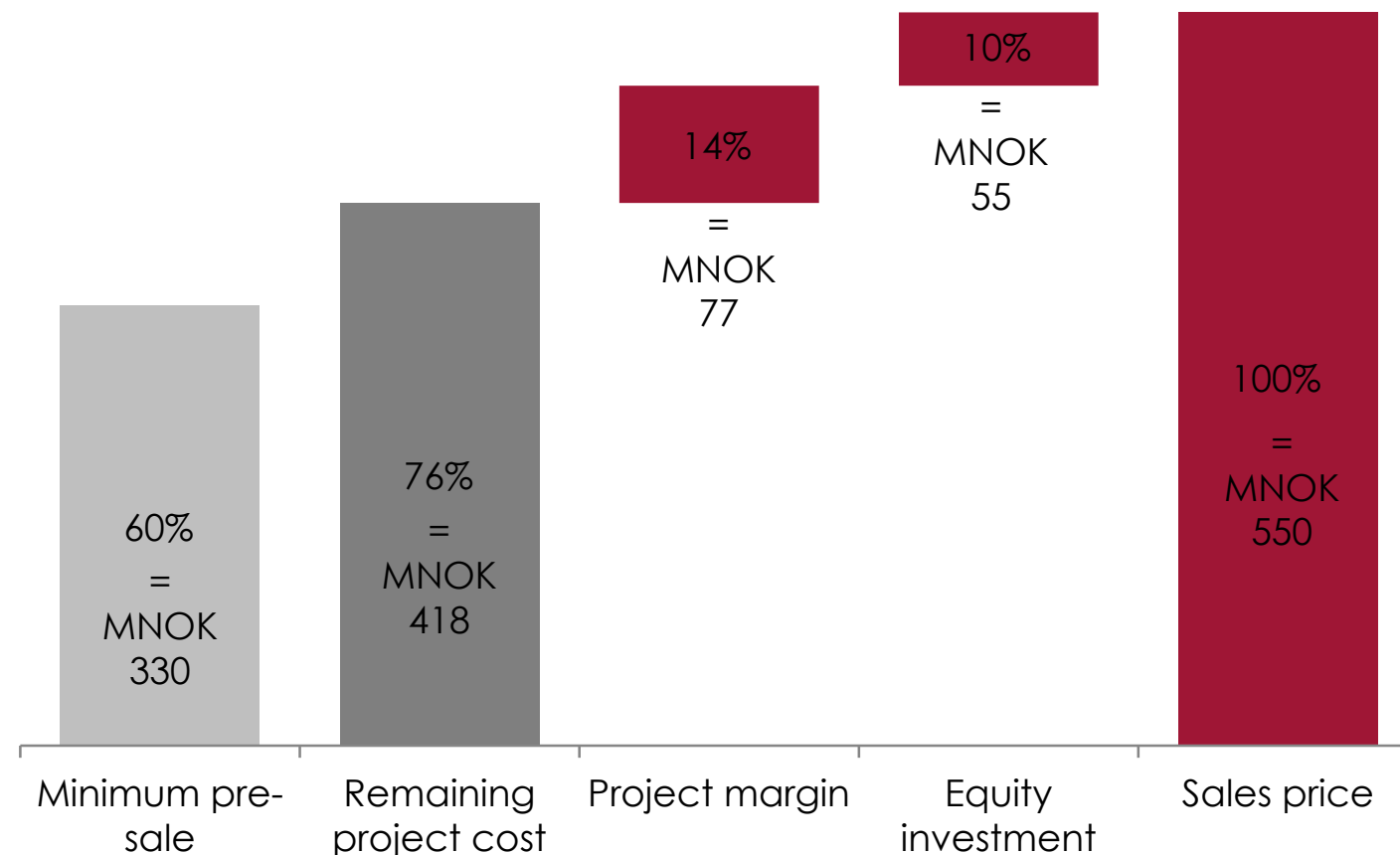
*Selvaag Bolig ASA is a Norwegian residential property developer with no in-house construction arm, which controls the entire value chain from the acquisition of land to the sale of homes.*

- 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



# Low-risk business model

## Risk profile at start of a MNOK 550 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. For the remaining 40% a price reduction of 35% would recover equity
- 90% of units in production are sold at end Q3'16

## 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

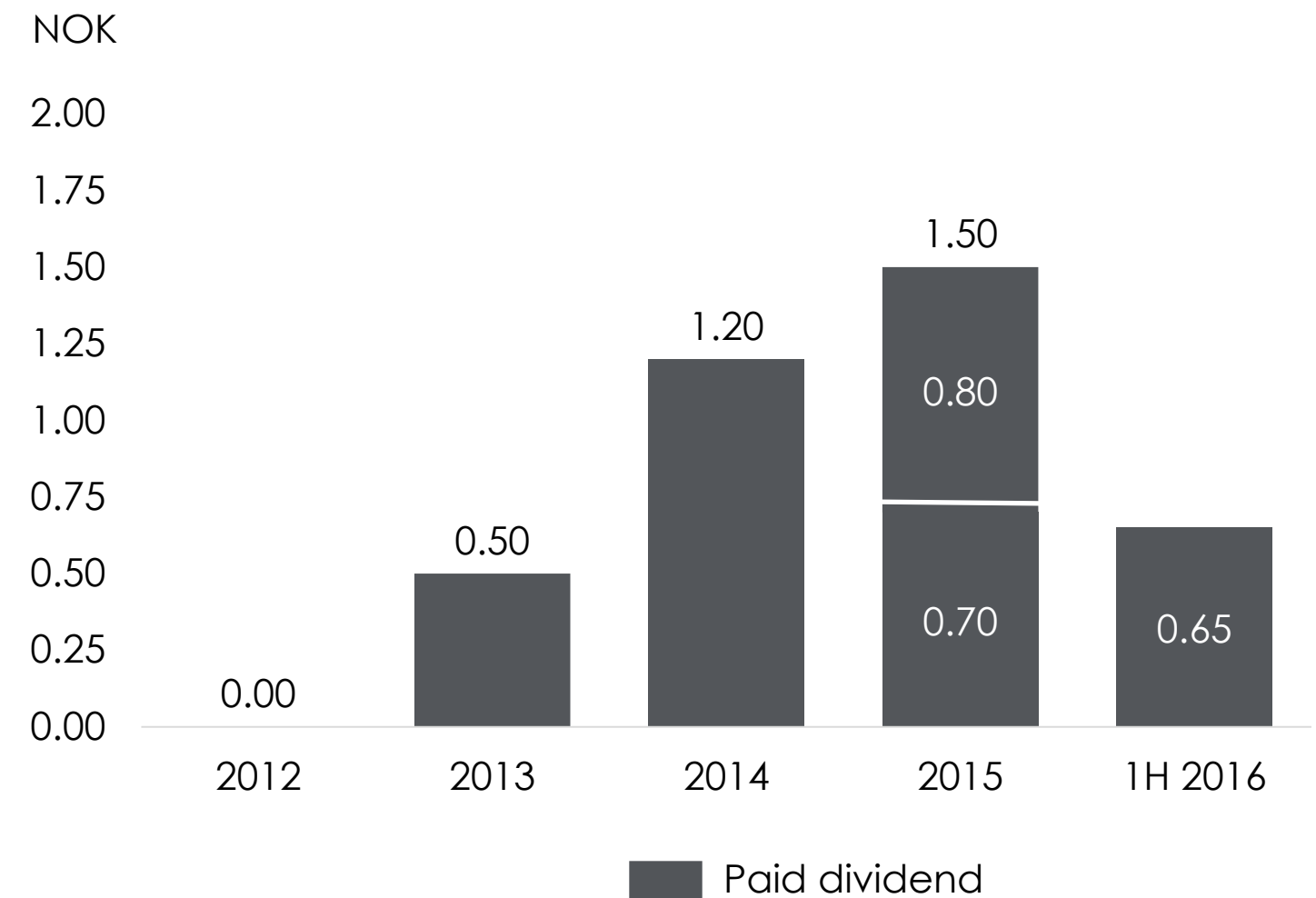
### 4 Fixed price construction contract

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

# Dividend

- Dividend policy
  - Up to 50 percent of net profit
  - Dividend pay-out twice a year from H1 2015
- 1H'16 dividend of NOK 0.65 per share
  - 48% of EPS
- 1H'16 EPS NOK 1.35

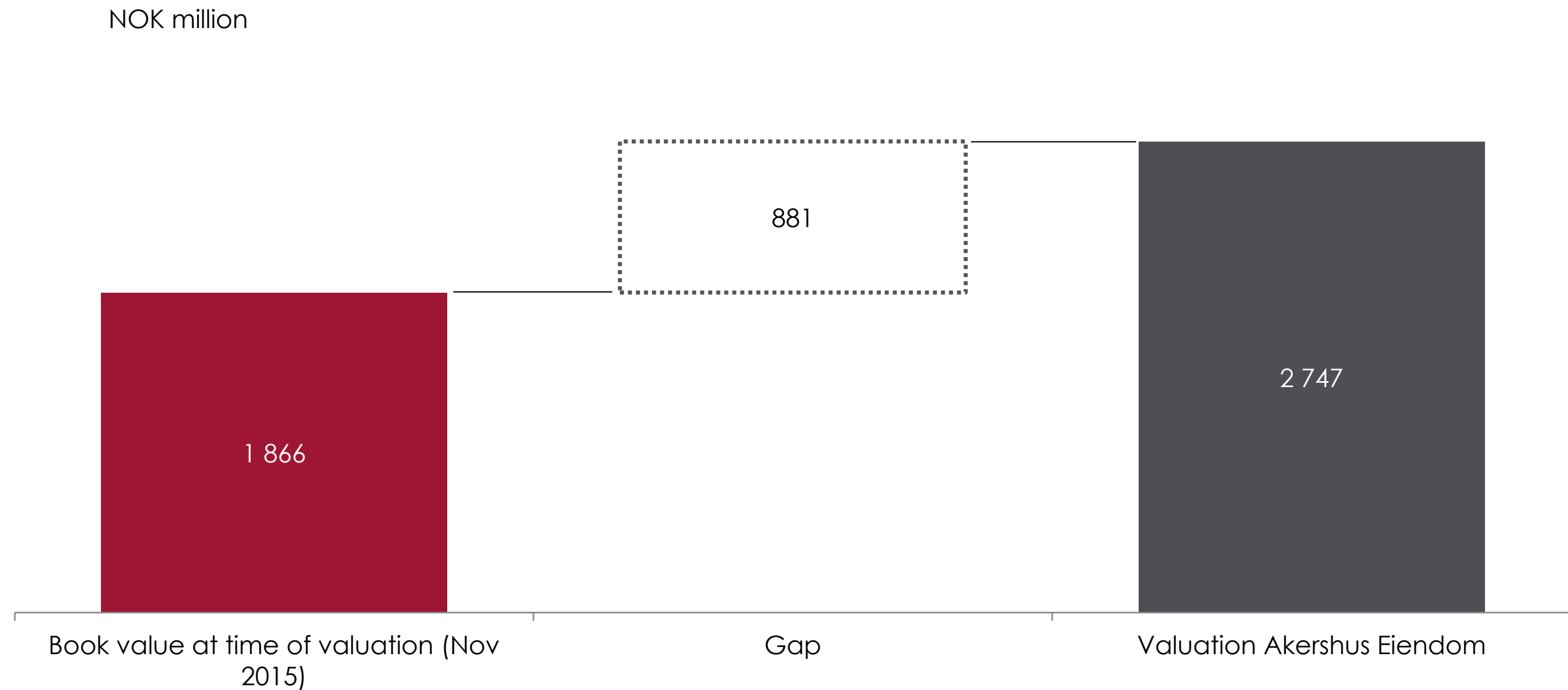
## Dividend per share





# Independent land bank valuation from Q4 2015

## Book value vs. external valuation



# Income statement IFRS

(figures in NOK million)	Q3 2016	Q3 2015	9M 2016	9M 2015	2015
Total operating revenues	387.3	778.4	2 114.8	2 364.1	3 246.0
Project expenses	(282.7)	(623.9)	(1 702.7)	(1 892.5)	(2 608.5)
Other operating expenses	(54.9)	(53.1)	(162.1)	(158.3)	(217.4)
Other gains (loss)	31.6	-	31.6	-	-
Associated companies and joint ventures	2.3	9.4	(1.8)	19.7	8.3
<b>EBITDA</b>	<b>83.5</b>	<b>110.9</b>	<b>279.8</b>	<b>333.0</b>	<b>428.4</b>
Depreciation and amortisation	(6.1)	(6.1)	(18.2)	(17.9)	(24.1)
<b>EBIT</b>	<b>77.5</b>	<b>104.7</b>	<b>261.5</b>	<b>315.1</b>	<b>404.3</b>
Net financial expenses	(9.8)	(9.4)	(24.4)	(24.5)	(33.1)
<b>Profit/(loss) before taxes</b>	<b>67.7</b>	<b>95.4</b>	<b>237.1</b>	<b>290.6</b>	<b>371.2</b>
Income taxes	(8.5)	(25.9)	(52.0)	(78.8)	(91.8)
<b>Net income</b>	<b>59.2</b>	<b>69.5</b>	<b>185.1</b>	<b>211.8</b>	<b>279.4</b>
<b>Net income for the period attributable to:</b>					
Non-controlling interests	0.0	(1.4)	(0.4)	(1.7)	(1.8)
Shareholders in Selvaag Bolig ASA	59.1	70.9	185.5	213.5	281.1



# Cash Flow statement

(figures in NOK million)	Q3 2016	Q3 2015	9M 2016	9M 2015	2015
Net cash flow from operating activities	(223.8)	279.7	363.2	316.6	465.9
Net cash flow from investment activities	6.8	28.7	(3.7)	(20.8)	(15.5)
Net cash flow from financing activities	79.8	26.0	(288.5)	(57.1)	(344.1)
Net change in cash and cash equivalents	(137.2)	334.4	71.0	238.7	106.4
Cash and cash equivalents at start of period	880.5	470.2	672.3	565.9	565.9
Cash and cash equivalents at end of period	743.3	804.6	743.3	804.6	672.3

# Balance sheet

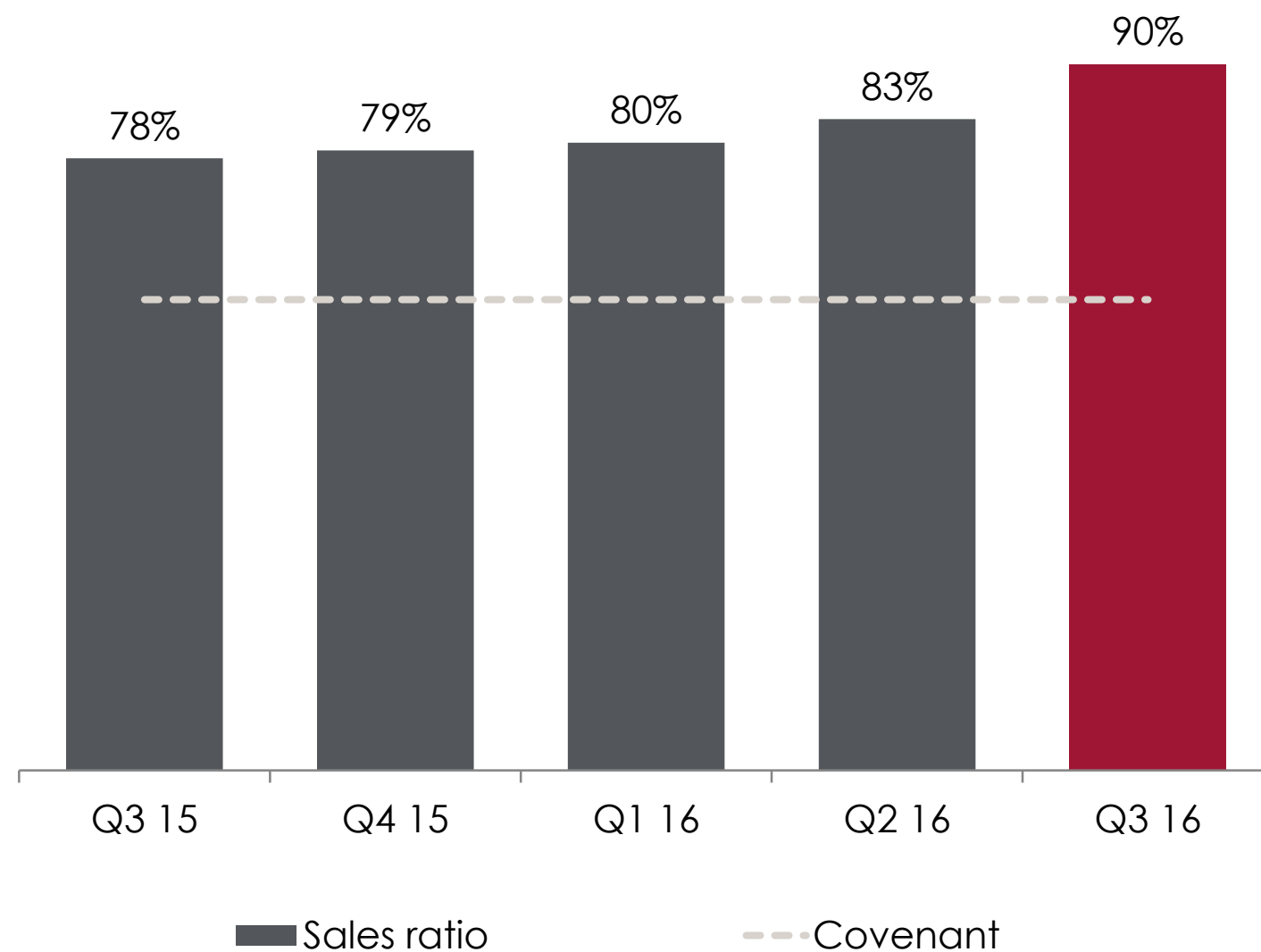
(figures in NOK million)

	Q3 2016	Q2 2016	Q3 2015	2015
Intangible assets	383.4	388.0	401.8	397.2
Property, plant and equipment	11.8	17.4	21.4	20.3
Investments in associated companies and joint ventures	279.5	180.1	192.3	183.4
Other non-current assets	259.4	126.8	122.2	114.6
<b>Total non-current assets</b>	<b>934.1</b>	<b>712.2</b>	<b>737.8</b>	<b>715.5</b>
<b>Inventories (property)</b>	<b>4 390.4</b>	<b>4 286.6</b>	<b>4 663.3</b>	<b>4 715.4</b>
- Land	1 434.7	1 542.9	1 814.1	1 968.8
- Work in progress	2 653.5	2 370.6	2 641.9	2 368.5
- Finished goods	302.3	373.1	207.4	378.1
Other current receivables	139.7	232.9	280.3	147.9
Cash and cash equivalents	743.3	880.5	804.6	672.3
<b>Total current assets</b>	<b>5 273.5</b>	<b>5 400.1</b>	<b>5 748.2</b>	<b>5 535.5</b>
<b>TOTAL ASSETS</b>	<b>6 207.6</b>	<b>6 112.3</b>	<b>6 486.0</b>	<b>6 251.1</b>
Equity attributed to shareholders in Selvaag Bolig ASA	2 577.6	2 590.5	2 547.1	2 539.6
Non-controlling interests	9.2	9.2	13.1	9.6
<b>Total equity</b>	<b>2 586.8</b>	<b>2 599.7</b>	<b>2 560.2</b>	<b>2 549.2</b>
Non-current interest-bearing liabilities	2 145.4	1 648.6	2 470.1	1 846.7
Other non-current non interest-bearing liabilities	202.9	260.2	309.1	262.2
<b>Total non-current liabilities</b>	<b>2 348.2</b>	<b>1 908.8</b>	<b>2 779.2</b>	<b>2 108.9</b>
Current interest-bearing liabilities	301.7	686.2	340.4	771.3
Other current non interest-bearing liabilities	970.8	917.6	806.2	821.7
<b>Total current liabilities</b>	<b>1 272.5</b>	<b>1 603.8</b>	<b>1 146.6</b>	<b>1 593.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 207.6</b>	<b>6 112.3</b>	<b>6 486.0</b>	<b>6 251.1</b>

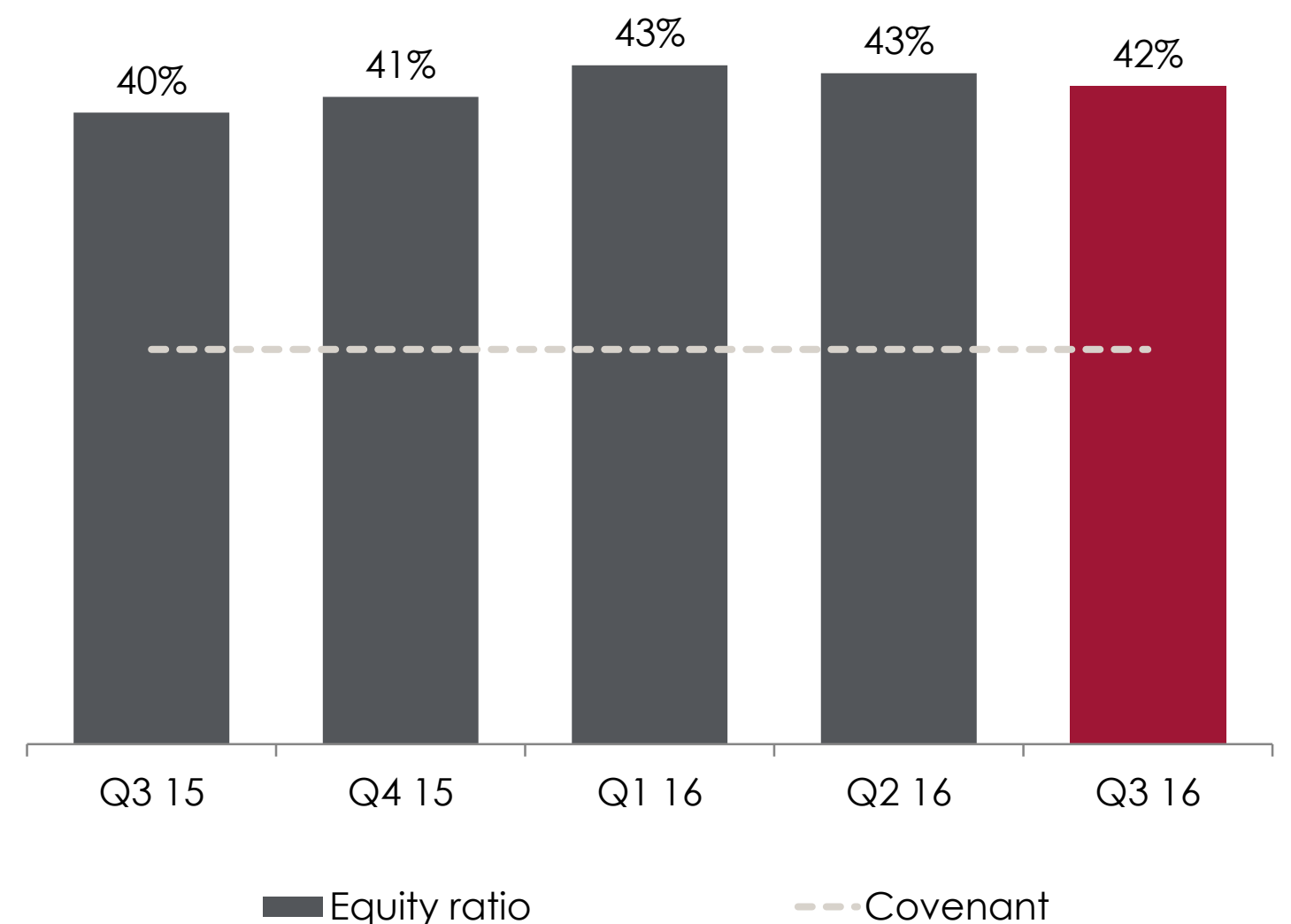


# In compliance with financial covenants

## Sales ratio covenant (minimum 60.0%)



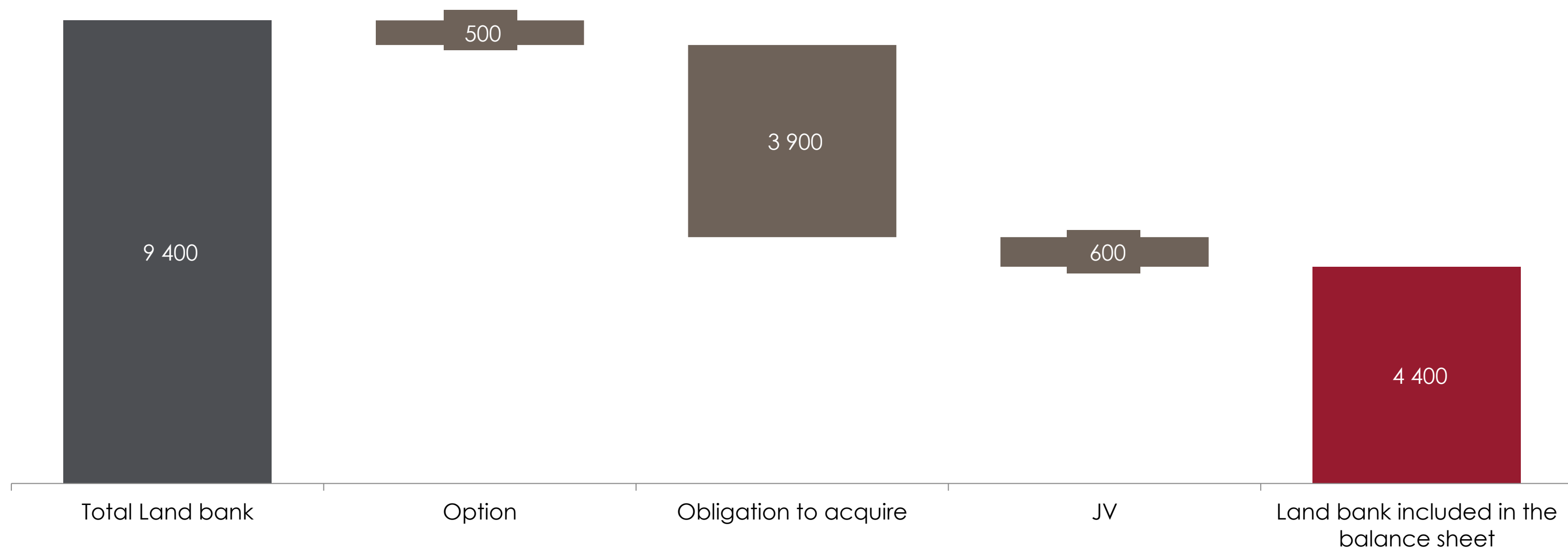
## Equity ratio covenant (minimum 25.0%)



# Substantial portfolio for development

## Total land bank portfolio at 30 September 2016

Units

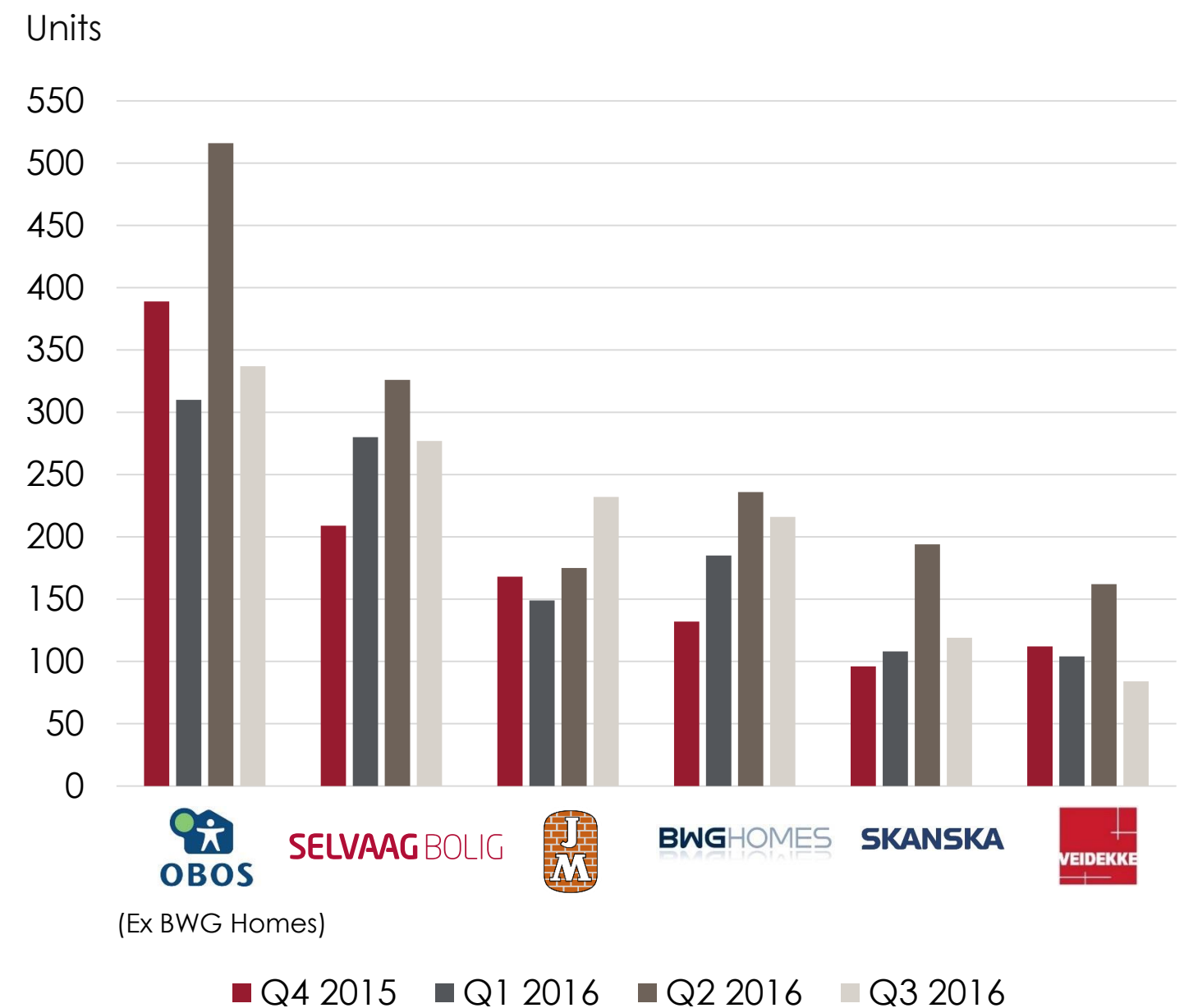




# Strong overall sales

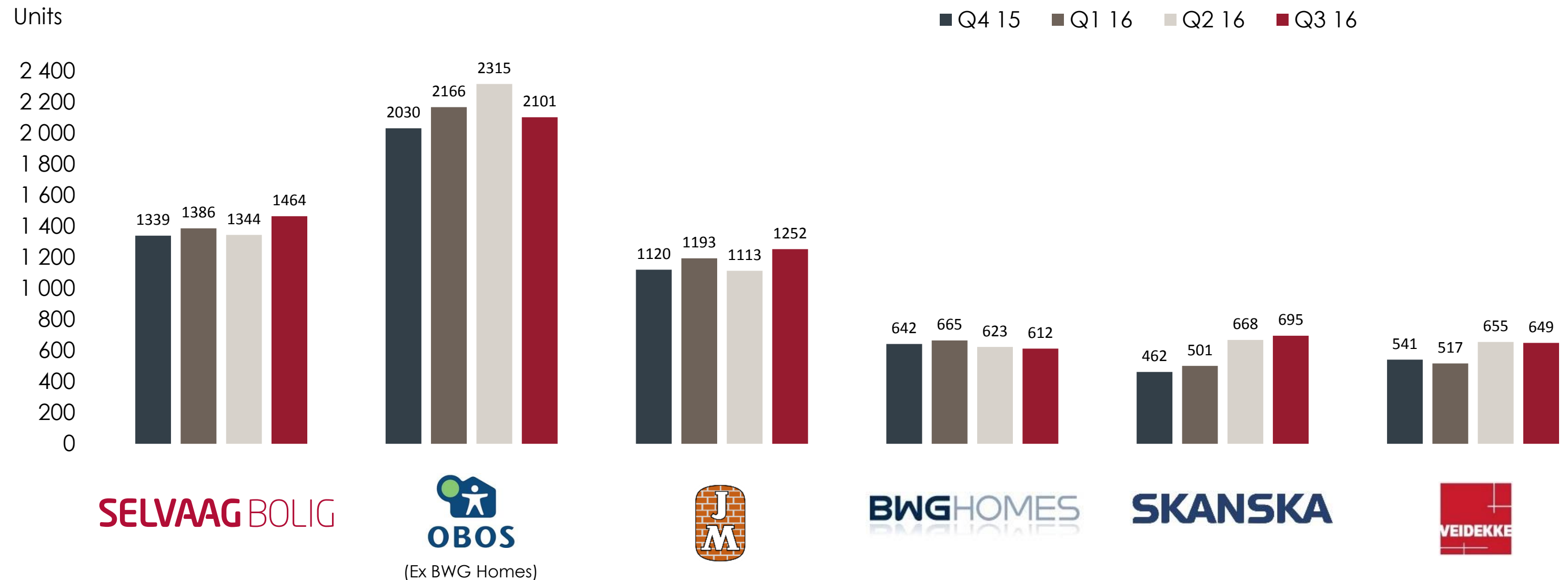
- High sales reflect Selvaag Bolig's competitive prices and defined housing strategy
  - All construction activity put out to competitive tender
  - Large land bank in fast growing urban areas
- Selvaag Bolig average price in Q3 2016: NOK 4.1m

## Sales activity vs. peers last 4 quarters



# Maintaining strong market position

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

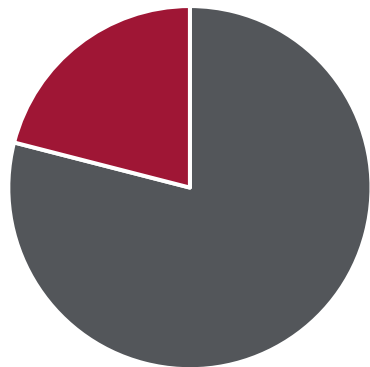




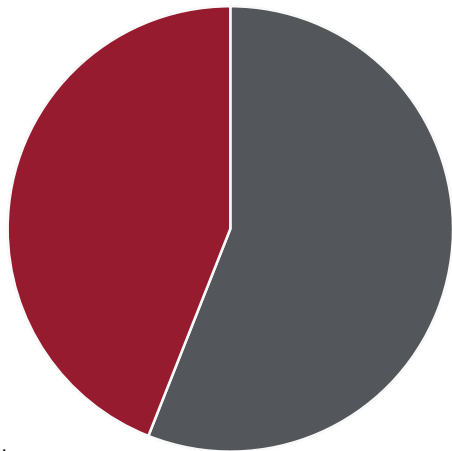
# Market presence as of Q4 15

All core markets

2015 (actual)



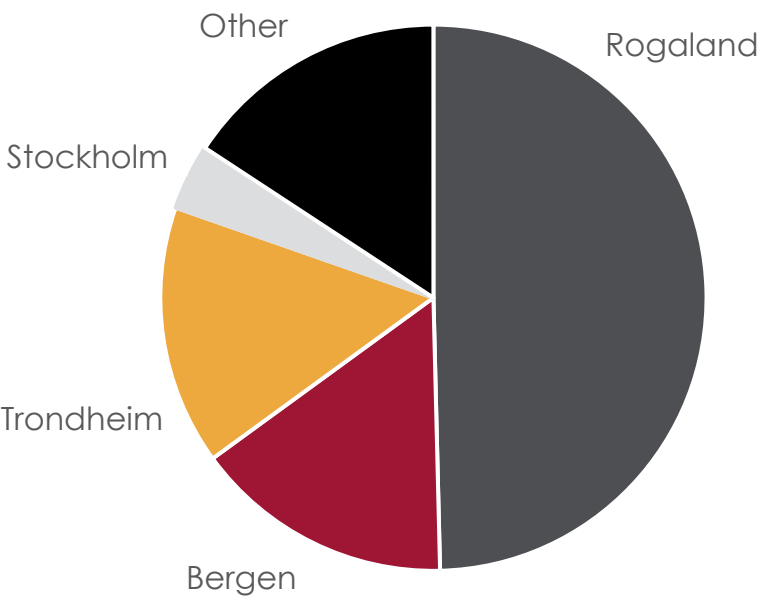
Future (indicative)



■ Greater Oslo ■ Other areas

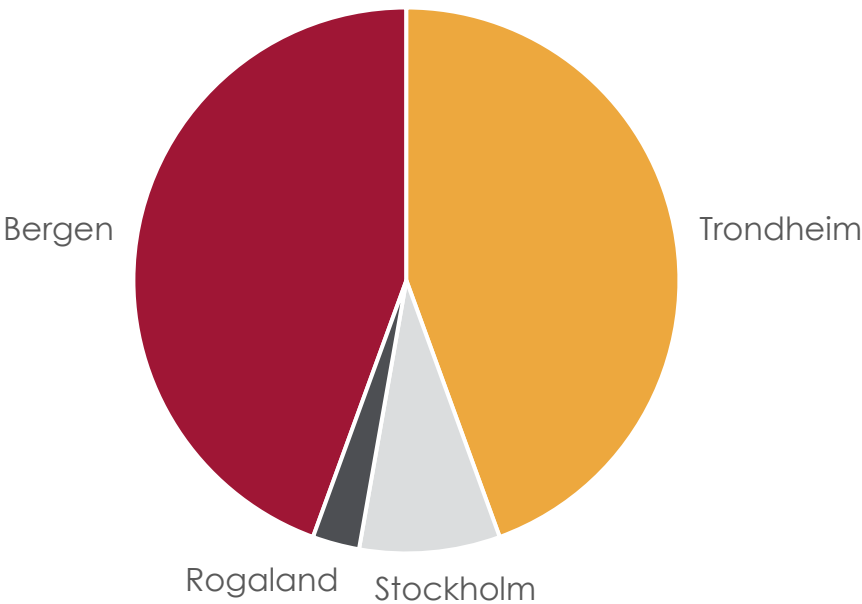
Core markets outside Greater Oslo

2012-2015 (actual)



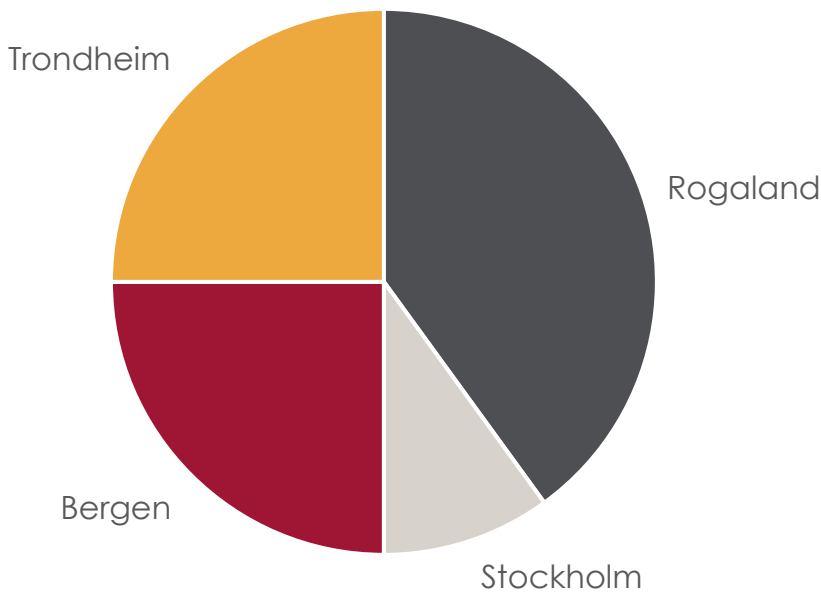
- Fragmented activity in 2012-2014
- Land purchases in core markets only

2016 (indicative)



- Bergen and Trondheim key markets
- Marginal sales in Rogaland

Future (indicative)



- Solid positions est. in Bergen/ Trondheim
- Rogaland expected to recover

# Construction starts in the quarter

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

	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
<b>Kaldnes Dockside D</b> (Modular)	52 apartments					NOK 118m						
<b>Lørenporten</b> (Onsite)	148 apartments									NOK 599m		
<b>Kaldnes Signaturen</b> (Onsite)	23 apartments									NOK 214m		



# Operational highlights – key operating figures

	Q3 15	Q4 15	Q1 15	Q2 16	Q3 16
Number of units sold	208	209	280	326	277
Number of construction starts	204	171	230	253	223
Number of units completed	172	258	183	295	103
Number of units delivered	202	235	179	307	129
Number of units under construction	1 426	1 339	1 386	1 344	1 464
Proportion of sold units under construction	78%	79%	80%	83%	90%
Number of completed unsold units	25	65	58	54	48
Sales value of units under construction (NOK million)	5 077	4 740	5 031	5 075	5 775
Number of employees	99	99	100	100	100

# IFRS EBITDA Q3 2016

(figures in NOK million)	Property development	Other	Total
<b>IFRS EBITDA for the quarter, per segment</b>			
Operating revenues	376.9	10.5	387.4
Project expenses	(283.6)	0.8	(282.8)
Other operating expenses	(13.5)	(41.4)	(54.9)
Share of income (losses) from associated companies and joint ventures	2.3	-	2.3
Other gain (loss), net	31.6	-	31.6
<b>EBITDA</b>	<b>113.6</b>	<b>(30.1)</b>	<b>83.5</b>



# Operational reporting Q3 2016

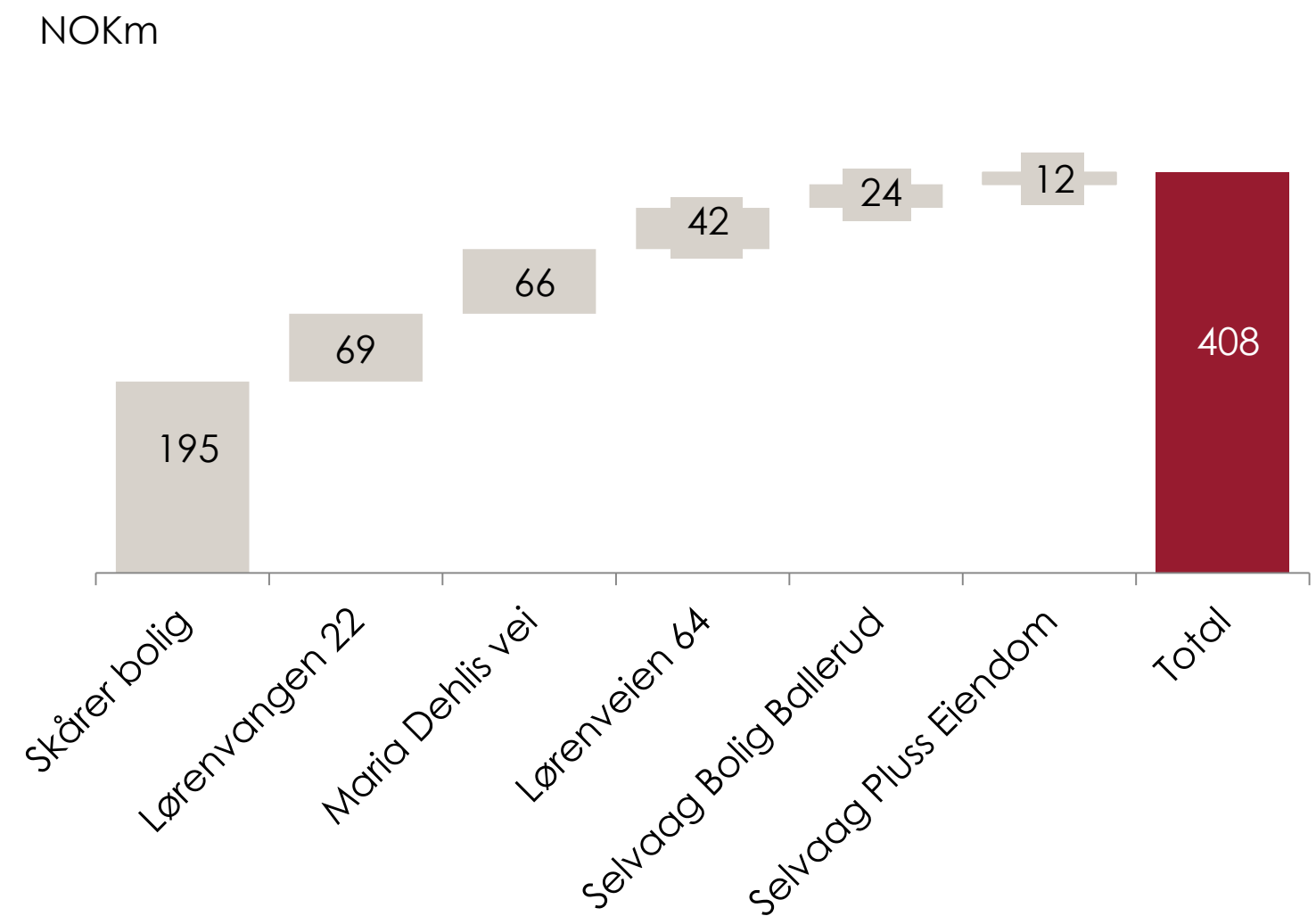
<b>(figures in NOK million)</b>	Property development	Other	Total
<b>Operating revenues</b>	<b>930.4</b>	<b>10.5</b>	<b>940.9</b>
Project expenses	(683.8)	0.8	(683.0)
Other operating expenses	(13.5)	(41.4)	(54.9)
<b>EBITDA (percentage of completion)</b>	<b>233.0</b>	<b>(30.1)</b>	<b>203.0</b>

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

# Land loan interests on the P&L

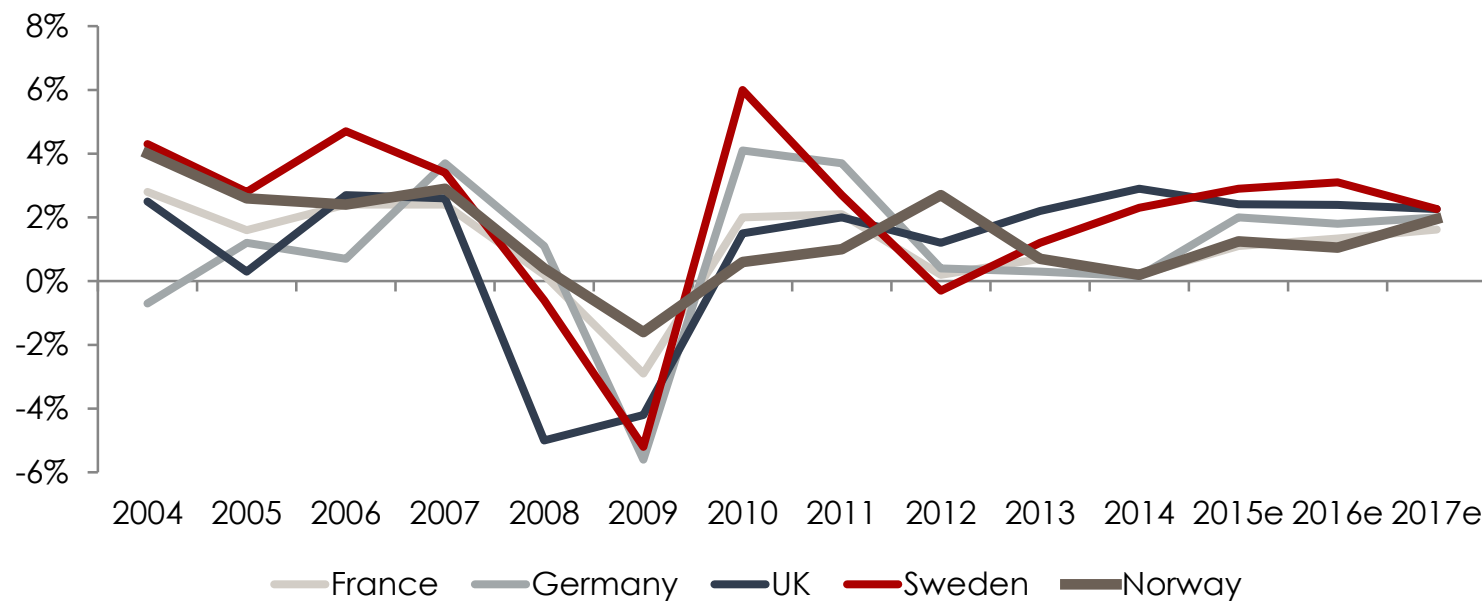
- Total land loans are NOK 945 million of which NOK 537 million are loans where interest cost are activated
- Land loan interests activated at regulation
- At 30 September interests connected to land loans of NOK 408 million was charged on the P&L

## Loans recognised in profit and loss at 30.09.2016

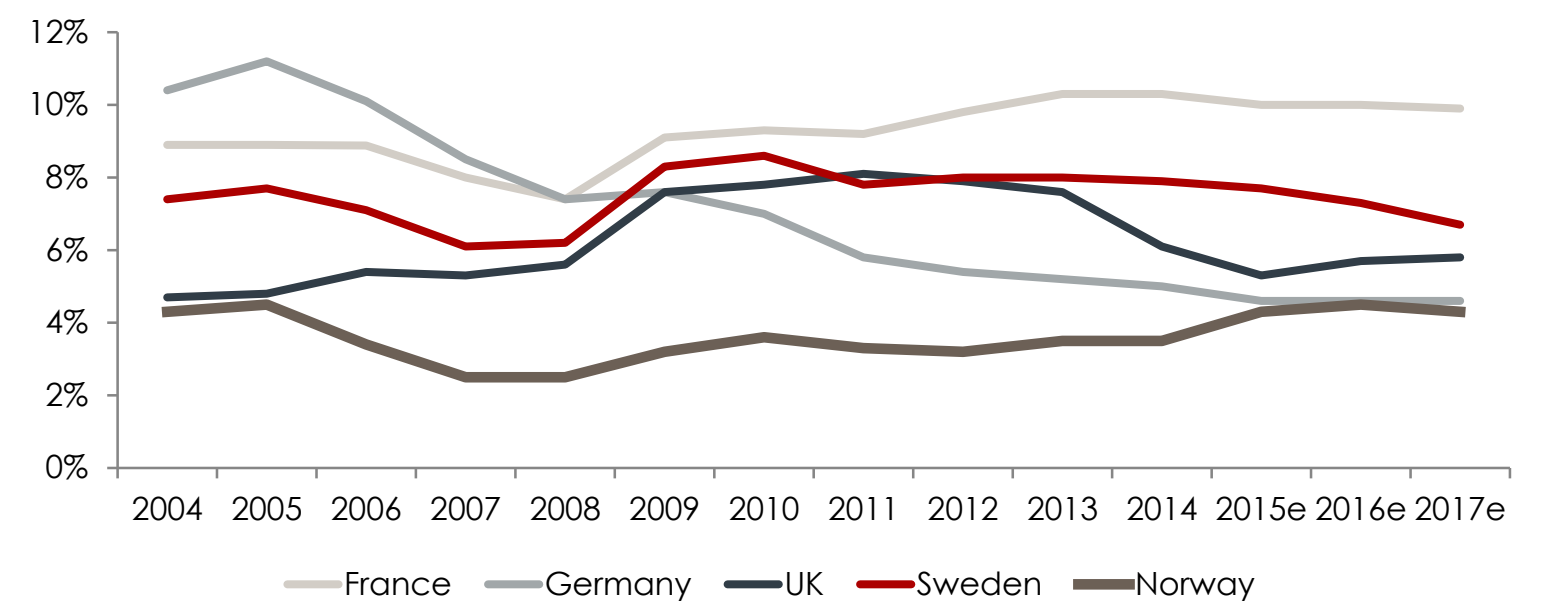


# Norway: A robust economy

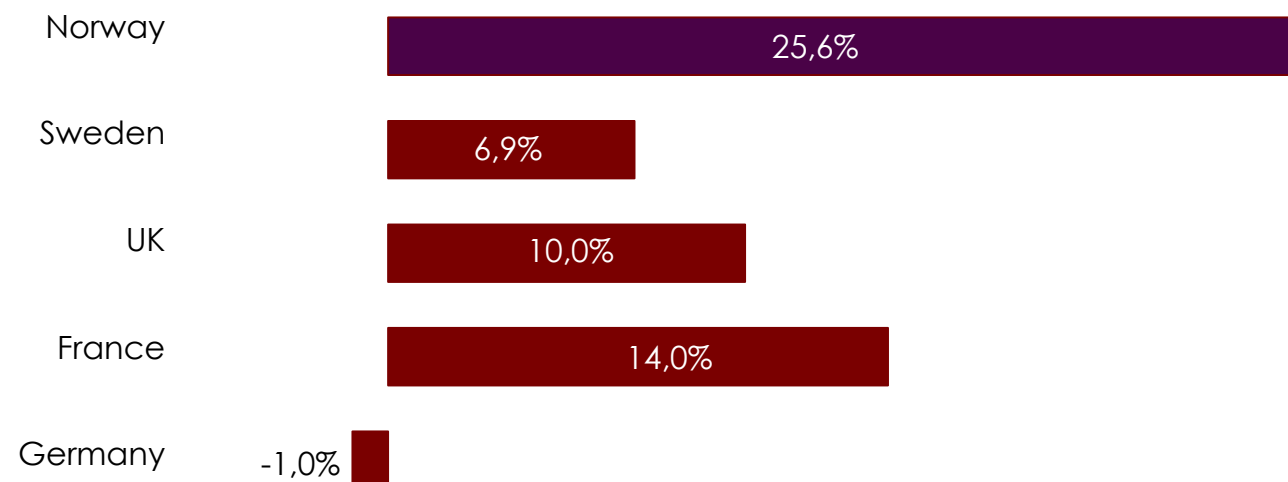
GDP growth 2004 - 2017e



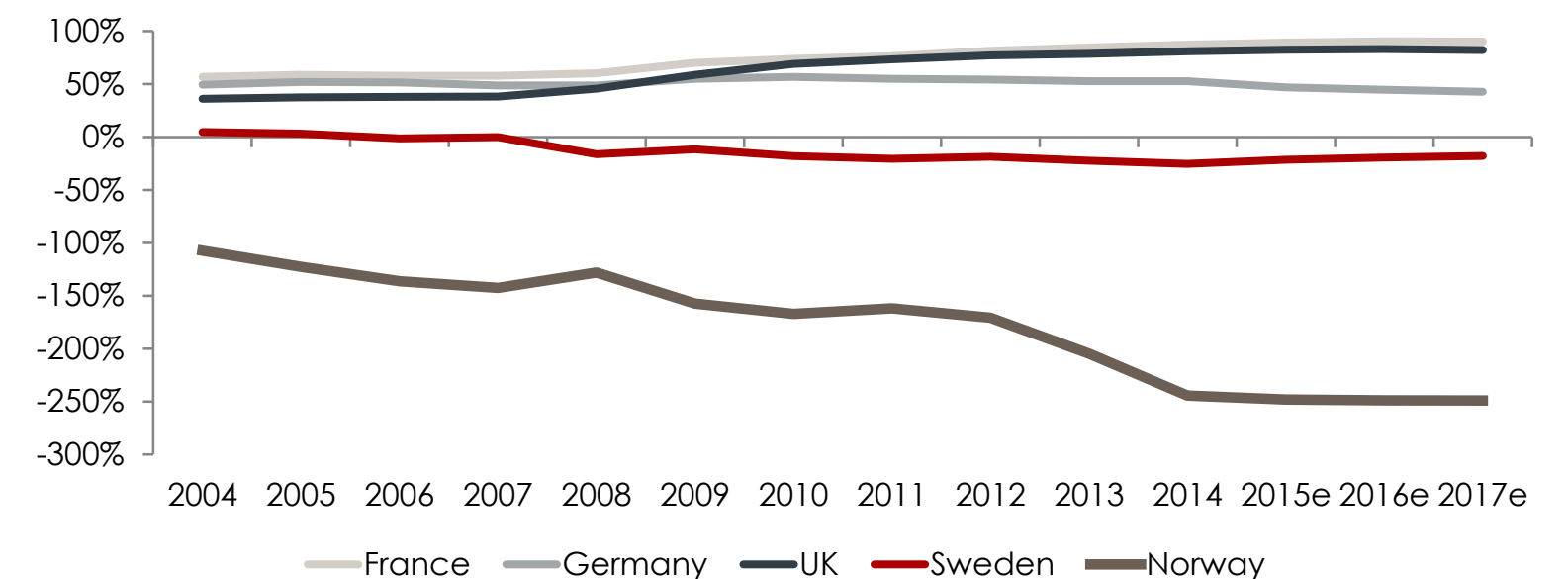
Unemployment 2004 - 2017e



Population growth 2011 - 2030e



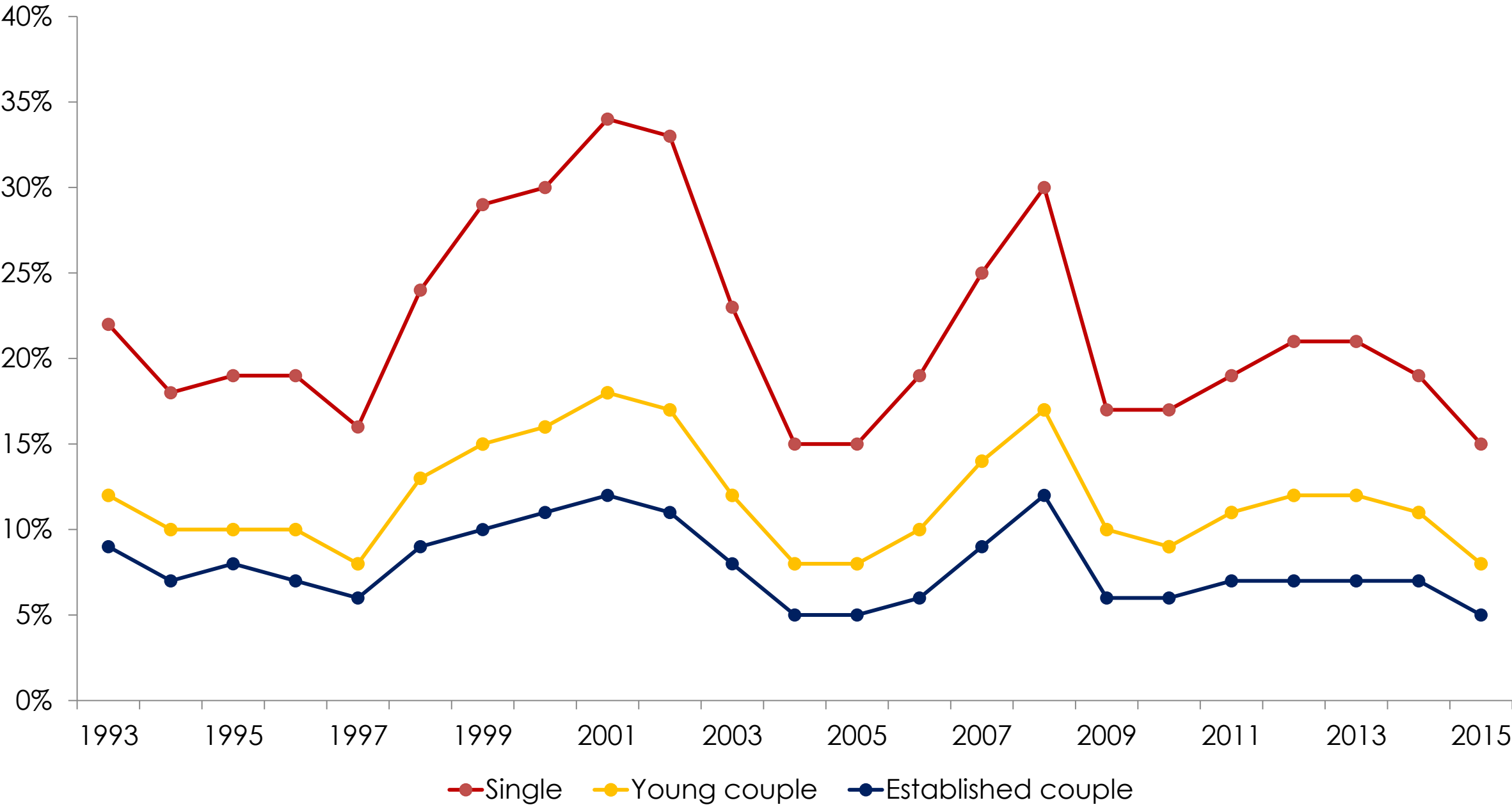
Public net debt/GDP 2004 - 2017e





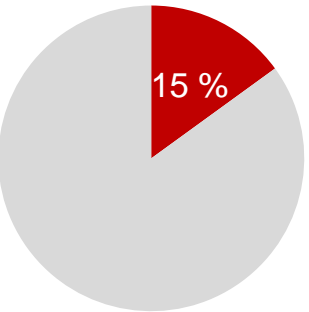
# Increased disposable income

Interest payments as %  
of disposable income

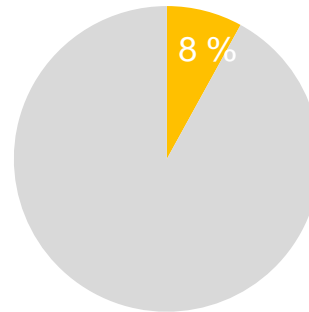


2015

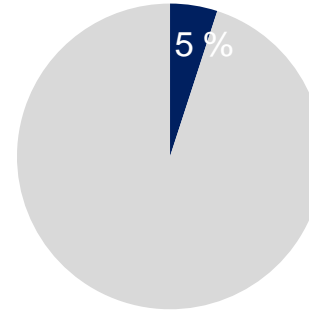
Single



Young couple



Established couple



Source: 1993- 2013 Eff, Pöyry. 2014-2015 NyAnalyse. Interest payments on new home loans with the home as collateral is considered