

# Q3 2018

Oslo 14 November 2018  
Olav H. Selvaag, acting CEO  
Sverre Molvik, CFO

# SELVAAG BOLIG



# Agenda

- **Highlights**
- Operational update
- Financial update
- Market
- Summary





# Long-term housing development

- **Nearly 60 000 homes** over the last 70 years, 5 000 since 2012
- **Urban development**, large projects in growing regions
- **Housing for all**, competitive housing offering





# Highlights Q3 2018

- Continued strong results and margins
- Stable market conditions despite interest rate increase
- New CEO appointed
- Positioned with competitive housing offering and substantial capacity



## HIGHLIGHTS

# Key financials Q3 2018

Operating revenues

**473**

NOK million

Adjusted EBITDA\* margin

**17.9**

per cent

Operating revenues (NGAAP)

**706**

NOK million

EBITDA\*\* margin (NGAAP)

**21.9**

per cent

\* EBITDA is profit before interest, taxes, depreciation and amortization. EBITDA adjusted is excluding financial expenses included in project costs

\*\* EBITDA is operating profit before depreciation, gains (losses) and profit from associated companies



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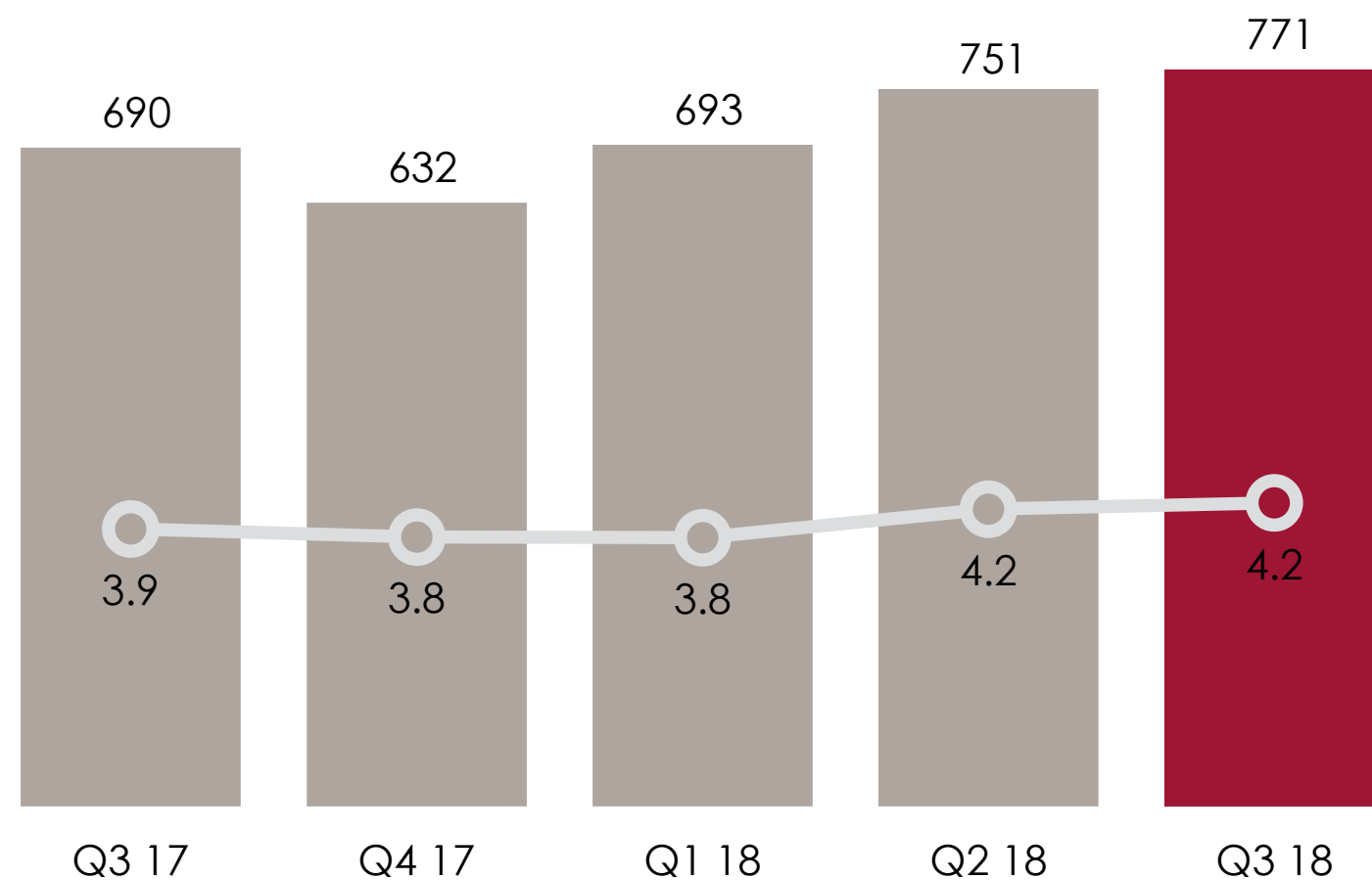




# Sales value and units sold

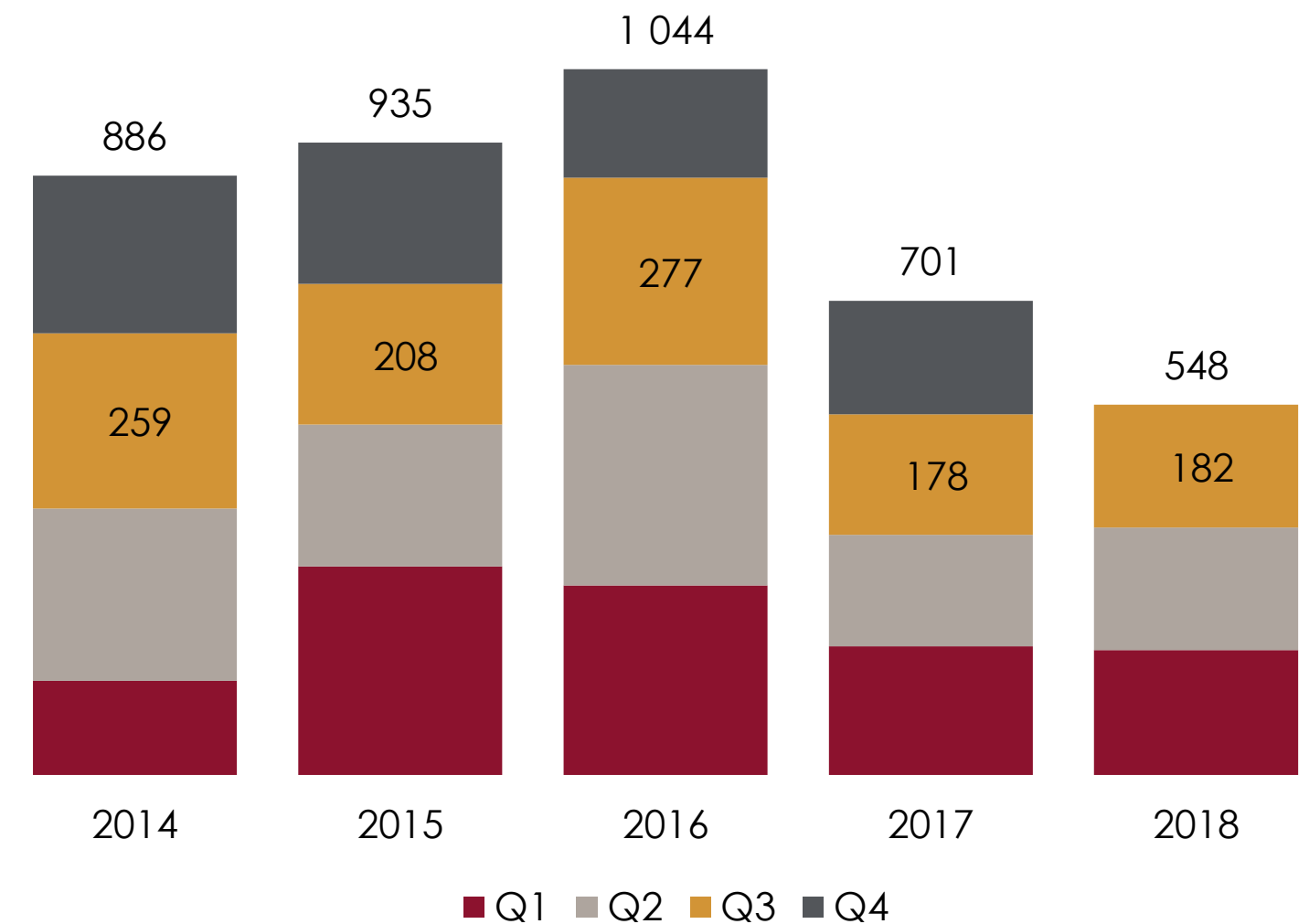
## Total and average sales value

NOK million



## Number of units sold per quarter

Units

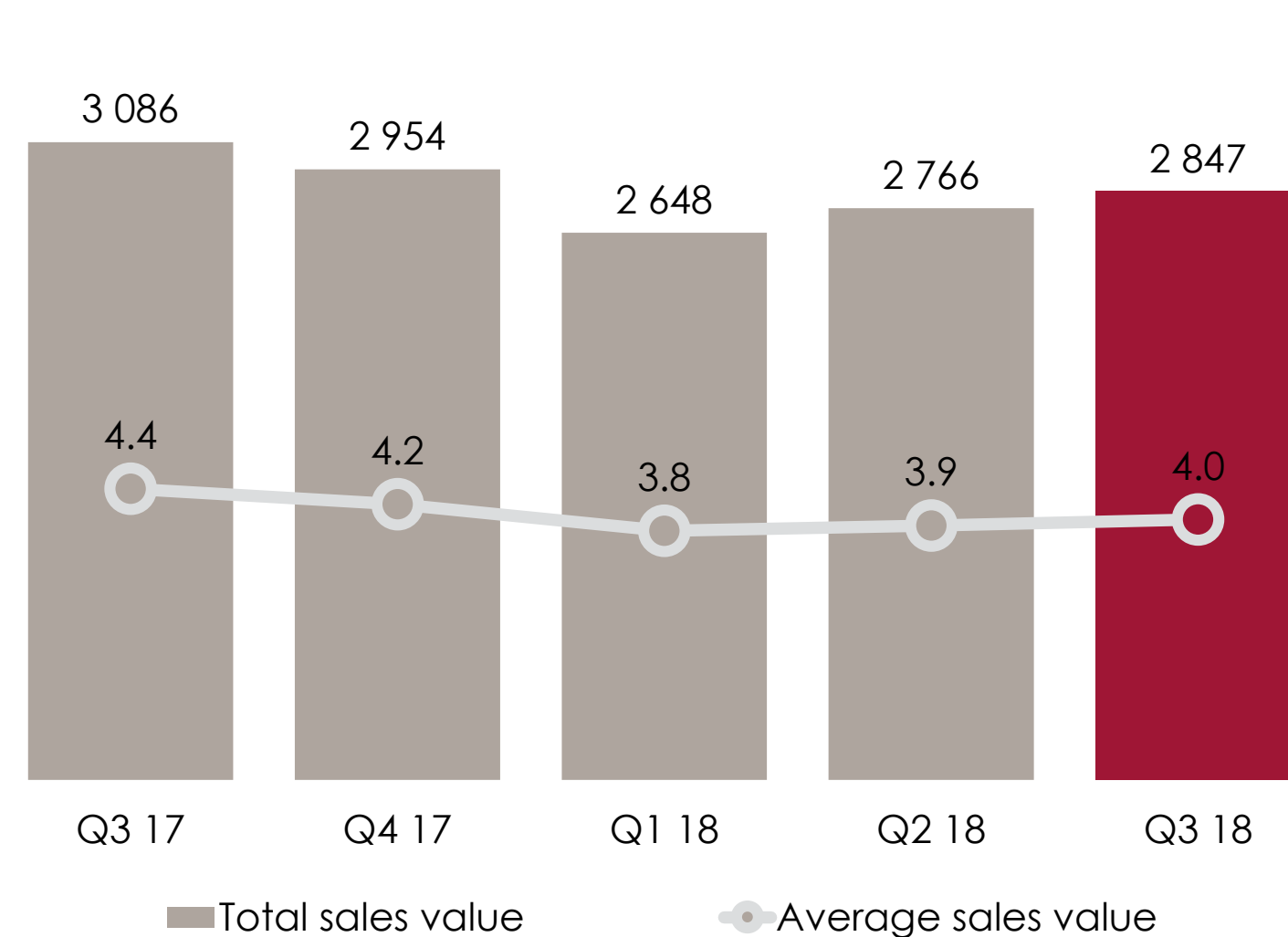


Note: All numbers are adjusted for Selvaag Bolig's share in joint ventures

# Rolling sales value and units sold

## Sales value: 12 months rolling

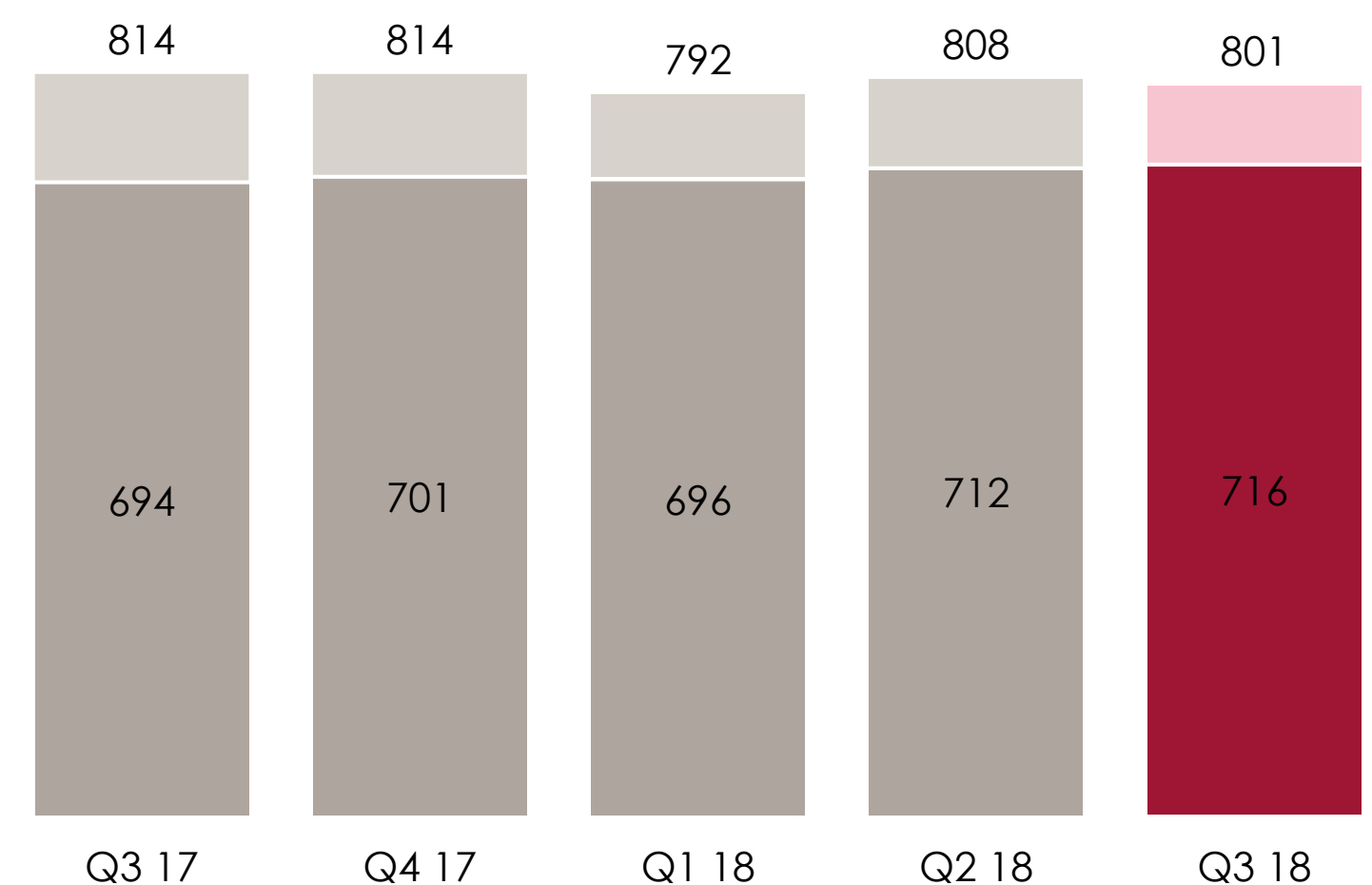
NOK million



Note: Sales value is adjusted for Selvaag Bolig's share in joint ventures

## Units sold: 12 months rolling

Units



\*Total columns show Selvaag Bolig's gross sales

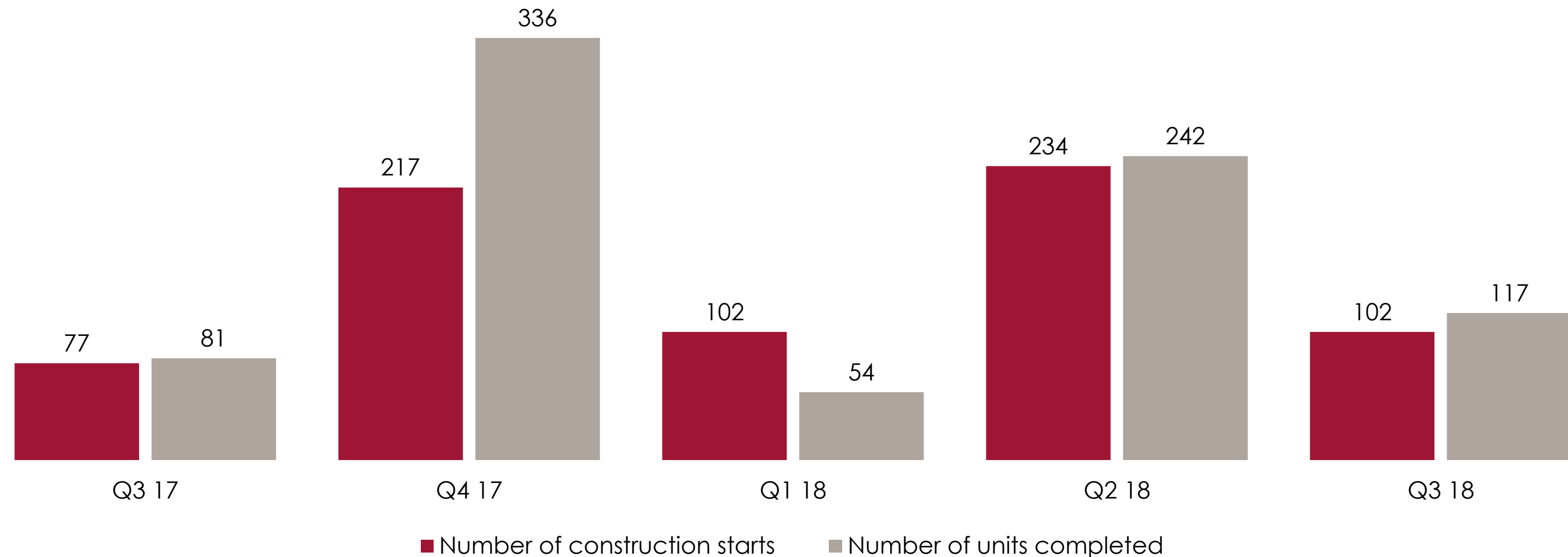
\*\*Columns excluding dotted areas show Selvaag Bolig's net sales



# Construction starts and completions

## Construction starts and completions per quarter

Units

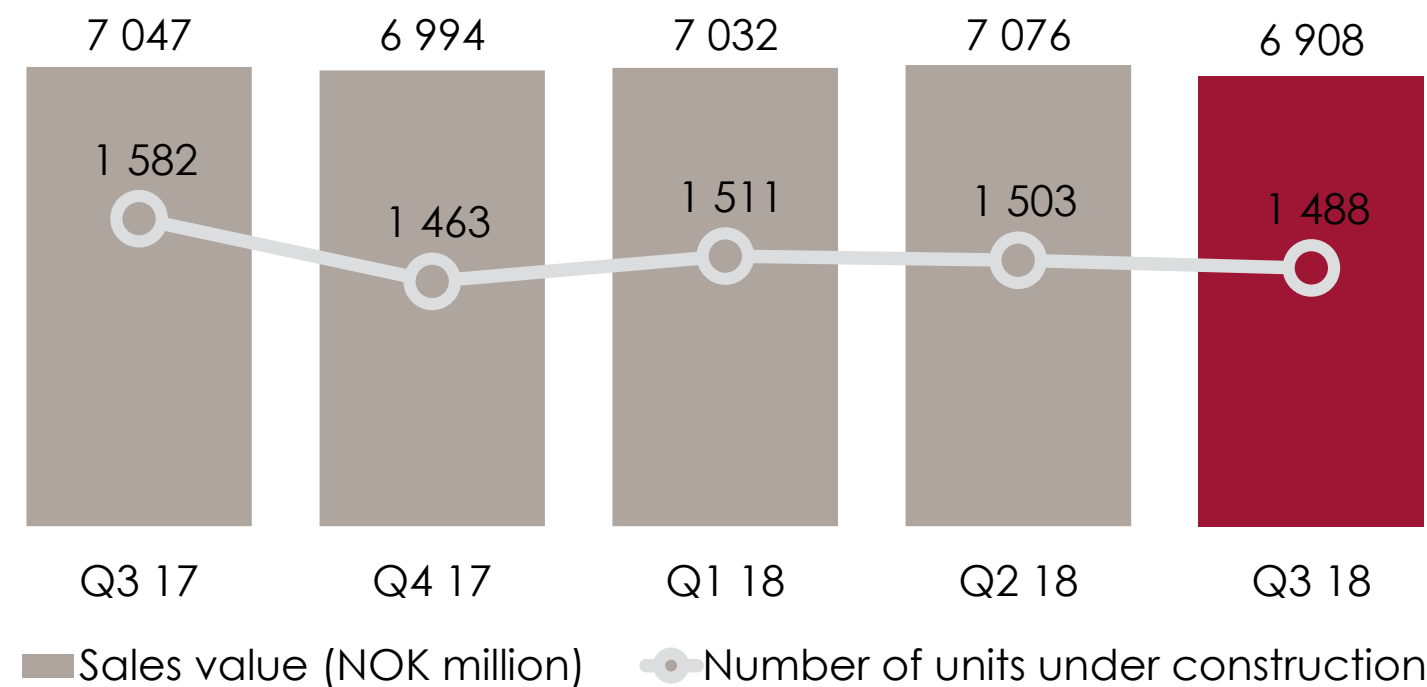




# Units under construction and completions

## Sales value units under construction

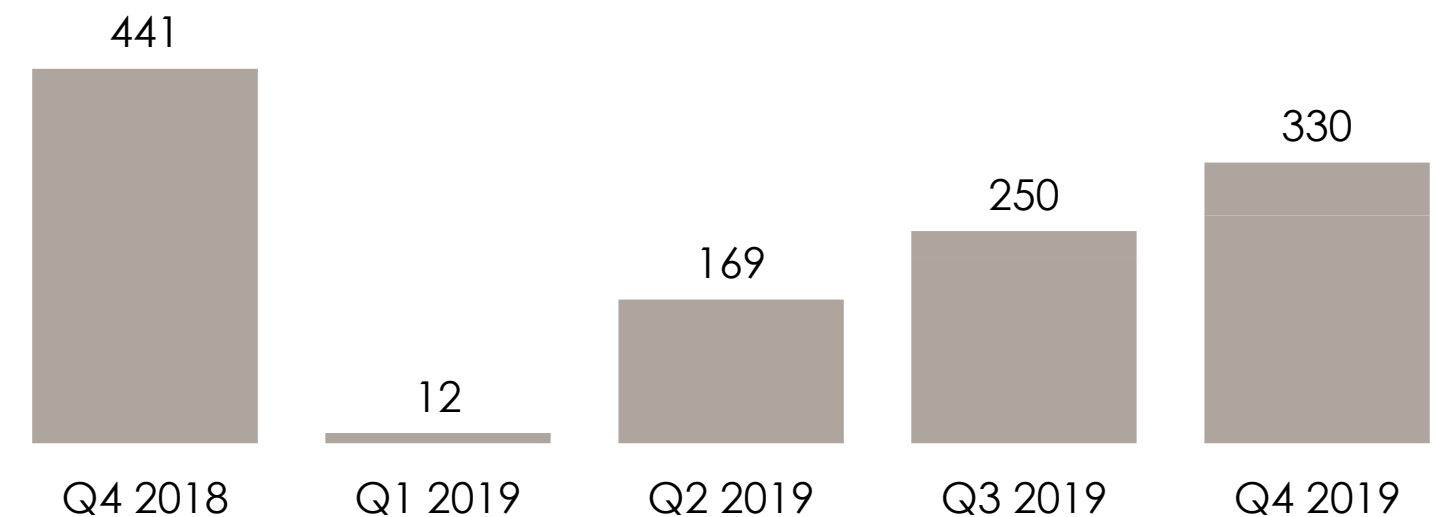
NOK million



- High value of units under construction
- Q3 2018: 74% of units under construction sold by Q3 2018
- Q3 2018: 82% of construction volume in Greater Oslo
  - Of which 78% in Oslo. Rest of volume in Lørenskog, Moss and Tønsberg

## Expected completions per quarter

Units



- Expected completions for 2018 as of Q3 18: 854 units
- 96% of 2018 completions sold by Q3 2018



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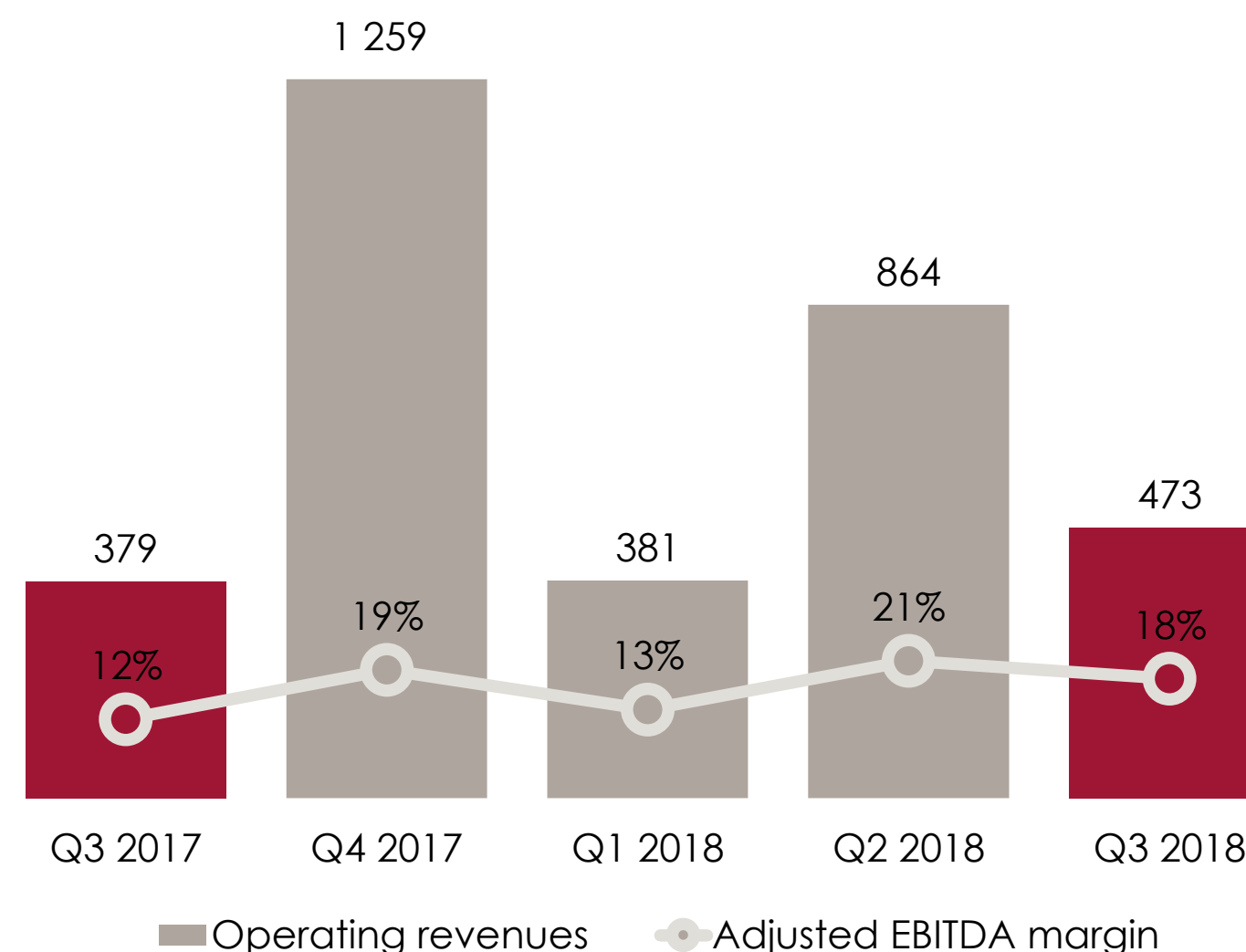


# Income statement highlights Q3 2018 (IFRS)

- 126 units delivered (75)
- Revenues NOK 473m (379)
  - Units delivered NOK 459m (359)
  - Other revenues NOK 15m (20)
- Project costs NOK 372m (297)
  - Of which NOK 10m is interest (19)
- Other costs NOK 58m (54)
  - Salaries, sales and marketing
- Adjusted EBITDA NOK 85m (45)
  - Adjusted for financial expenses included in project costs
- EBITDA NOK 75m (26)
- EPS in the quarter NOK 0.61 (0.18)

## Revenues and adjusted EBITDA margin (IFRS)

NOK million

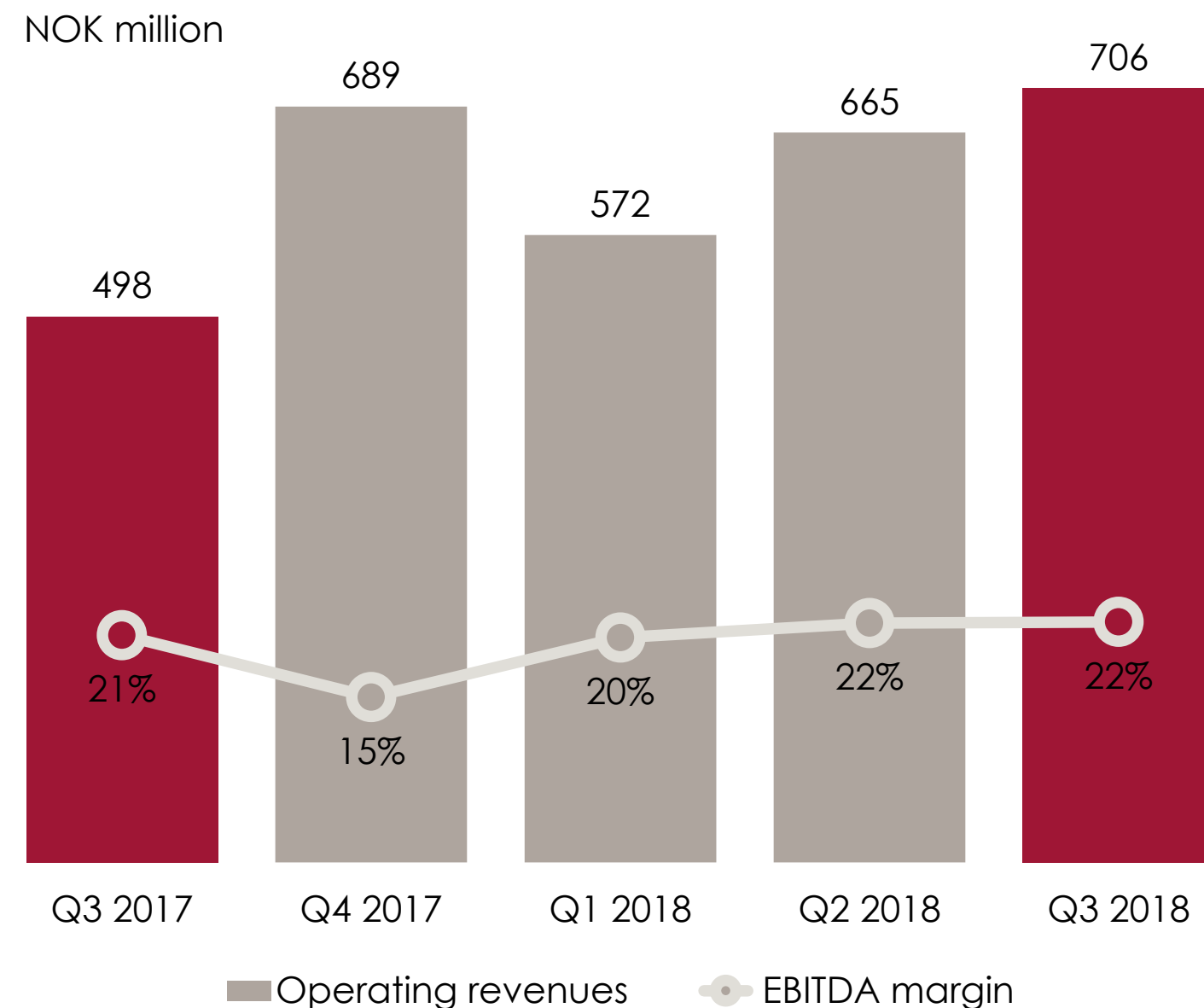


Note: EBITDA is profit before interest, taxes, depreciation and amortization. EBITDA adjusted is excluding financial expenses included in project costs

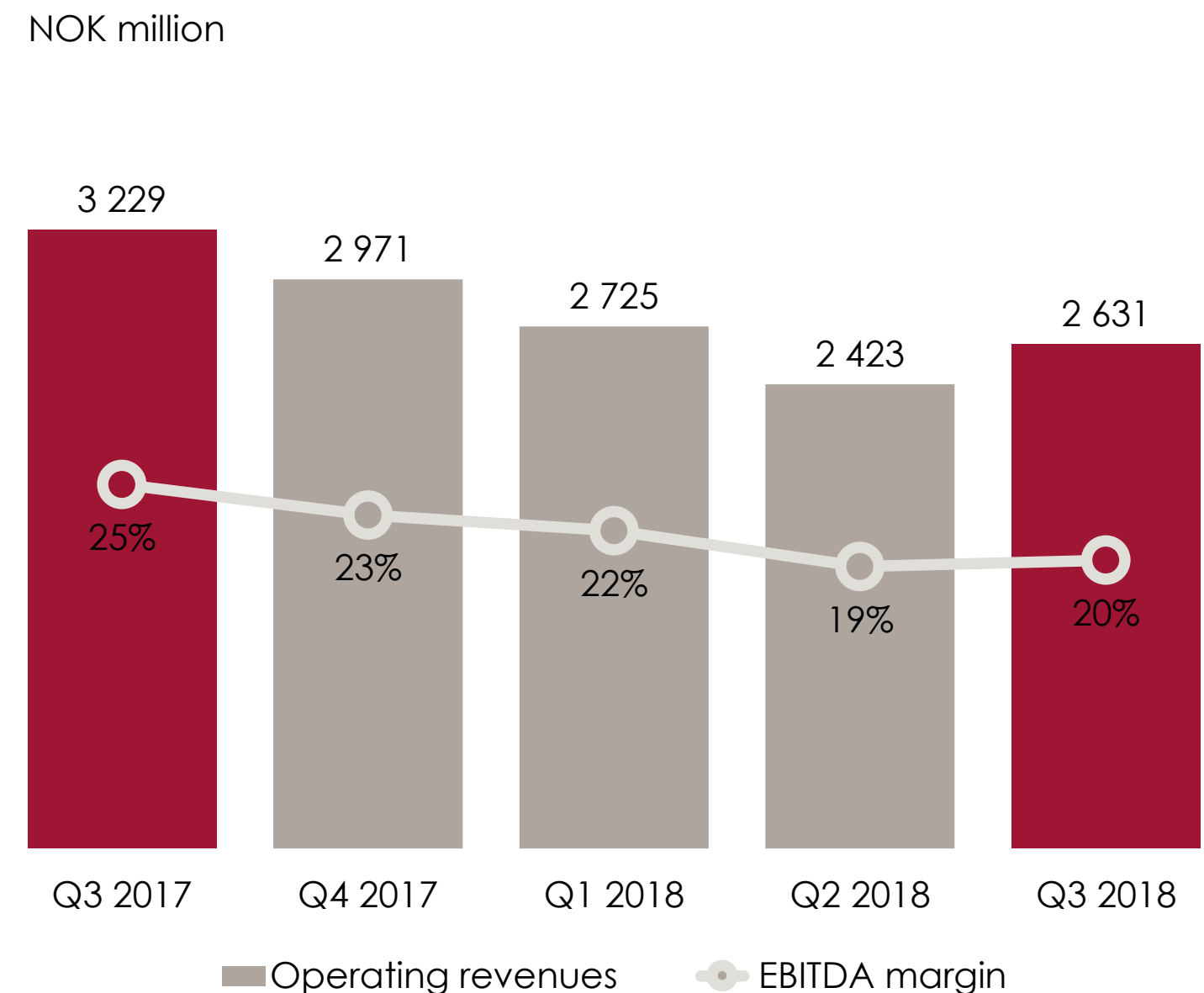


# Income statement highlights Q3 2018 (NGAAP)

## Revenues and EBITDA margin (NGAAP)\*



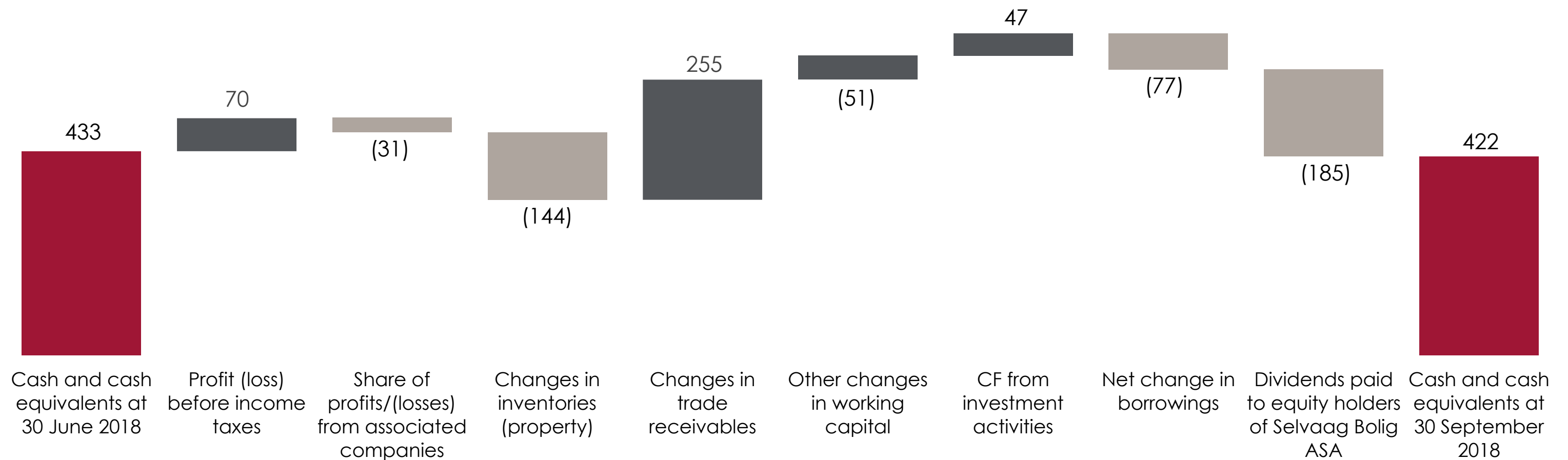
## 12 months rolling revenues (NGAAP)\*



\* Construction costs are exclusive of financial expenses in the segment reporting (NGAAP)  
 Note: EBITDA is operating profit before depreciation, gains (losses) and profit from associated companies

# Cash flow development Q3 2018

NOK million



- Cash flow from operations positive at NOK 203m mainly explained by units delivered in June and payment in July
- Cash flow from investment activities positive at NOK 47m mainly due to dividend from associated company
- Cash flow from financing activities negative at NOK 261m mainly due to dividend payment of NOK 185 and net decrease in loans

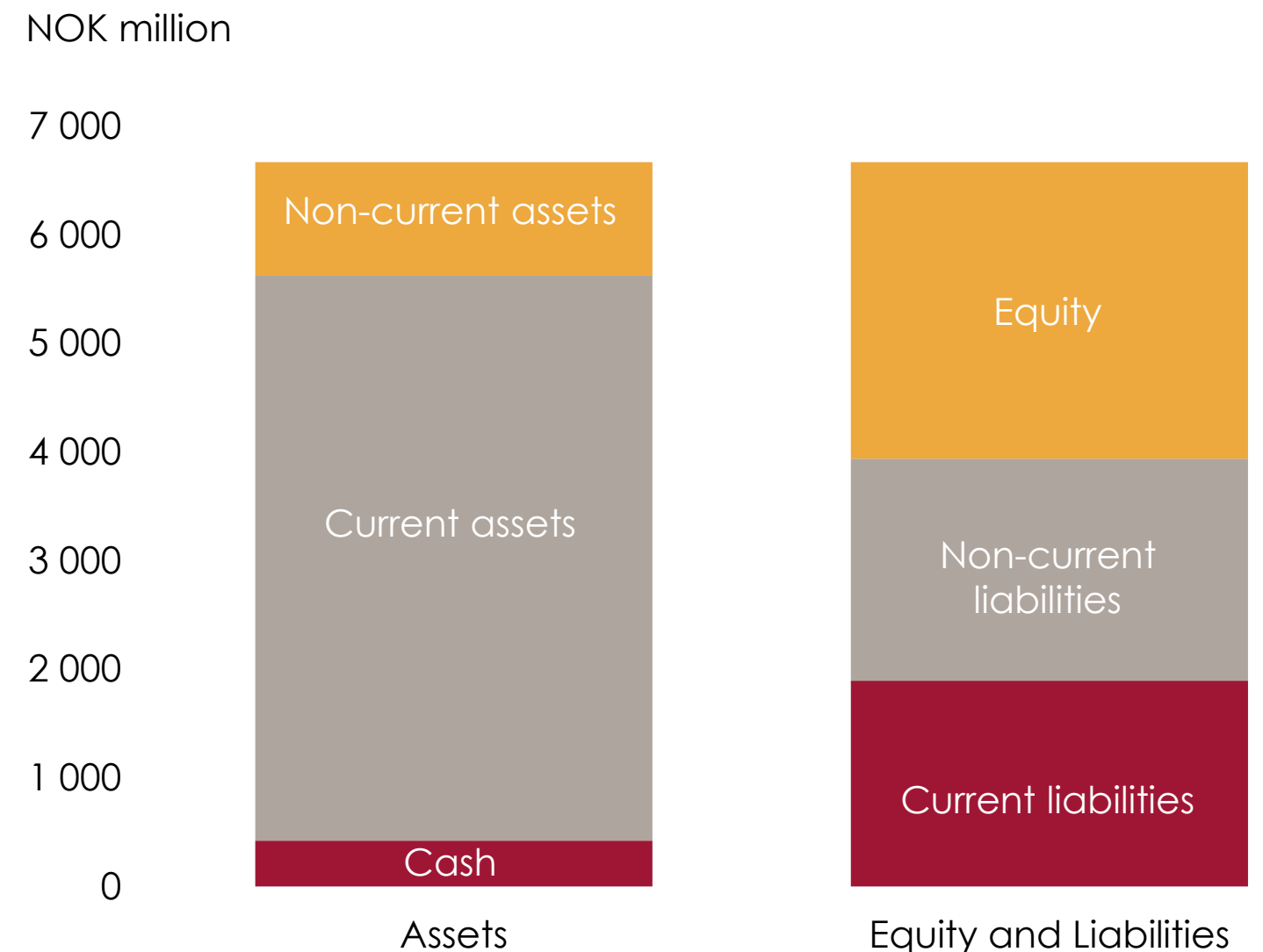
Note: Amounts below NOK 5m are excluded from the cash flow overview



# Balance sheet highlights Q3 2018

- Book value decreased by NOK 1.4 to NOK 29.0 per share
  - Paid dividend of NOK 2.00 per share
  - Equity ratio 40.9%
- Changes from Q2 2018:
  - Inventories increased by NOK 160m
  - Trade receivables decreased by NOK 255m
  - Cash decreased by NOK 11m
- Prepayments from customer's accounts for NOK 337m of other current non-interest-bearing liabilities

## Balance sheet composition

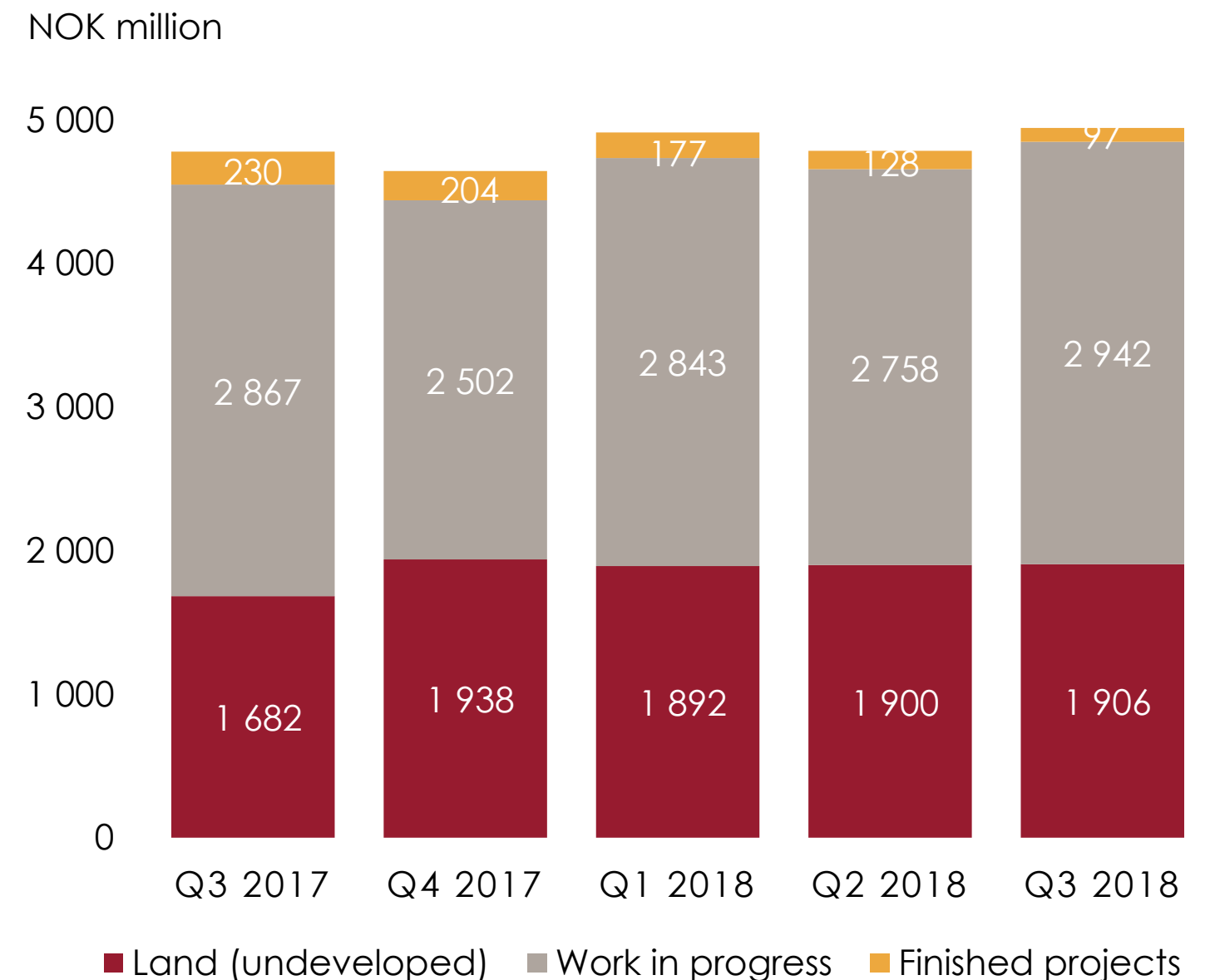


# Inventories (property) Q3 2018

## Q3 18 vs Q2 18

- Land value up NOK 6m
- Work in progress up NOK 185m
  - Mainly due to units under construction
- Finished goods down NOK 31m
  - Due to units delivered

## Inventory value development

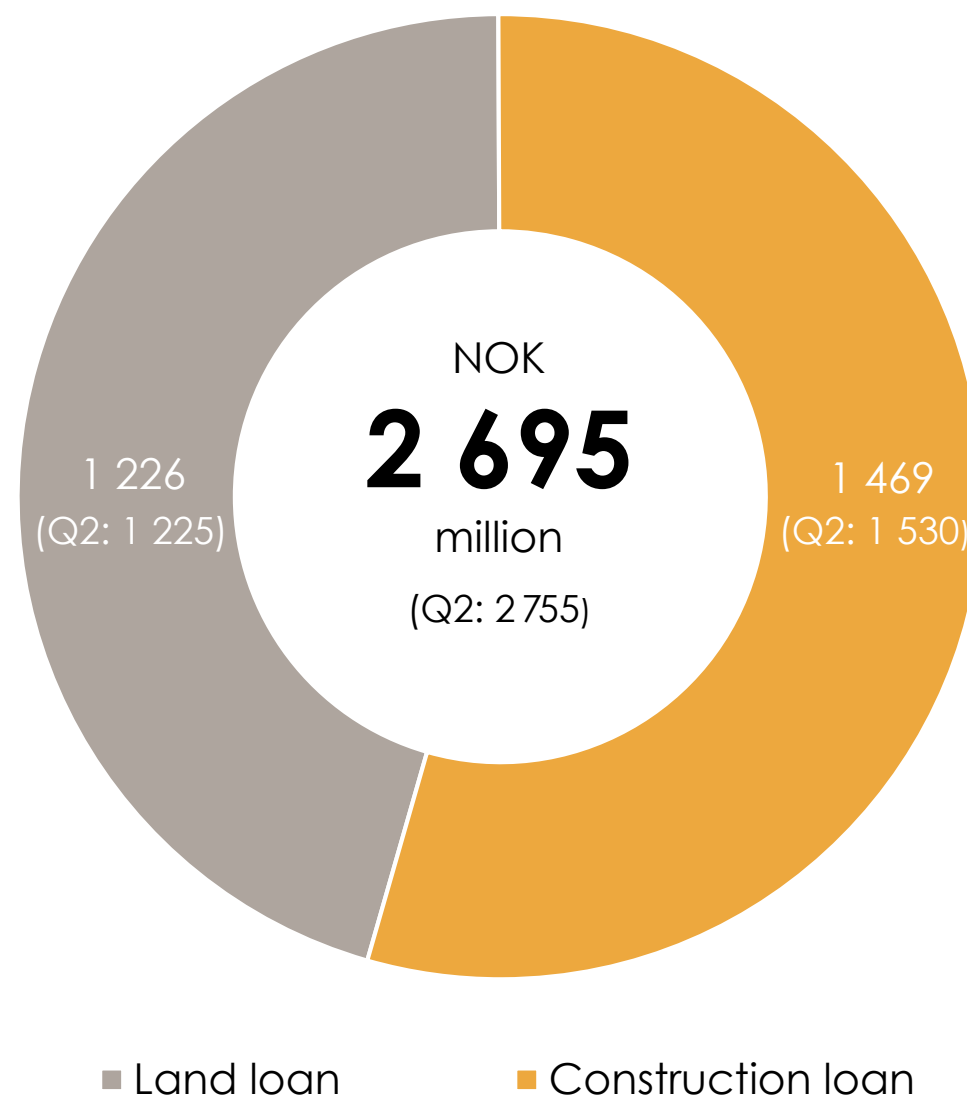




# Debt structure

## Interest-bearing debt as at 30 September 2018

NOK million



	Loan facility	Drawn at 30 Sep. (NOKm)	Interest rate margin
1	NOK 500 million revolving credit facility from DNB maturing in 2022	0	3.40%
2	NOK 150 million working capital facility from DNB maturing in 2018	0	2.00%
3	Land loan facilities from a range of Nordic credit institutions	1 226	2.00% - 2.50%
4	Construction loan facilities from a range of Nordic credit institutions	1 469	1.75% - 2.60%

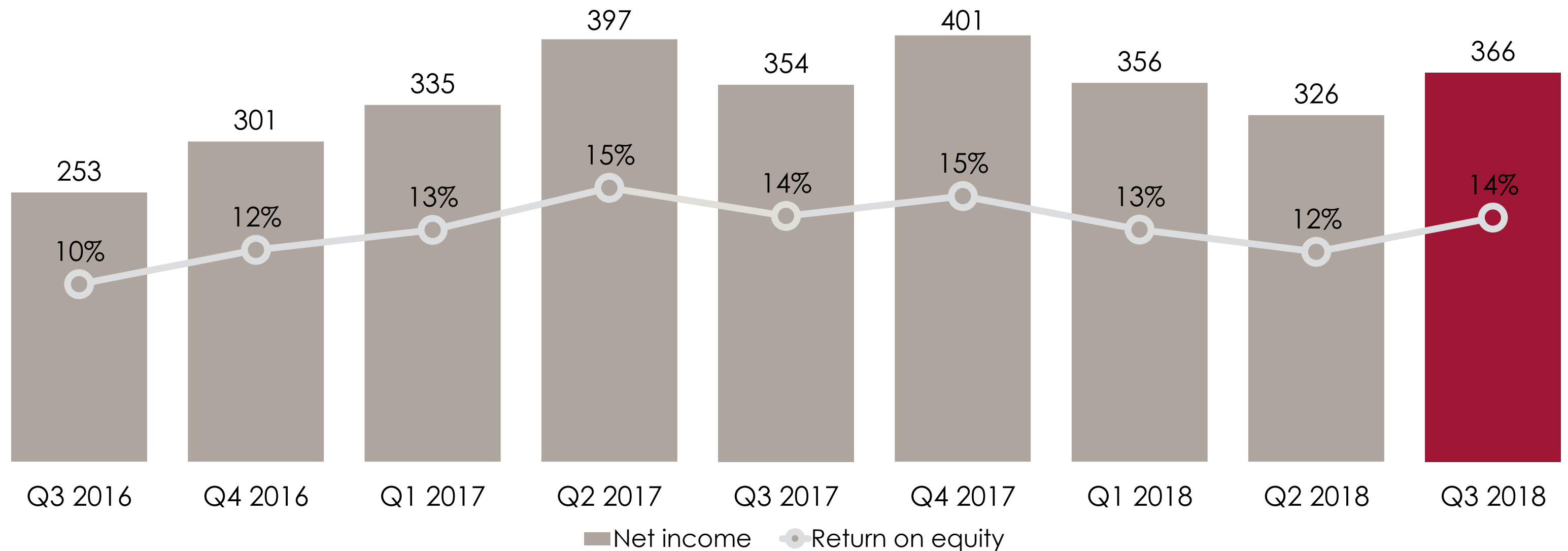
**Total Q3 2018 net interest-bearing debt NOK 2 273 million**

Total Q2 2018 net interest-bearing debt NOK 2 322 million

# Return on equity (IFRS)

## 12 months rolling net income (IFRS)\* and return on equity\*\*

NOK million



\* Net income attributable to shareholders in Selvaag Bolig ASA

\*\* Based on equity at the start of the period (attributed to shareholders in Selvaag Bolig ASA)



# Agenda

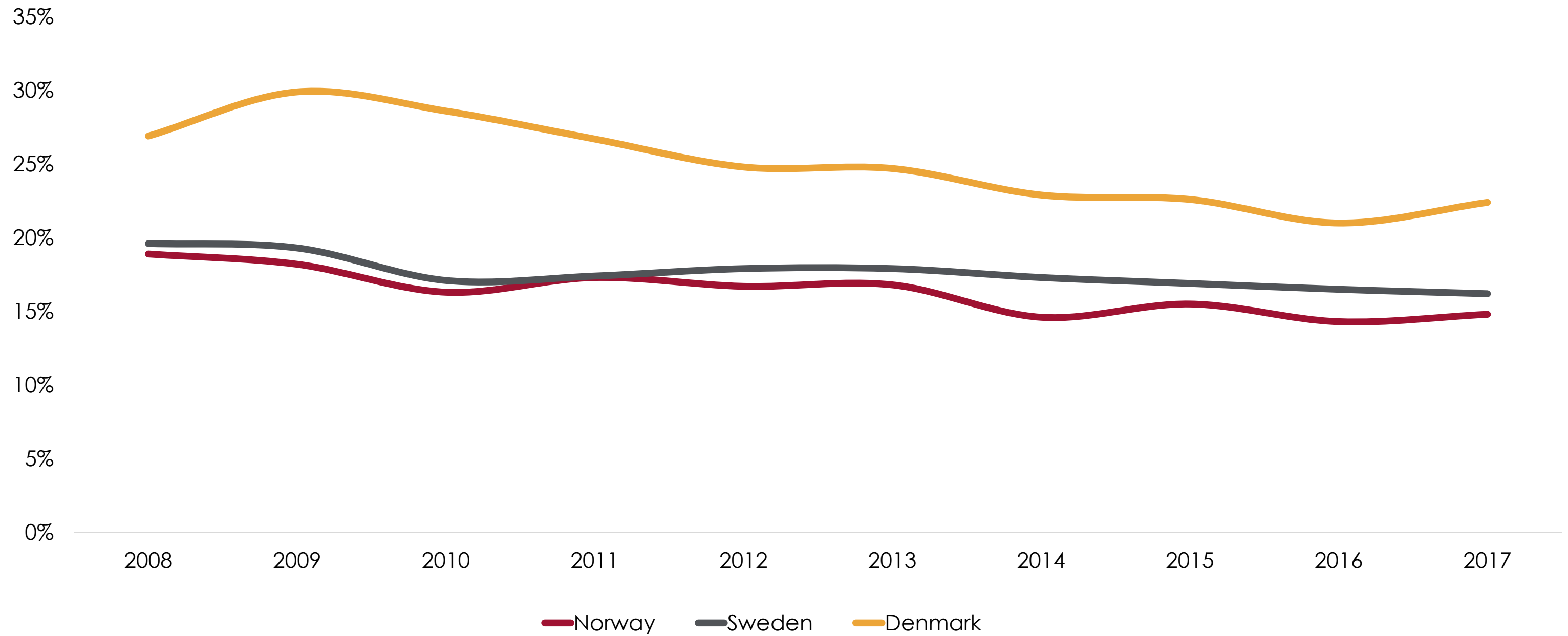
- Highlights
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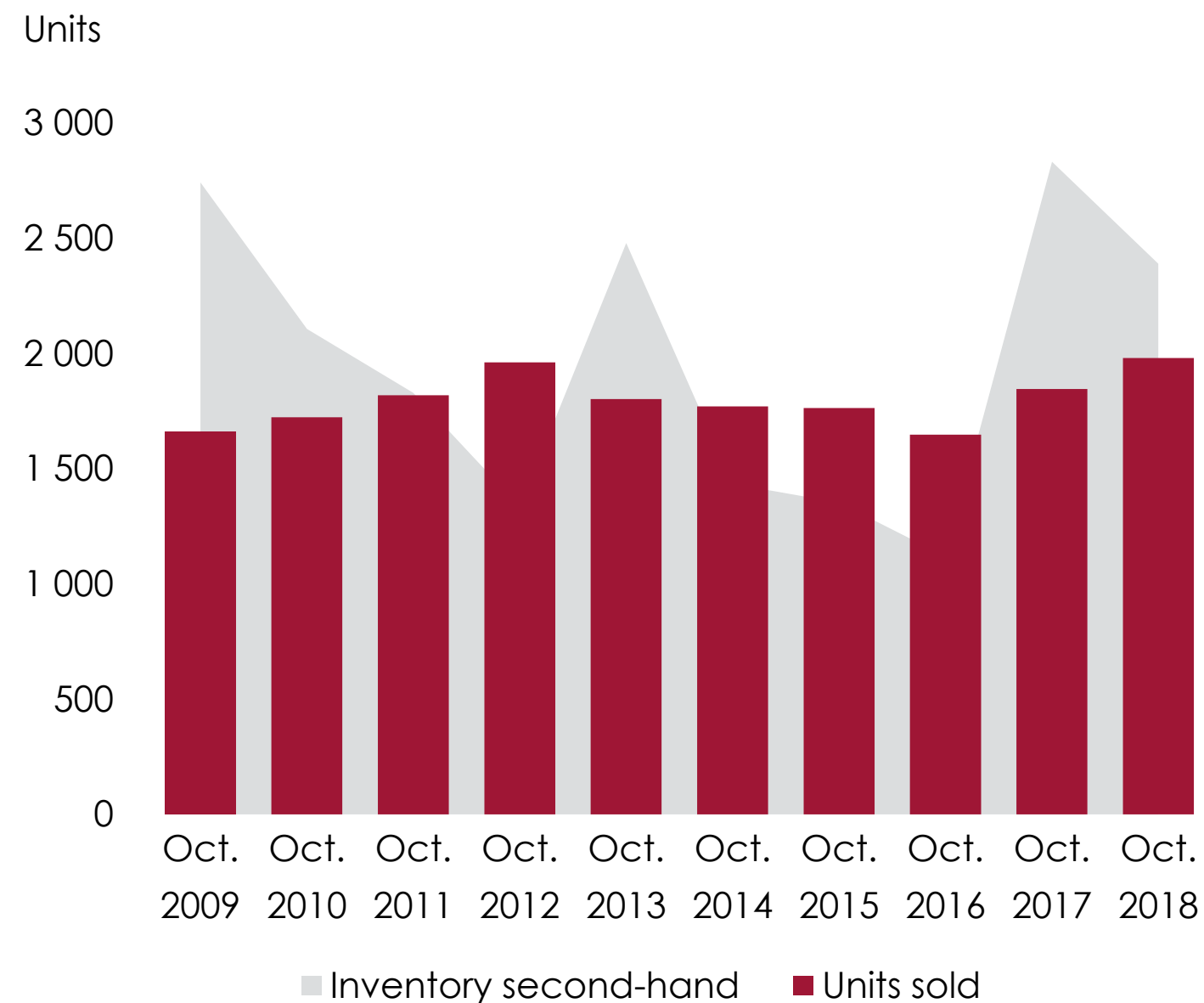
# Low share of income spent on housing in Norway

Housing cost/income



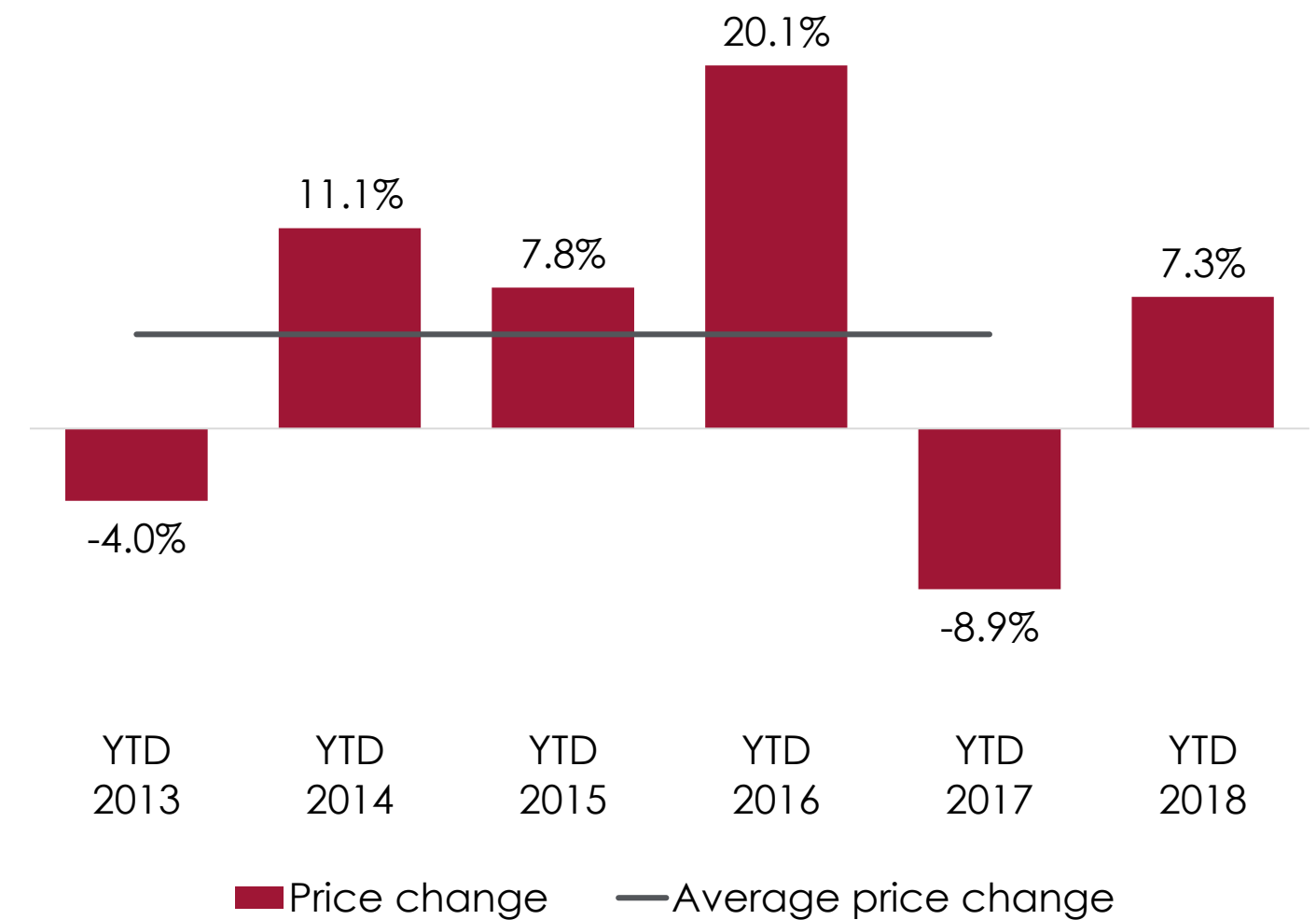
# Second-hand market update Oslo

## Oslo, October\*



## Price change Oslo, Jan.-Oct. (year to date)

(Price increase last 12 months of 5.0%)

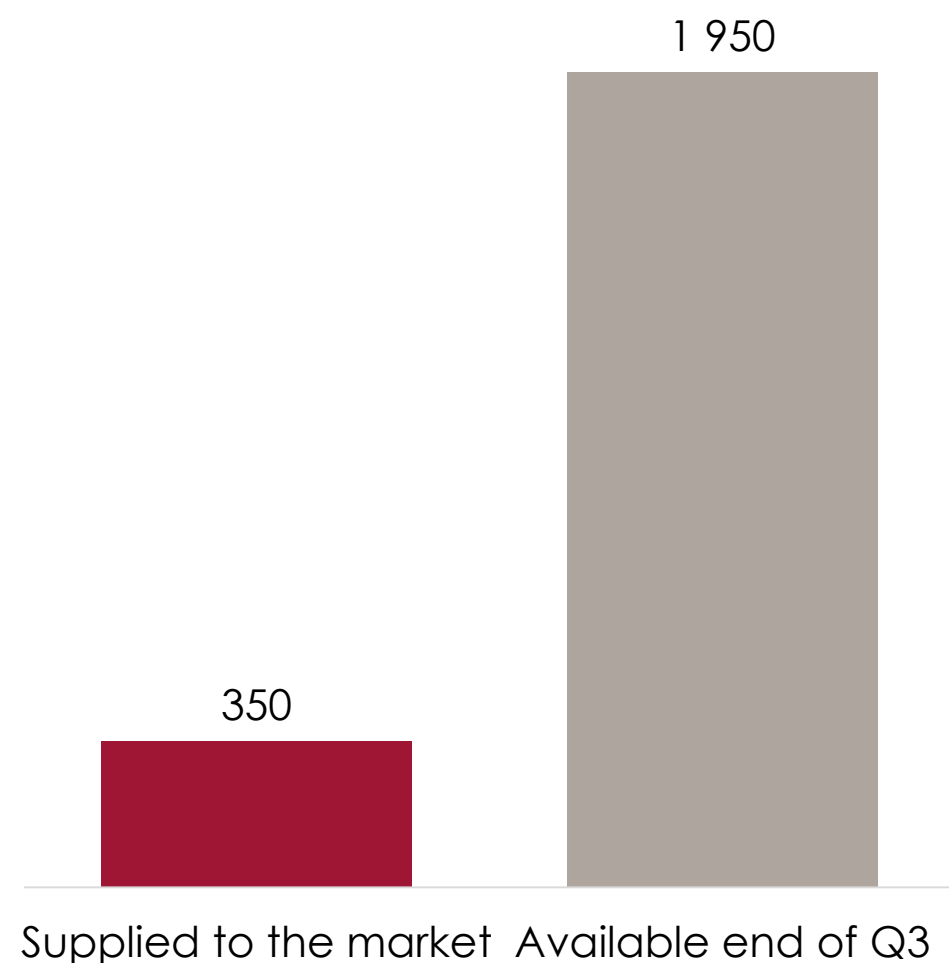


\*Unsold units that have been withdrawn from the market are marked as inventory for 6 months before being removed  
Sources: Eiendomsverdi, Eiendom Norge, Ny Analyse and Selvaag Bolig

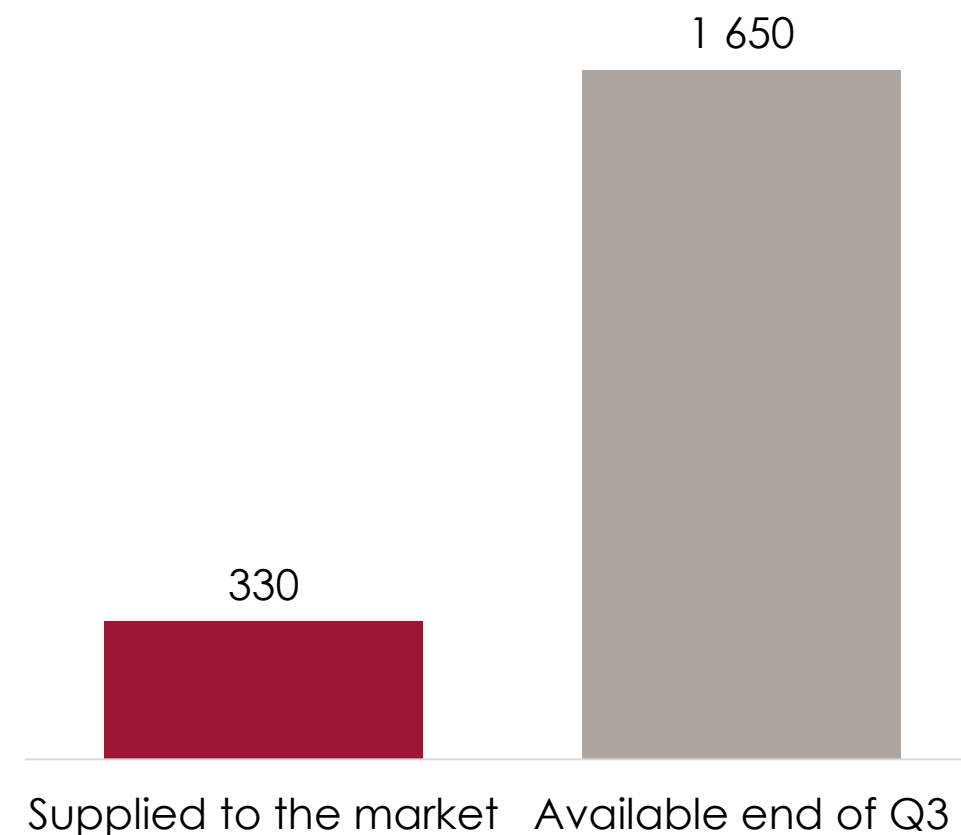


# Newbuild market update

## Q3 2017 (Oslo)



## Q3 2018 (Oslo)



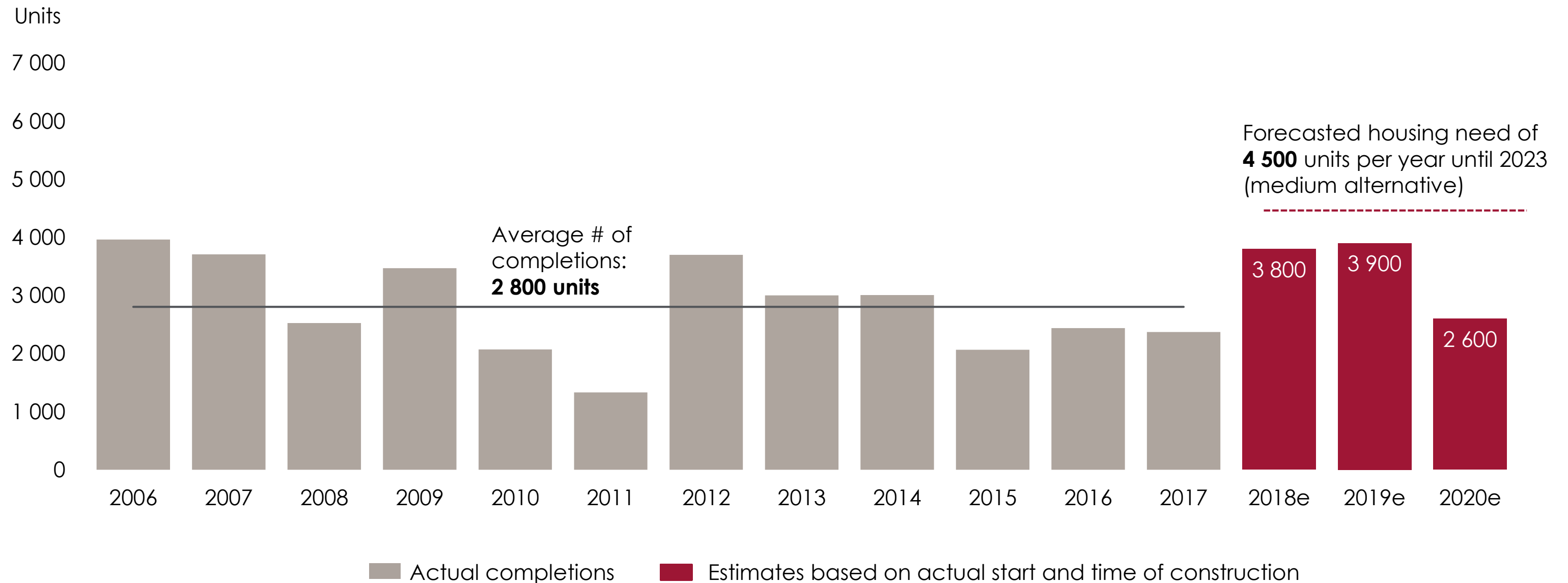
## At 12 November 2018

New homes (not built) available for sale

- Oslo: ~ 1 850 units
  - 52% of total inventory
- Bergen: ~ 1 170
  - 58% of total inventory
- Trondheim: ~ 1 020
  - 53% of total inventory
- Stavanger: ~ 270
  - 27% of total inventory

# Expected completions lower than forecasted housing demand in Oslo

Number of units completed in Oslo, 2006-2017

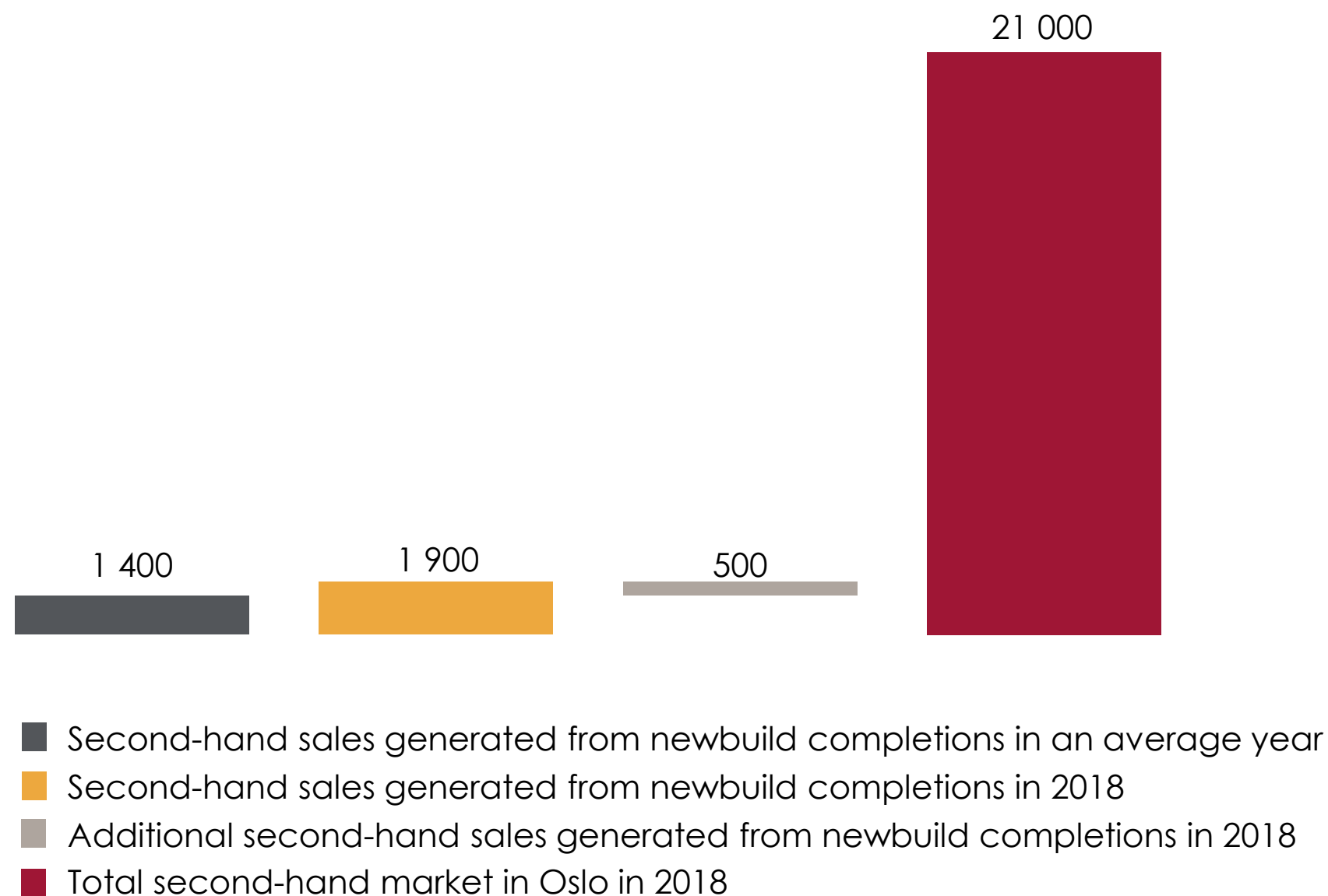




# Increase in newbuild completions has limited effect on second-hand market

## Newbuild effect on total second-hand market in Oslo for 2018

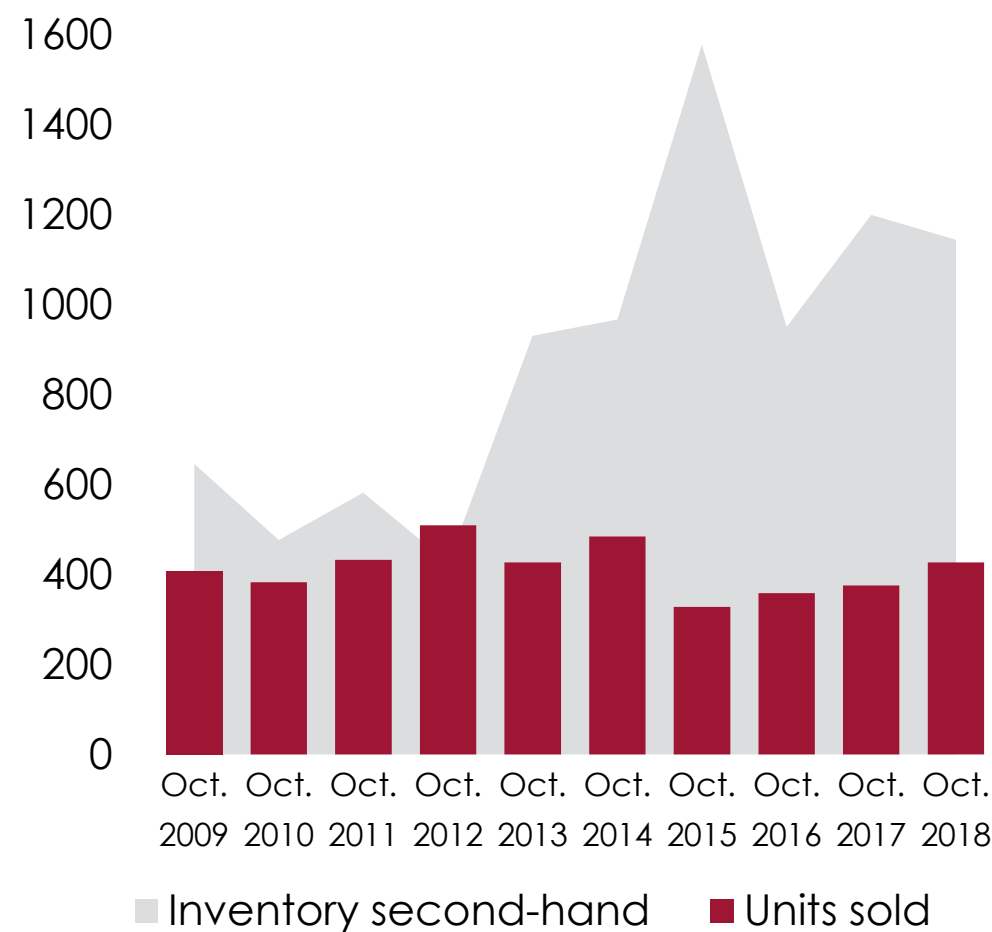
Units



- On average ~ 1 400 units are added to the second-hand market in Oslo (based on ~ 2 800 completed newbuild units)
- Completion of 3 800 newbuild units in 2018 will add ~ 1 900 units to the second hand market in Oslo
- The additional ~ 500 units in 2018 will have a limited effect on second-hand market in Oslo

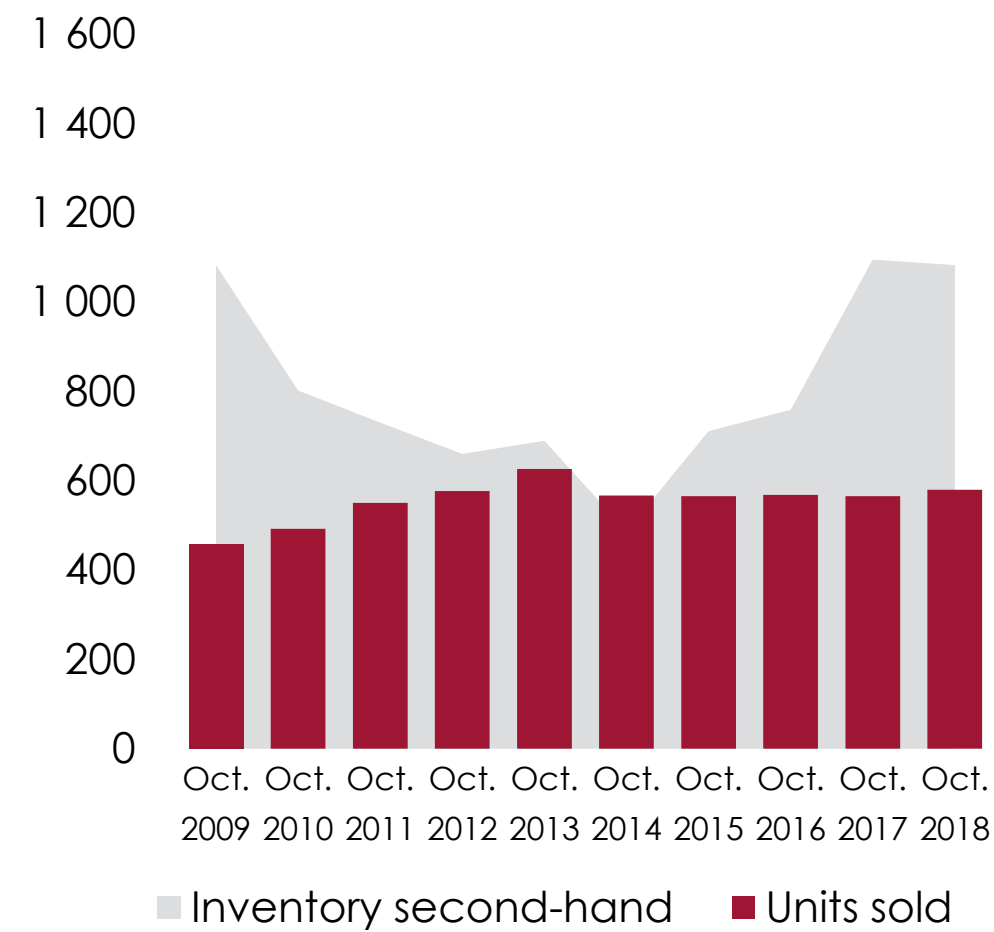
# Second-hand market update other core markets

## Stavanger, October\*



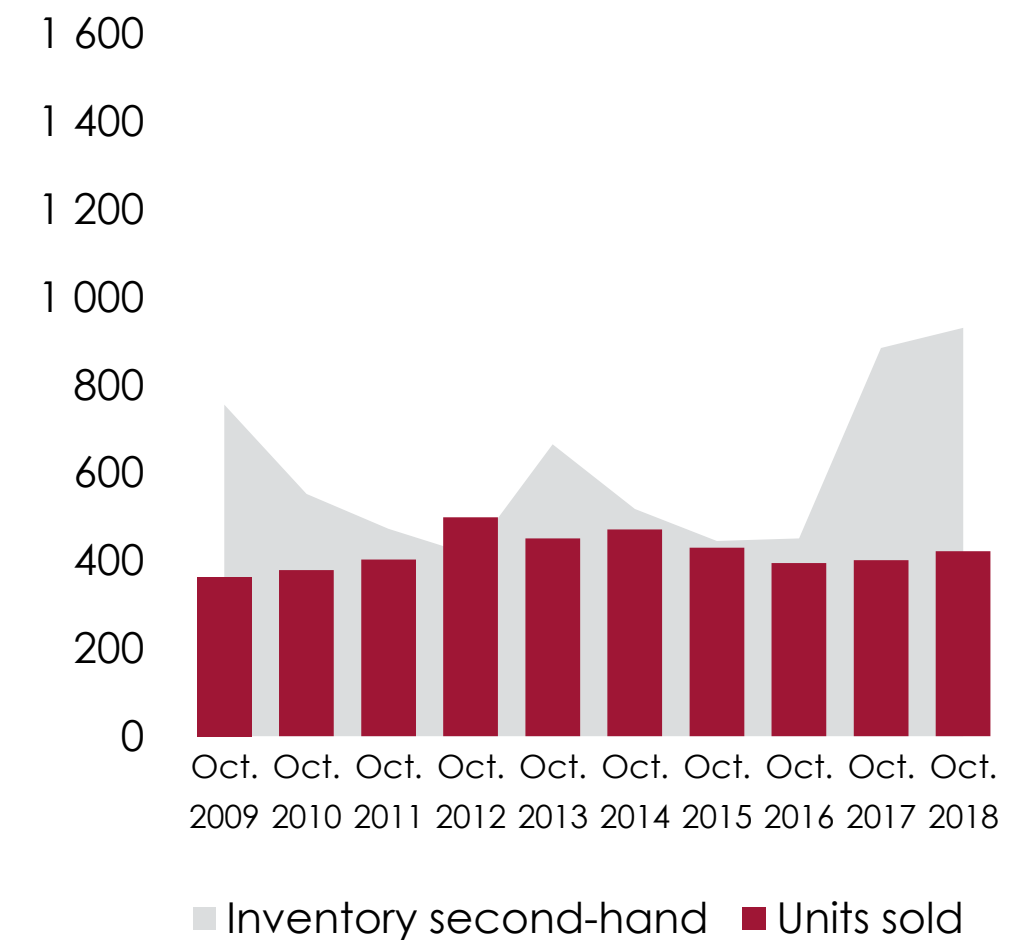
Price increase of 3.6% year to date

## Bergen, October\*



Price increase of 4.7% year to date

## Trondheim, October\*



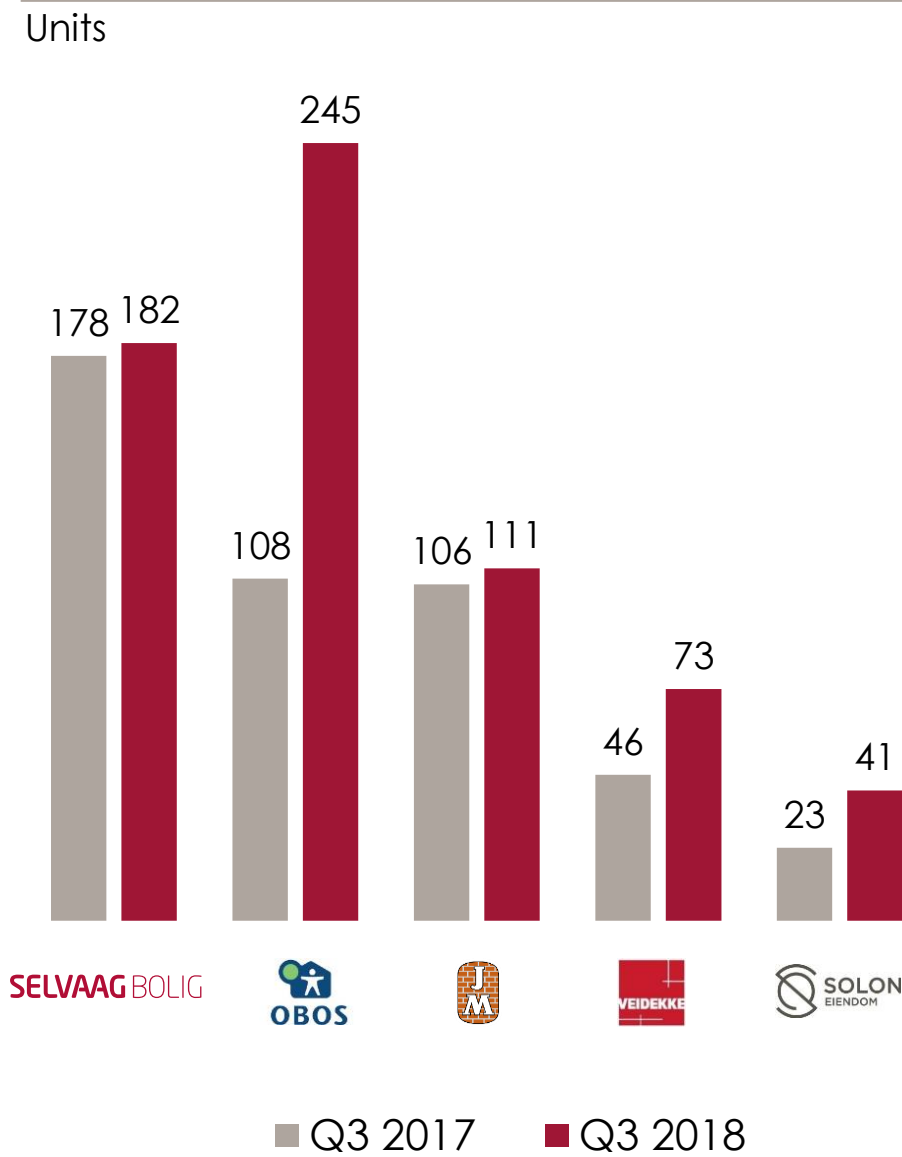
Price increase of 3.5% year to date

\* Unsold units that have been withdrawn from the market are marked as inventory for 6 months before being removed  
Sources: Eiendomsverdi and Eiendom Norge



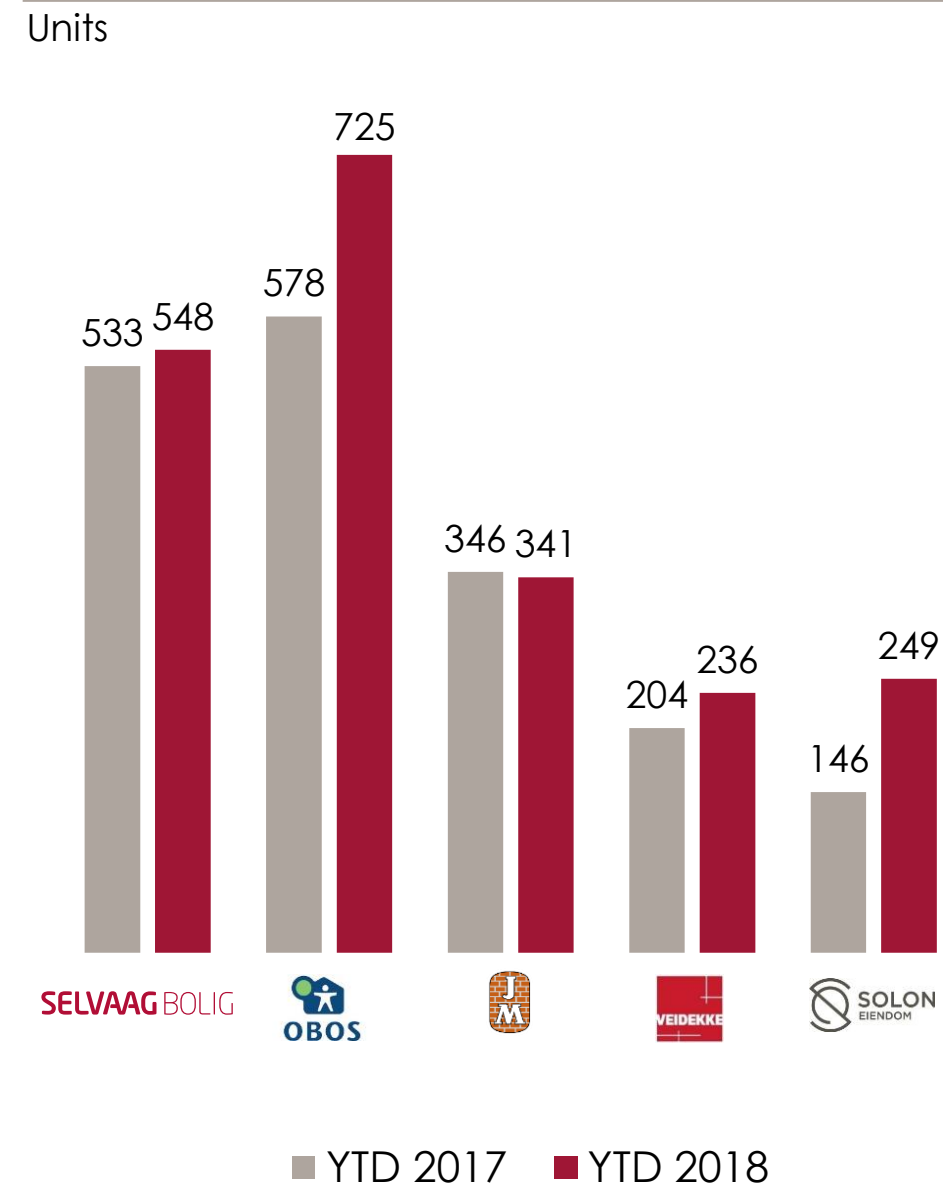
# Peers

## Quarterly sales activity vs. peers

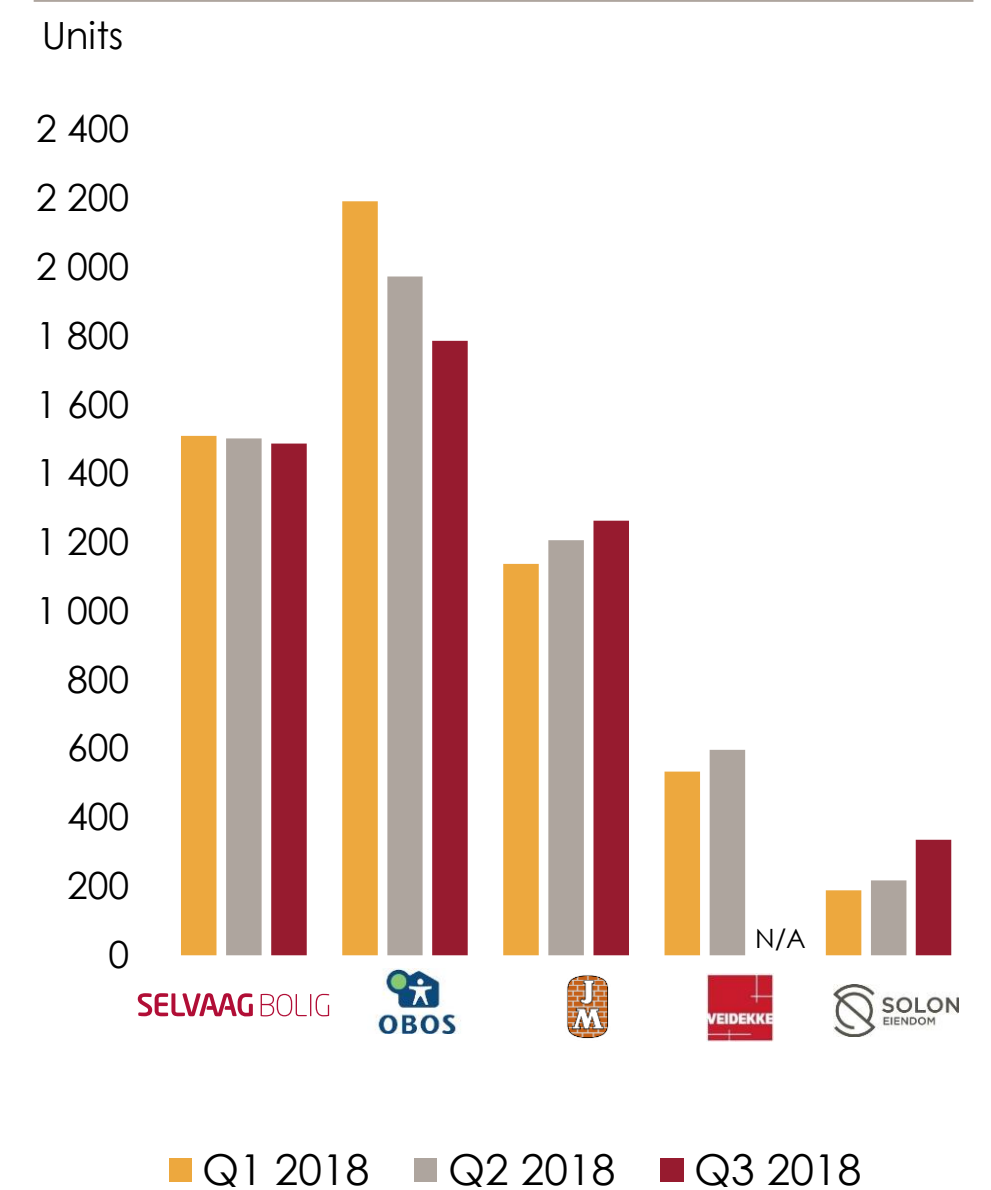


Housing types Selvaag Bolig: flats, semi-detached and terraced homes  
Source: Eiendomsverdi, Eiendom Norge and Selvaag Bolig

## Year to date sales activity vs. peers



## Units under construction vs. peers



# Building land bank throughout the economic cycle

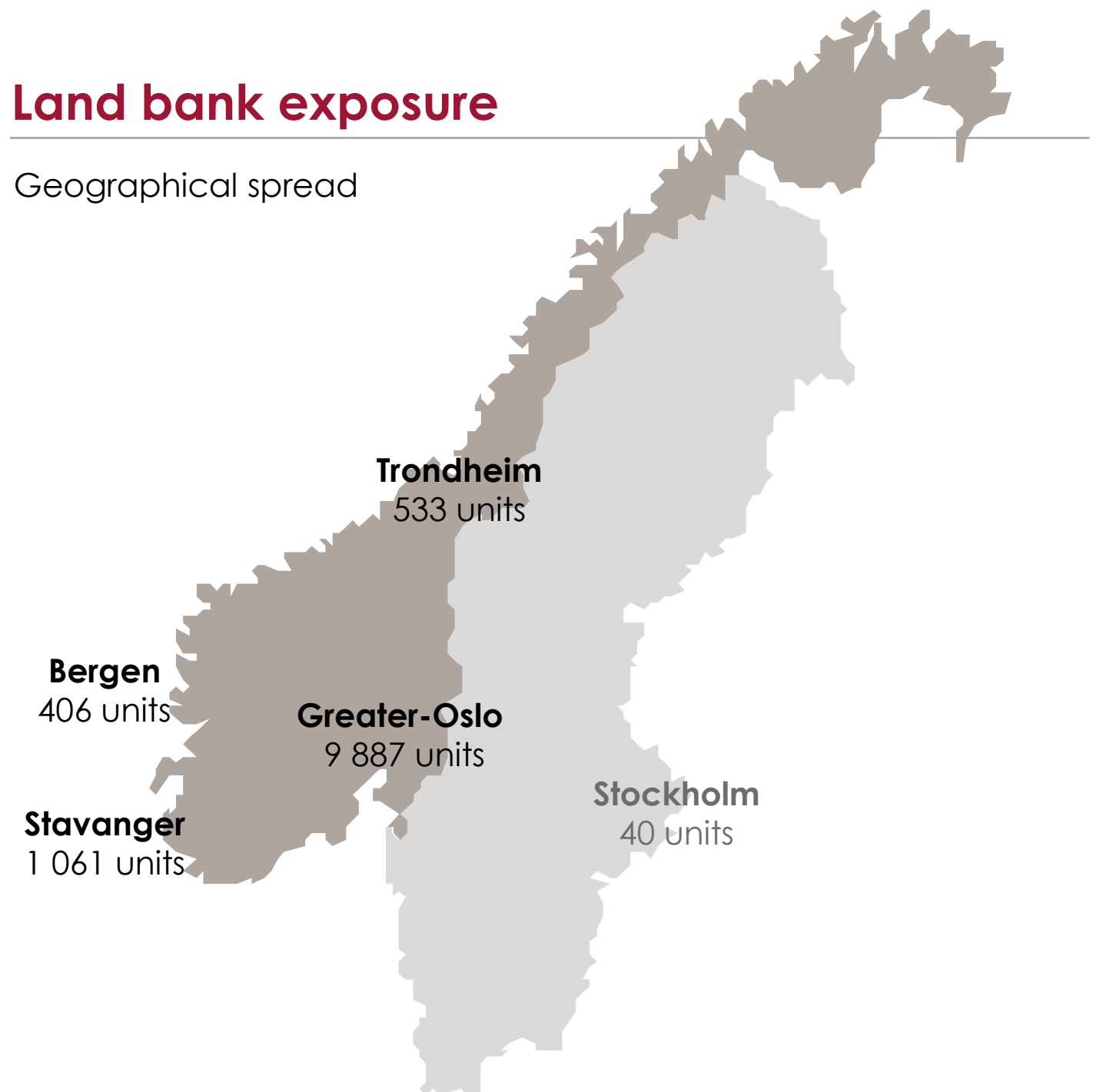
## Land-bank objectives

- Substantial land bank to accommodate targets/growth in core areas
- Acquire the right mix of zoned and unzoned land in suitable locations
- No zoning risk: price and market risk minimised
- Land acquisitions throughout the economic cycle
- Good infrastructure and public transport

Note: The numbers represent the size of the land portfolio as at 30 September 2018. All numbers are adjusted for Selvaag Bolig's share in joint ventures. 1) Greater Oslo area: Oslo, Akershus, Buskerud, Vestfold and Østfold, 2) The residential property development portfolio consists of land plots that are to be paid for when planning permission is received. The portfolio has a development potential of ~5 300 residential units, whereof the company has purchasing obligations for ~4 500 and purchasing options for ~800 units.

## Land bank exposure

Geographical spread



# Key land acquisitions demonstrate strategy execution

Nybyen Økern



- Land acquired: Q4 2013
- Sales start: Q4 2014
- Project completion: June 2019
- Sales value project: NOK 1.9 billion

Tiedemannsfabrikken



- Land acquired: Q1 2014
- Sales start: Q2 2016
- Project completion: June 2020
- Sales value project: NOK 1.7 billion

Hovinenga



- Land acquired: Q1 2015
- Sales start: Q4 2015
- Project completion: December 2019
- Sales value project: NOK 1.8 billion

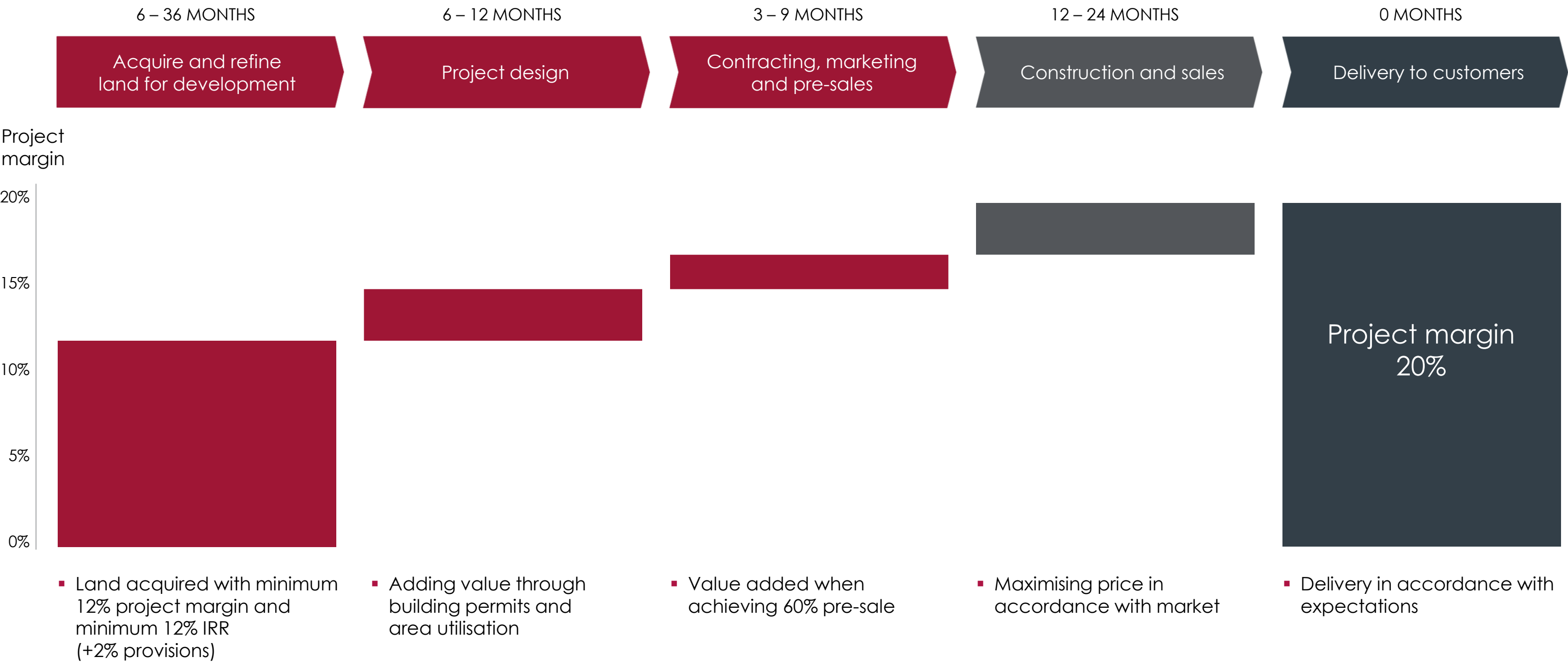
Lørenporten



- Land acquired: Q2 2015
- Sales start: Q2 2016
- Project completion: December 2020
- Sales value project: NOK 2.4 billion

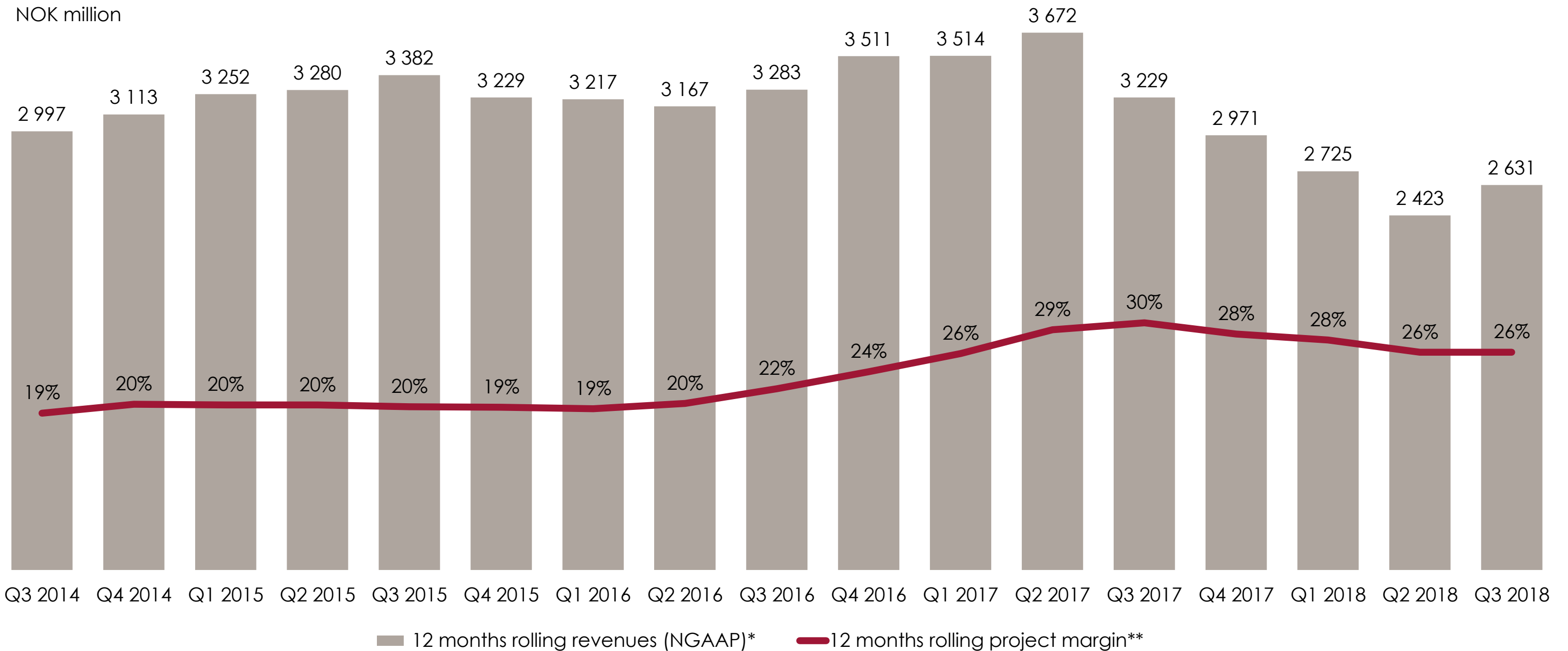


# Margin development through project stages\*



\* Assuming flat market development

# Project margin development



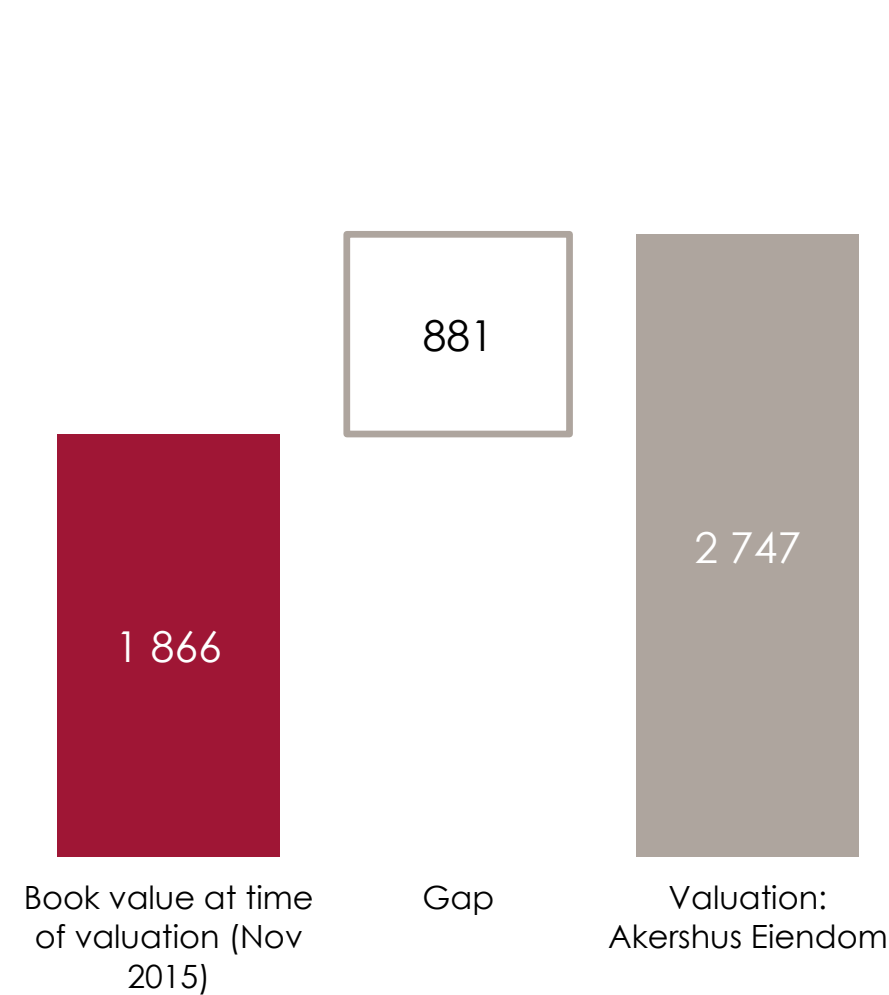
\* Construction costs are exclusive of financial expenses in the segment reporting (NGAAP)

\*\* Project margins are exclusive of overhead costs

# Land bank book value vs. external valuation

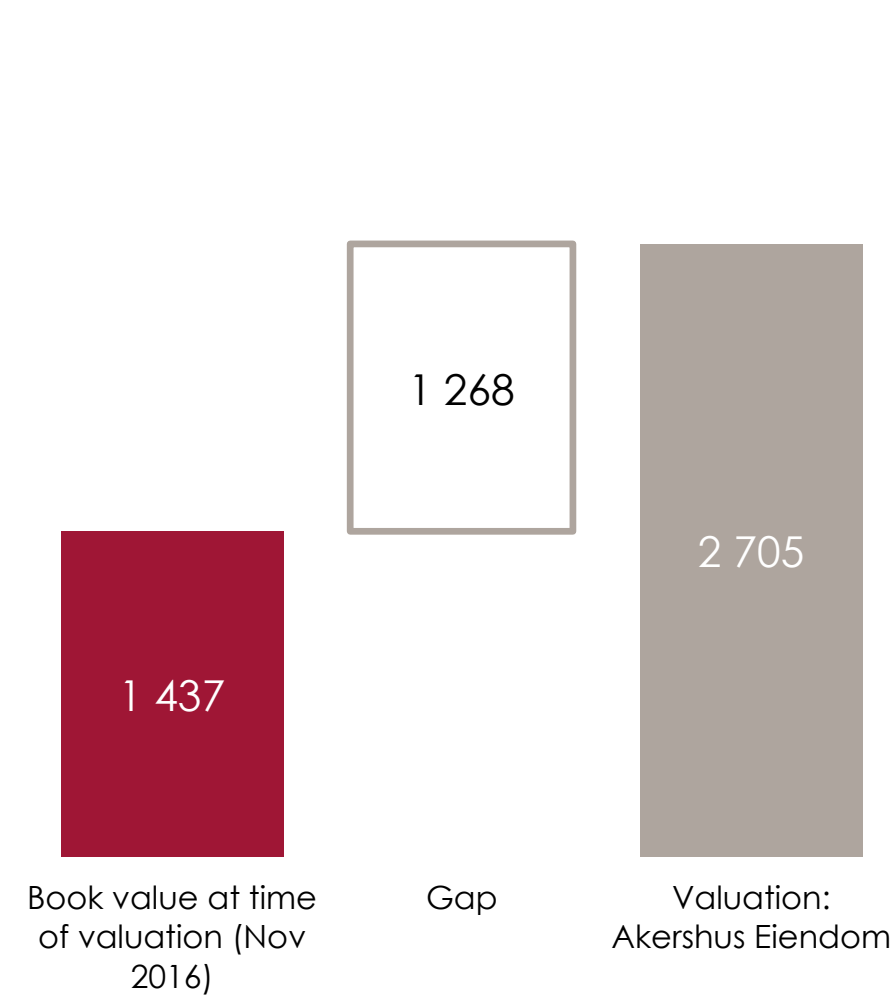
## Q4 2015

NOK million



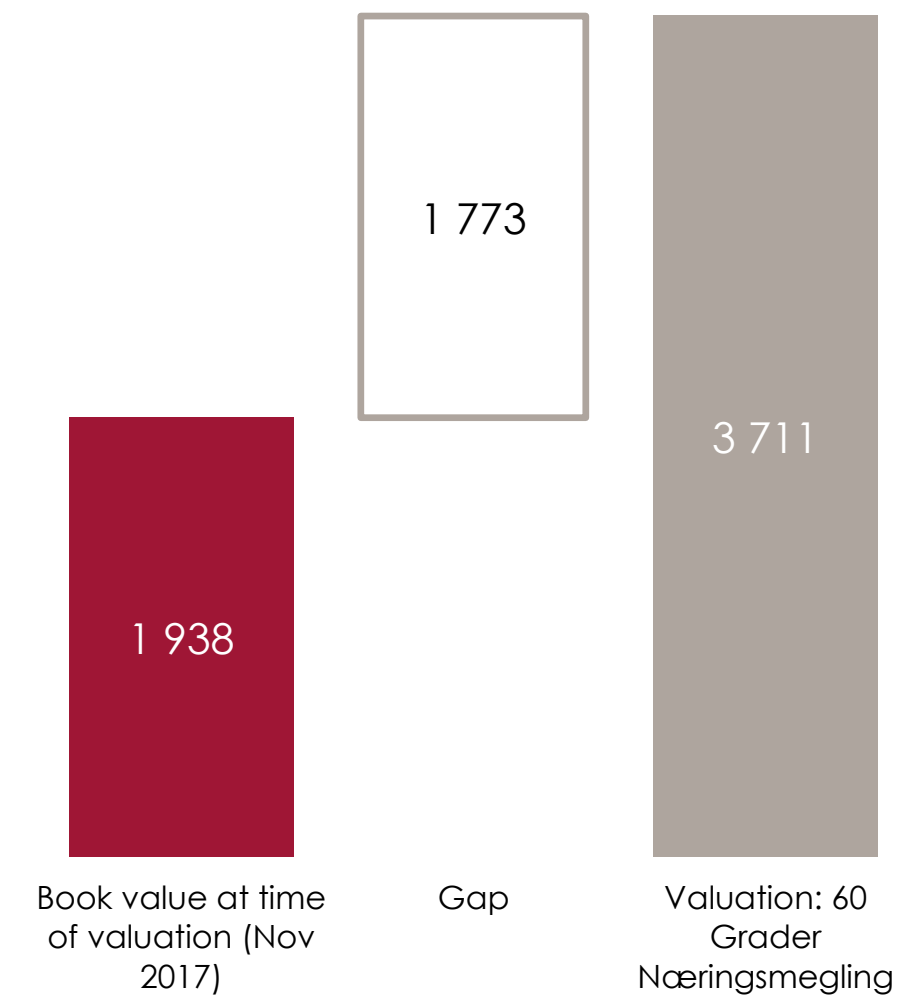
## Q4 2016

NOK million



## Q4 2017

NOK million

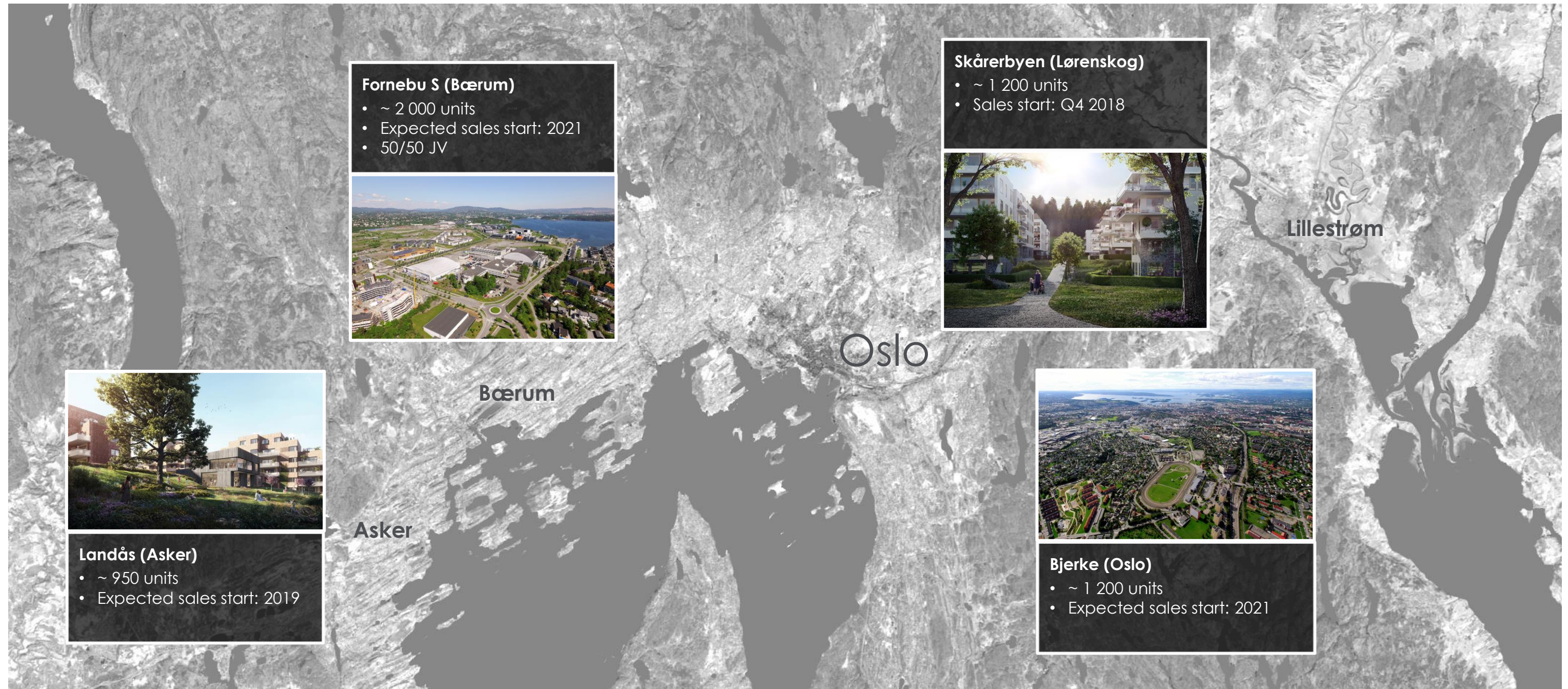


Note: Joint ventures and land options not included in the valuation



# Large upcoming projects in growth areas

Selected upcoming projects in Greater Oslo





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# Summary

- Continued strong results and margins
- Stable market conditions despite interest rate increase
- Positioned with competitive housing offering and substantial capacity

Thank you for your attention – follow us online!

Next event:  
4<sup>th</sup> quarter 2018  
13 February 2019



@SelvaagAksjen



A photograph of a modern multi-story building with a mix of brick, white, and red facades and glass balconies. The building is set against a clear blue sky. A semi-transparent white box with a red border is overlaid on the left side of the image, containing the word "Appendix" in red text.

# Appendix



# Dividend policy

## Dividend policy

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**Selvaag Bolig's ambition is to pay high and stable dividends to its owners.**

The company aims to pay dividends of minimum 40 per cent of net annual profit, paid in two instalments over the year. However, the size of the dividend will be weighed against the company's liquidity forecasts and capital adequacy.

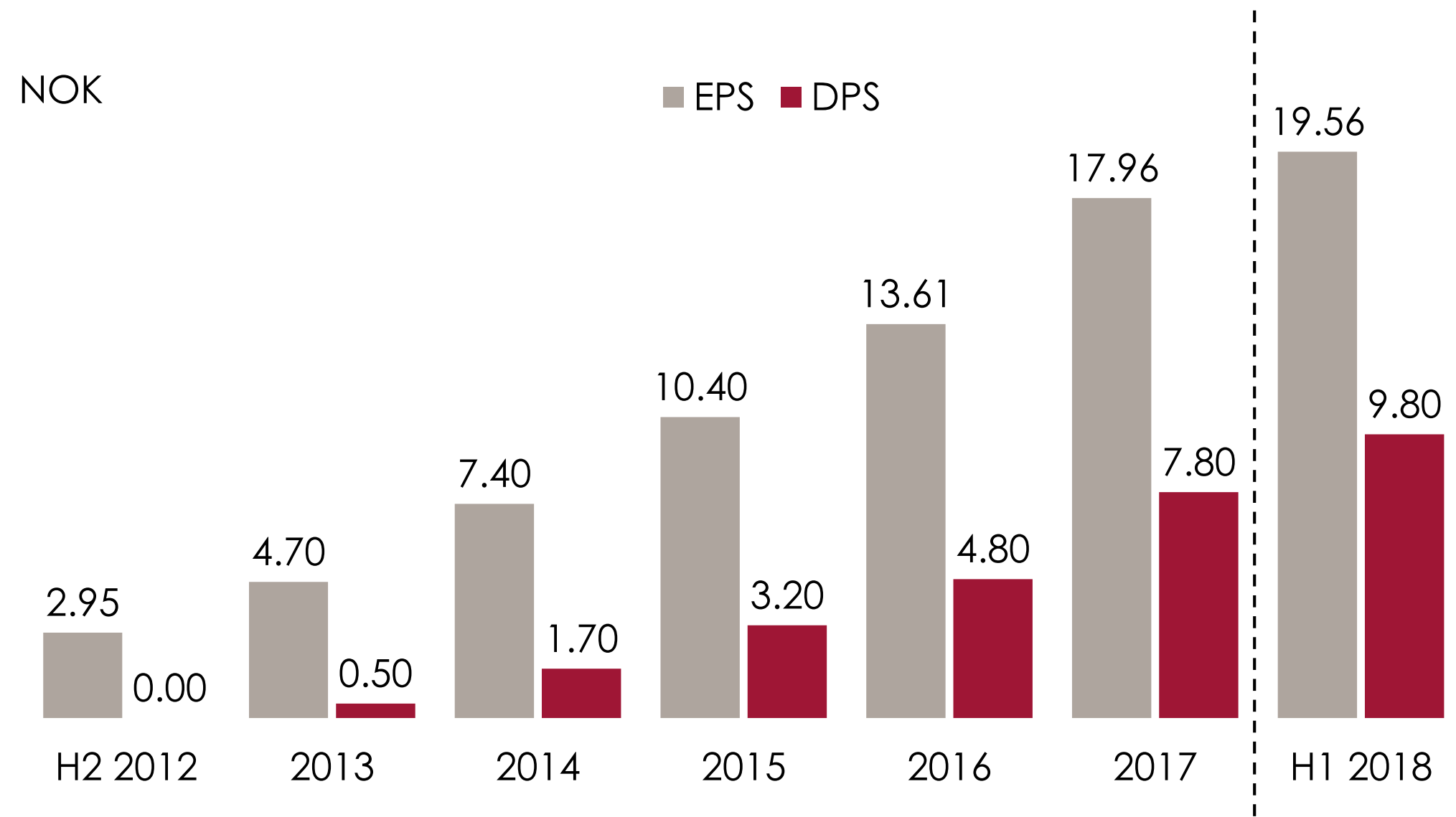
The company will maintain an equity ratio of minimum 30 per cent



# Earnings and dividend per share since IPO

## Accumulated dividend per share since IPO in June 2012

- H1'18 EPS of NOK 1.60 (2.39)
- H1'18 dividend of NOK 2.00 per share



## SHARE INFORMATION

# Share performance since IPO in June 2012

NOK



Source: Oslo Børs



# Largest shareholders at 30 September 2018

Shareholder	# of shares	% share
SELVAAG GRUPPEN AS	50 180 087	53.5%
LANDSFORSÅKRINGAR FASTIGHETSFOND	5 828 788	6.2%
MORGAN STANLEY & CO. INT. PLC. *)	2 791 302	3.0%
PARETO AS	2 065 624	2.2%
VERDIPAPIRFONDET PARETO INVESTMENT	1 596 366	1.7%
SEB PRIME SOLUTIONS SISSENER CANOP	1 550 015	1.7%
SELVAAG BOLIG ASA **)	1 307 577	1.4%
HOLBERG NORGE	1 176 845	1.3%
FLPS - GL S-M SUB	944 200	1.0%
STATE STREET BANK AND TRUST COMP *)	906 385	1.0%
Baard Schumann	777 127	0.8%
HOLTA INVEST AS	721 000	0.8%
DEUTSCHE BANK AKTIENGESELLSCHAFT *)	718 978	0.8%
JPMORGAN CHASE BANK, N.A., LONDON *)	659 395	0.7%
REGENTS OF THE UNIVERSITY OF MICHIGAN	657 218	0.7%
MSIP EQUITY	627 302	0.7%
STATE STREET BANK AND TRUST COMP *)	602 754	0.6%
STOREBRAND NORGE I VERDIPAPIRFOND	581 257	0.6%
BANAN II AS	555 190	0.6%
SPARHANS AS	476 221	0.5%
<b>Total 20 largest shareholders</b>	<b>74 723 631</b>	<b>79.7%</b>
Other shareholders	19 042 057	20.3%
<b>Total number of shares</b>	<b>93 765 688</b>	<b>100.0%</b>

\* Further information regarding shareholders is presented at: <http://sboasa.no/en>

\*\* The shares were purchased for the company's share programmes for employees

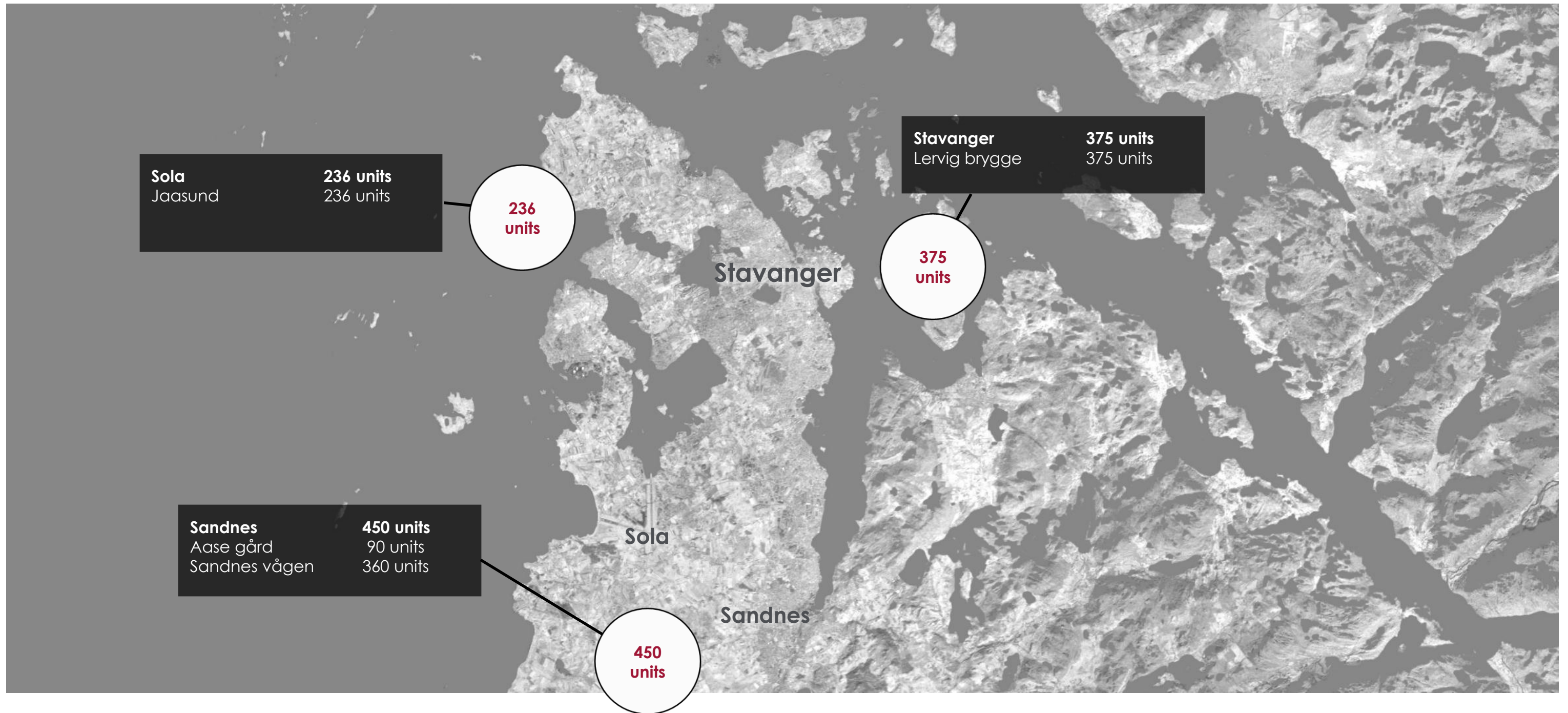
# Land bank in Oslo and Greater Oslo



\*The numbers are adjusted for Selvaag Bolig's share in joint ventures

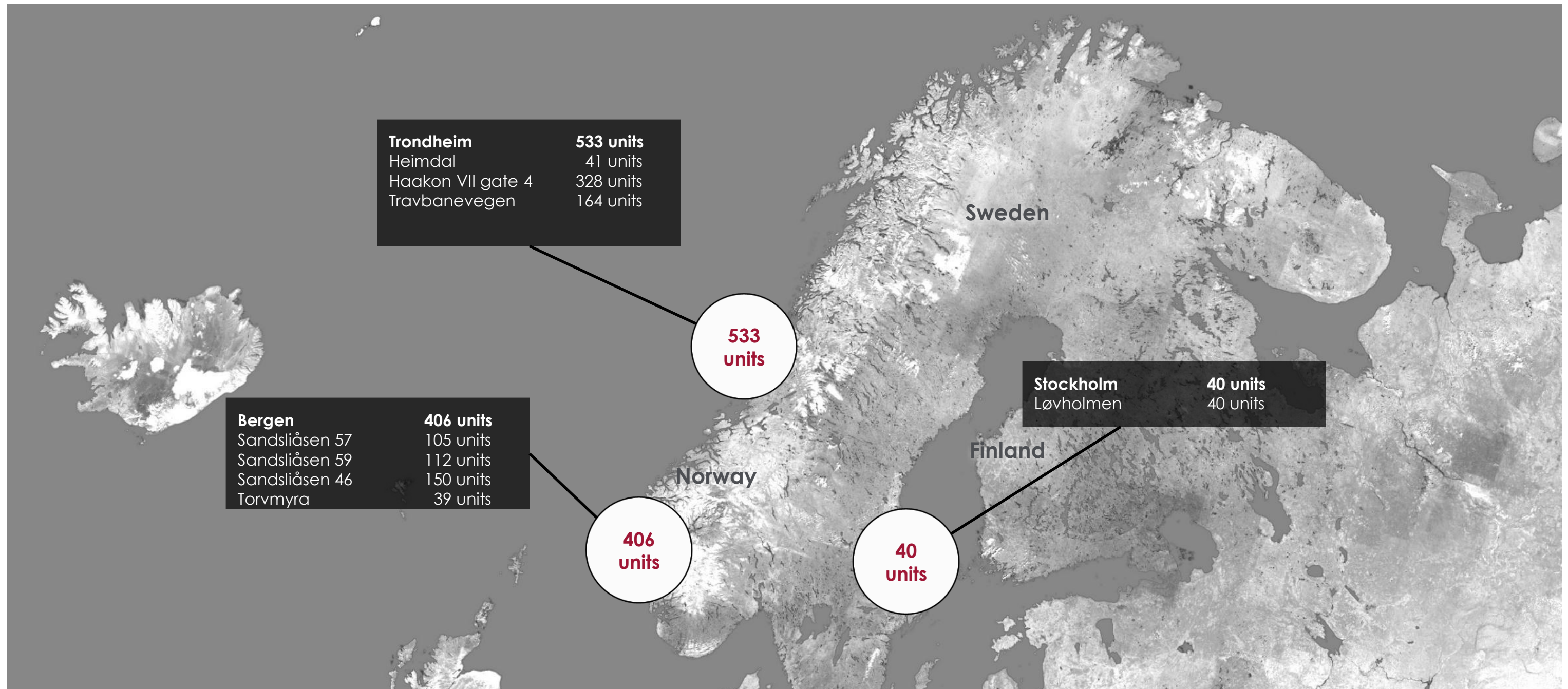


# Land bank in Stavanger area

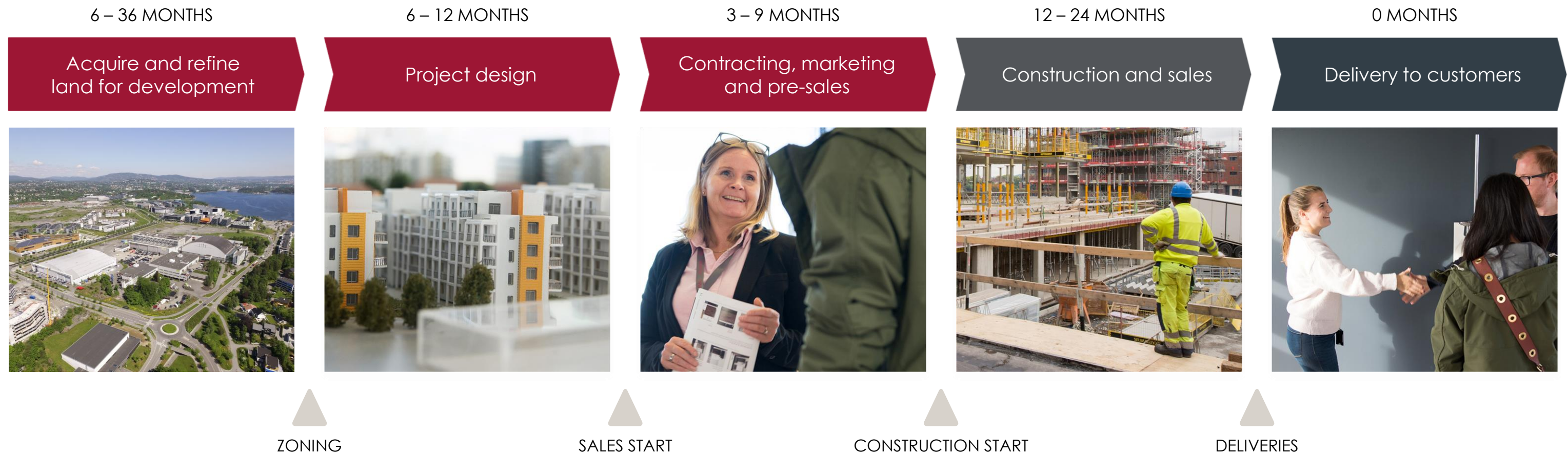




# Land bank in Bergen, Trondheim and Stockholm



# Efficient and flexible value chain



- Buy (i) options on unzoned land or (ii) ready-to-build land
- Lever acquired land to improve ROE

- Plan and prepare for construction

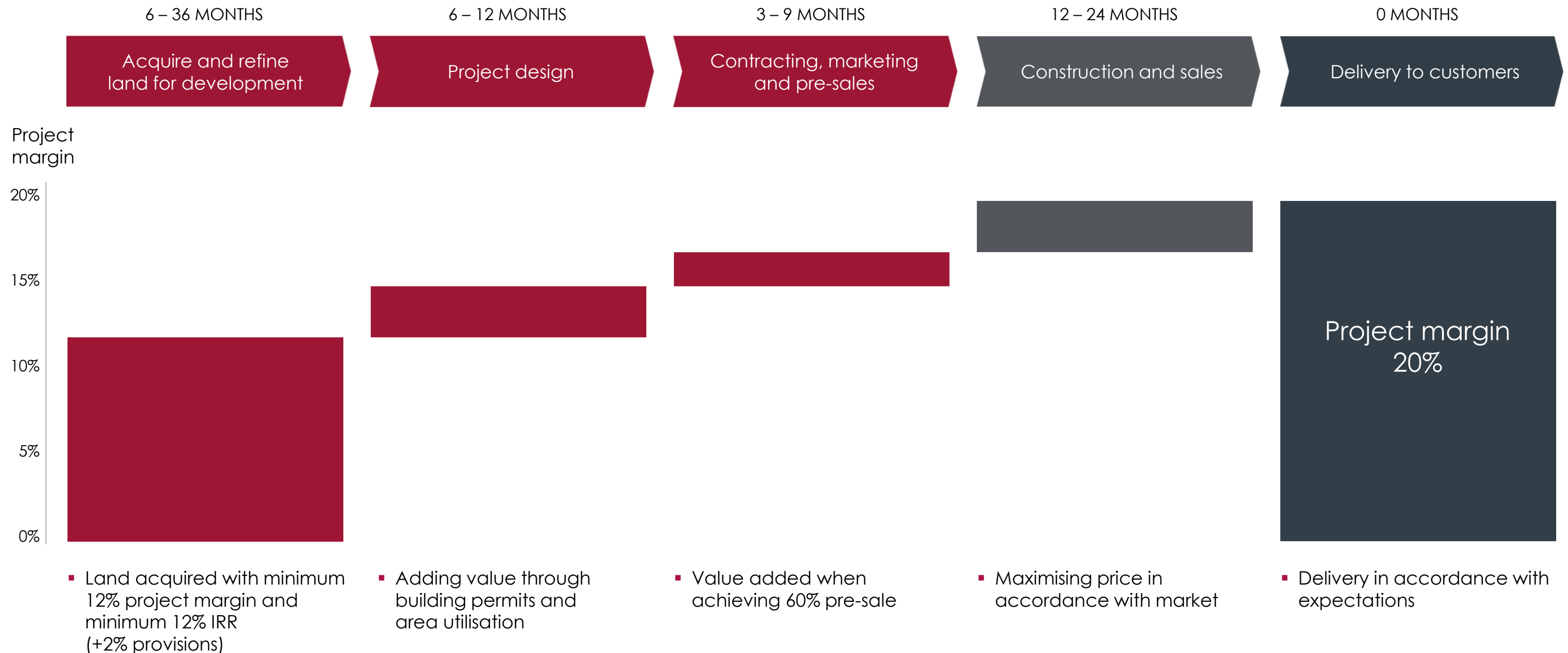
- 60% pre-sale before start-up

- Fixed-price contracts with reputable counterpart
- Prices on remaining 40% increased gradually during sell-out phase
- Construction costs financed with construction loans

- Target 100% sale at delivery



# Margin development through project stages\*



\* Assuming flat market development

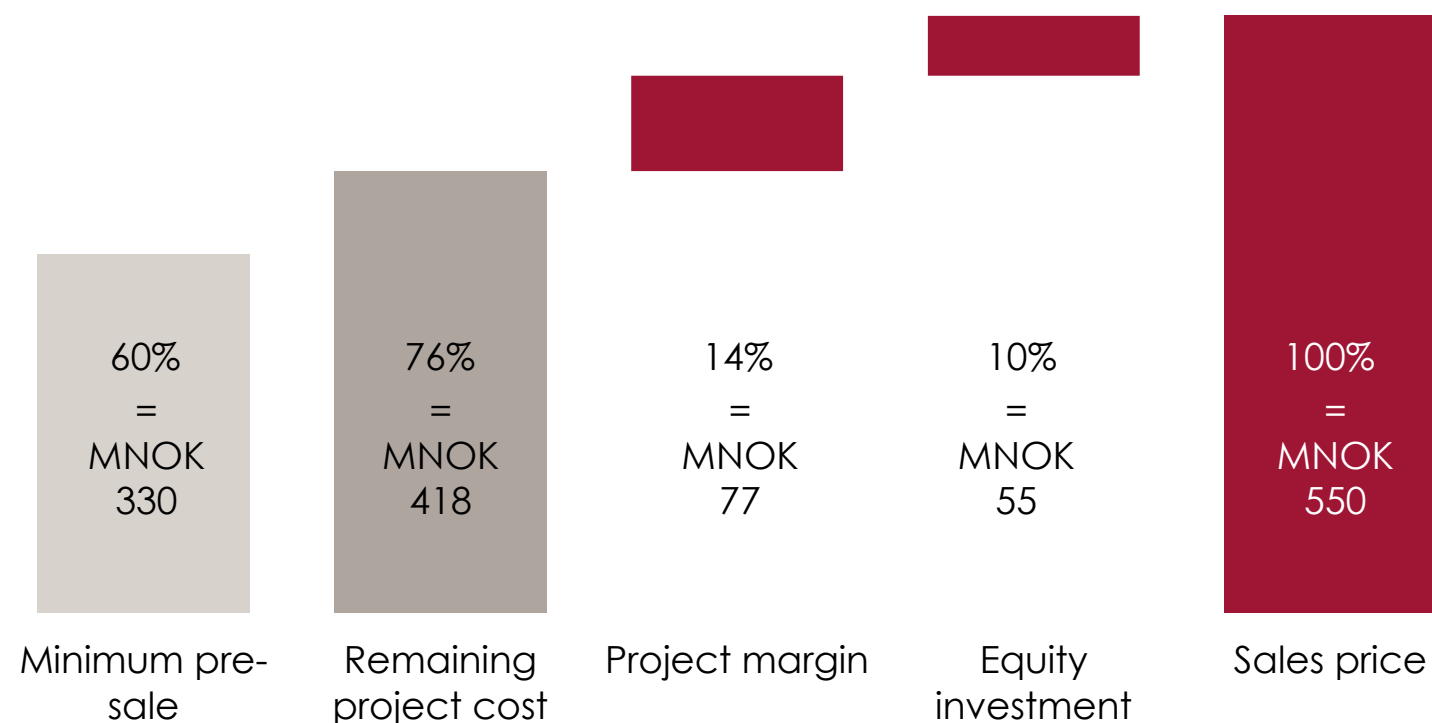


# Norwegian housing market

- 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 minimum 10% cash deposit
- High level of home ownership
  - 85% (one of the world's highest)
- Economic benefits for home owners
  - 23% 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

# 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 the remaining 40% a price reduction of 35% would recover equity
- 74% of units in production are sold at end Q3'18

## 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



# Low-risk business model creates healthy profits

## Strategy

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**Competitive housing offering,  
targeting growth regions**

**Large, actively-managed  
land bank**

**Efficient and flexible  
cost structure**

**Capital-efficient business model  
backed by strong balance sheet**

## Value drivers

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- Presence in fast-growing urban regions with high demand and large market depth
- Competitive prices, addressing large customer base
- Defined housing concepts, aimed at wide range of consumers
- Value appreciation through refinement of land for housing development
- Flexibility to develop thousands of homes in growing urban regions
- Active asset management
- No in-house construction arm; improves flexibility and cost optimisation
- Project-based business model improves flexibility and reduces risk
- Economies of scale through large projects
- Lean organisation reduces overhead
- 60% pre-sale before construction start lowers project financing need and inventory risk
- Sound debt structure and financial flexibility

# Income statement IFRS

<b>(figures in NOK million)</b>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>2017</b>
Total operating revenues	473.2	379.4	3 228.8
Project expenses	(372.0)	(297.4)	(2 432.8)
Other operating expenses	(56.9)	(52.5)	(234.7)
Other gains (loss)	-	-	-
Associated companies and joint ventures	30.5	(3.3)	(13.6)
<b>EBITDA</b>	<b>74.9</b>	<b>26.1</b>	<b>547.7</b>
Depreciation and amortisation	(0.9)	(1.0)	(4.1)
<b>EBIT</b>	<b>73.9</b>	<b>25.1</b>	<b>543.7</b>
Net financial expenses	(4.0)	(5.1)	(39.9)
<b>Profit/(loss) before taxes</b>	<b>69.9</b>	<b>20.1</b>	<b>503.8</b>
Income taxes	(13.4)	(3.7)	(102.7)
<b>Net income</b>	<b>56.5</b>	<b>16.4</b>	<b>401.1</b>
<b>Net income for the period attributable to:</b>			
Non-controlling interests	(0.0)	(0.0)	0.1
Shareholders in Selvaag Bolig ASA	56.5	16.4	401.0



# Cash flow statement

(figures in NOK million)

	Q3 2018	Q3 2017	2017
Net cash flow from operating activities	202.8	(163.4)	303.2
Net cash flow from investment activities	47.4	(45.7)	(114.1)
Net cash flow from financing activities	(261.2)	107.2	(589.8)
Net change in cash and cash equivalents	(11.0)	(102.0)	(400.6)
Cash and cash equivalents at start of period	433.2	341.1	886.2
Cash and cash equivalents at end of period	422.1	239.1	485.6

# Balance sheet

(figures in NOK million)

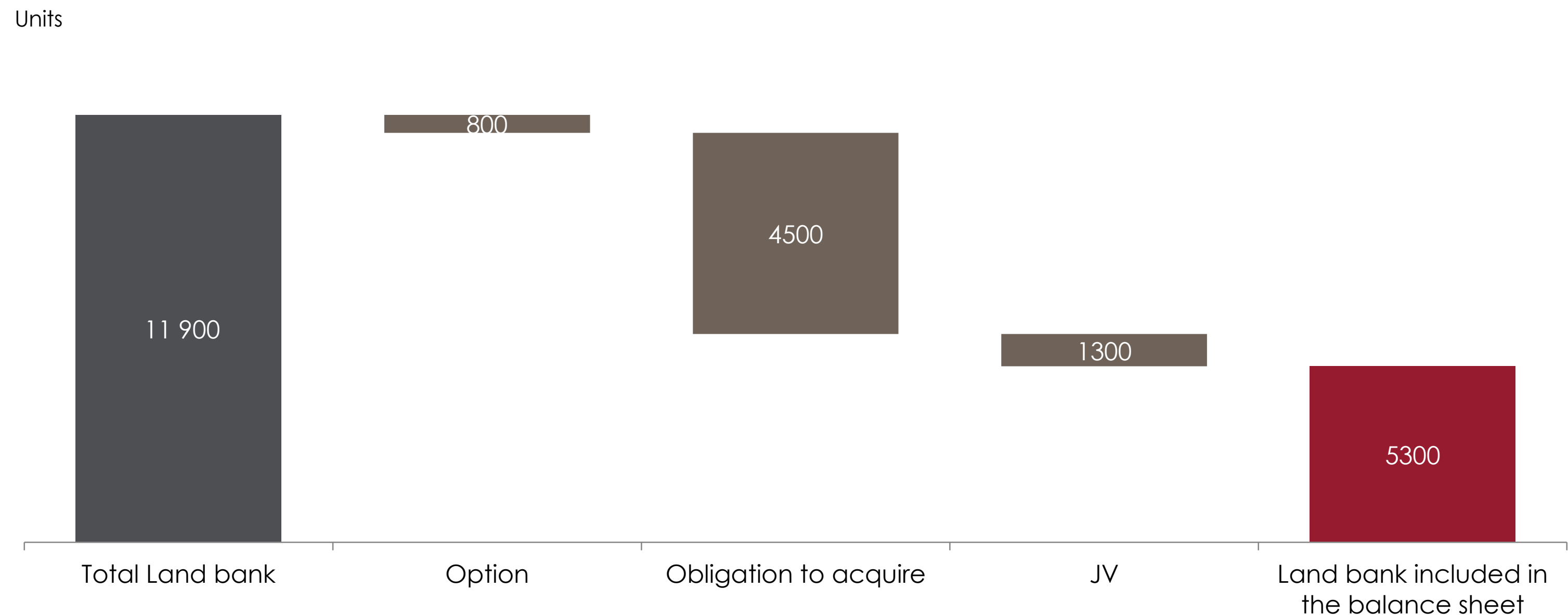
	Q3 2018	Q3 2017	2017
Intangible assets	383.4	383.4	383.4
Property, plant and equipment	9.4	8.5	11.4
Investments in associated companies and joint ventures	305.2	307.6	316.2
Other non-current assets	348.3	372.1	337.0
<b>Total non-current assets</b>	<b>1 046.3</b>	<b>1 071.5</b>	<b>1 048.1</b>
<b>Inventories (property)</b>	<b>4 944.8</b>	<b>4 778.8</b>	<b>4 643.9</b>
- Land	1 905.9	1 682.4	1 938.1
- Work in progress	2 942.4	2 866.5	2 501.7
- Finished goods	96.5	229.9	204.2
Other current receivables	257.6	247.9	174.5
Cash and cash equivalents	422.1	239.1	485.6
<b>Total current assets</b>	<b>5 624.5</b>	<b>5 265.8</b>	<b>5 304.0</b>
<b>TOTAL ASSETS</b>	<b>6 670.8</b>	<b>6 337.4</b>	<b>6 352.0</b>
Equity attributed to shareholders in Selvaag Bolig ASA	2 722.3	2 679.2	2 848.7
Non-controlling interests	9.3	9.4	9.4
<b>Total equity</b>	<b>2 731.7</b>	<b>2 688.7</b>	<b>2 858.1</b>
Non-current interest-bearing liabilities	1 897.1	1 923.0	1 836.8
Other non-current non interest-bearing liabilities	147.2	167.5	152.9
<b>Total non-current liabilities</b>	<b>2 044.3</b>	<b>2 090.4</b>	<b>1 989.7</b>
Current interest-bearing liabilities	797.9	573.7	380.6
Other current non interest-bearing liabilities	1 097.0	984.6	1 123.5
<b>Total current liabilities</b>	<b>1 894.9</b>	<b>1 558.3</b>	<b>1 504.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 670.8</b>	<b>6 337.4</b>	<b>6 352.0</b>

\* Corresponding to a book value of NOK 29.0 per share



# Substantial portfolio for development

## Total land bank portfolio at 30 September 2018



# Operational highlights – key operating figures

	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
Number of units sold	178	168	185	181	182
Number of construction starts	77	217	102	234	102
Number of units completed	81	336	54	242	117
Number of units delivered	75	355	59	243	126
Number of units under construction	1 582	1 463	1 511	1 503	1 488
Proportion of sold units under construction	78%	73%	73%	72%	74%
Number of completed unsold units	30	23	19	18	12
Sales value of units under construction (NOK million)	7 047	6 994	7 032	7 076	6 908
Number of employees	100	100	100	95	91



# IFRS EBITDA Q3 2018

<b>(figures in NOK million)</b>	Property development	Other	Total
<b>IFRS EBITDA for the quarter, per segment</b>			
Operating revenues	463.6	9.7	473.2
Project expenses	(372.2)	0.2	(372.0)
Other operating expenses	(15.2)	(41.7)	(56.9)
Share of income (losses) from associated companies and joint ventures	30.5	-	30.5
Other gain (loss), net	-	-	-
<b>EBITDA</b>	<b>106.7</b>	<b>(31.8)</b>	<b>74.9</b>

Note: EBITDA is operating profit before depreciation, gains (losses) and profit from associated companies

# Operational reporting Q3 2018

<b>(figures in NOK million)</b>	Property development	Other	Total
<b>Operating revenues</b>	<b>695.9</b>	<b>9.7</b>	<b>705.6</b>
Project expenses	(494.3)	0.2	(494.1)
Other operating expenses	(15.2)	(41.7)	(56.9)
<b>EBITDA (percentage of completion)</b>	<b>186.4</b>	<b>(31.8)</b>	<b>154.6</b>

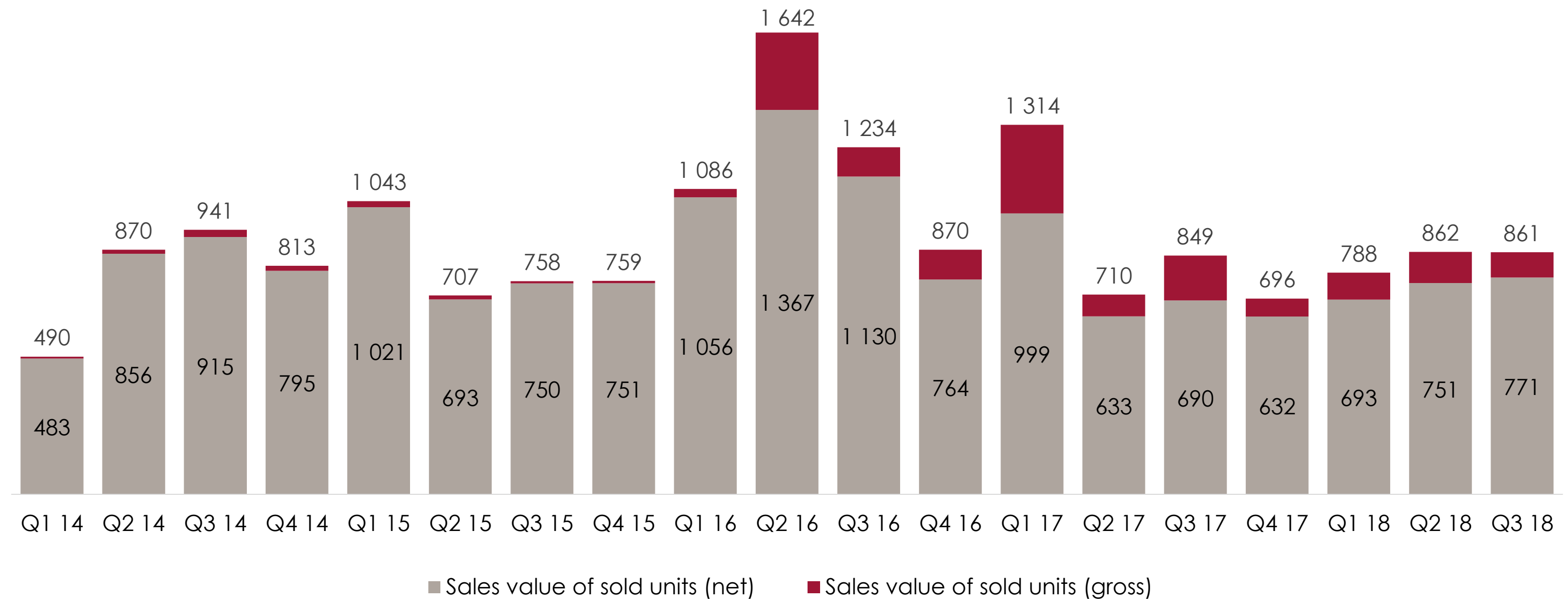
Note: Construction costs are exclusive of financial expenses in the segment reporting.

Note: EBITDA is operating profit before depreciation, gains (losses) and profit from associated companies



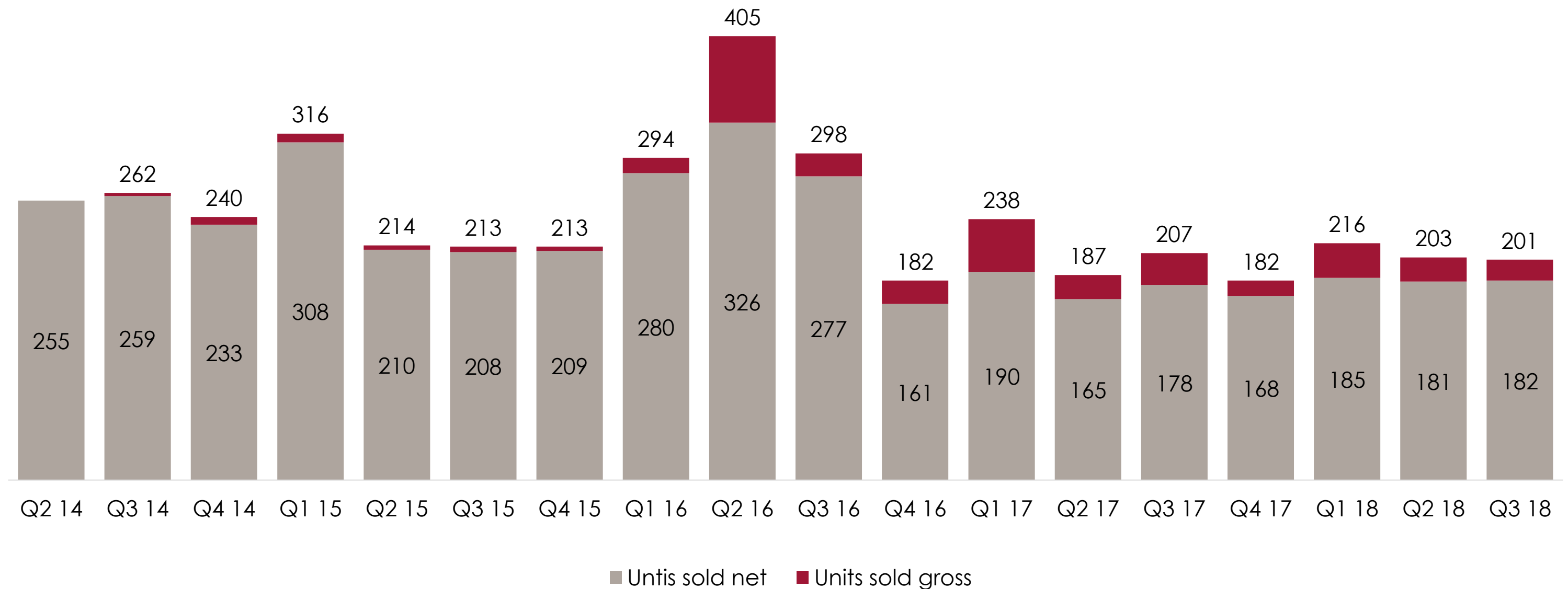
# Share of sales from joint ventures

## Sales value of units sold



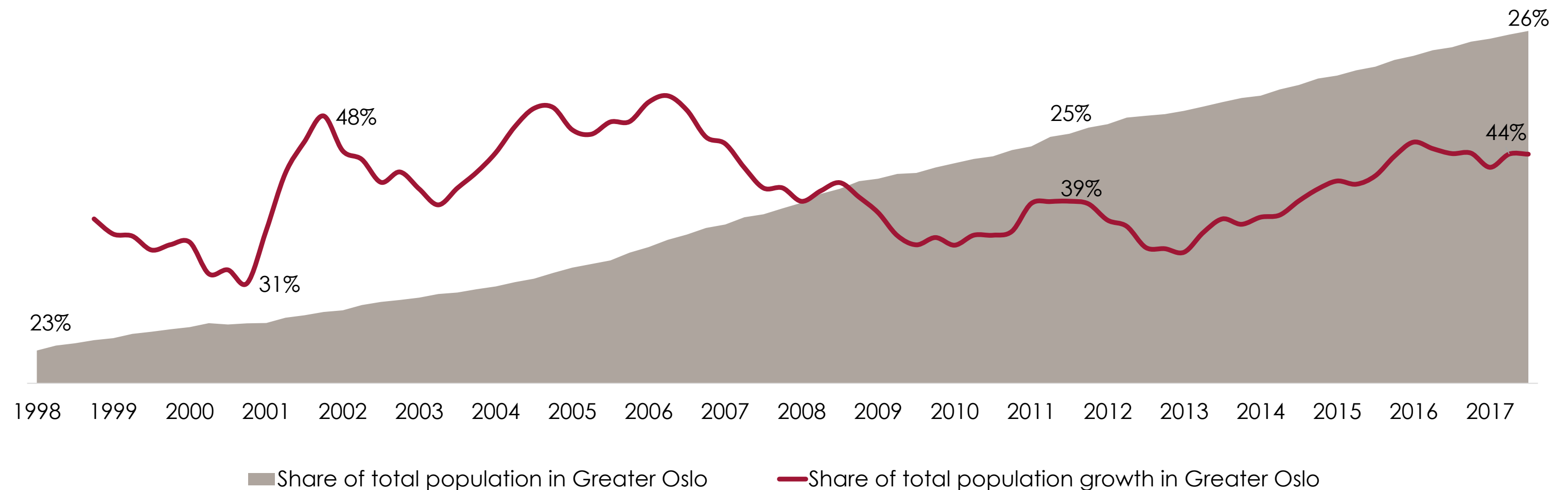
# Share of sales from joint ventures

## Number of units sold





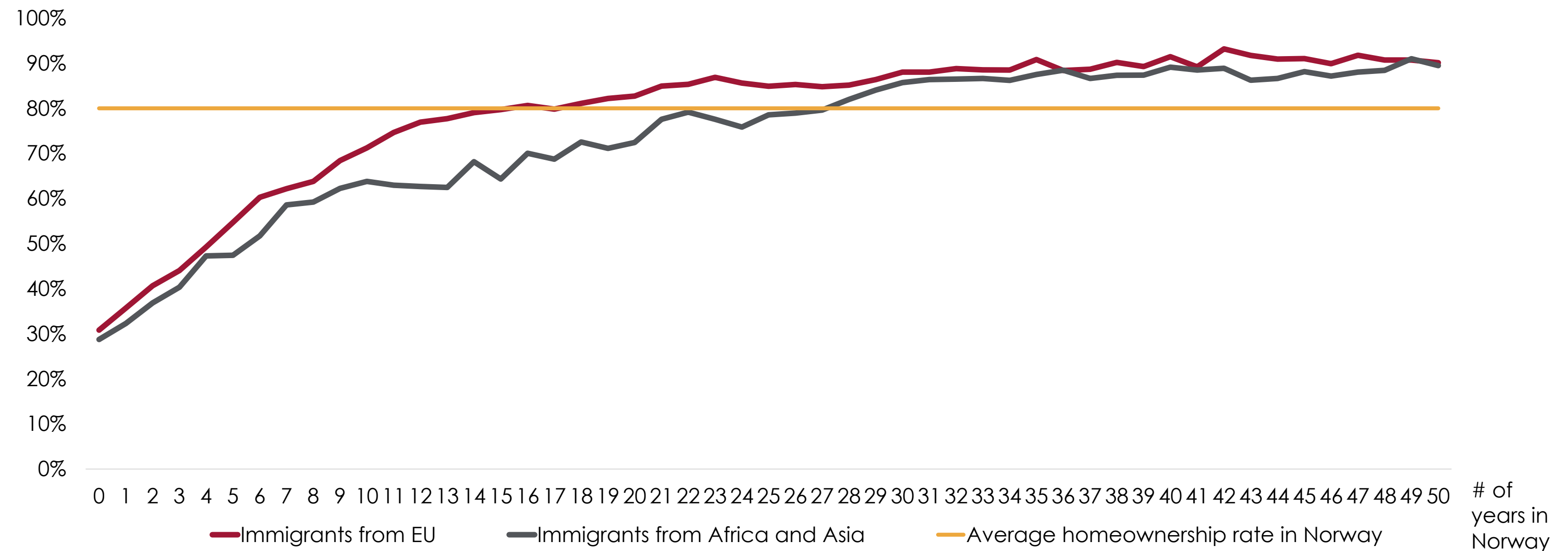
# A larger share of Norway's population lives in Greater Oslo



Note: In 2017 Greater Oslo had 23% of housing completions in Norway  
Source: Statistics Norway

# Immigration increases demand over time

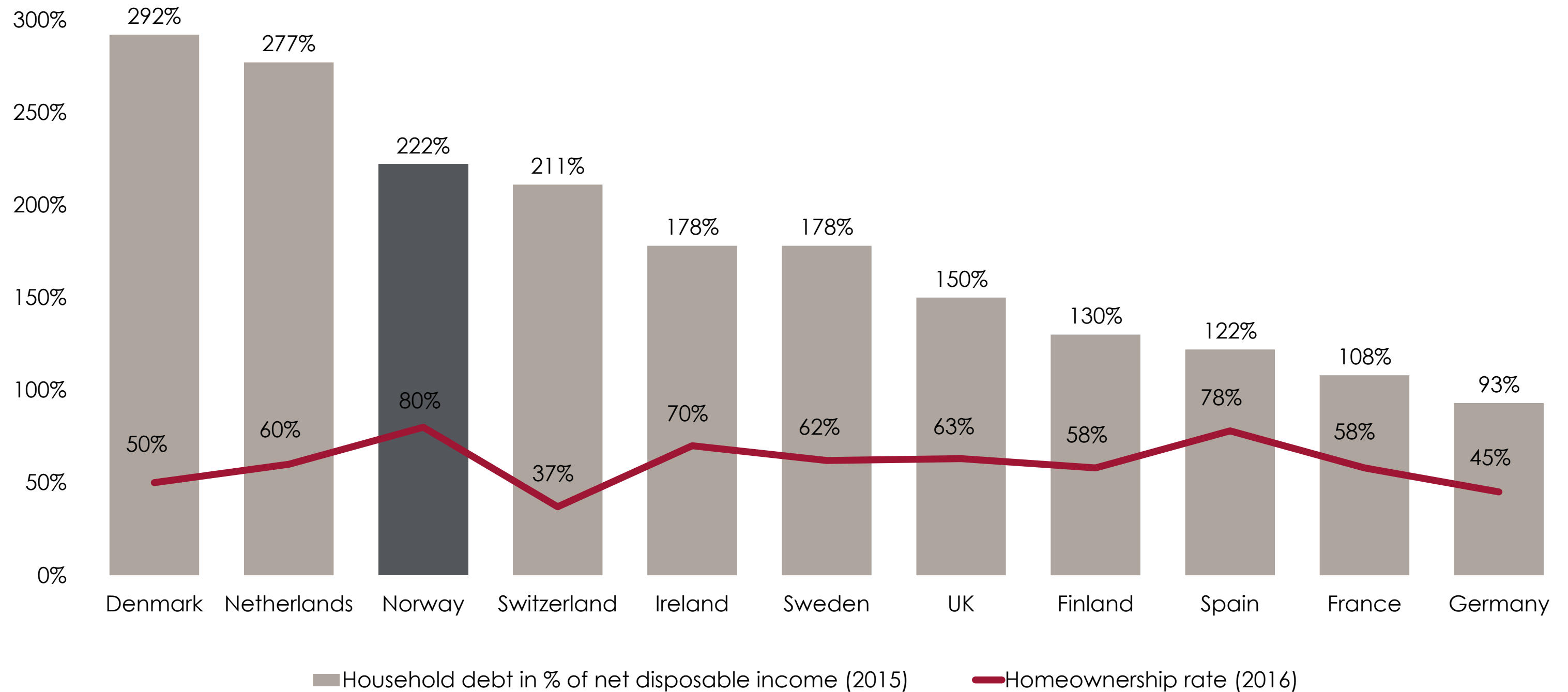
## Homeownership rate among immigrants in Norway (per year living in Norway)



Source: Statistics Norway

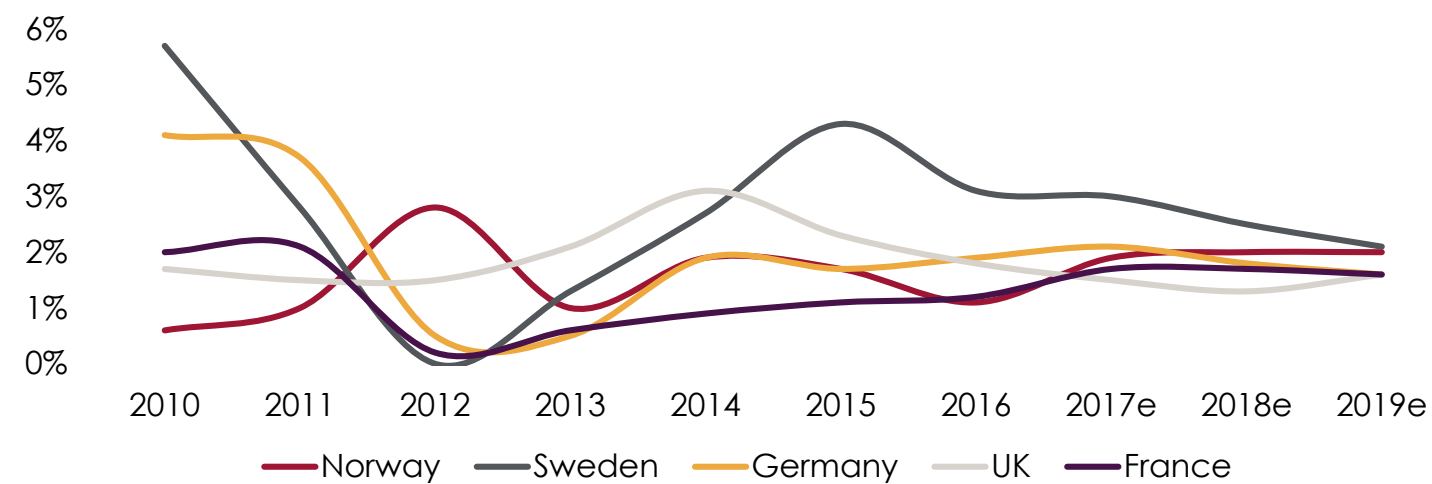


# Total household debt and homeownership

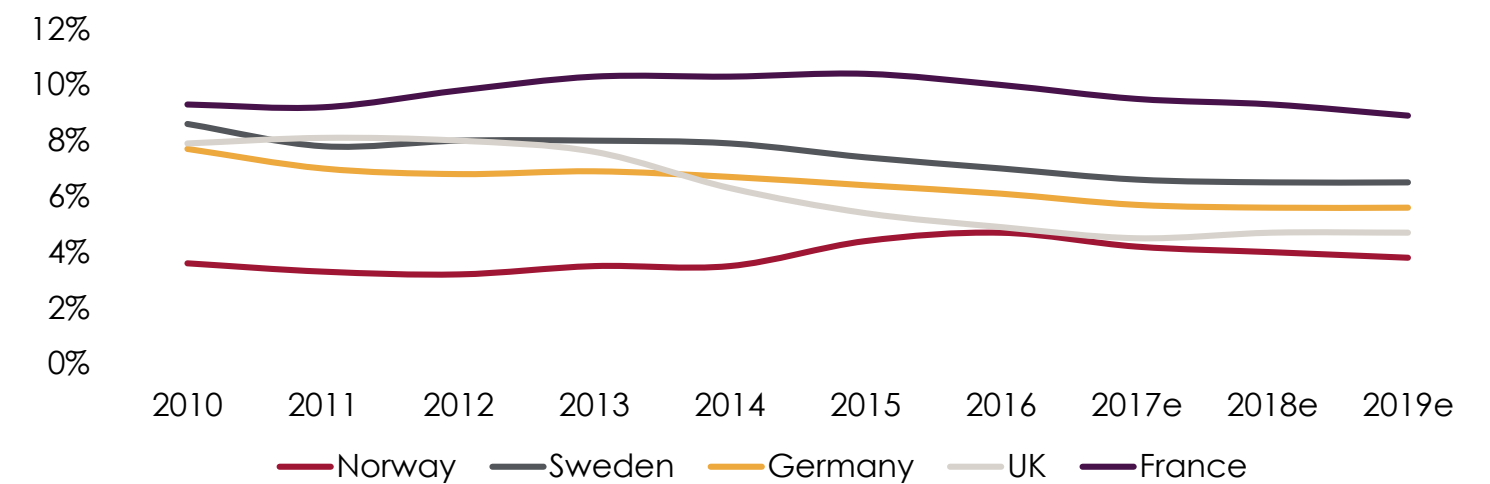


# Norway – robust economic conditions

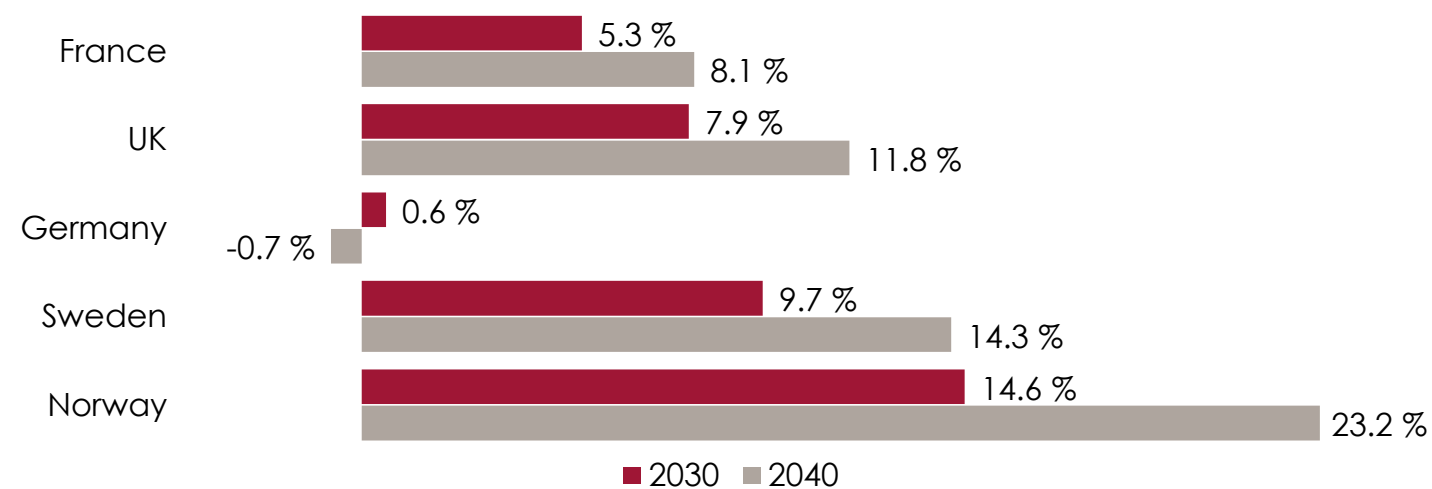
GDP growth 2010 - 2019e



Unemployment 2010 - 2019e



Population growth 2015 - 2030e and 2040e



Interest rates 2010 - 2018e

