

# Q2 2018

Oslo 15 August 2018

Olav H. Selvaag, acting CEO

Sverre Molvik, CFO

# SELVAAG BOLIG



# Agenda

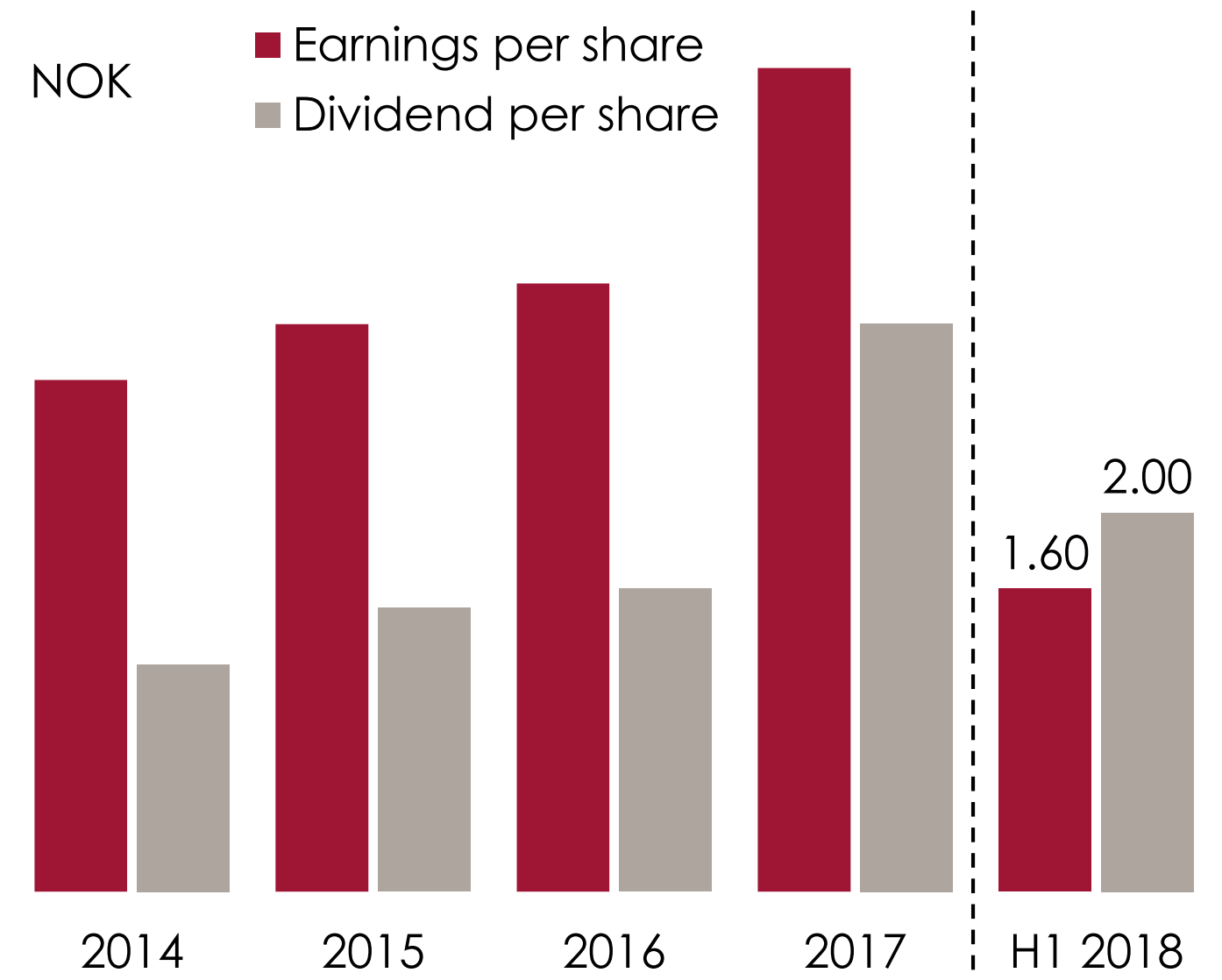
- **Highlights**
- Operational update
- Financial update
- Market
- Summary





# Highlights Q2 2018

- H1 2018 dividend of NOK 2.00 per share
- Good results driven by healthy margins
- Market improved as expected
- Well positioned in core markets
- CEO change



## HIGHLIGHTS

# Key financials Q2 and H1 2018

### Q2 2018

Operating revenues

**864**

NOK million

Adjusted EBITDA margin

**20.6**

per cent

Operating revenues (NGAAP)

**665**

NOK million

EBITDA margin (NGAAP)

**21.8**

per cent

### H1 2018

Operating revenues

**1 244**

NOK million

Adjusted EBITDA margin

**18.4**

per cent

Operating revenues (NGAAP)

**1 236**

NOK million

EBITDA margin (NGAAP)

**21.2**

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

# Firm long-term strategy

**Competitive housing offering only targeting selected growth regions**

**Large, actively-managed land bank**

**Efficient and flexible cost structure, no in-house construction**

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



# Agenda

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

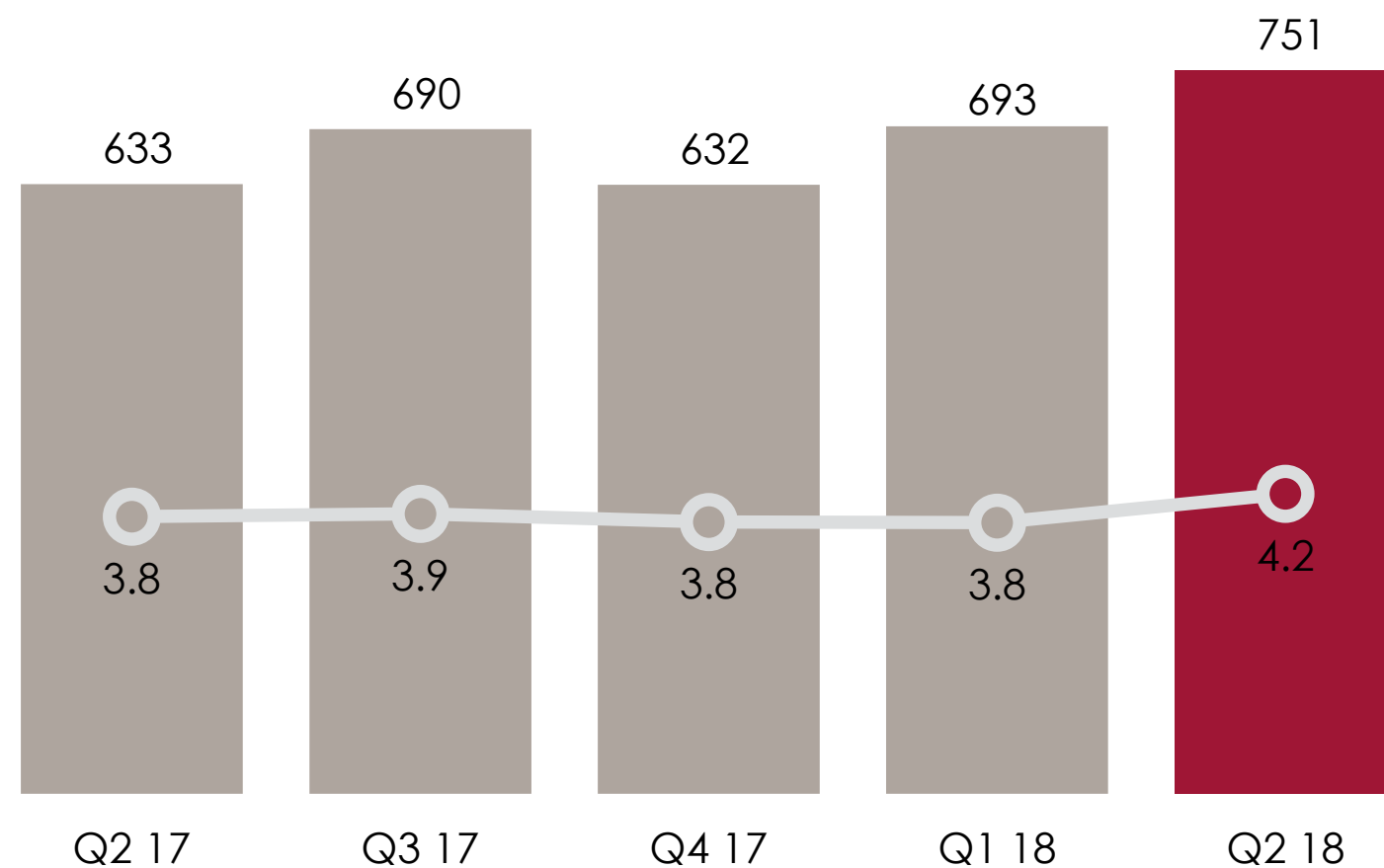




# Sales value and units sold

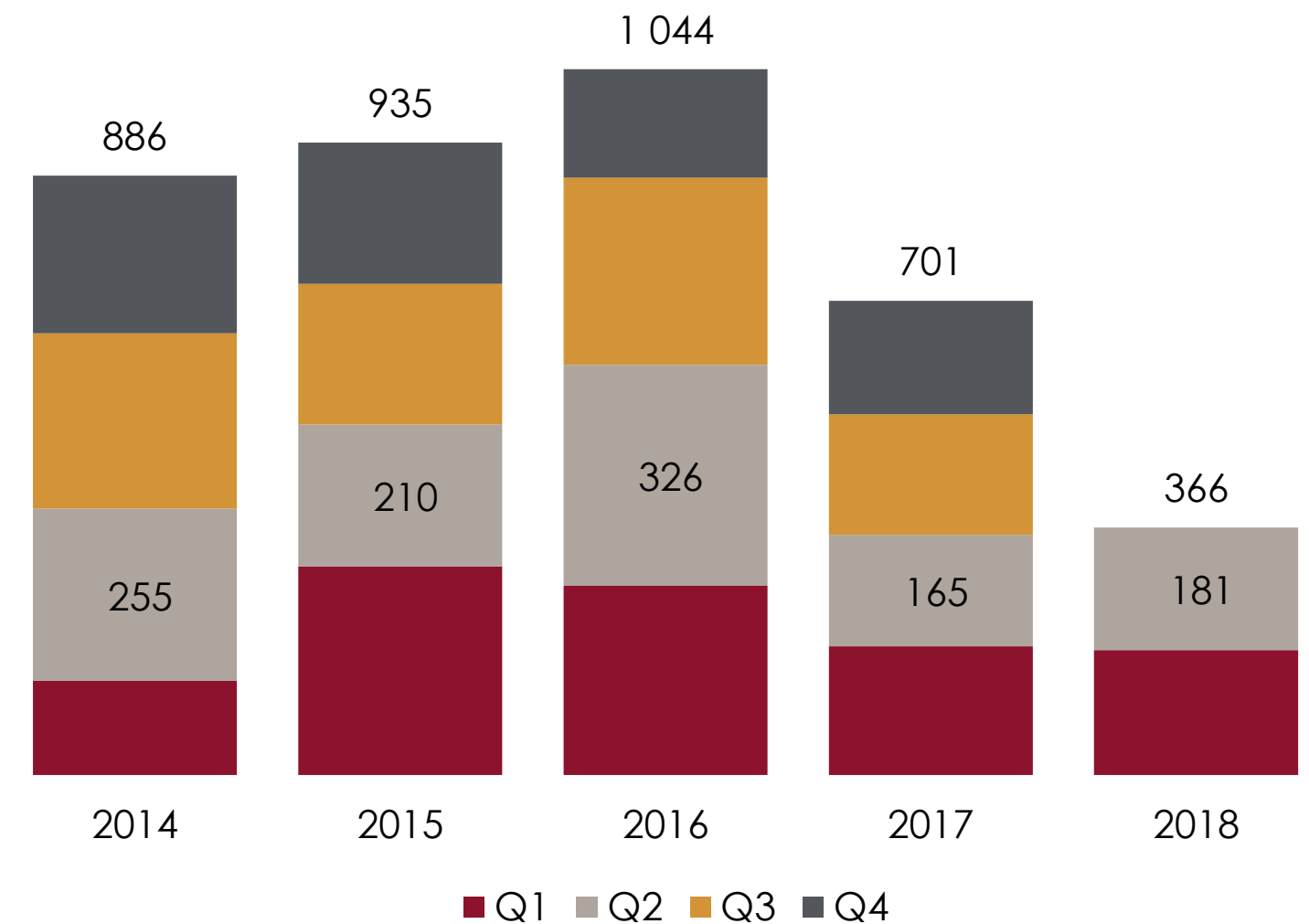
## Total and average sales value

NOK million



## Number of units sold per quarter

Units

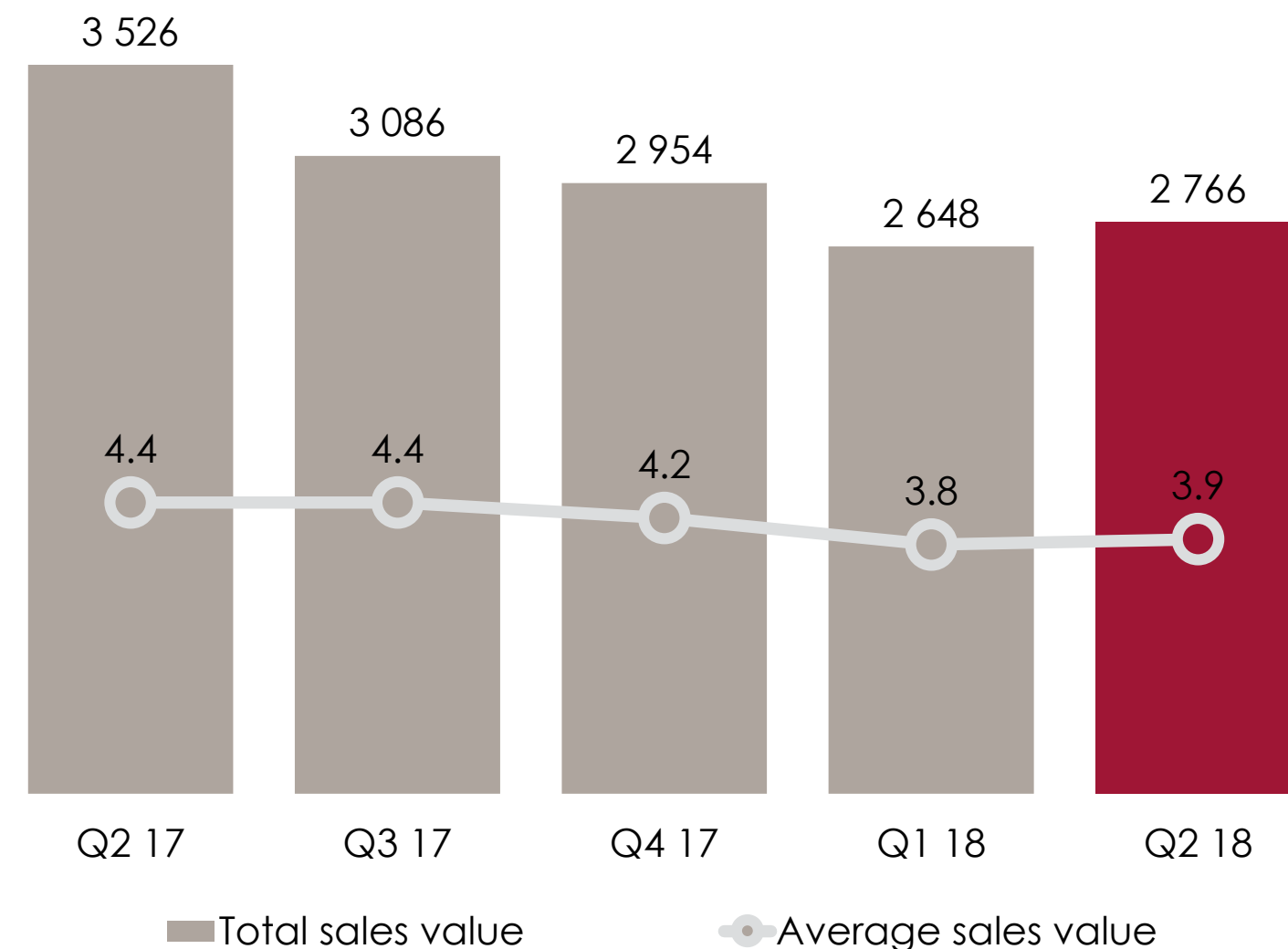


Note: All numbers are adjusted for Selvaag Bolig's share in joint ventures

# Rolling sales value and units sold

## Sales value: 12 months rolling

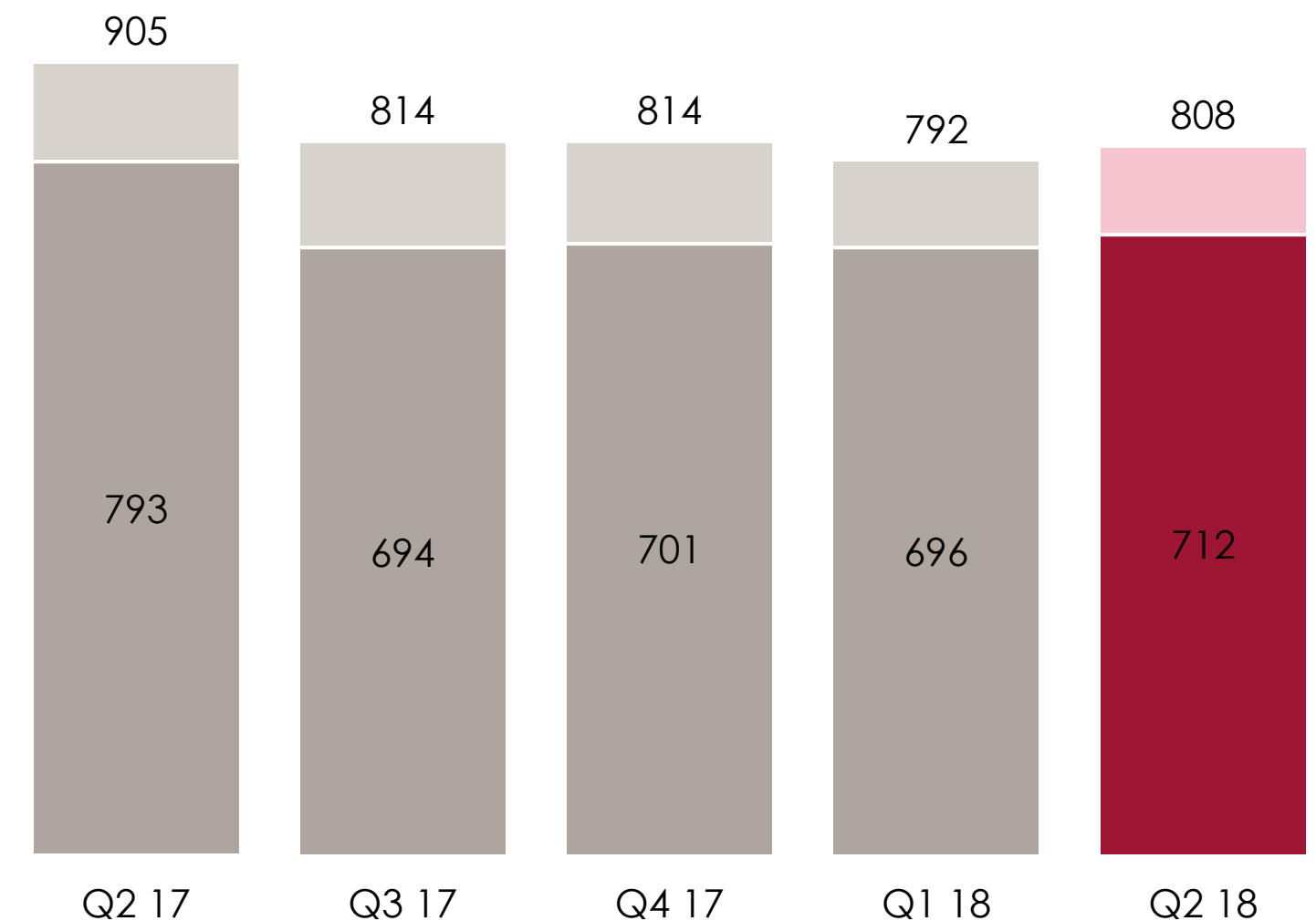
NOK million



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

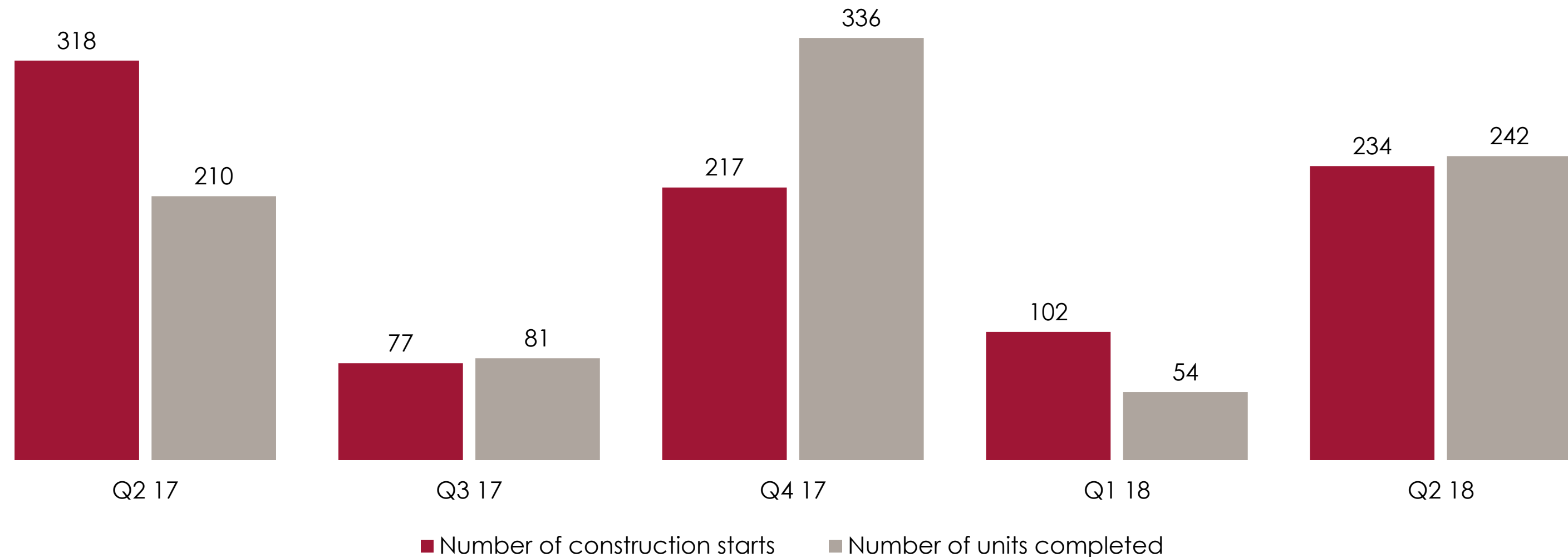
\*\*Columns excluding dotted areas show Selvaag Bolig's net sales



# Construction starts and completions

## Construction starts and completions per quarter

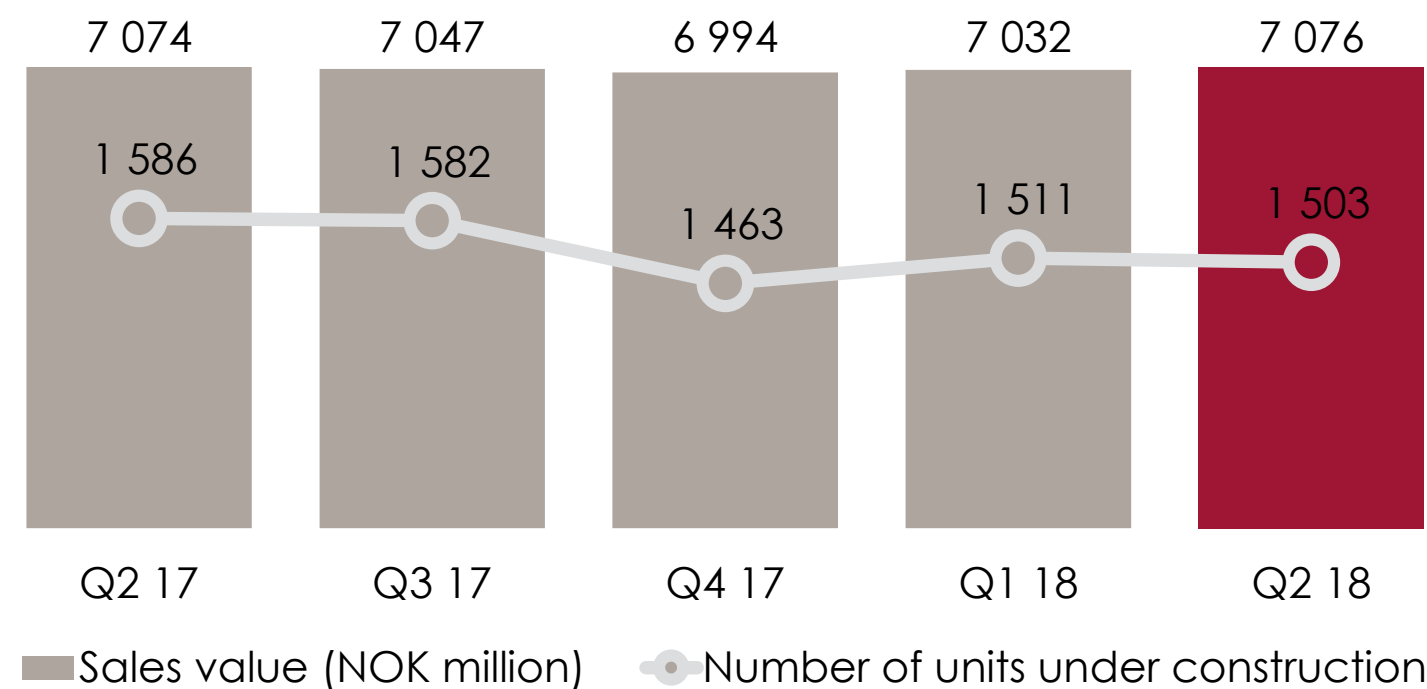
Units



# Units under construction and completions

## Sales value units under construction

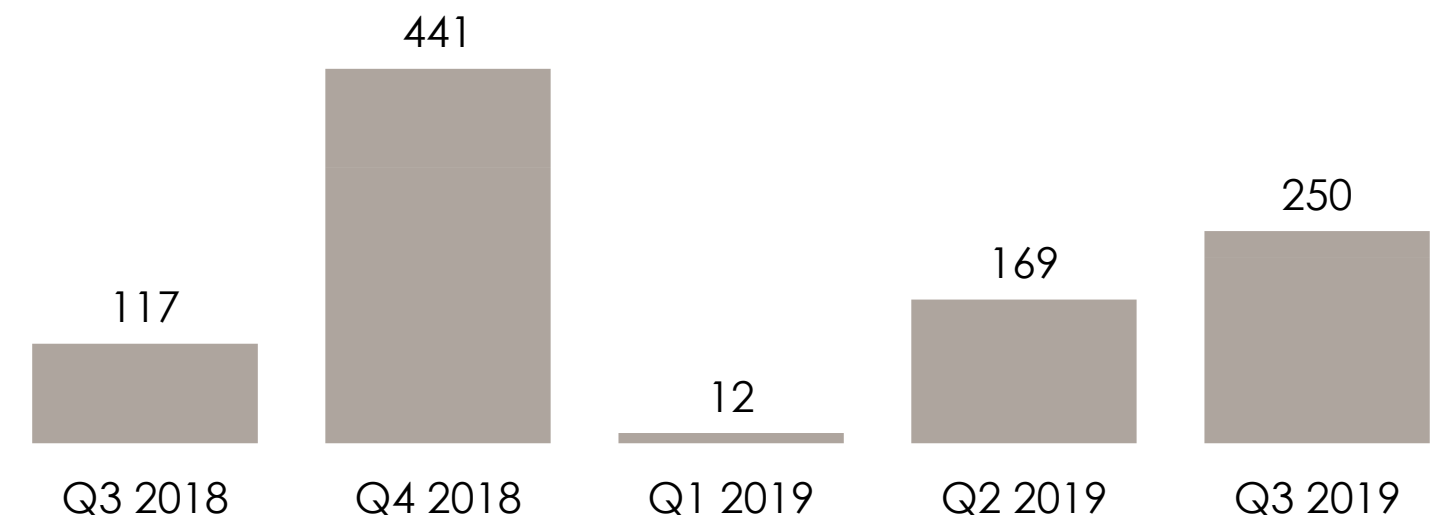
NOK million



- High value of units under construction
- Q2 2018: 72% of units under construction sold by Q2 2018
- Q2 2018: 83% of construction volume in Greater Oslo
  - Of which 77% in Oslo. Remaining in Lørenskog, Moss and Tønsberg

## Expected completions per quarter

Units



- Expected completions for 2018 as of Q2 18: 854 units
- 91% of 2018 completions sold by Q2 2018



# Agenda

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



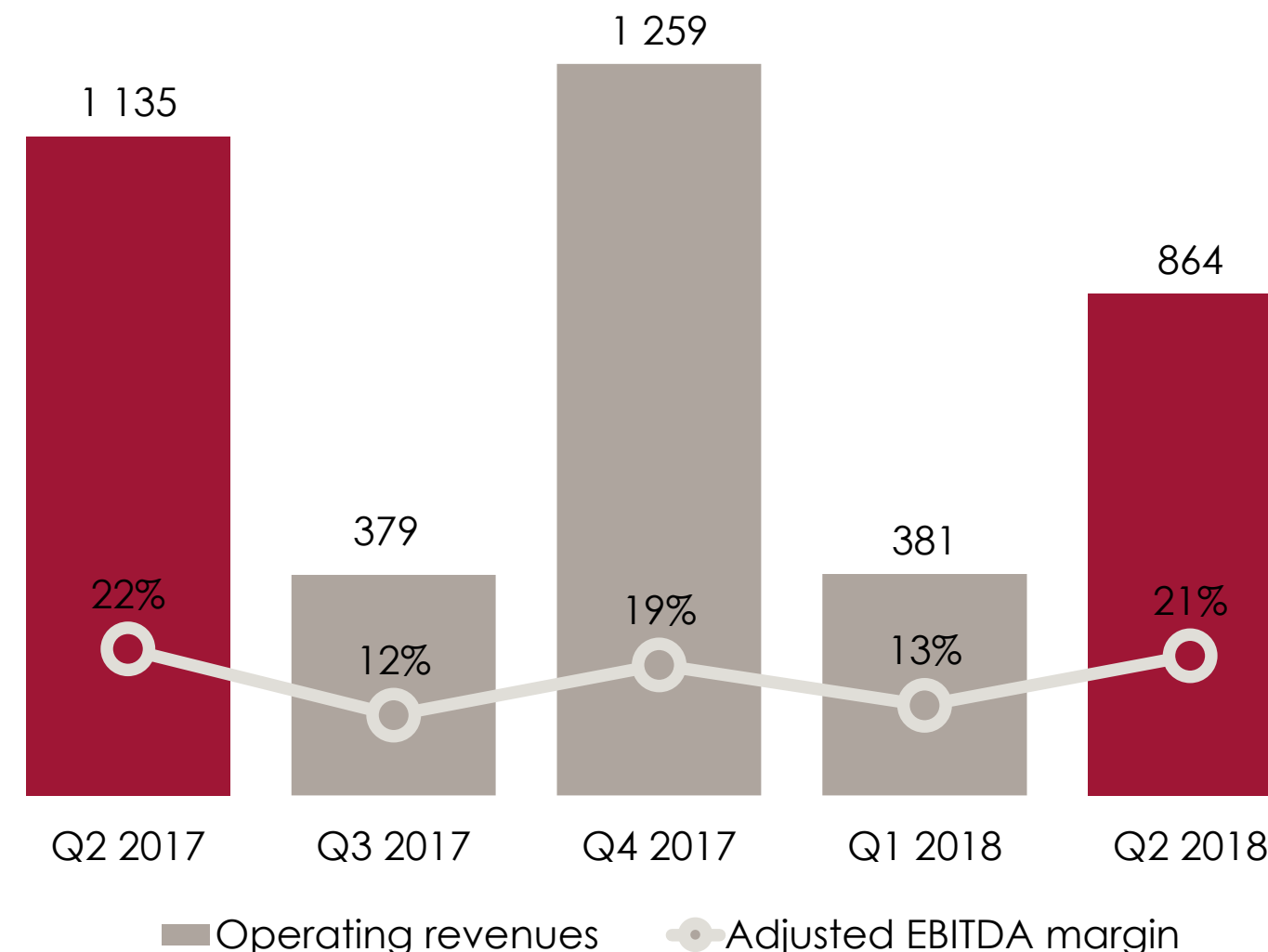


# Income statement highlights Q2 2018 (IFRS)

- 243 units delivered (222)
- Revenues NOK 864m (1 135)
  - Units delivered NOK 847m (860)
  - Other revenues NOK 16m (265+9)
- Project costs NOK 646m (841)
  - Of which NOK 16m is interest (19)
- Other costs NOK 73m (60)
  - Salaries, sales and marketing
- Adjusted EBITDA NOK 178m (245)
  - Adjusted for financial expenses included in project costs
- EBITDA NOK 162m (225)
- EPS in the quarter NOK 1.26 (1.58)

## 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

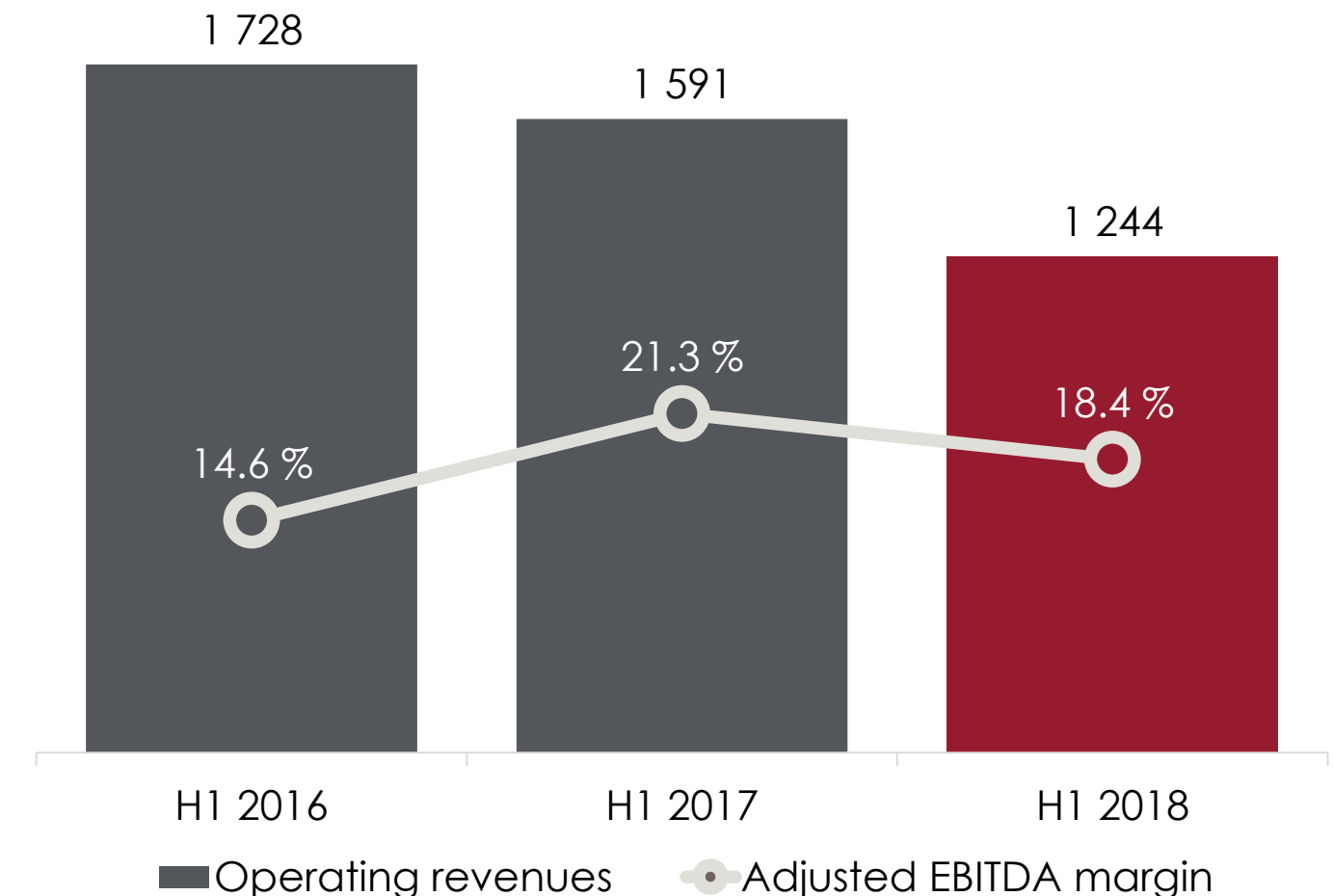


# Income statement highlights H1 2018 (IFRS)

- Delivery of 302 units (307)
- Revenues NOK 1 244m (1 591)
- EBITDA adjusted 229m (338)
  - Adjusted for financial expenses included in project costs
- Earnings per share H1 2018 NOK 1.60 (2.39)
- Dividend of NOK 2. 00 per share for H1 2018

## Revenues and adjusted EBITDA margin (IFRS)

NOK million

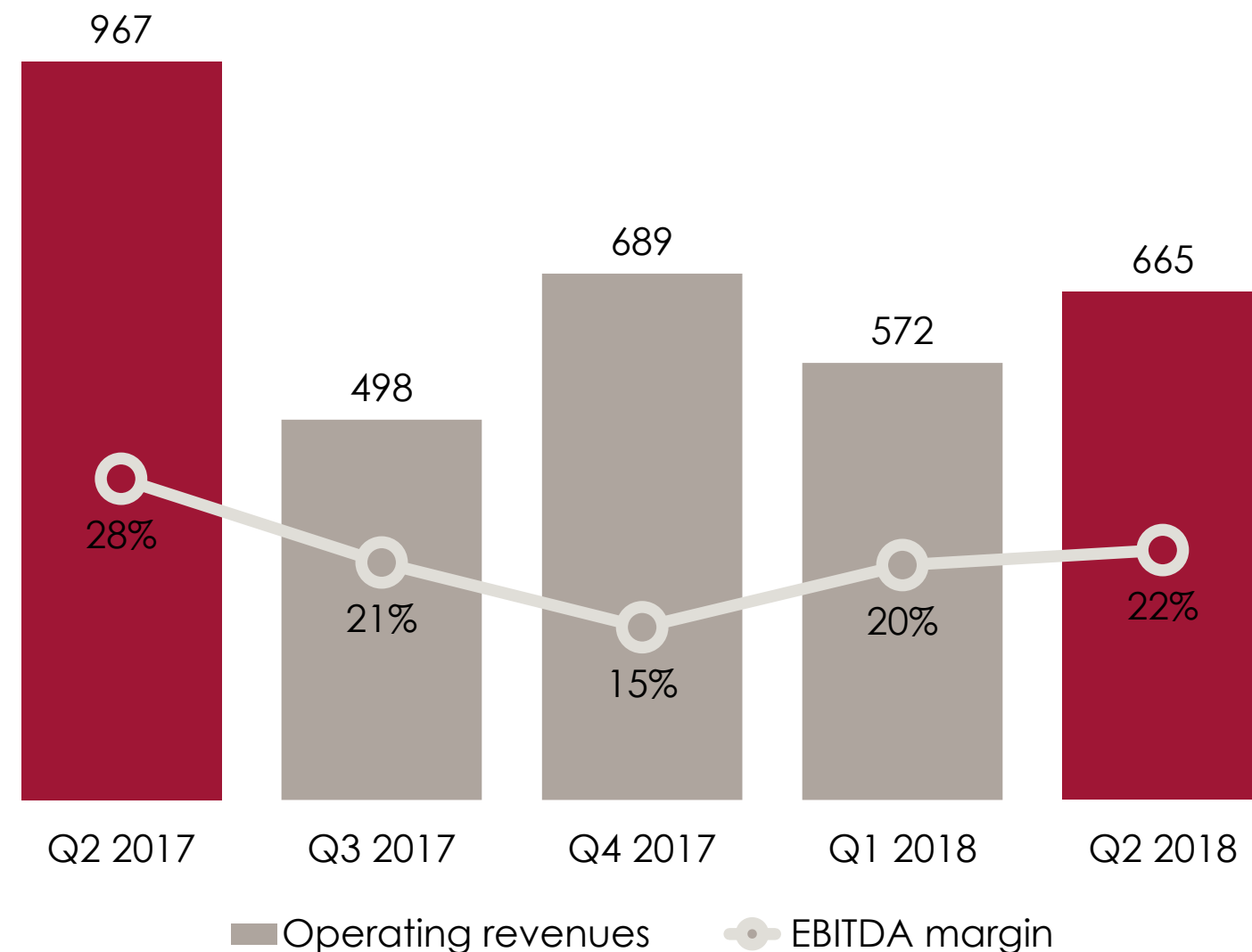


Note: EBITDA is profit before interest, taxes, depreciation and amortization. EBITDA adjusted is excluding financial expenses included in project costs

# Income statement highlights Q2 2018 (NGAAP)

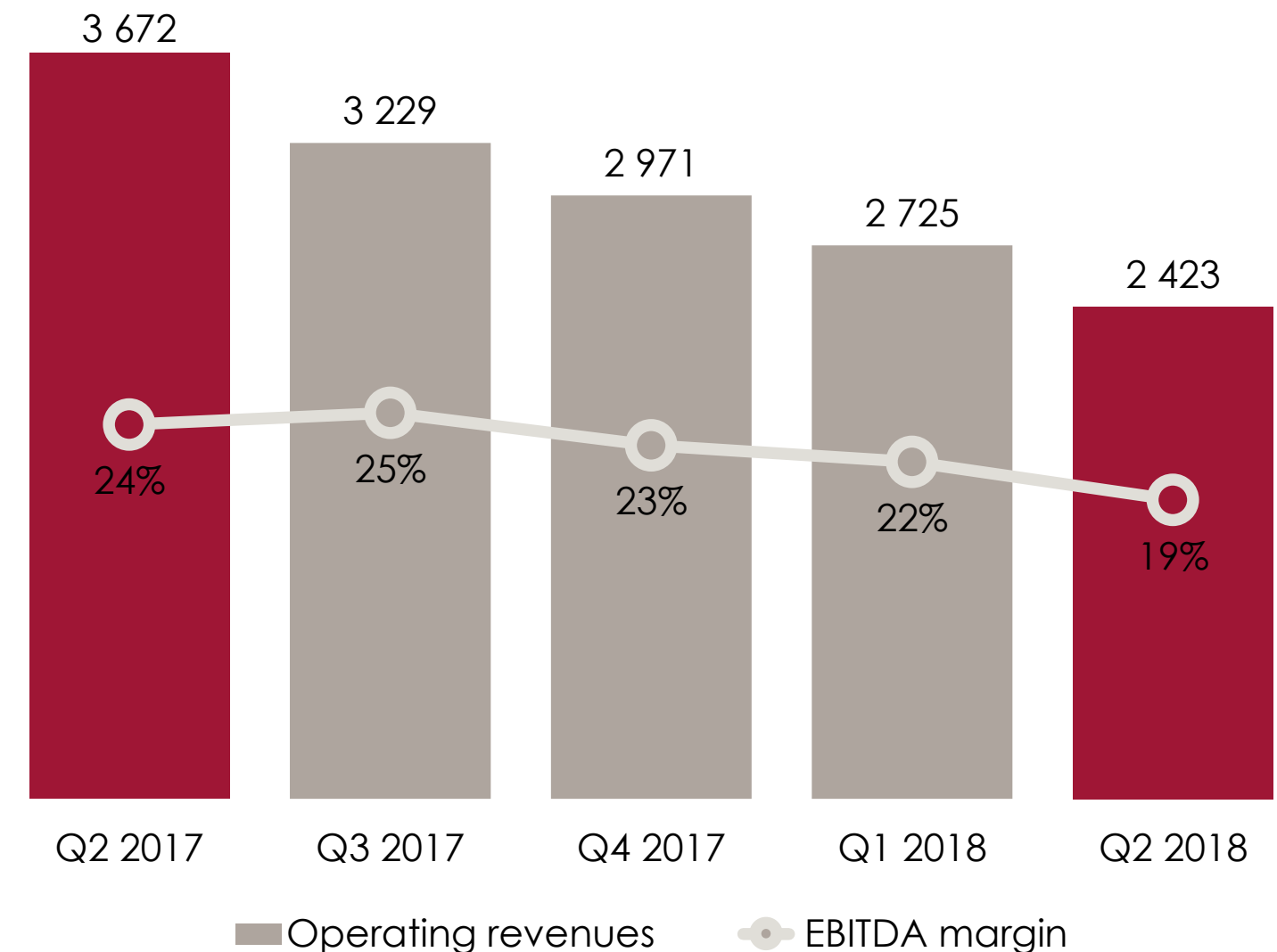
## Revenues and EBITDA margin (NGAAP)\*

NOK million



## 12 months rolling revenues (NGAAP)\*

NOK million

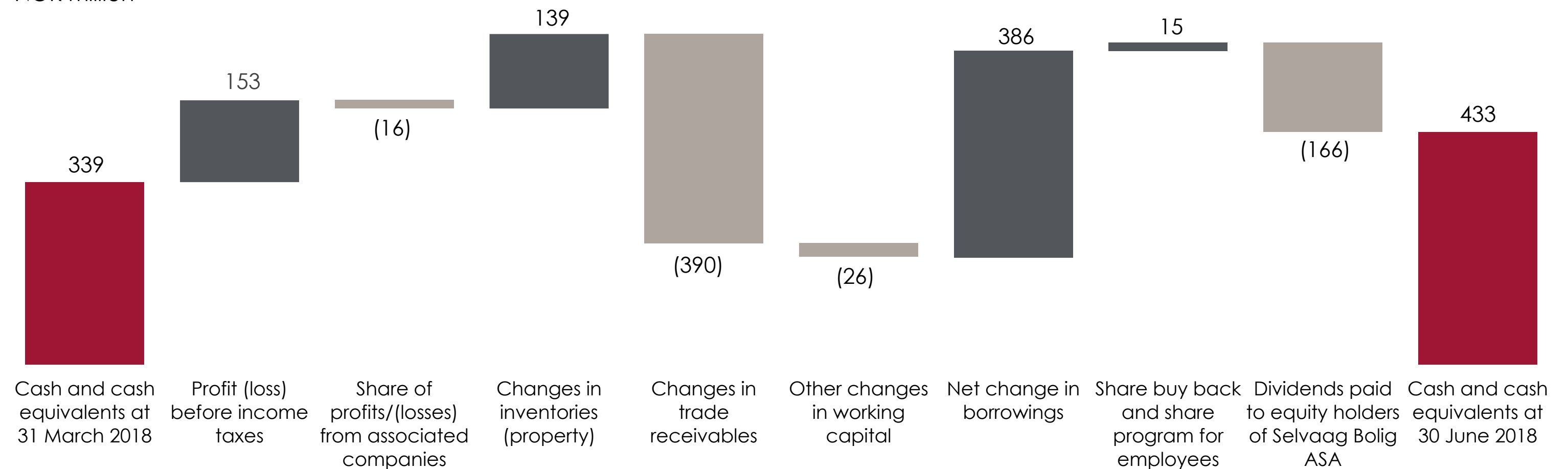


\* Construction costs are exclusive of financial expenses in the segment reporting (NGAAP)  
 Note: EBITDA is operating profit before depreciation, gains (losses) and profit from associated companies



# Cash flow development Q2 2018

NOK million



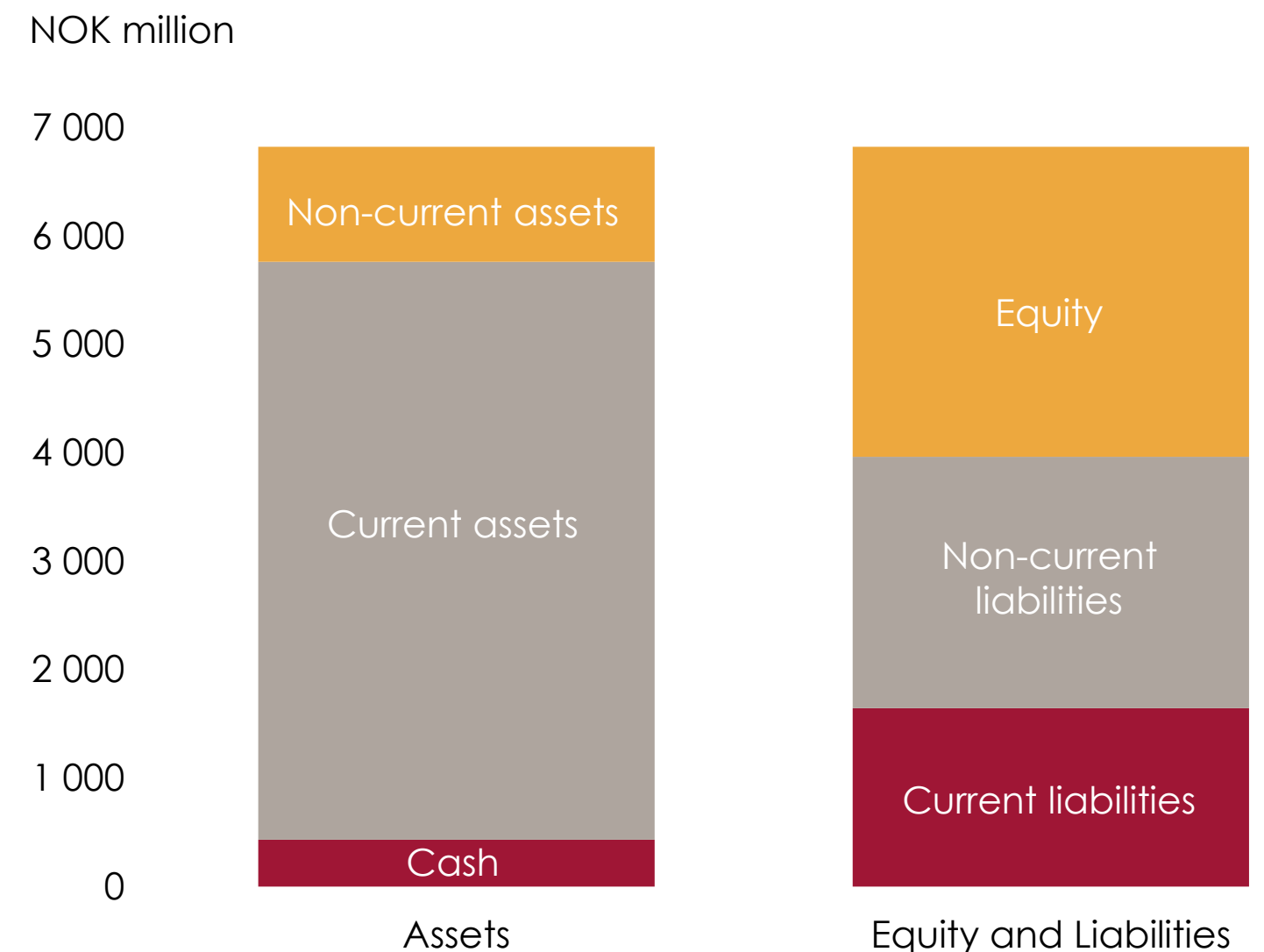
- Cash flow from operations negative at NOK 139m mainly explained by units delivered in June and payment in July
- Cash flow from investment activities negative at NOK 2m
- Cash flow from financing activities positive at NOK 235m mainly due to net increase in loans, partly offset by dividend payment of NOK 166m

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

# Balance sheet highlights Q2 2018

- Book value decreased by NOK 0.6 to NOK 30.4 per share
  - Paid dividend of NOK 1.80 per share
  - Equity ratio 41.9%
- Changes from Q1 2018:
  - Inventories decreased by NOK 128m
  - Trade receivables increased by NOK 390m
  - Cash increased by NOK 94m
- Prepayments from customer's accounts for NOK 356m of other current non-interest-bearing liabilities

## Balance sheet composition



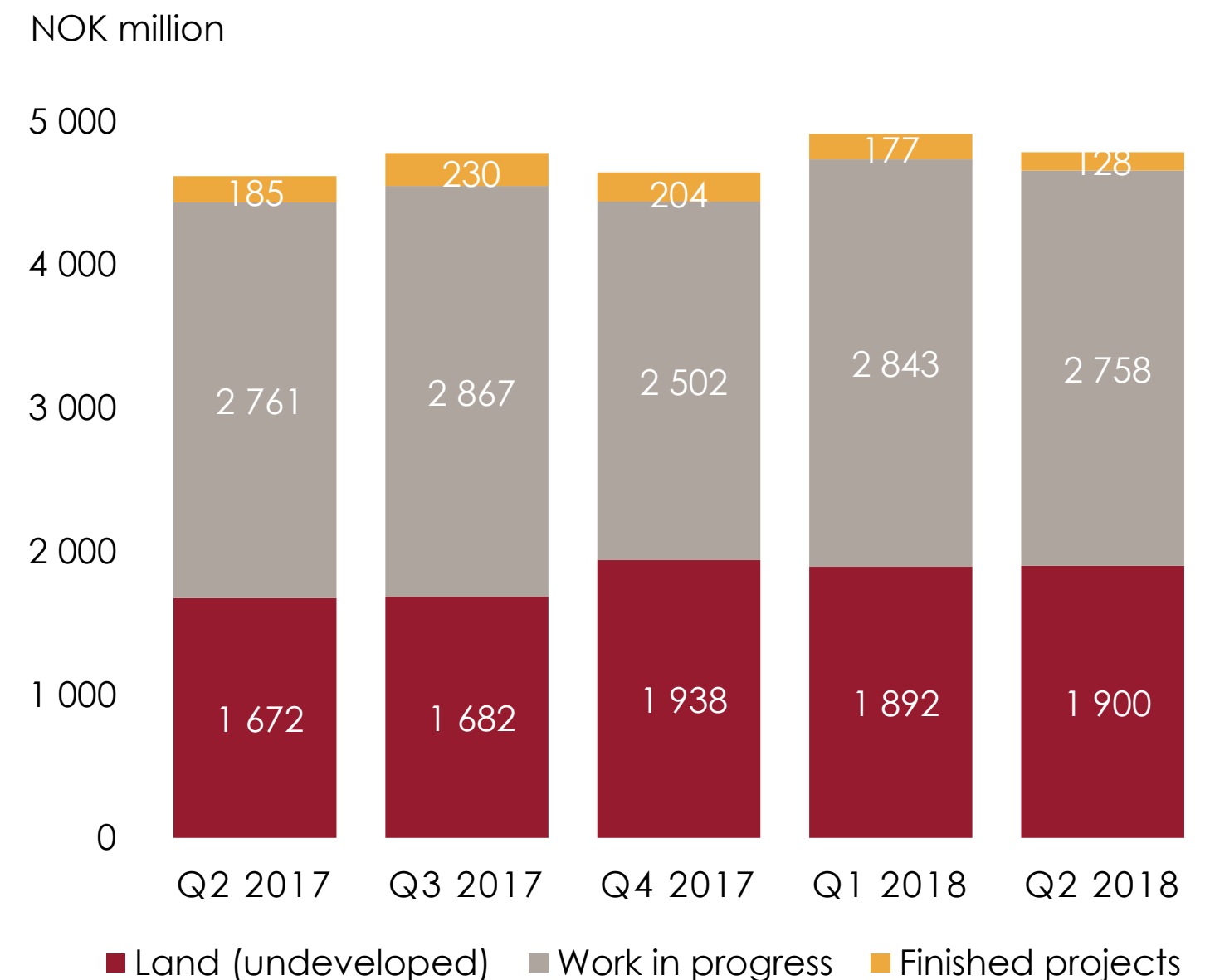


# Inventories (property) Q2 2018

## Q2 18 vs Q1 18

- Land value up NOK 7m
- Work in progress down NOK 86m
  - Mainly due to units delivered
- Finished goods down NOK 50m
  - Due to units delivered

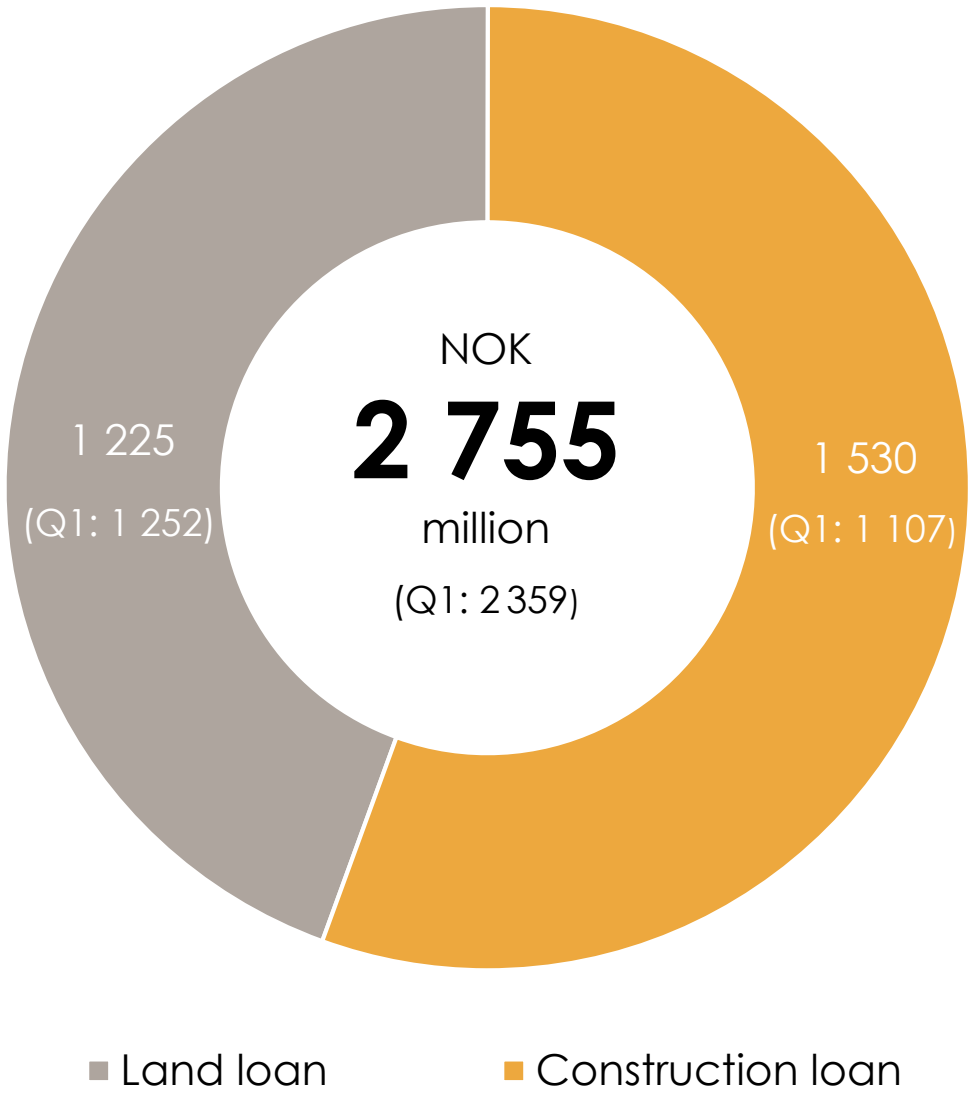
## Inventory value development



# Debt structure

## Interest-bearing debt as at 30 June 2018

NOK million



	Loan facility	Drawn at 30 Jun. (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	1 225	2.00% - 2.50%
4	Construction loan facilities from a range of Nordic credit institutions	1 530	1.75% - 2.60%

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

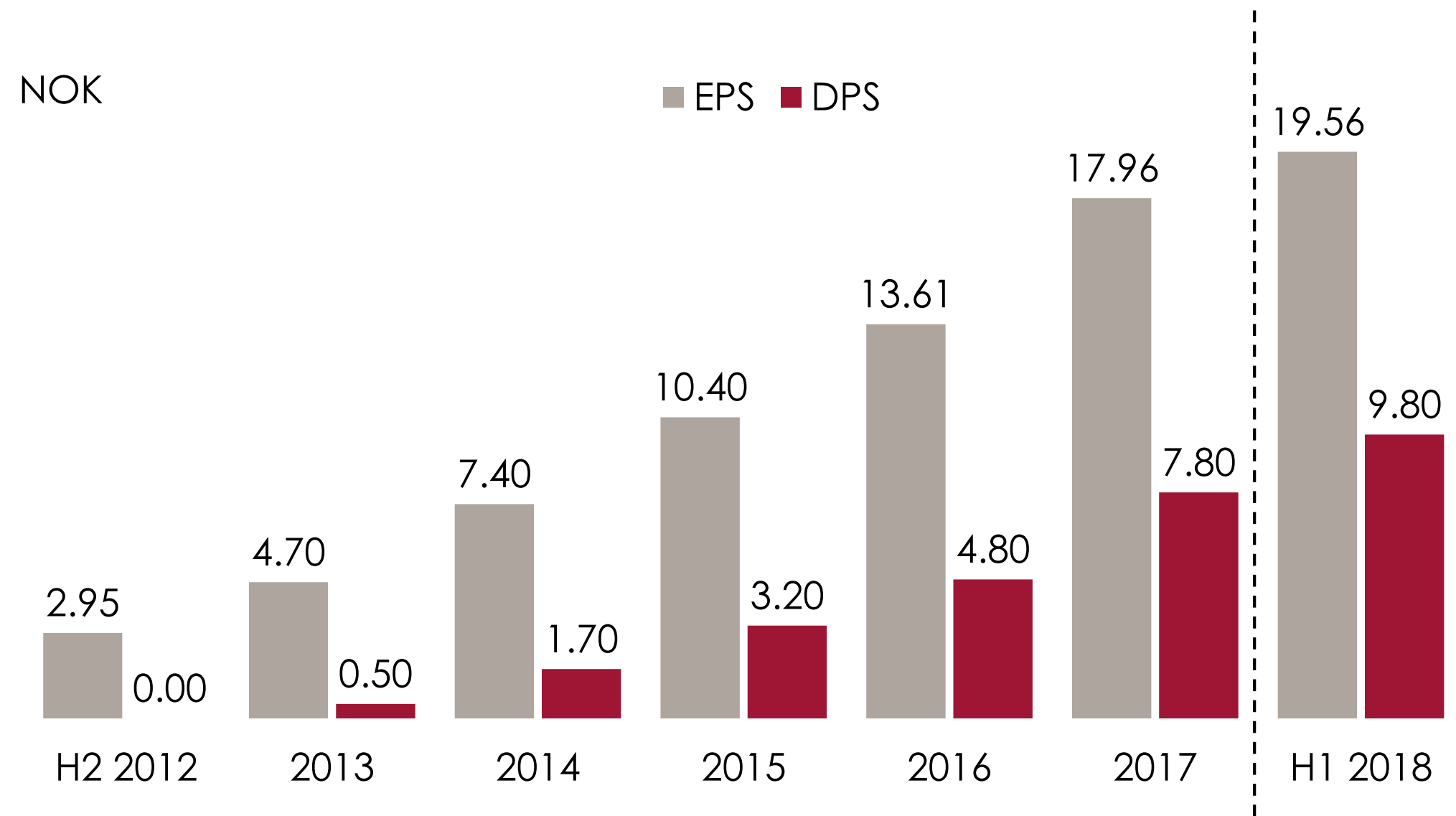
Total Q1 2018 net interest-bearing debt NOK 2 019 million



# Earnings and dividend per share since IPO

## Accumulated dividend per share since IPO in June 2012

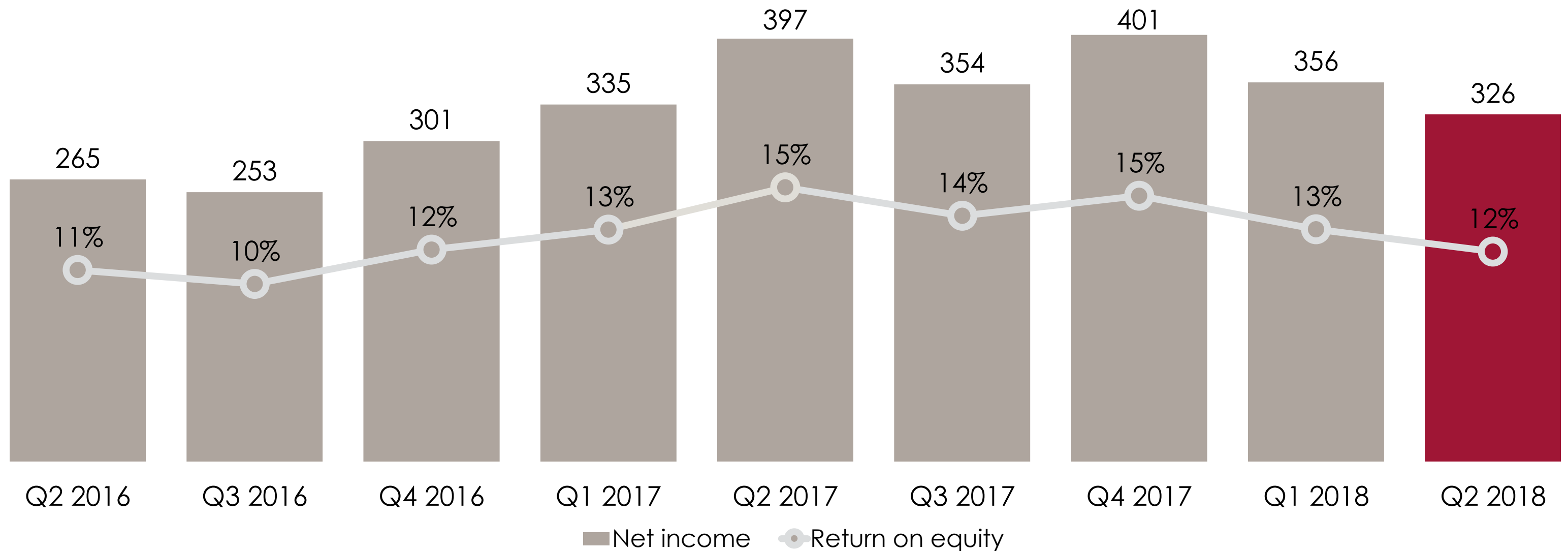
- H1'18 EPS of NOK 1.60 (2.39)
- H1'18 dividend of NOK 2.00 per share



# 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

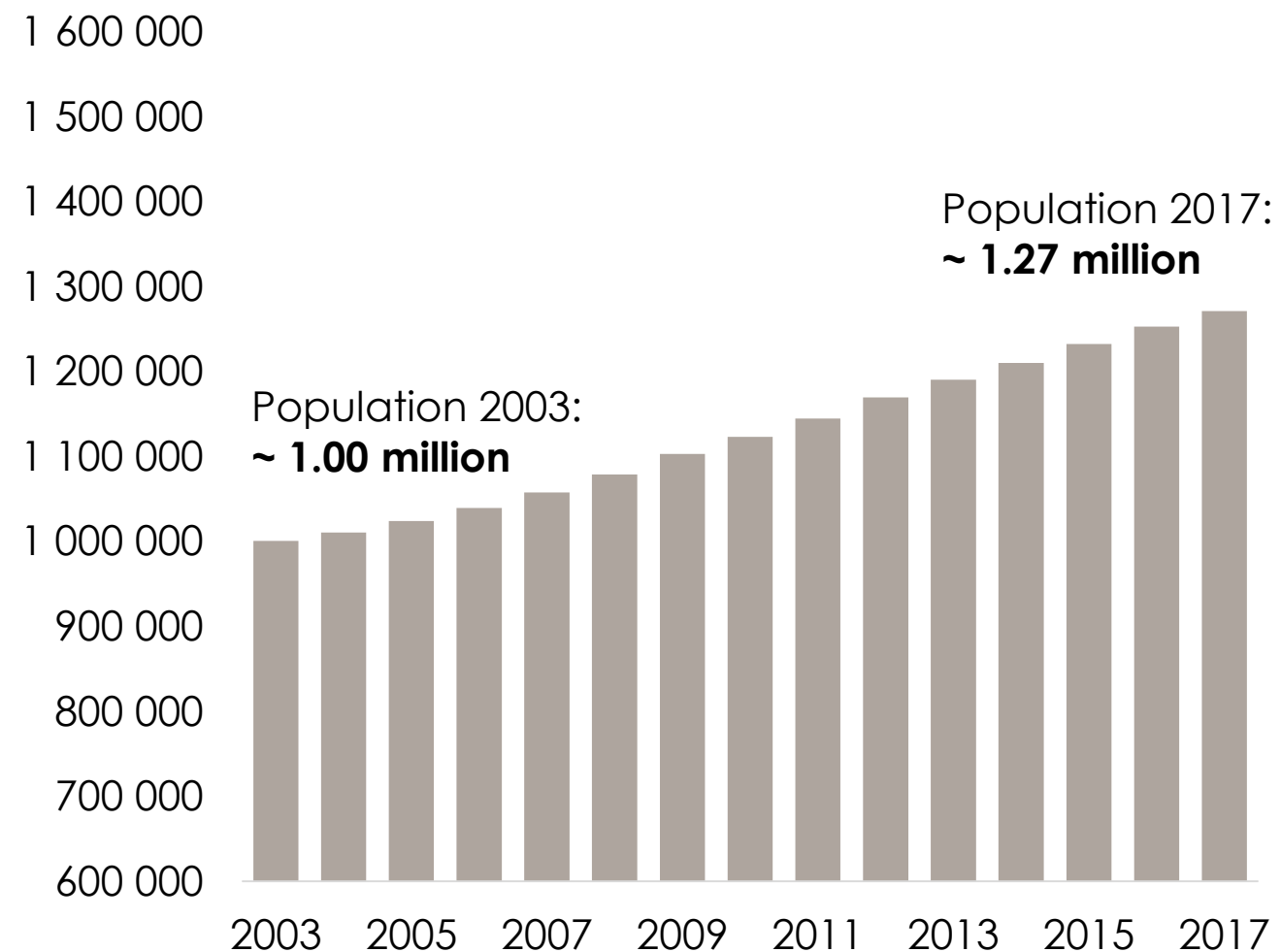
- Highlights
- Operational update
- Financial update
- **Market**
- Summary



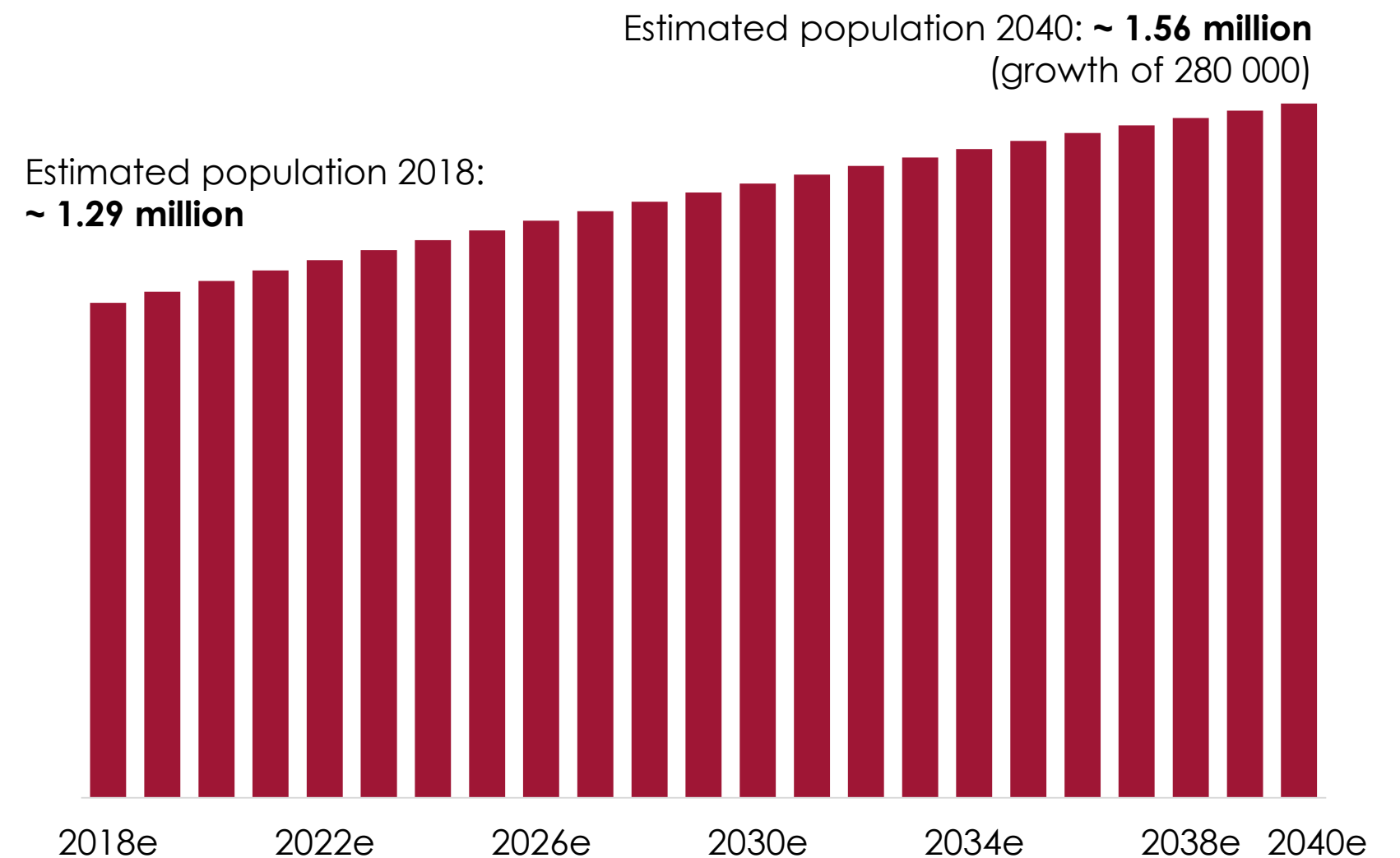


# Stable population growth in Greater Oslo...

## Population in Greater Oslo\*



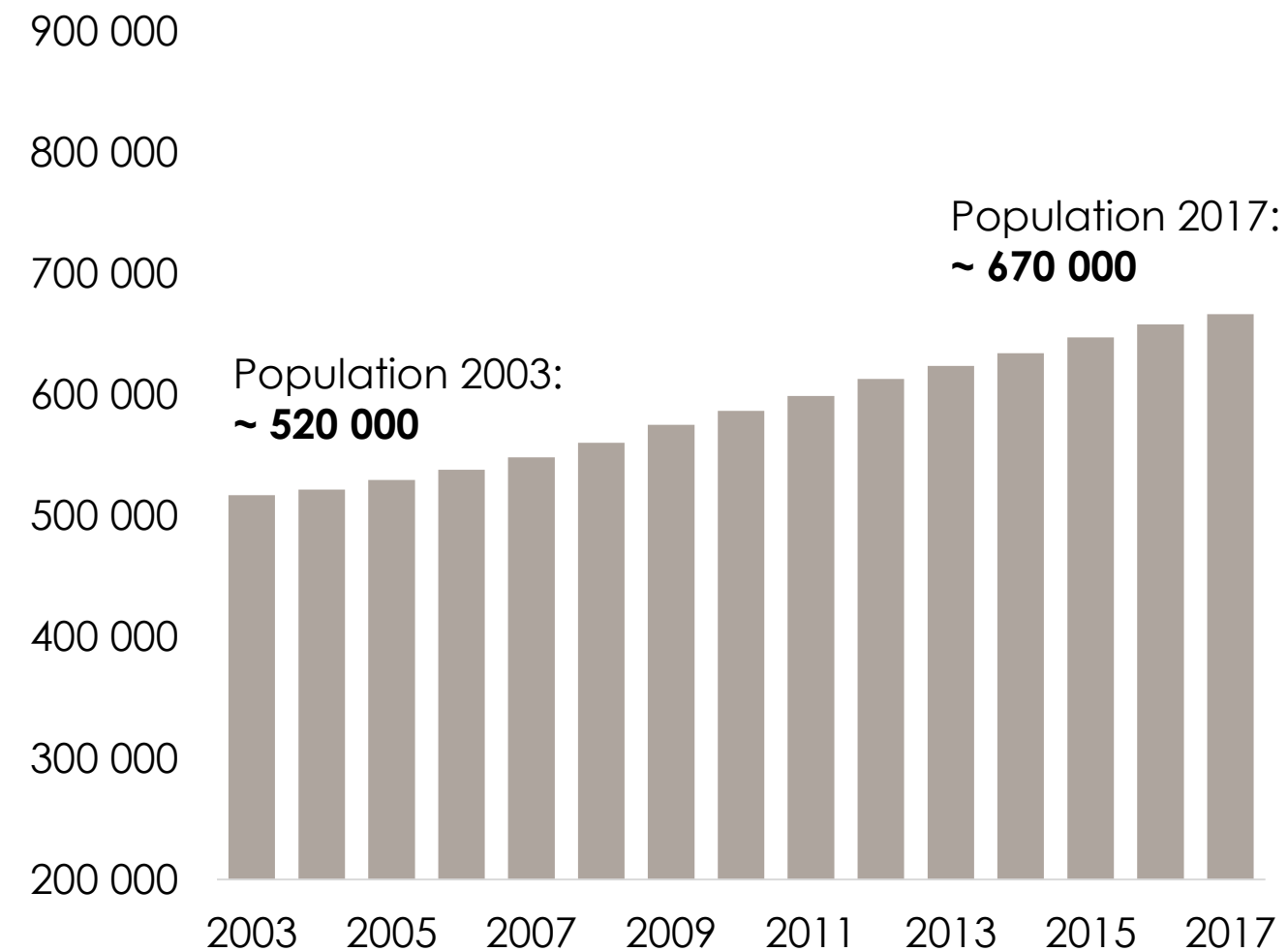
## Estimated population in Greater Oslo\*



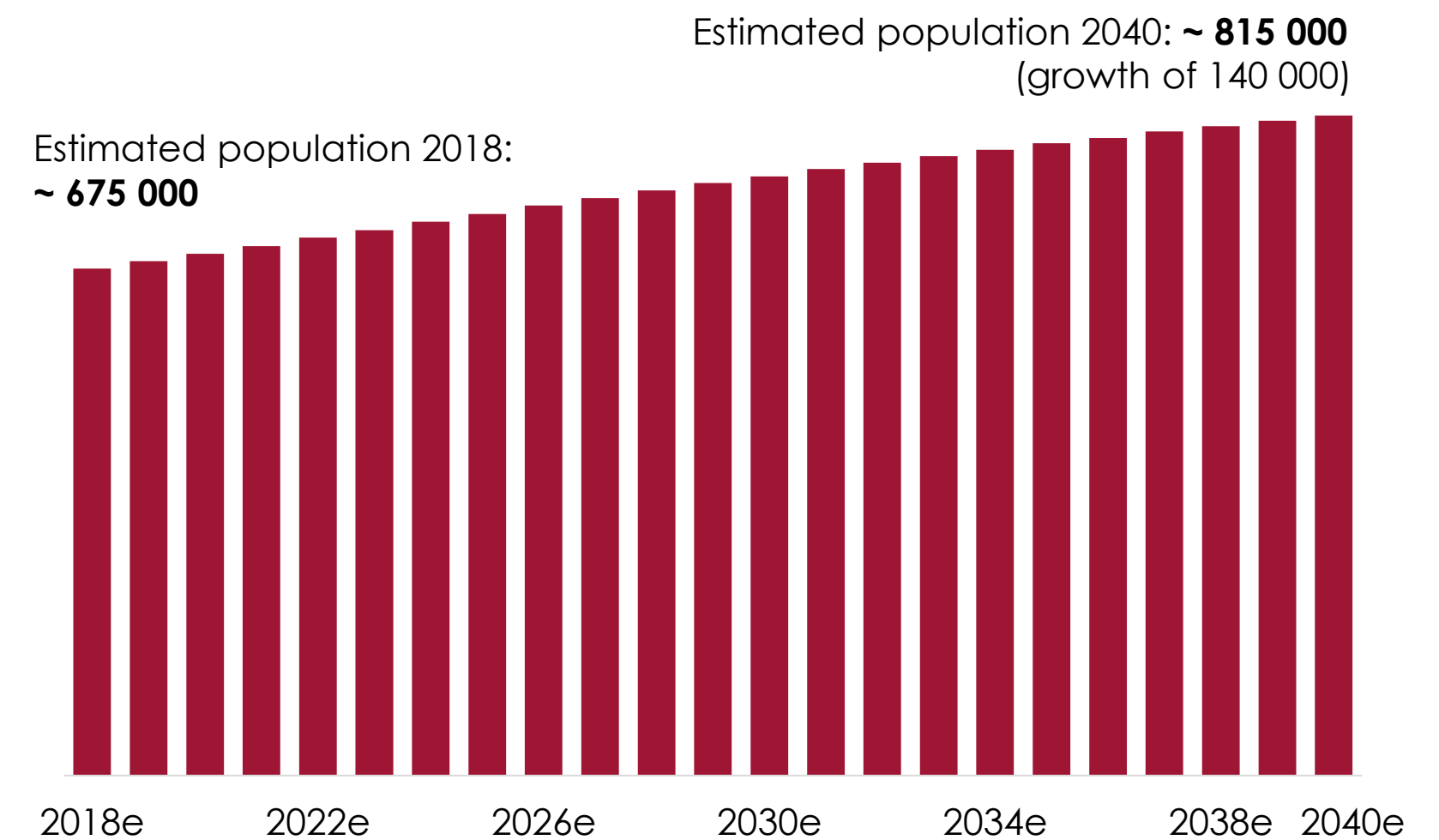
\*Greater Oslo = Oslo and Akershus  
Source: Statistics Norway (medium alternative)

# ...and in Oslo until 2040

## Population in Oslo



## Estimated population in Oslo

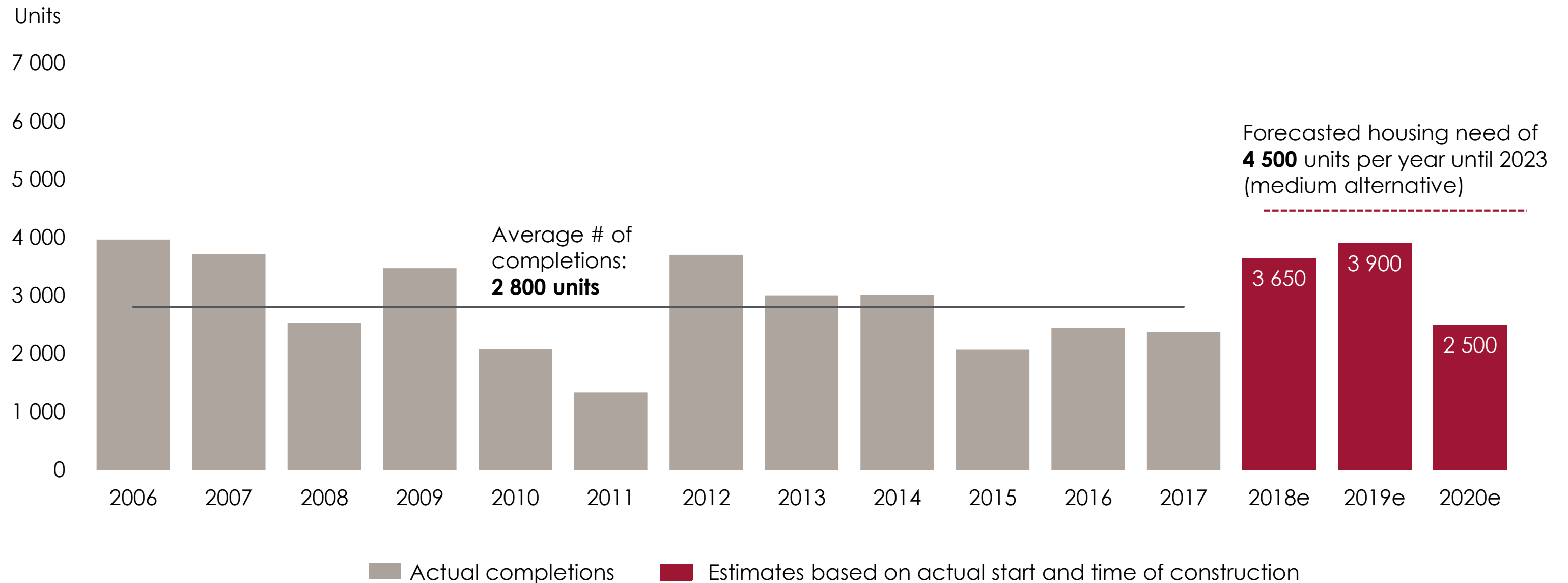


Source: Statistics Norway (medium alternative)

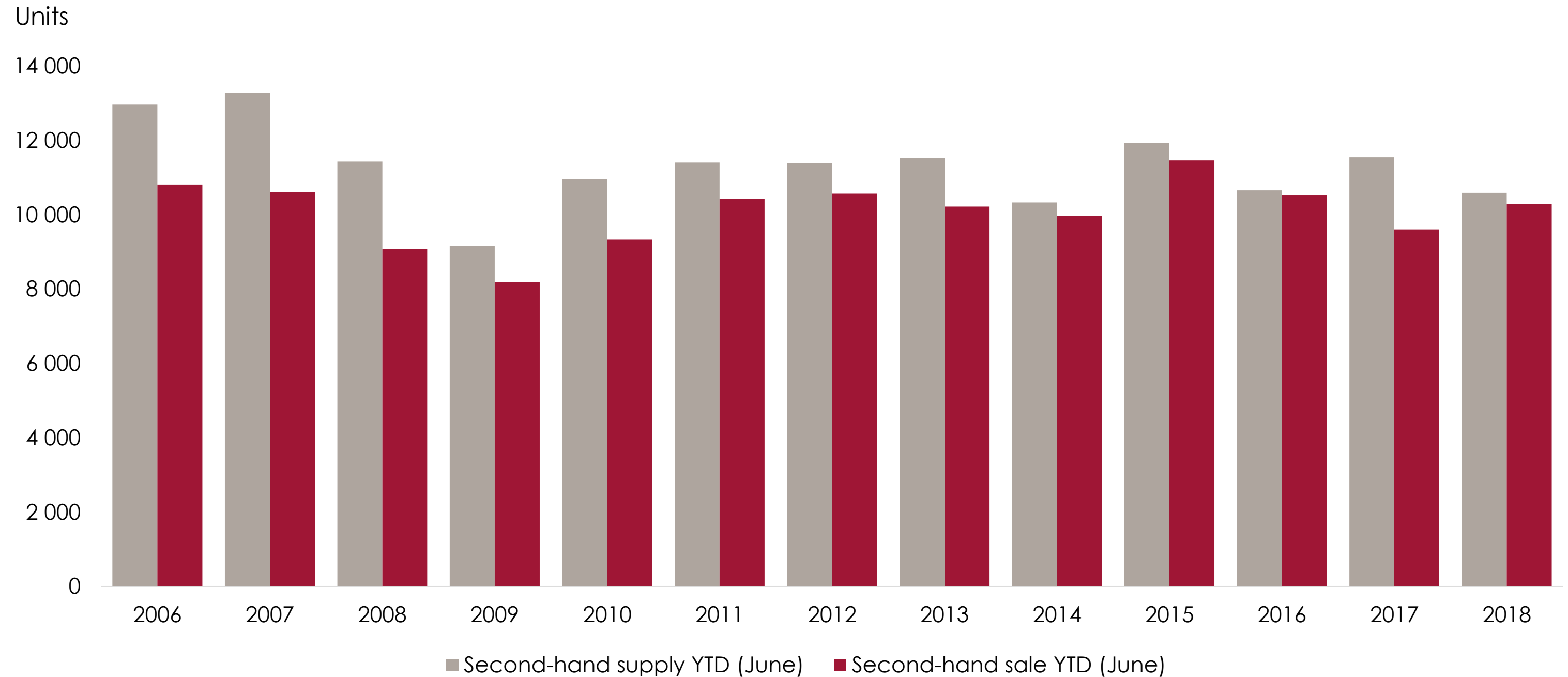


# Expected completions lower than forecasted housing demand in Oslo

Number of units completed in Oslo, 2006-2017

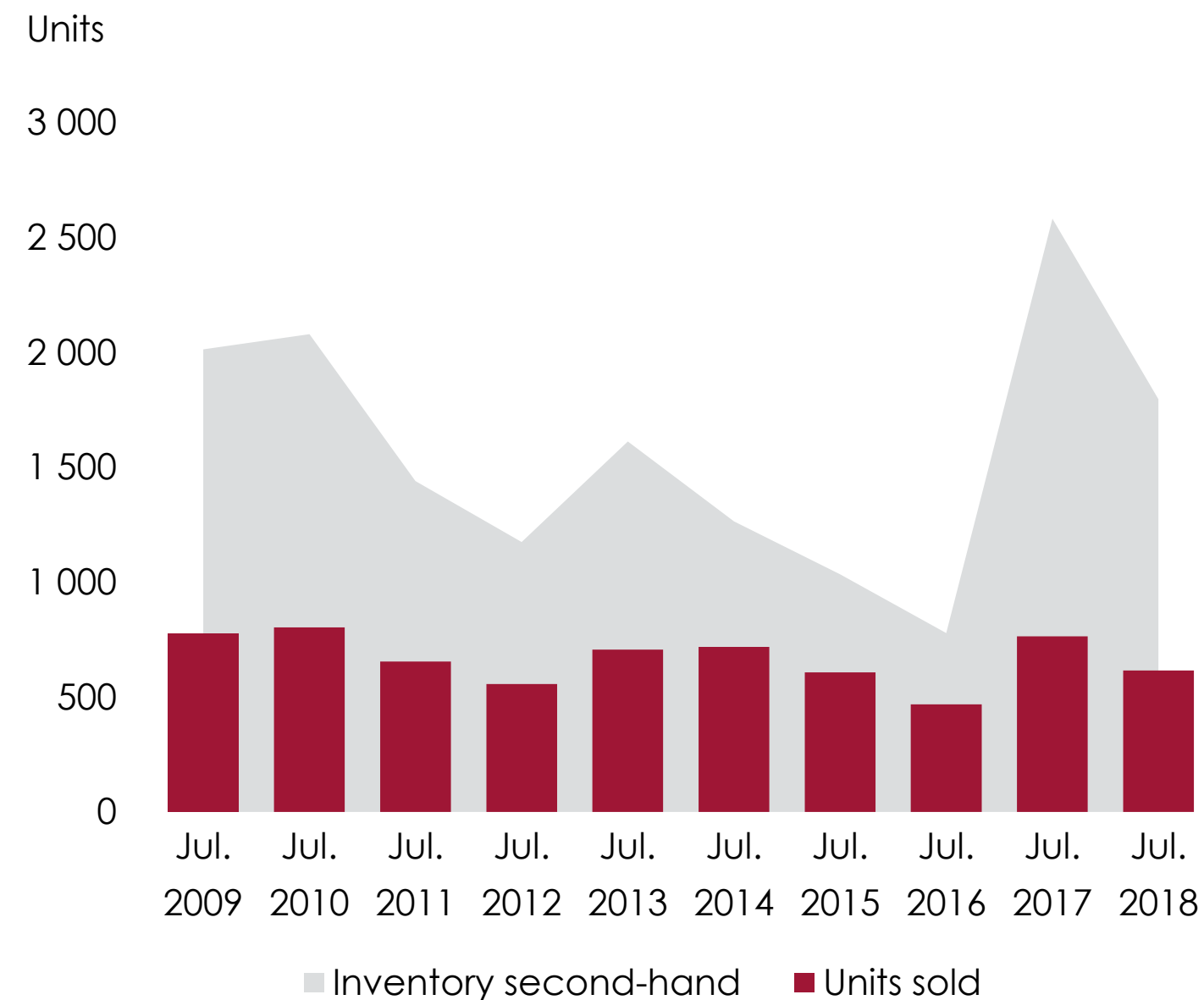


# High activity in the second-hand market in Oslo



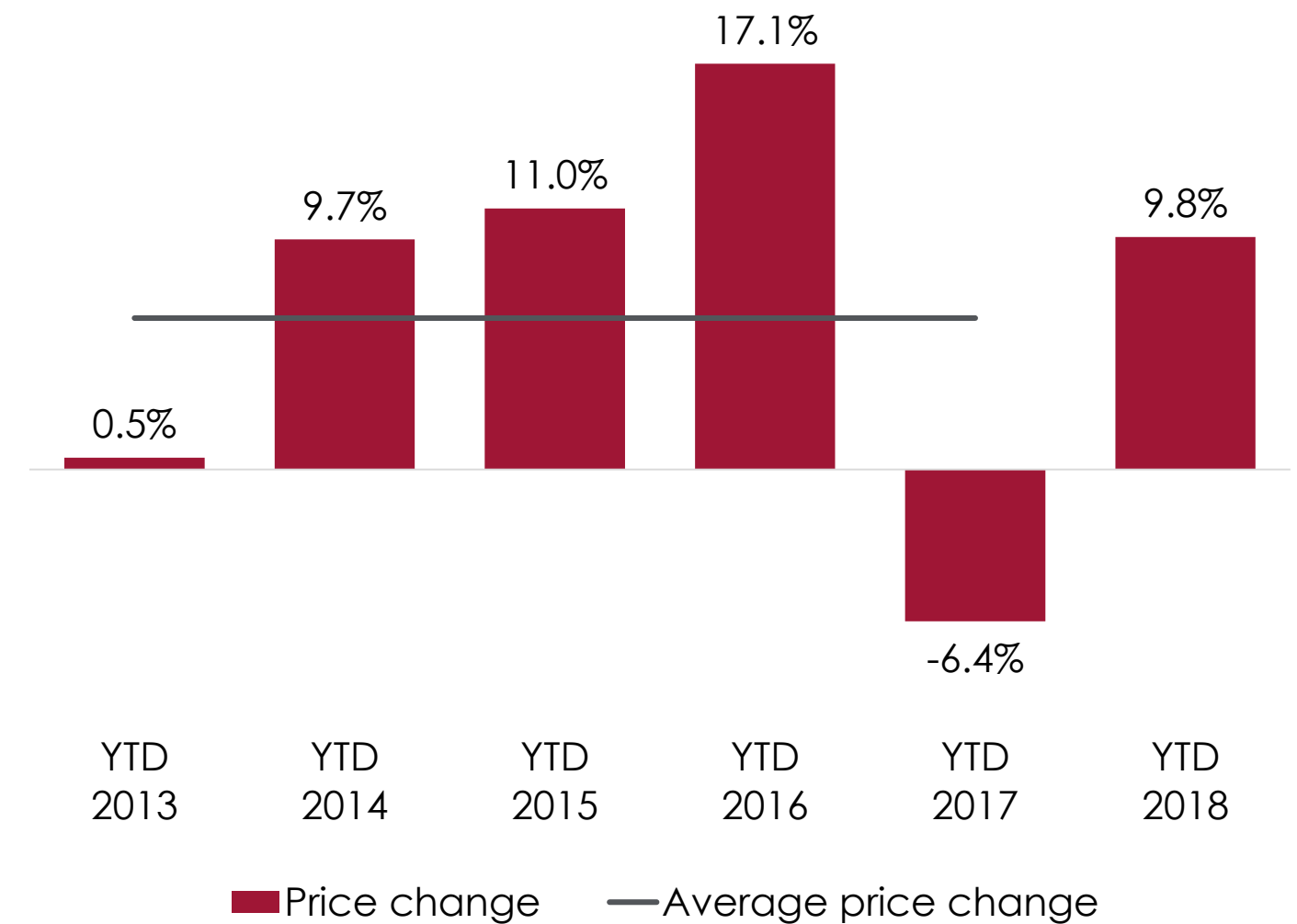
# Second-hand market update Oslo

## Oslo, July\*



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

(Price increase last 12 months of 4.9%)



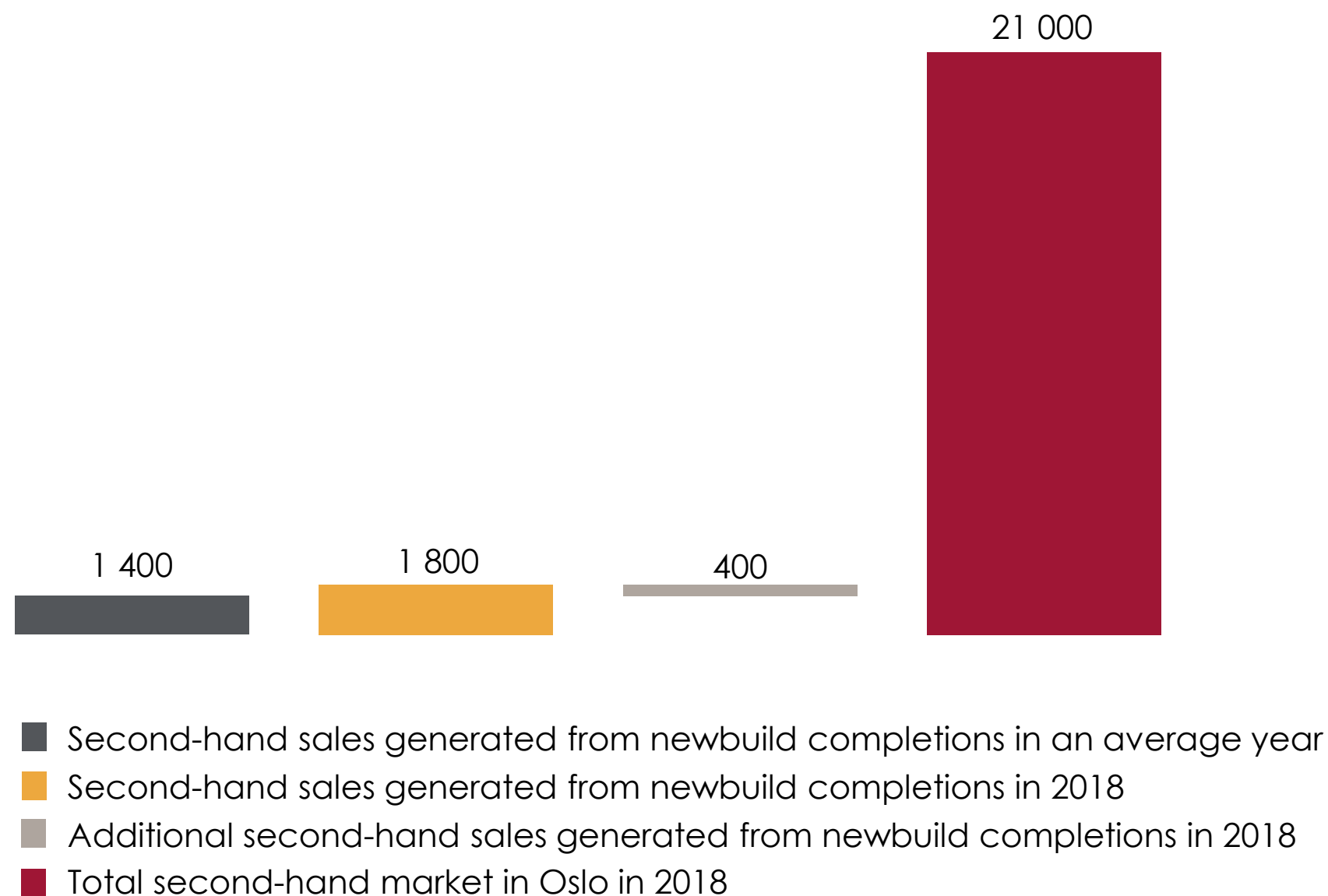
\*Unsold units that have been withdrawn from the market are marked as inventory for 6 months before being removed  
Sources: Eiendomsverdi, Eiendom Norge and Selvaag Bolig



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

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

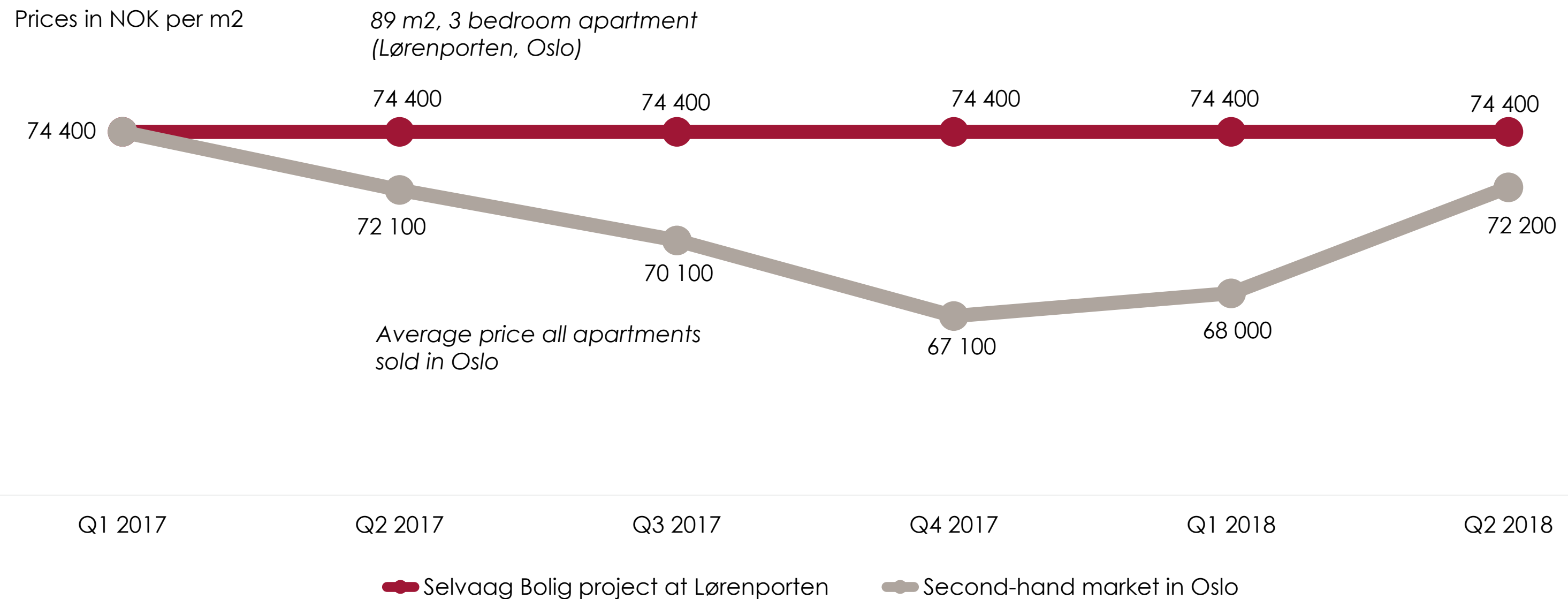
Units



- On average ~ 1 400 newbuild units are added to the second-hand market in Oslo (based on ~ 2 800 completed newbuild units)
- Completion of 3 650 newbuild units in 2018 will add ~ 1 800 units to the second hand market in Oslo
- The additional ~ 400 units in 2018 will have a limited effect on second-hand market in Oslo

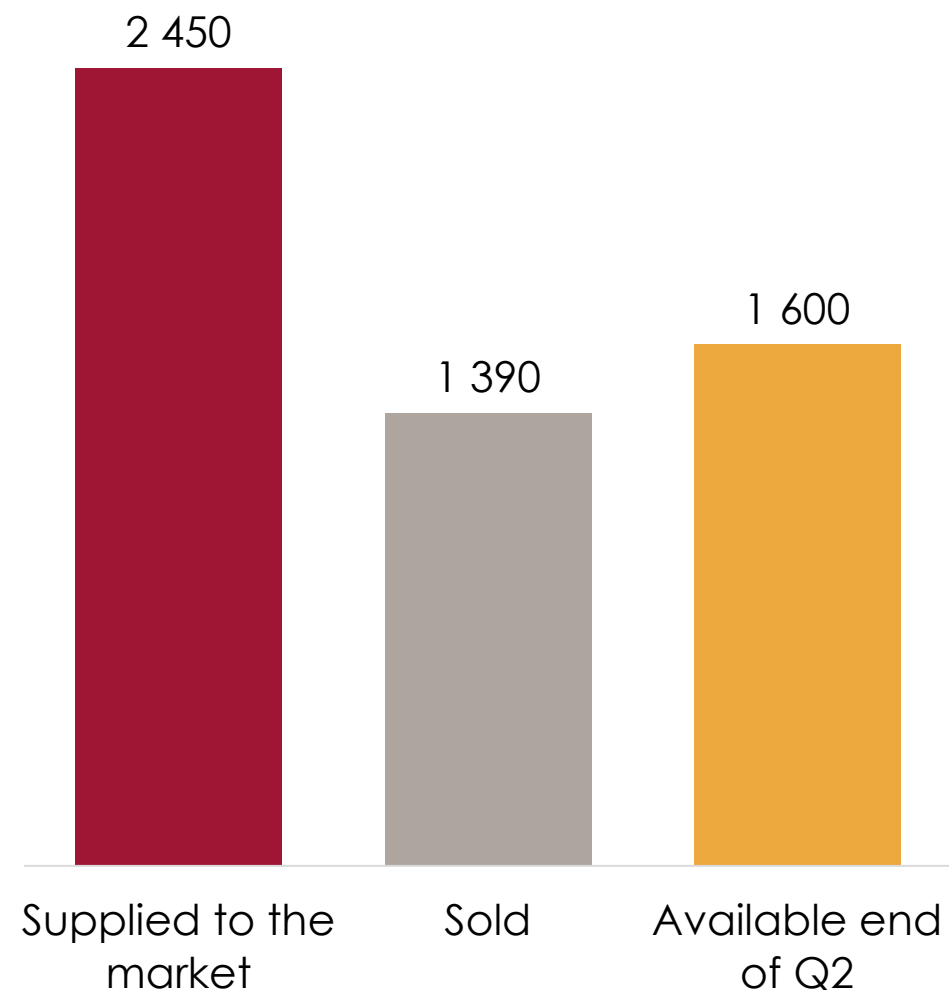
# Increased price pressure lowers newbuild premium in Oslo

## Price development SBO newbuild project at Lørenporten (Oslo) vs. second-hand market in Oslo

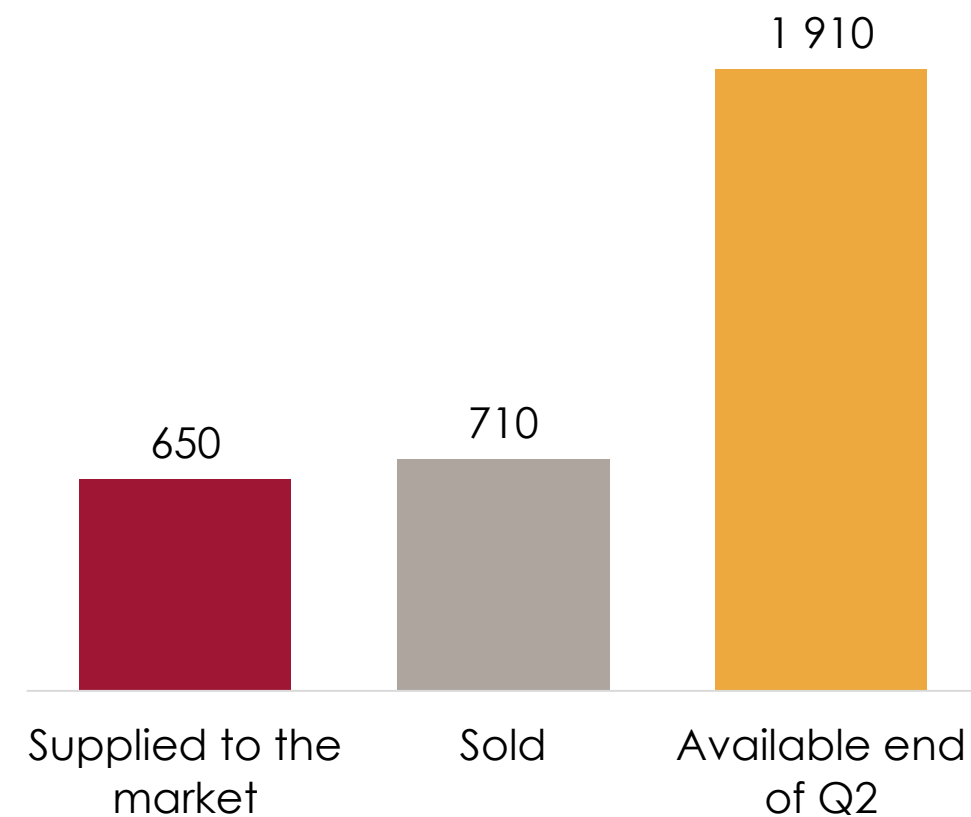


# Newbuild market update

## H1 2017 (Oslo)



## H1 2018 (Oslo)



## At 14 August 2018

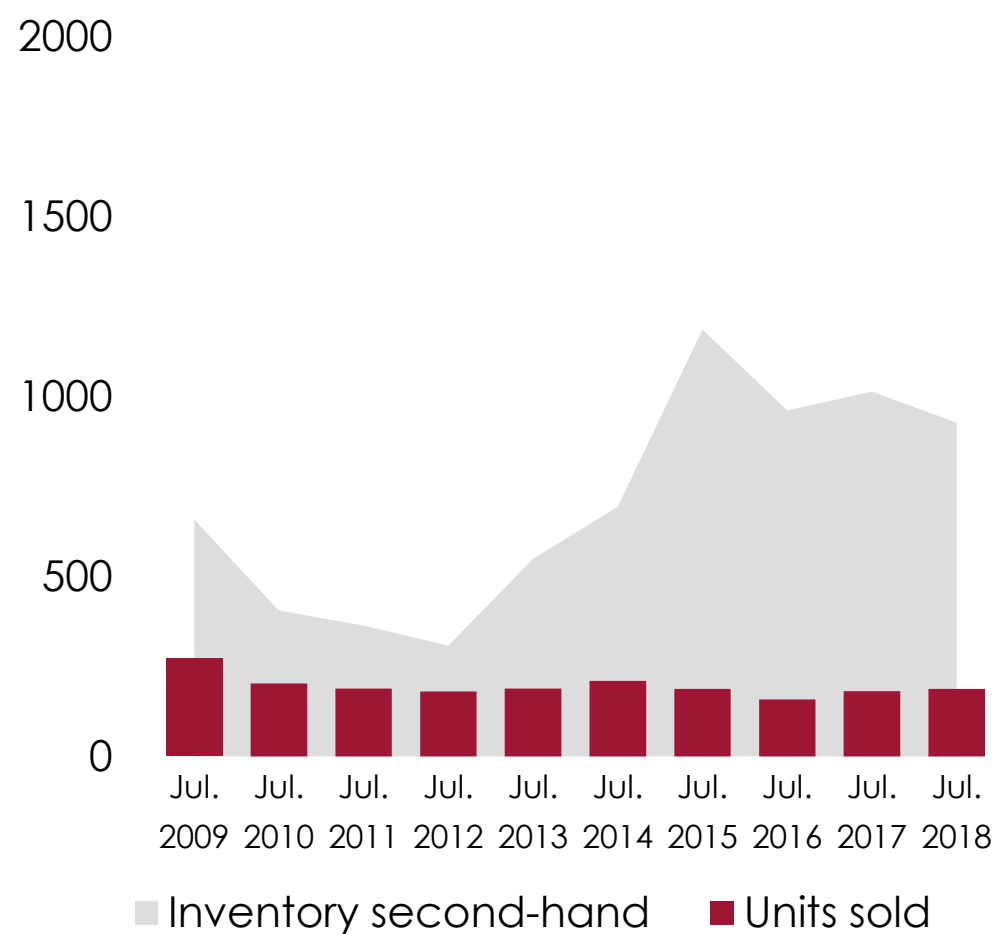
New homes (not built) available for sale

- Oslo: ~ 1 680 units
  - 45% of total inventory
- Bergen: ~ 1 030
  - 55% of total inventory
- Trondheim: ~ 1 020
  - 50% of total inventory
- Stavanger: ~ 260
  - 30% of total inventory



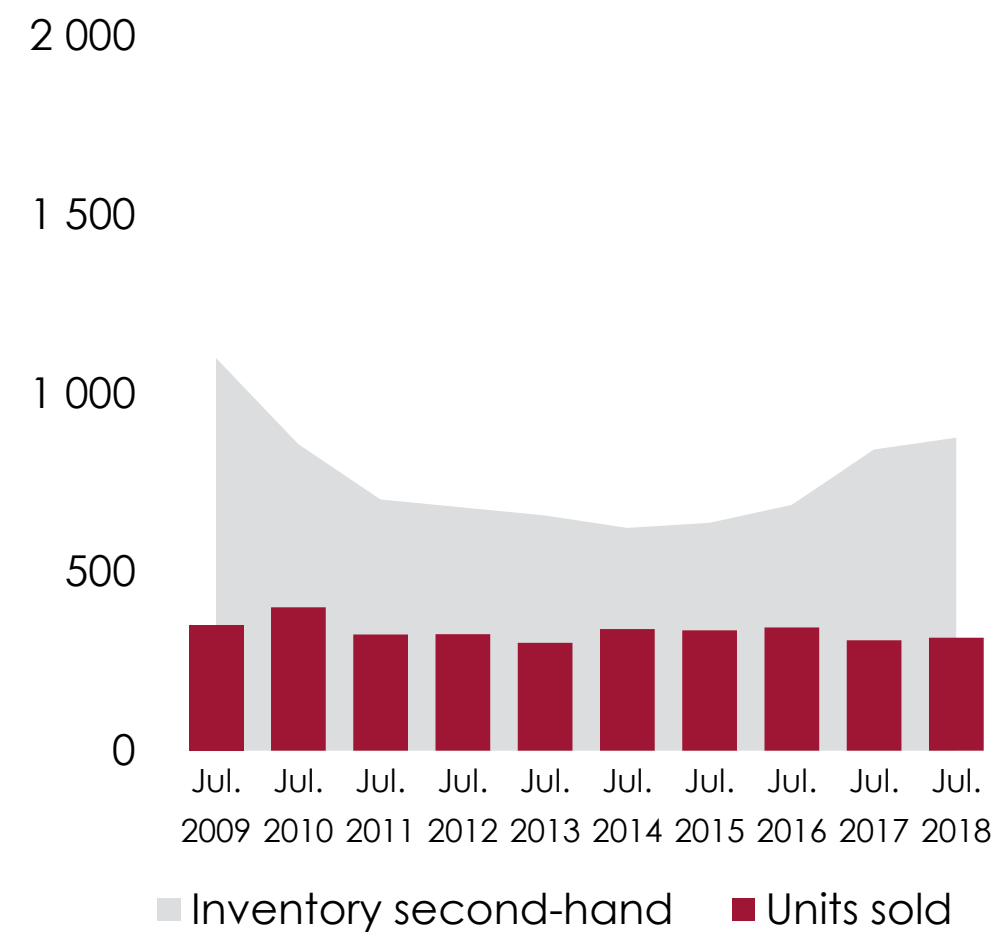
# Second-hand market update other core markets

## Stavanger, July\*



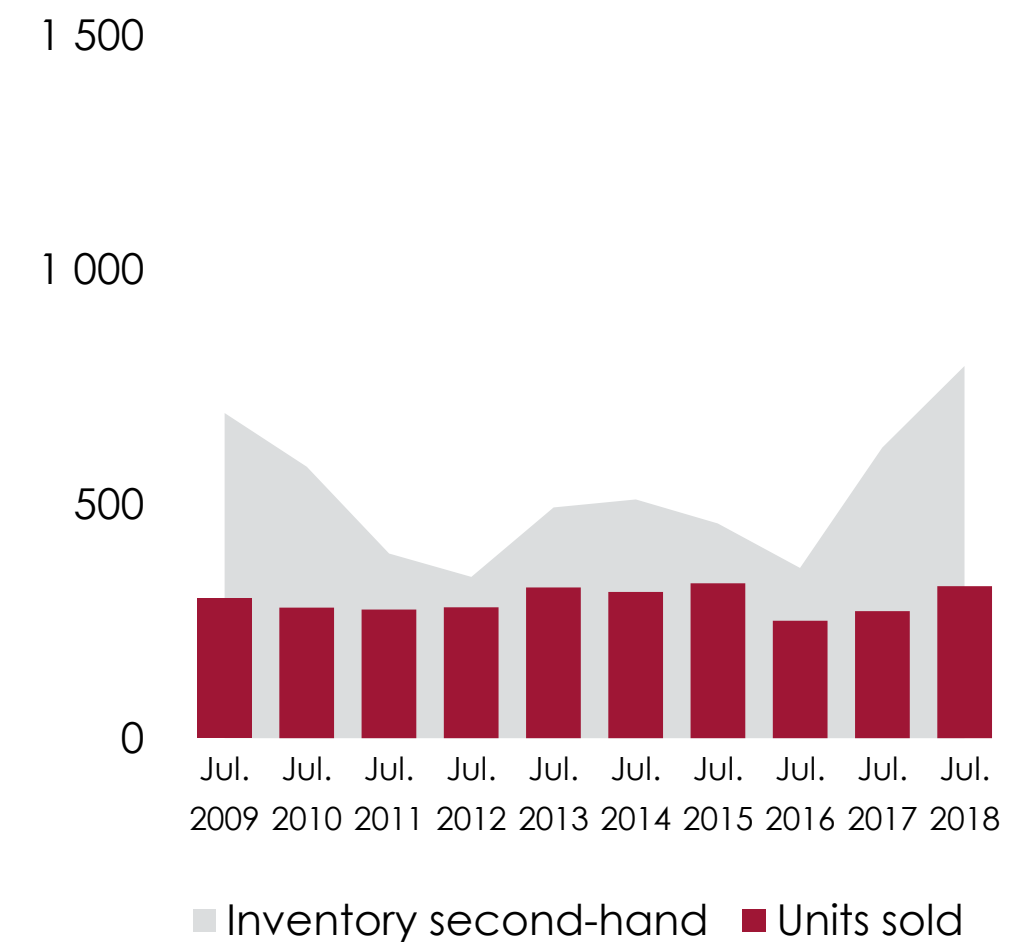
Price increase of 1.9% year to date

## Bergen, July\*



Price increase of 8.2% year to date

## Trondheim, July\*



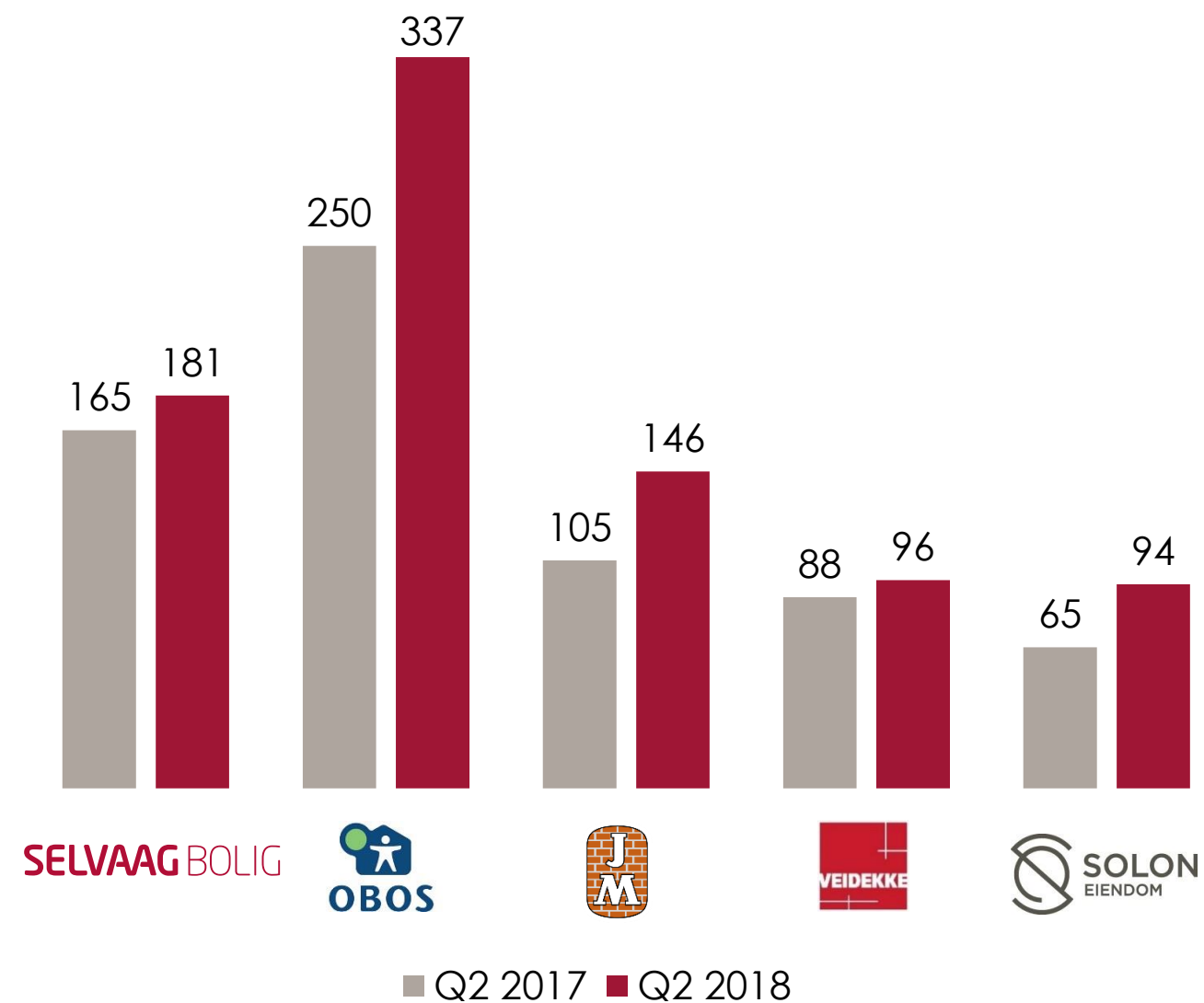
Price increase of 3.3% year to date

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

# Sales versus peers

## Quarterly sales activity vs. peers

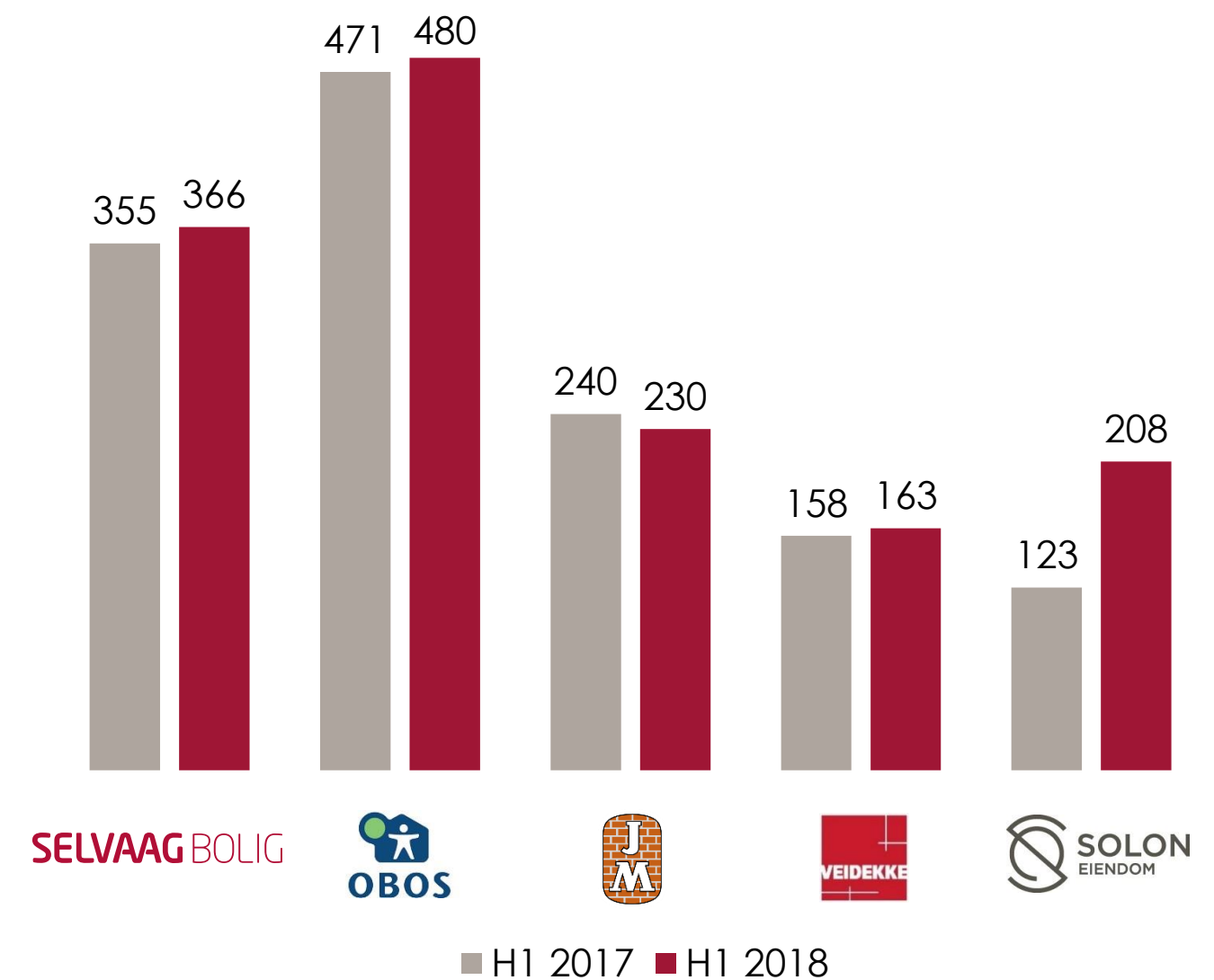
Units



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

## Annual sales activity vs. peers

Units





# Agenda

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





# Summary

- H1 2018 dividend of NOK 2.00 per share
- Good results driven by healthy margins
- Market improved as expected
- Well positioned in core markets

Thank you for your attention – follow us online!

Next event:  
3<sup>rd</sup> quarter 2018  
14 November 2018



@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

---

**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



# Share performance since IPO in June 2012

NOK



Source: Oslo Børs

# Largest shareholders at 30 June 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. *)	2 817 590	3.0%
PARETO AS	2 065 624	2.2%
VERDIPAPIRFONDET PARETO INVESTMENT	1 596 366	1.7%
HOLBERG NORGE	1 459 238	1.6%
SEB PRIME SOLUTIONS SISSENER CANOP	1 450 000	1.5%
SELVAAG BOLIG ASA **)	1 307 577	1.4%
FLPS - GL S-M SUB	946 000	1.0%
State Street Bank and Trust Comp *)	911 459	1.0%
HOLTA INVEST AS	800 000	0.9%
Baard Schumann	777 127	0.8%
REGENTS OF THE UNIVERSITY OF MICHIGAN	657 218	0.7%
Deutsche Bank Aktiengesellschaft *)	595 735	0.6%
MSIP Equity	588 867	0.6%
STOREBRAND NORGE I VERDIPAPIRFOND	588 364	0.6%
State Street Bank and Trust Comp *)	567 959	0.6%
BANAN II AS	555 190	0.6%
State Street Bank and Trust Comp *)	480 101	0.5%
SPARHANS AS	476 221	0.5%
<b>Total 20 largest shareholders</b>	<b>74 649 511</b>	<b>79.6%</b>
Other shareholders	19 116 177	20.4%
<b>Total number of shares</b>	<b>93 765 688</b>	<b>100.0%</b>

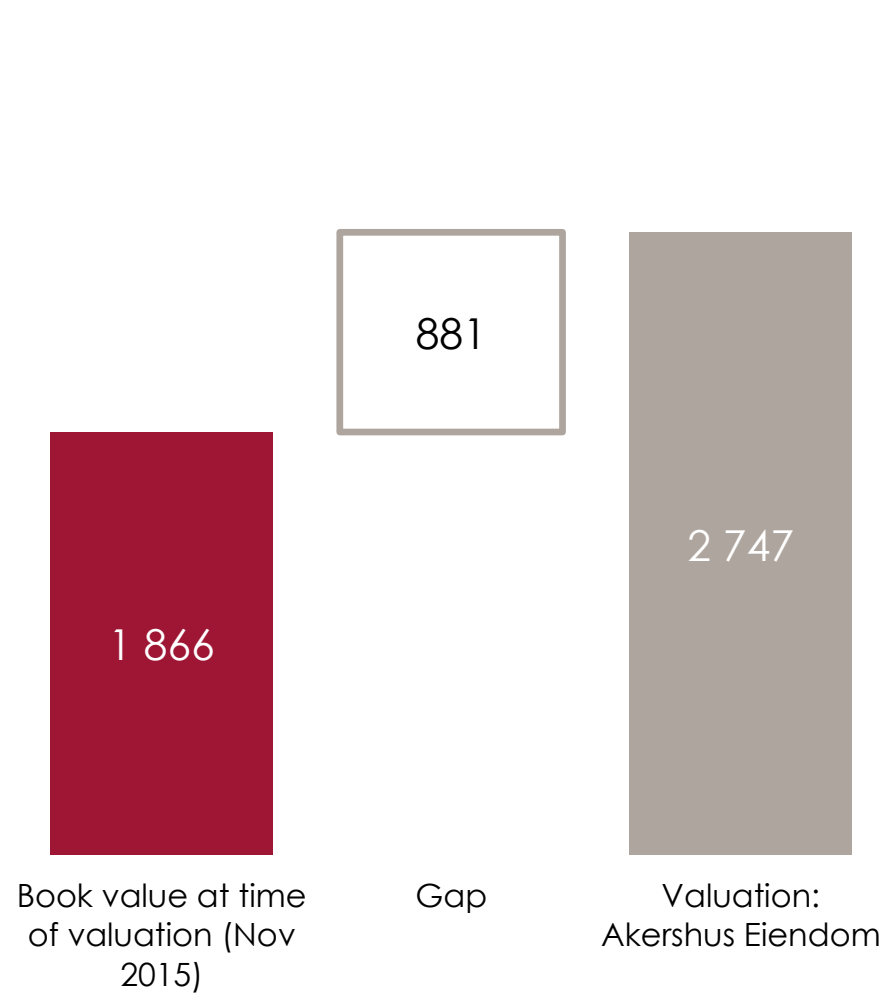
\* Further information regarding shareholders is presented at: <http://sboasa.no/en>

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

# Land bank book value vs. external valuation

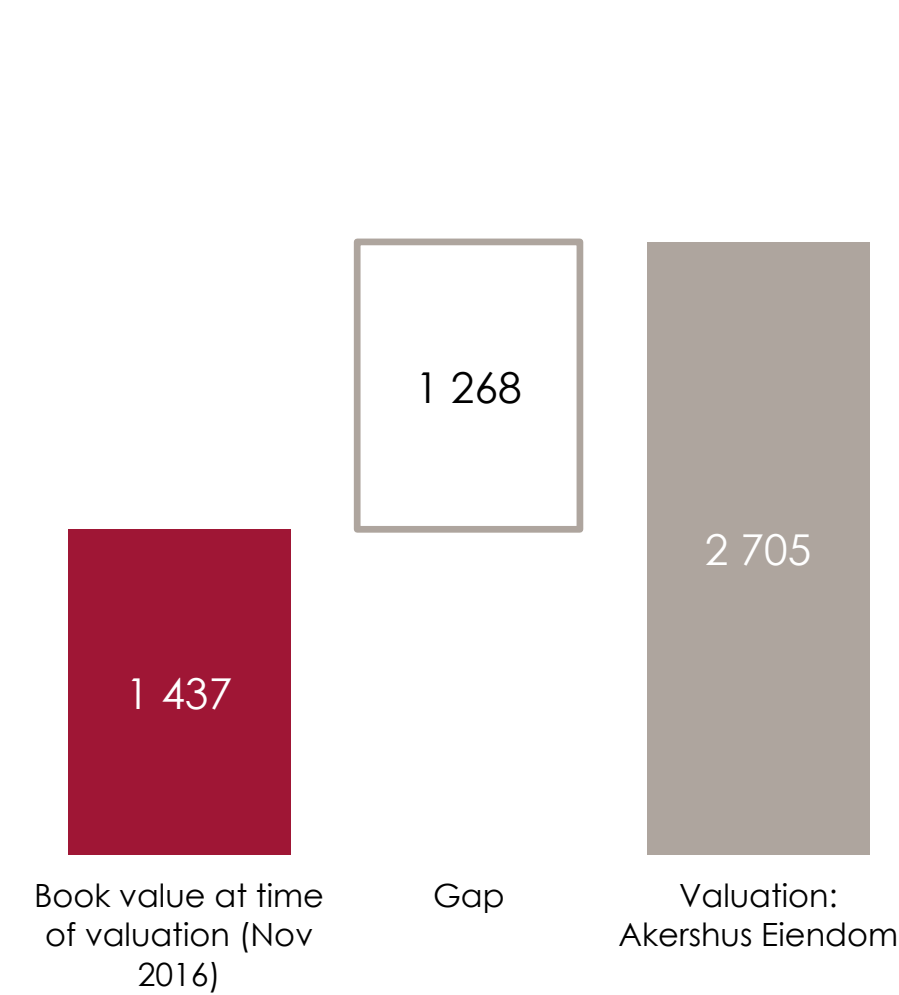
## Q4 2015

NOK million



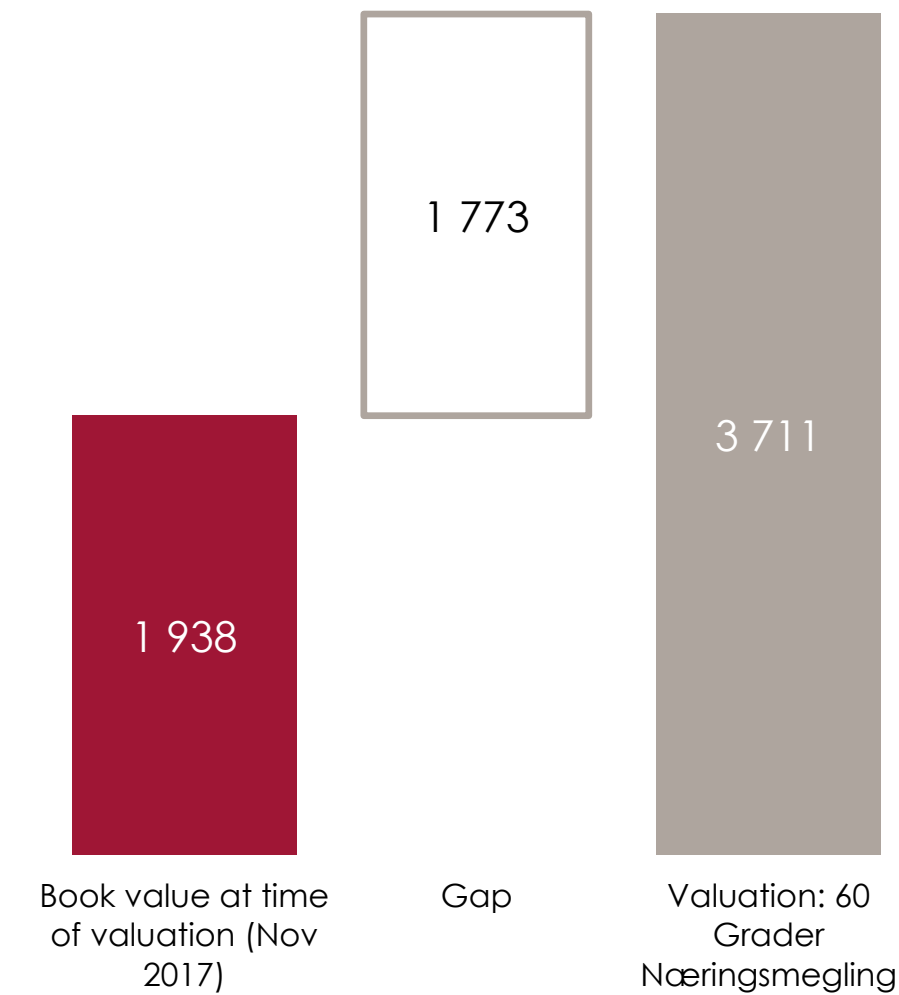
## Q4 2016

NOK million



## Q4 2017

NOK million



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



# Substantial land bank in Norway's four largest growing urban areas

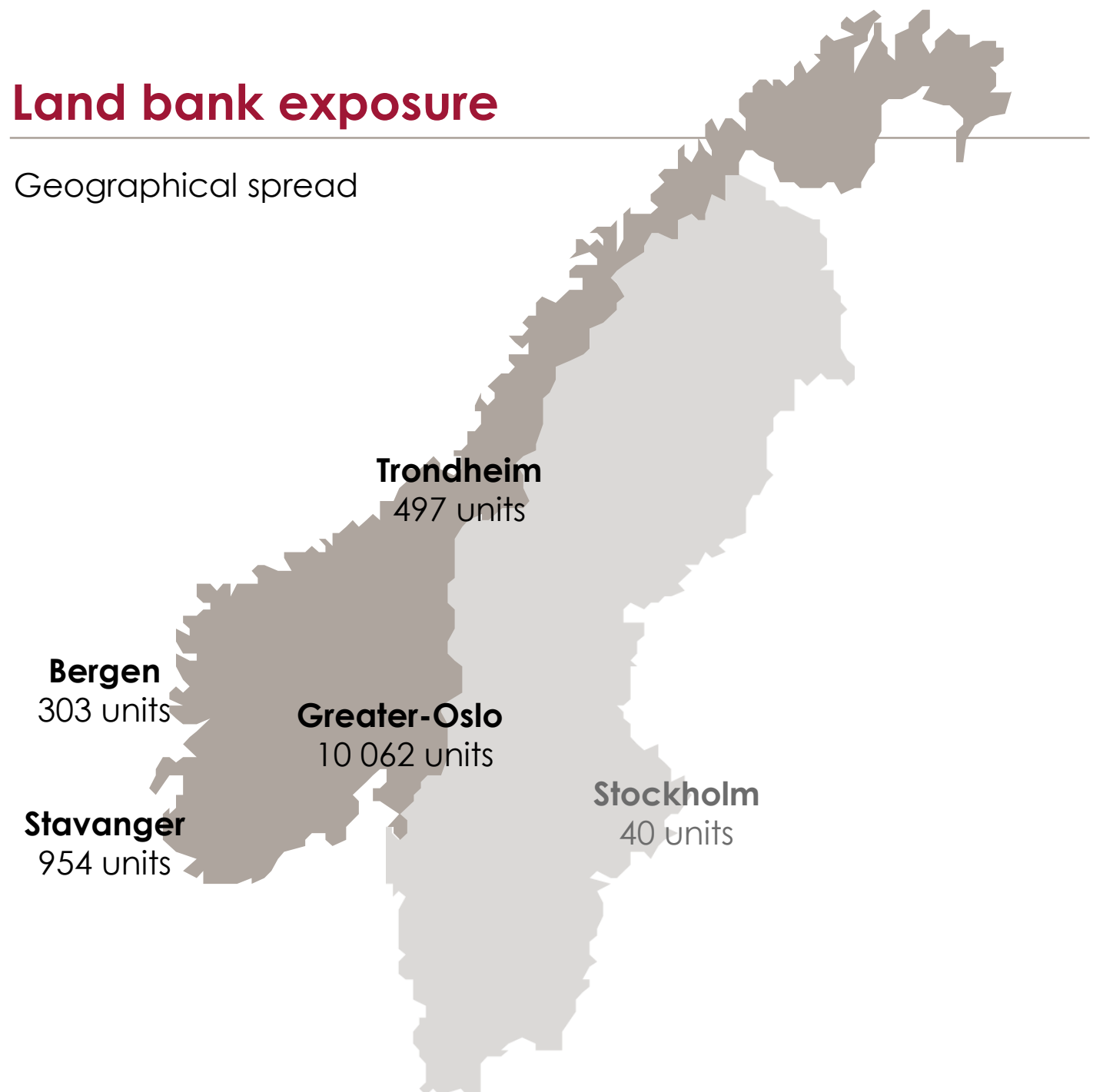
## Land-bank strategy

- Acquire the right mix of zoned and unzoned land in suitable locations
- Land acquisitions in defined core areas
- High degree of site utilisation and strategic land development
- Substantial land bank to accommodate targets/growth in core areas
- Good infrastructure and public transport
- Joint ventures (JVs)

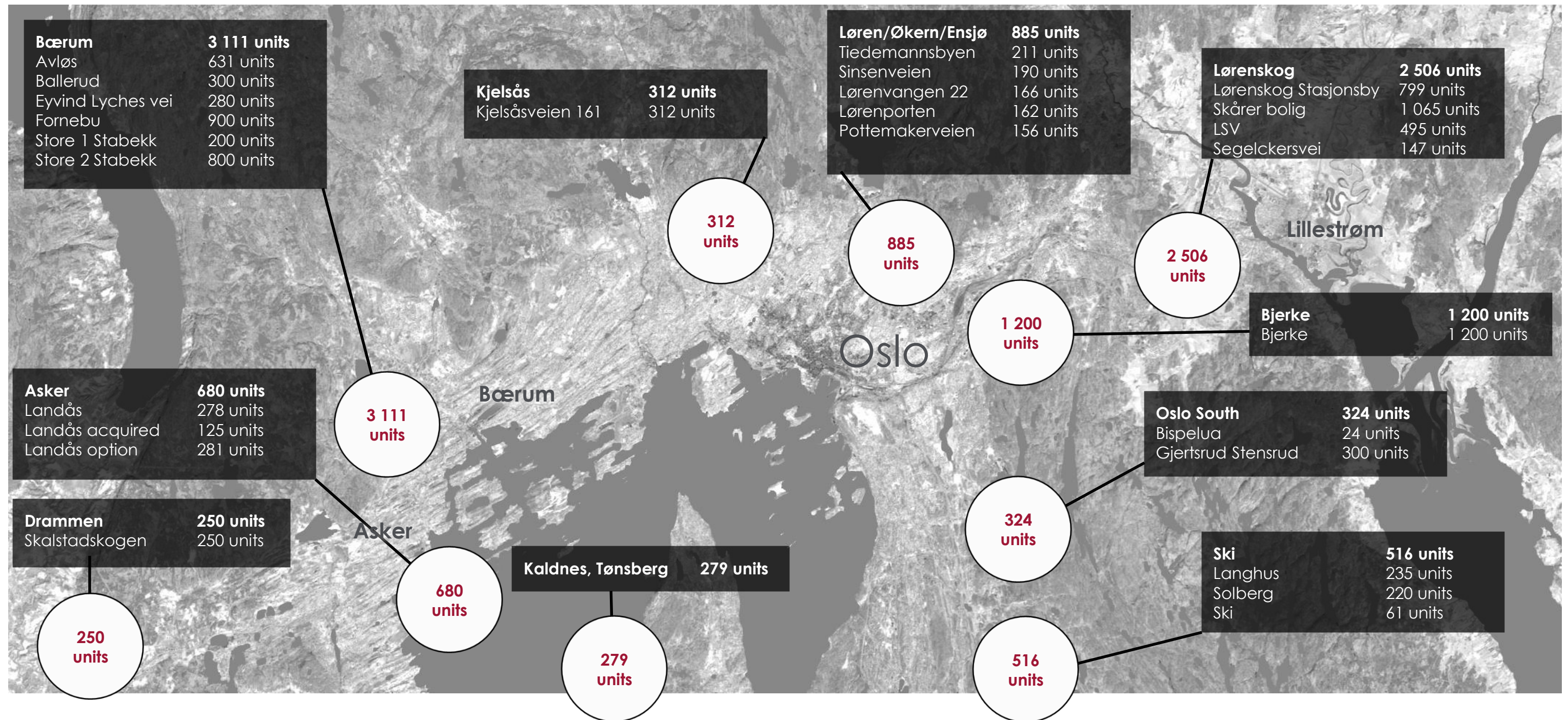
Note: The numbers represent the size of the land portfolio as at 30 June 2018. All numbers are adjusted for Selvaag Bolig's share in joint ventures. 1) Greater Oslo area: Oslo, Akershus, Buskerud, Vestfold and Østfold, 2) The residential property development portfolio consists of land plots that are to be paid for when planning permission is received. The portfolio has a development potential of ~6 100 residential units, whereof the company has purchasing obligations for ~5 600 and purchasing options for ~500 units.

## Land bank exposure

Geographical spread



# Land bank in Oslo and Greater Oslo



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

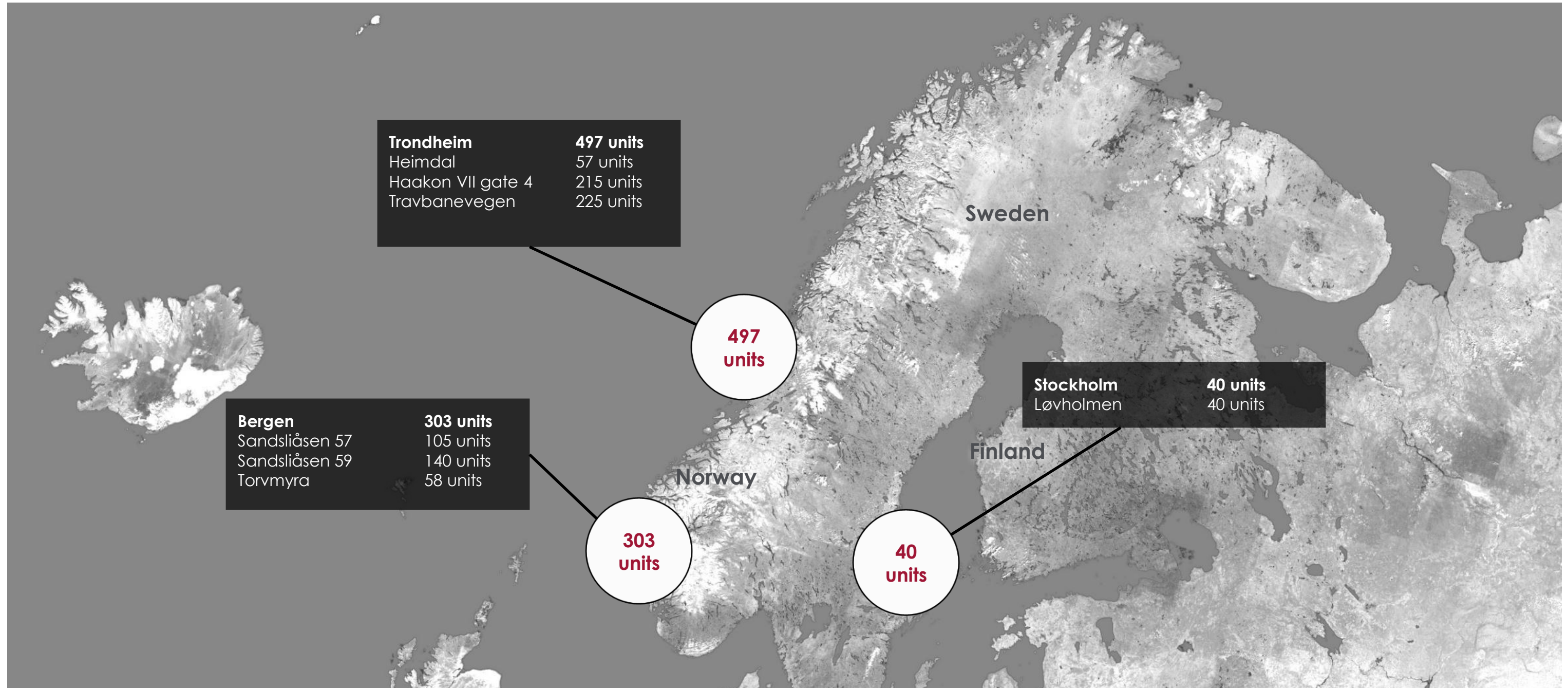


# Land bank in Stavanger area

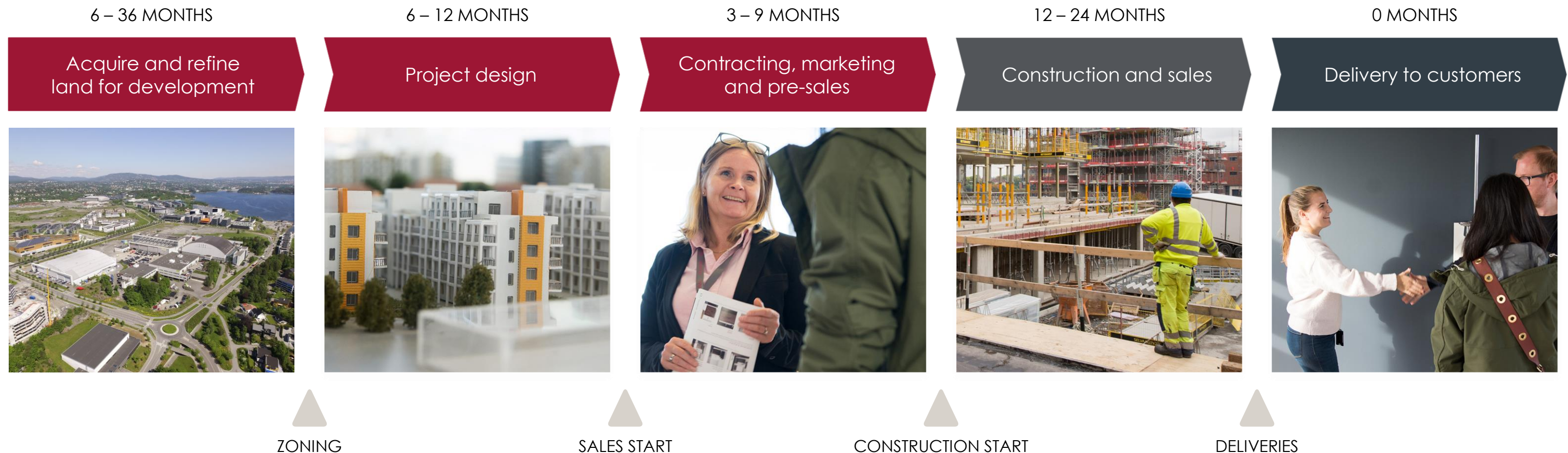




# Land bank in Bergen, Trondheim and Stockholm



# 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

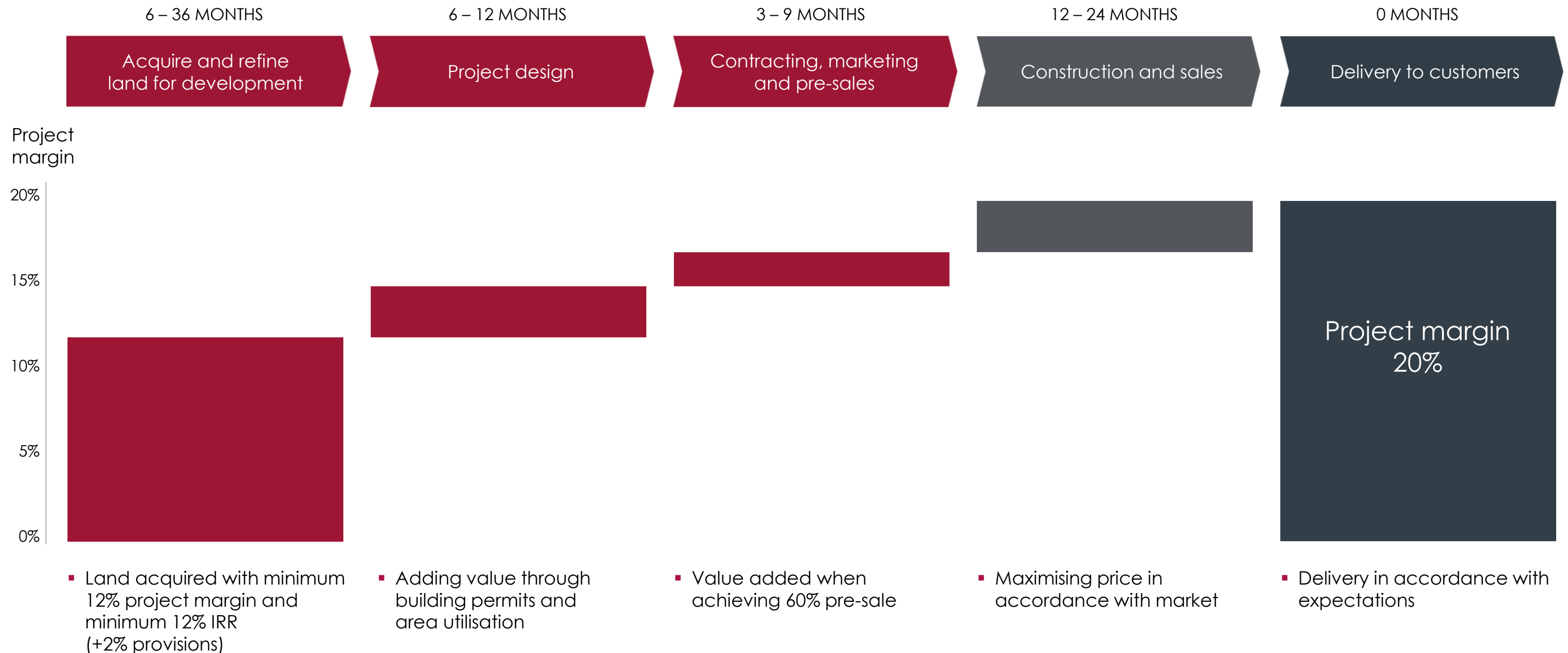
- 60% pre-sale before start-up

- 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

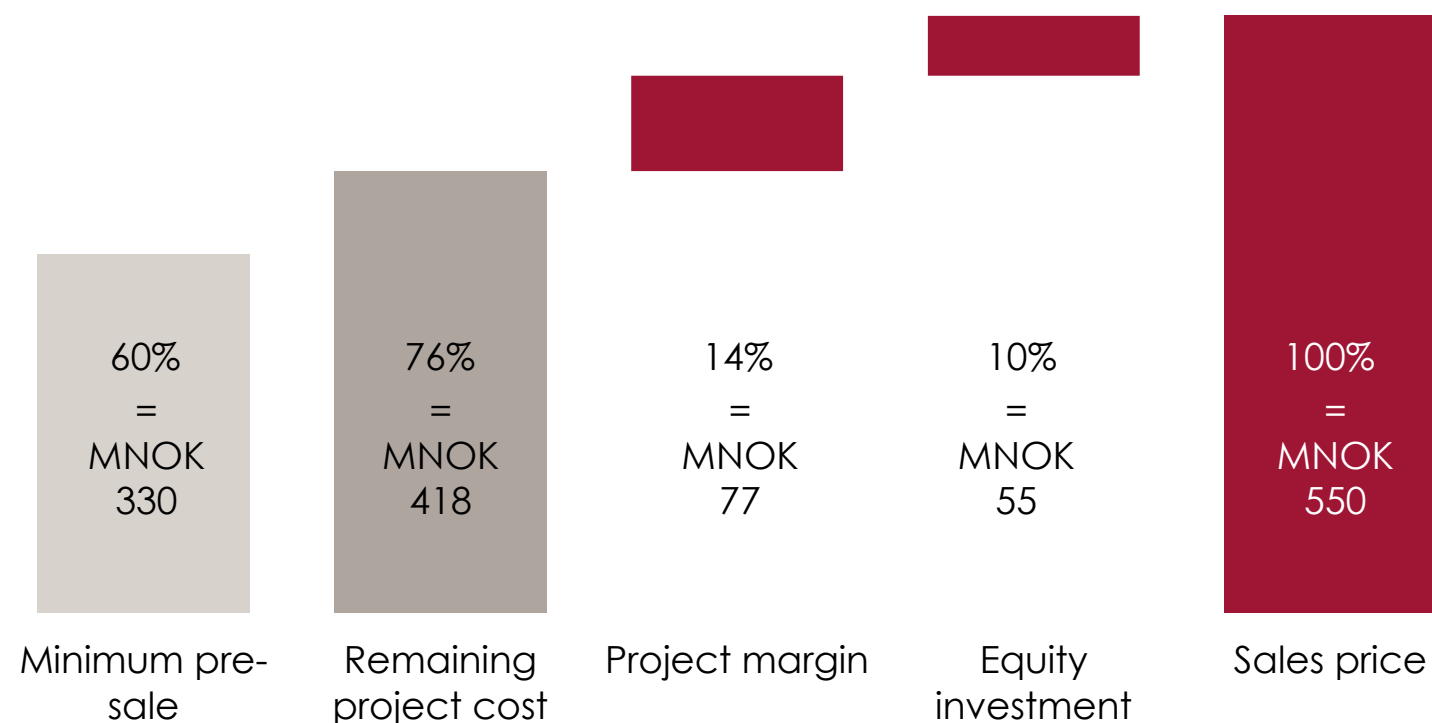


# Norwegian housing market

- 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
- 72% of units in production are sold at end Q2'18

## 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

---

**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

---

- 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>Q2 2018</b>	<b>Q2 2017</b>	<b>2017</b>
Total operating revenues	863.6	1 134.6	3 228.8
Project expenses	(646.3)	(840.5)	(2 432.8)
Other operating expenses	(71.7)	(59.0)	(234.7)
Other gains (loss)	-	-	-
Associated companies and joint ventures	16.4	(9.8)	(13.6)
<b>EBITDA</b>	<b>162.0</b>	<b>225.4</b>	<b>547.7</b>
Depreciation and amortisation	(0.9)	(1.0)	(4.1)
<b>EBIT</b>	<b>161.0</b>	<b>224.4</b>	<b>543.7</b>
Net financial expenses	(8.3)	(23.0)	(39.9)
<b>Profit/(loss) before taxes</b>	<b>152.7</b>	<b>201.4</b>	<b>503.8</b>
Income taxes	(36.8)	(55.1)	(102.7)
<b>Net income</b>	<b>115.8</b>	<b>146.3</b>	<b>401.1</b>
<b>Net income for the period attributable to:</b>			
Non-controlling interests	(0.1)	(0.0)	0.1
Shareholders in Selvaag Bolig ASA	115.9	146.3	401.0

# Cash flow statement

(figures in NOK million)

	Q2 2018	Q2 2017	2017
Net cash flow from operating activities	(139.2)	539.5	303.2
Net cash flow from investment activities	(1.6)	(72.1)	(114.1)
Net cash flow from financing activities	234.5	(500.8)	(589.8)
Net change in cash and cash equivalents	93.7	(33.4)	(400.6)
Cash and cash equivalents at start of period	339.5	374.5	886.2
Cash and cash equivalents at end of period	433.2	341.1	485.6

# Balance sheet

(figures in NOK million)

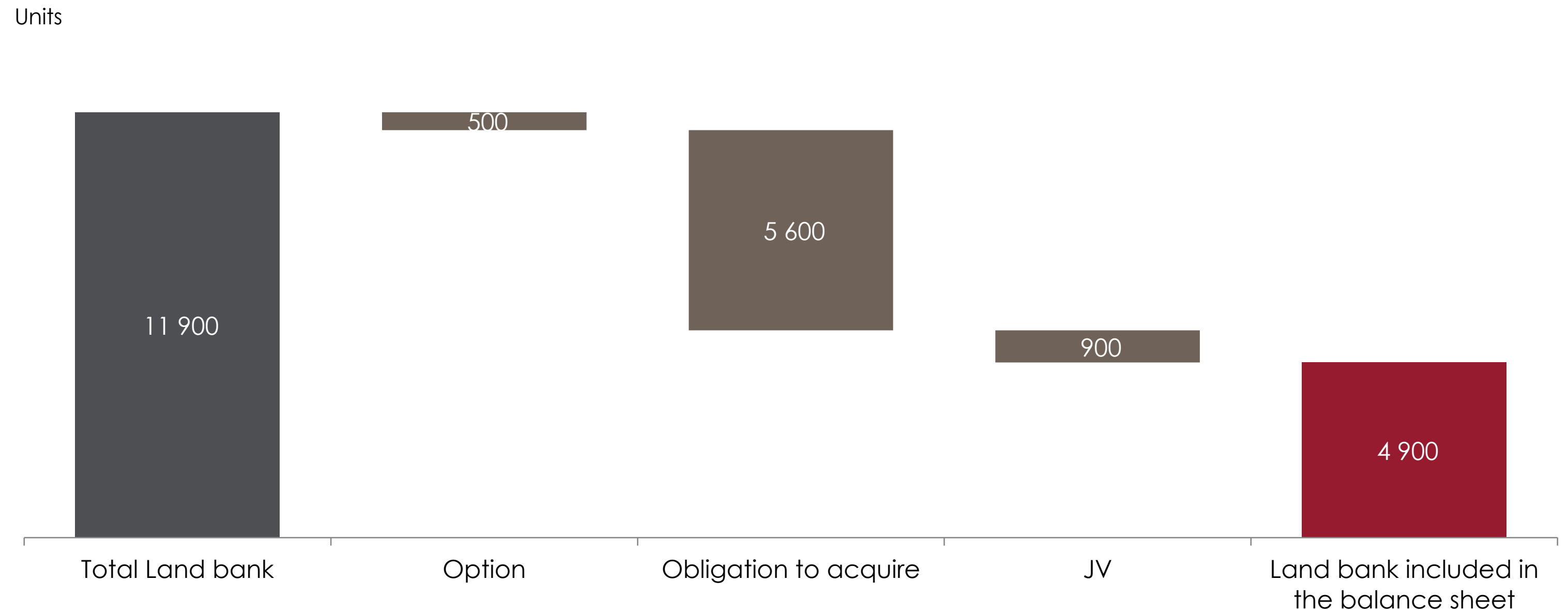
	Q2 2018	Q2 2017	2017
Intangible assets	383.4	383.4	383.4
Property, plant and equipment	9.6	9.4	11.4
Investments in associated companies and joint ventures	308.8	280.9	316.2
Other non-current assets	358.2	354.9	337.0
<b>Total non-current assets</b>	<b>1 060.0</b>	<b>1 028.5</b>	<b>1 048.1</b>
<b>Inventories (property)</b>	<b>4 784.8</b>	<b>4 618.5</b>	<b>4 643.9</b>
- Land	1 899.5	1 672.4	1 938.1
- Work in progress	2 757.5	2 761.3	2 501.7
- Finished goods	127.7	184.7	204.2
Other current receivables	547.0	203.1	174.5
Cash and cash equivalents	433.2	341.1	485.6
<b>Total current assets</b>	<b>5 765.0</b>	<b>5 162.6</b>	<b>5 304.0</b>
<b>TOTAL ASSETS</b>	<b>6 824.9</b>	<b>6 191.2</b>	<b>6 352.0</b>
Equity attributed to shareholders in Selvaag Bolig ASA	2 850.9	2 774.1	2 848.7
Non-controlling interests	9.3	9.4	9.4
<b>Total equity</b>	<b>2 860.3</b>	<b>2 783.5</b>	<b>2 858.1</b>
Non-current interest-bearing liabilities	2 172.1	2 062.7	1 836.8
Other non-current non interest-bearing liabilities	147.2	167.6	152.9
<b>Total non-current liabilities</b>	<b>2 319.3</b>	<b>2 230.3</b>	<b>1 989.7</b>
Current interest-bearing liabilities	583.1	207.1	380.6
Other current non interest-bearing liabilities	1 062.3	970.2	1 123.5
<b>Total current liabilities</b>	<b>1 645.4</b>	<b>1 177.3</b>	<b>1 504.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 824.9</b>	<b>6 191.2</b>	<b>6 352.0</b>

\* Corresponding to a book value of NOK 30.4 per share



# Substantial portfolio for development

## Total land bank portfolio at 30 June 2018



# Operational highlights – key operating figures

	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
Number of units sold	165	178	168	185	181
Number of construction starts	318	77	217	102	234
Number of units completed	210	81	336	54	242
Number of units delivered	222	75	355	59	243
Number of units under construction	1 586	1 582	1 463	1 511	1 503
Proportion of sold units under construction	78%	78%	73%	73%	72%
Number of completed unsold units	24	30	23	19	18
Sales value of units under construction (NOK million)	7 074	7 047	6 994	7 032	7 076
Number of employees	100	100	100	100	95

# IFRS EBITDA Q2 2018

(figures in NOK million)	Property development	Other	Total
<b>IFRS EBITDA for the quarter, per segment</b>			
Operating revenues	851.7	11.9	863.6
Project expenses	(645.9)	(0.4)	(646.3)
Other operating expenses	(12.5)	(59.2)	(71.7)
Share of income (losses) from associated companies and joint ventures	16.4	-	16.4
Other gain (loss), net	-	-	-
<b>EBITDA</b>	<b>209.7</b>	<b>(47.7)</b>	<b>162.0</b>

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



# Operational reporting Q2 2018

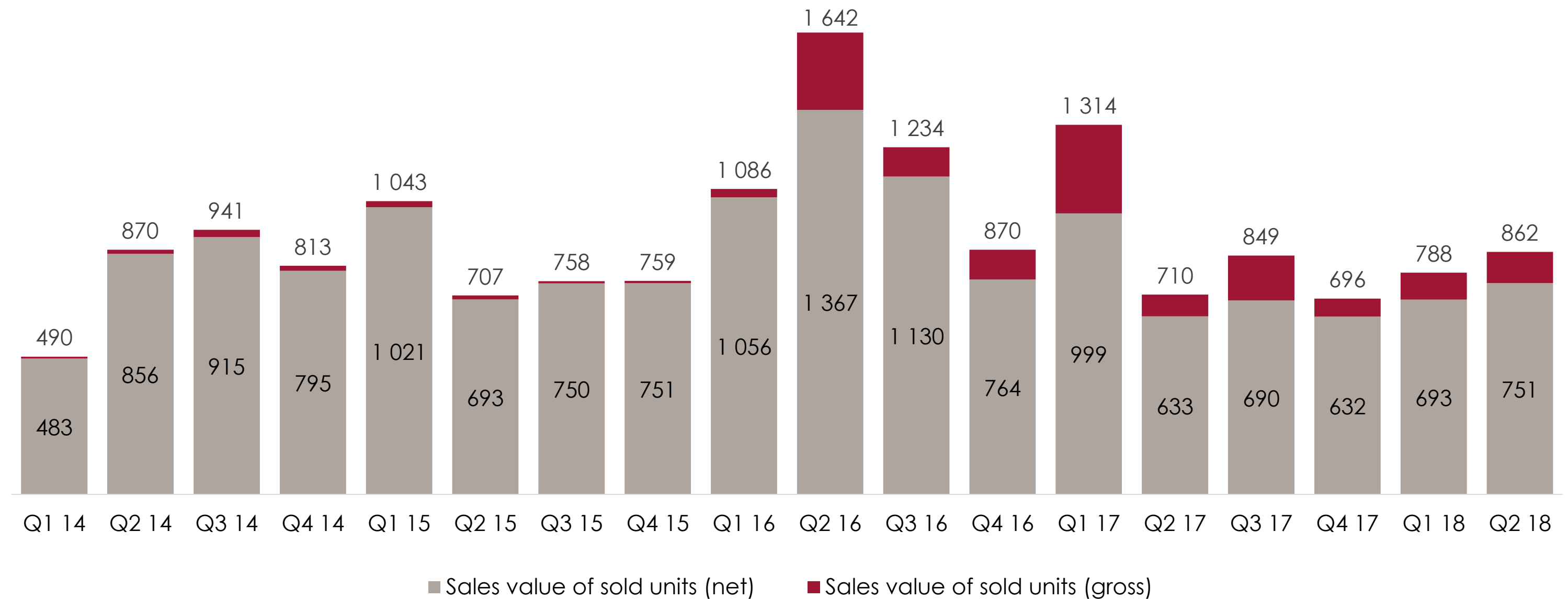
<b>(figures in NOK million)</b>	Property development	Other	Total
<b>Operating revenues</b>	<b>652.6</b>	<b>11.9</b>	<b>664.5</b>
Project expenses	(447.2)	(0.4)	(447.6)
Other operating expenses	(12.5)	(59.2)	(71.7)
<b>EBITDA (percentage of completion)</b>	<b>192.9</b>	<b>(47.7)</b>	<b>145.2</b>

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

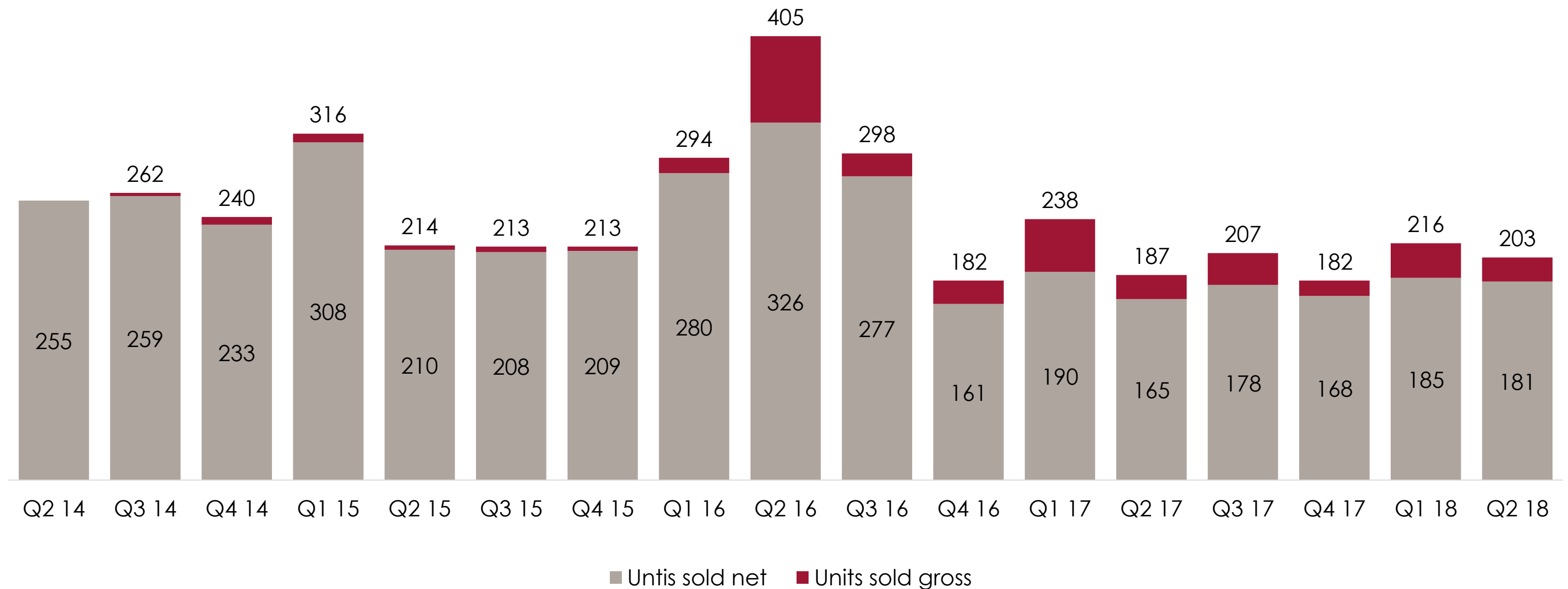
# Share of sale from joint ventures

## Sales value of units sold



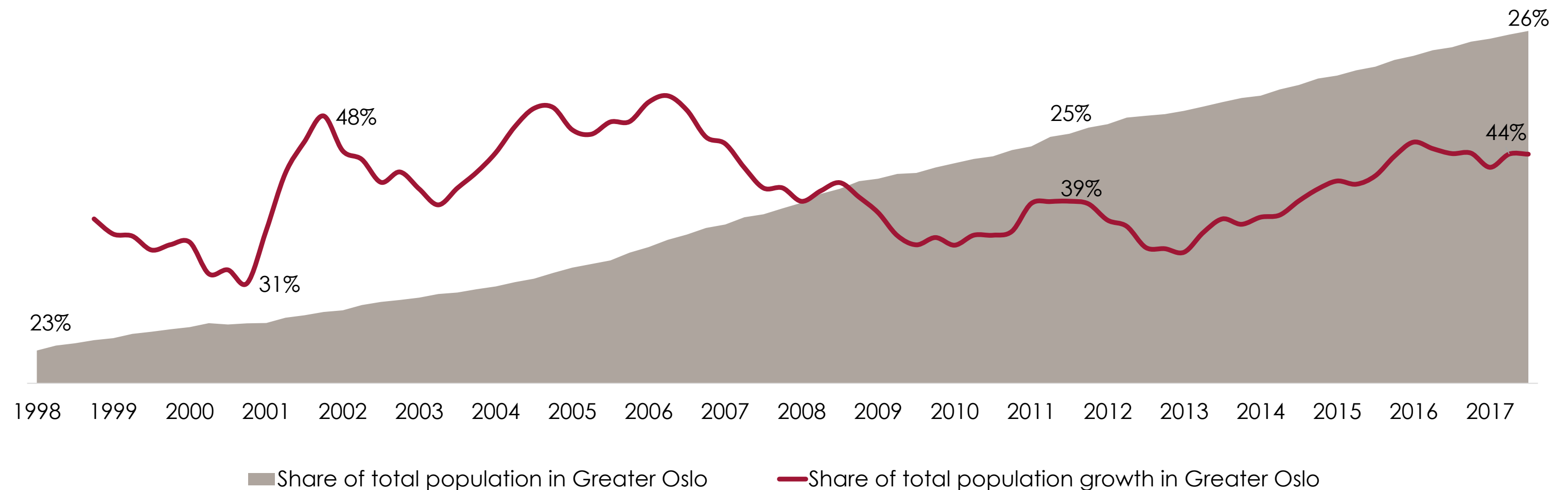
# Share of sale from joint ventures

## Number of units sold





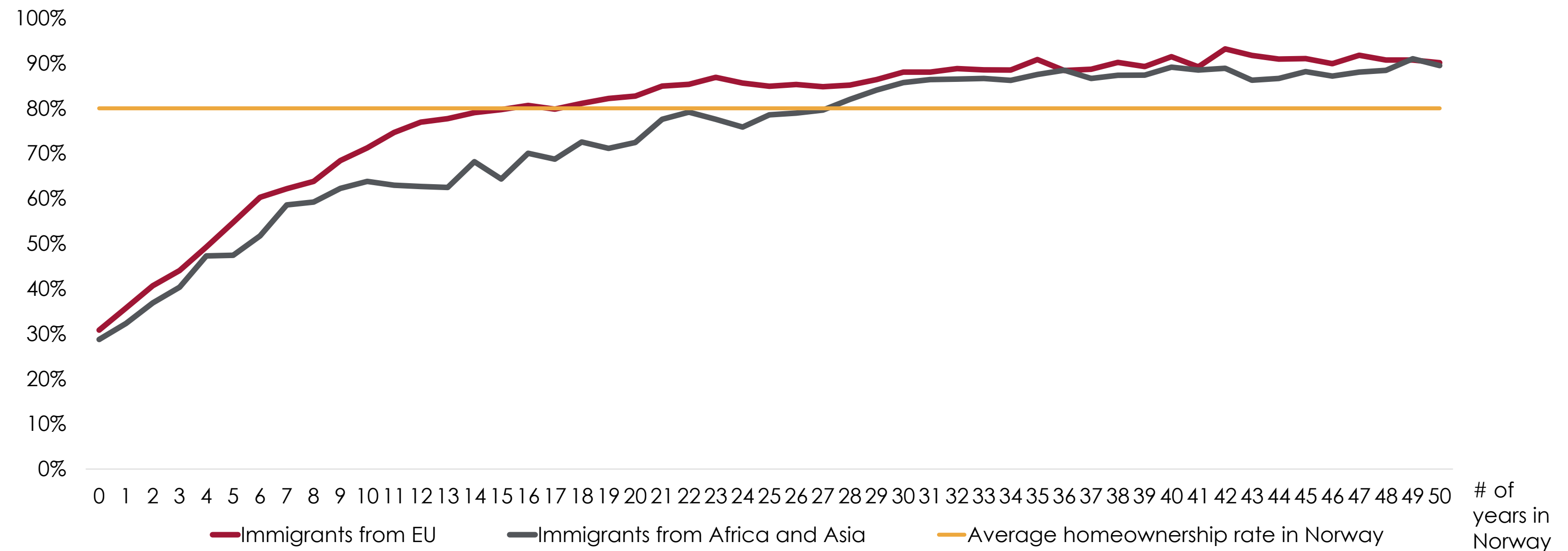
# A larger share of Norway's population lives in Greater Oslo



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

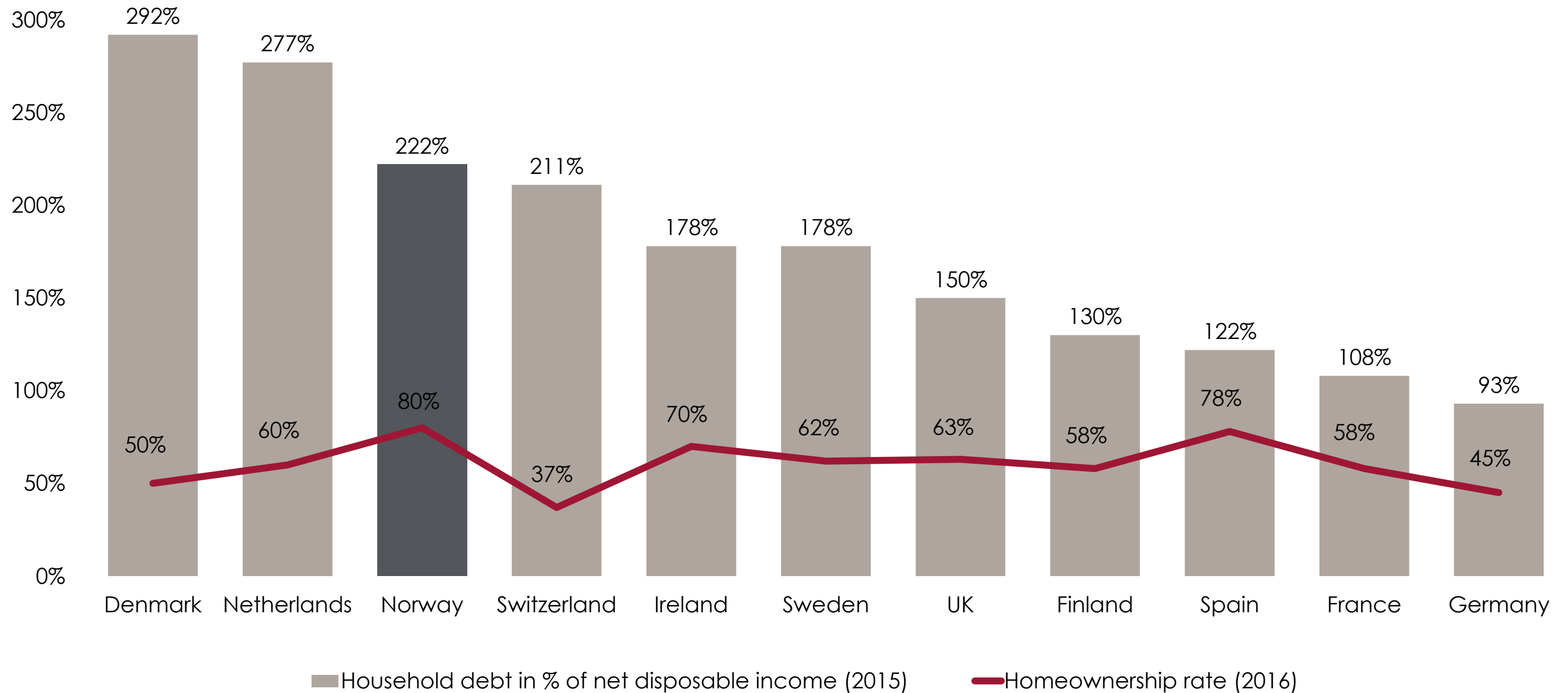
# Immigration increases demand over time

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



Source: Statistics Norway

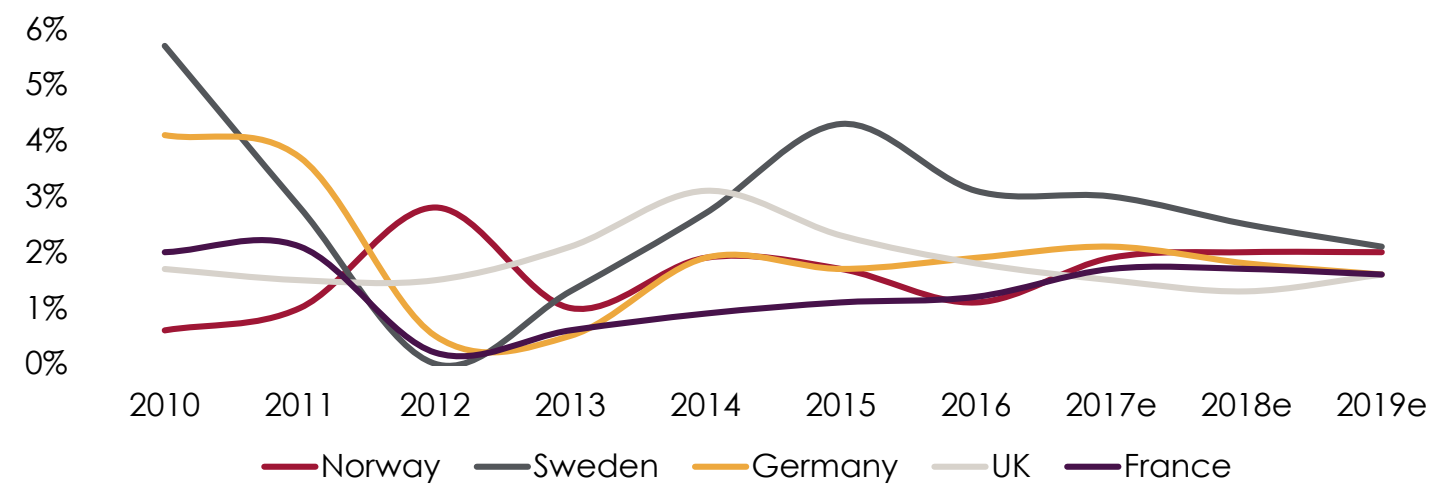
# Total household debt and homeownership



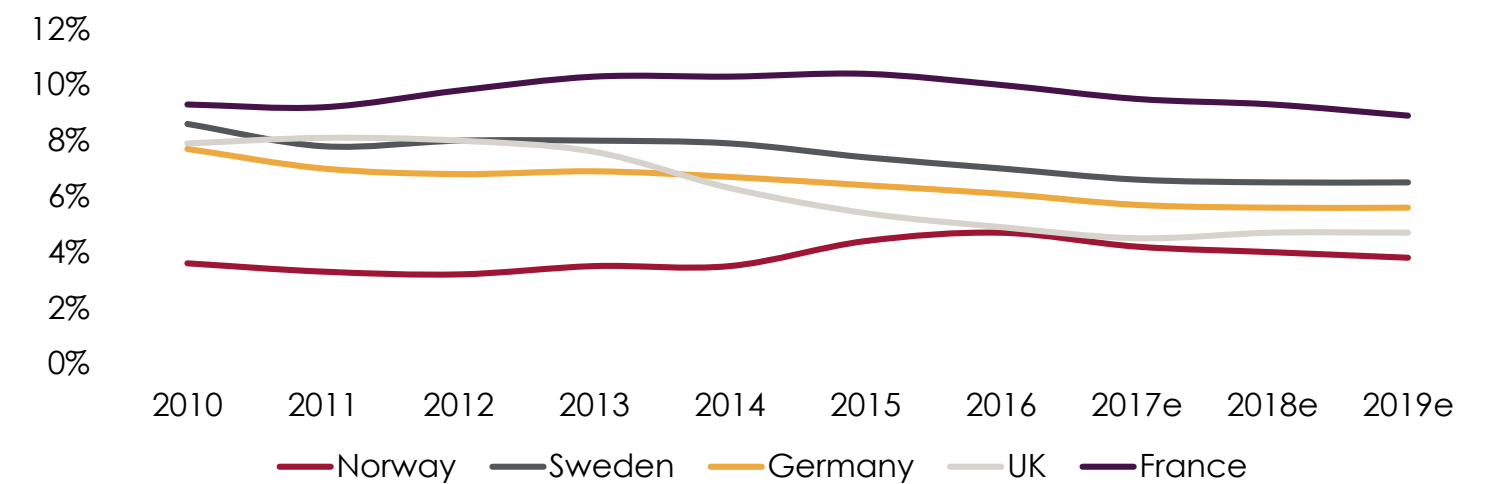


# Norway – robust economic conditions

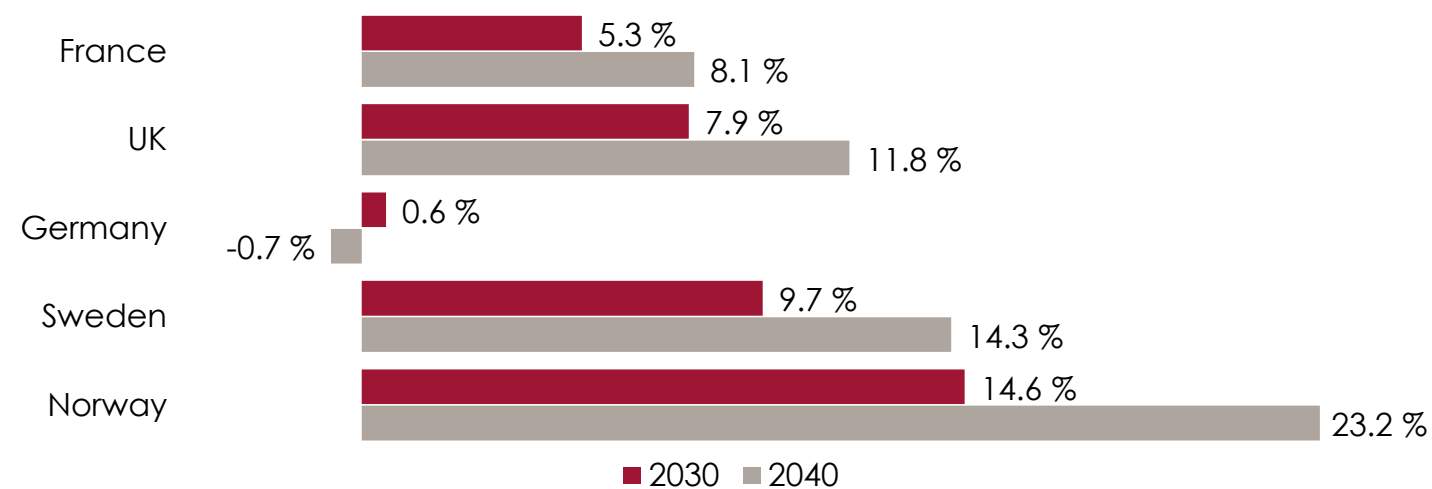
GDP growth 2010 - 2019e



Unemployment 2010 - 2019e



Population growth 2015 - 2030e and 2040e



Interest rates 2010 - 2018e

