

# Q4 2014

Oslo 27 February 2014  
Baard Schumann, CEO  
Sverre Molvik, CFO

# SELVAAG BOLIG



# Agenda

## ■ Highlights

- Operational update
- Financial update
- Outlook and summary



# Highlights Q4 2014

- Strong market: high demand and low supply
- Solid sales development
- High construction activity
- NOK 709 million in added value for the land bank based on external valuation
- Proposed dividend of NOK 1.2 per share for fiscal 2014 (0.5)



Løren, Oslo

# Financial highlights

## Q4 2014

Operating revenues

**1 126**

million NOK

EBITDA margin

**16.2**

per cent

## Full year 2014

Operating revenues

**2 945**

million NOK

EBITDA margin

**13.1**

per cent

Equity ratio

**39.5**

per cent

EBITDA margin (NGAAP)

**15.0**

per cent

Units under construction

**1 308**

EBITDA margin (NGAAP)

**15.9**

per cent

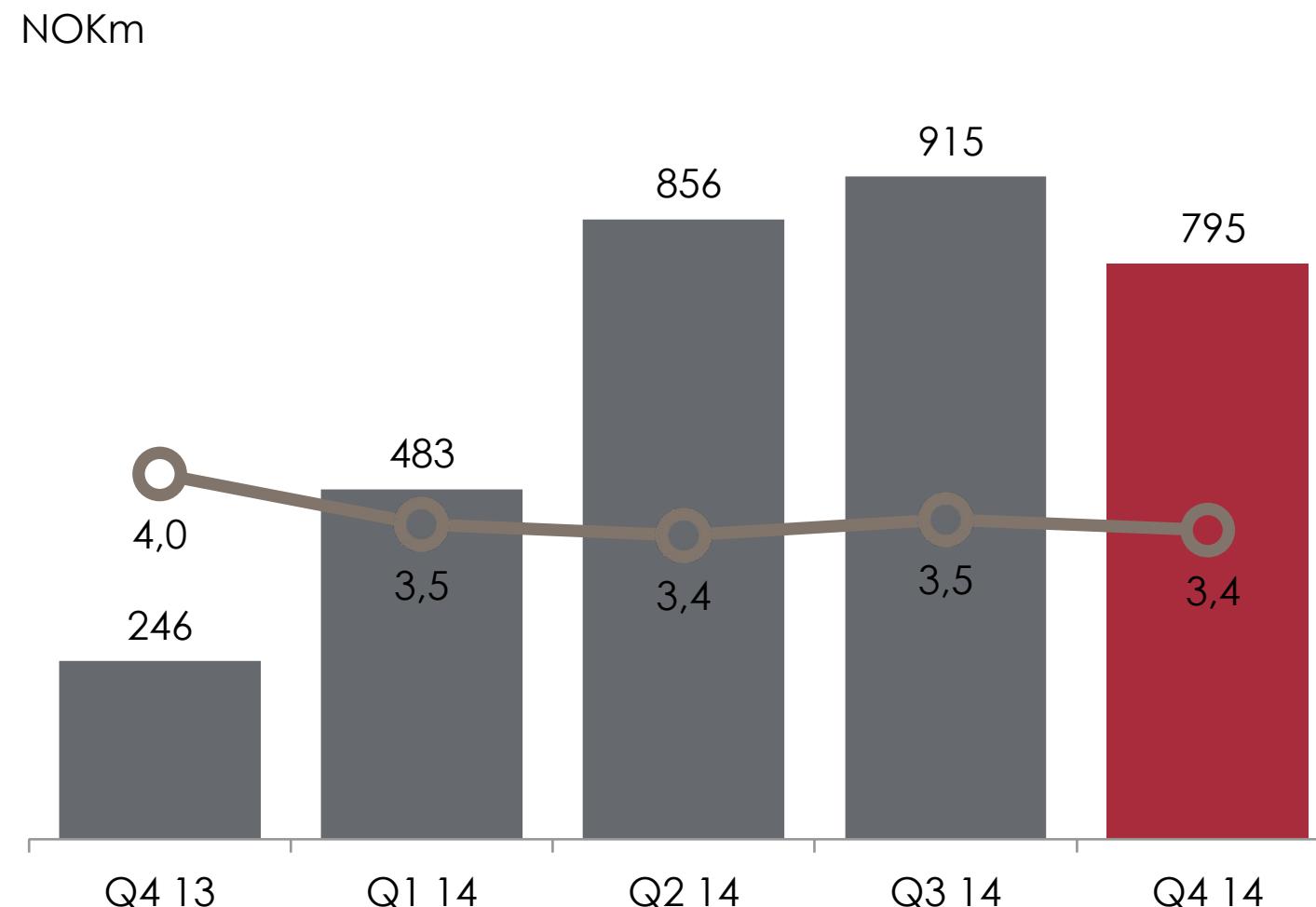
# Agenda

- Highlights
- **Operational update**
- Financial update
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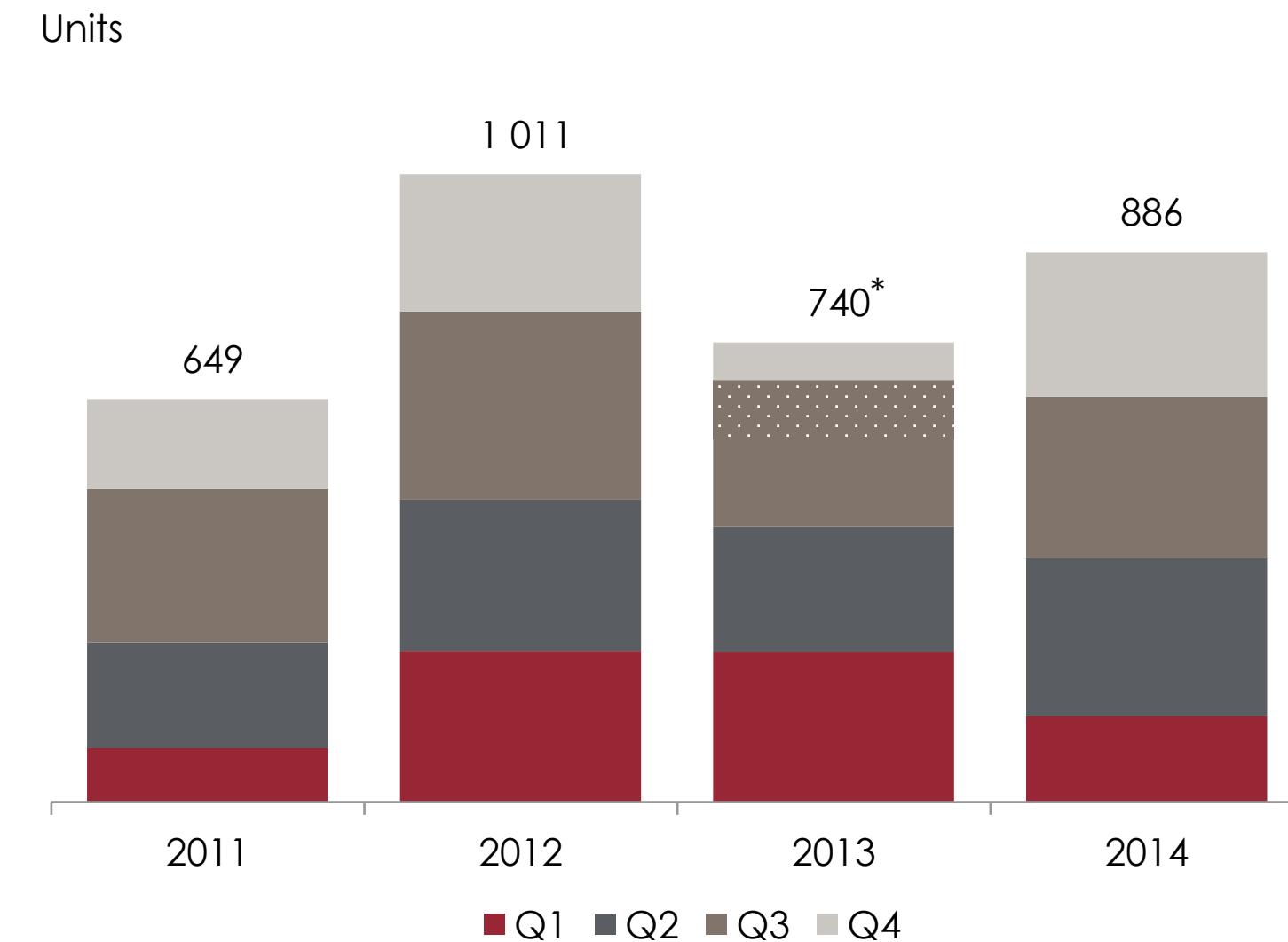


# Solid sales development

## Total sales value and value per sold unit



## Residential units sold



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

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

# Sales update YTD 2015

- Very strong housing market
- Particularly good sales in Greater-Oslo
- 201 units sold so far in Q1 2015 (139 units sold in Q1 2014)



Nybyen Økern, Oslo

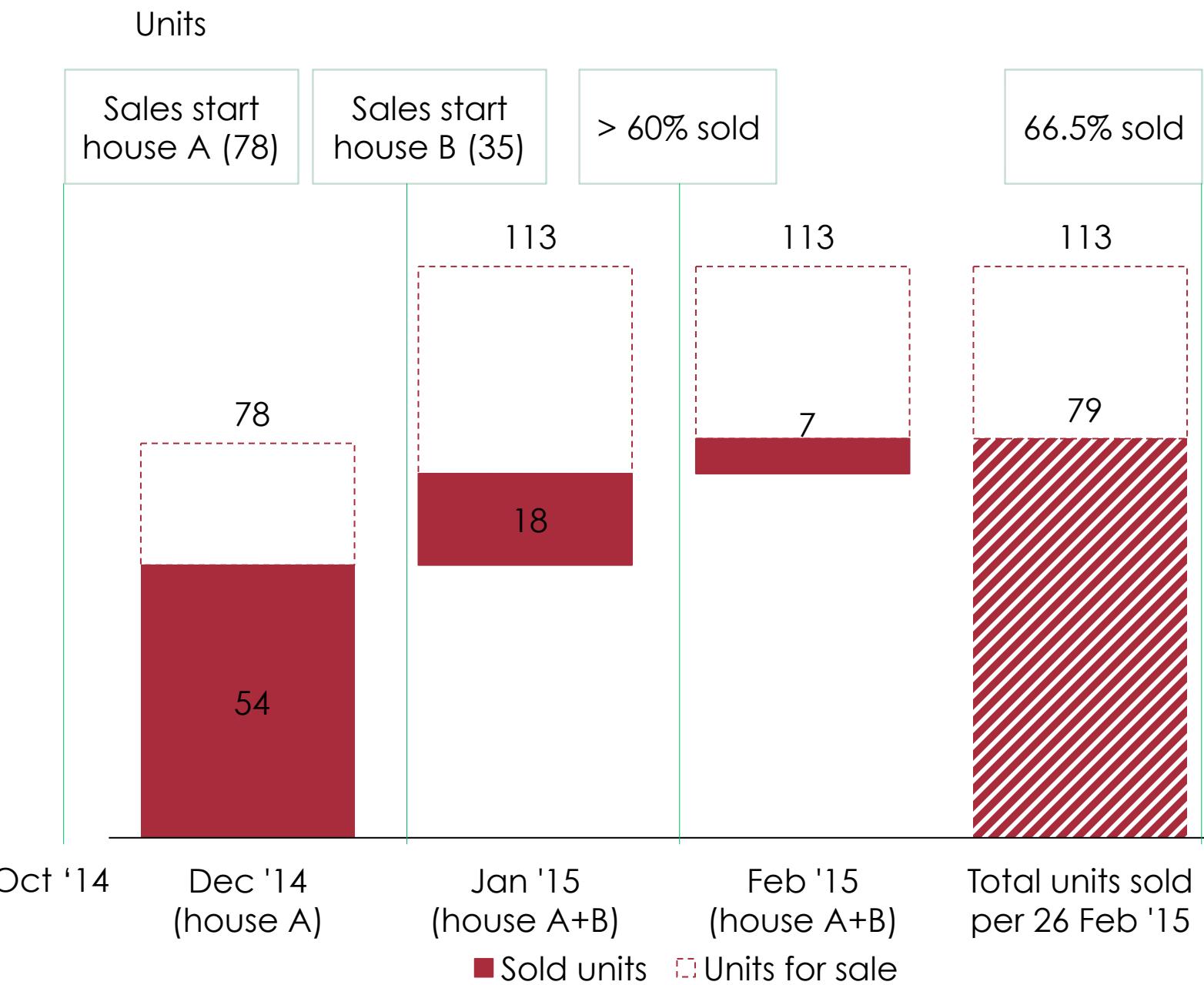
# Nybyen Økern – project efficiency

- Land acquired in January 2014
- Sales start in October 2014
- 60 percent of construction stage 1 (house A and B) sold by January 2015
- Settlement 1 April 2015



Nybyen Økern, Oslo

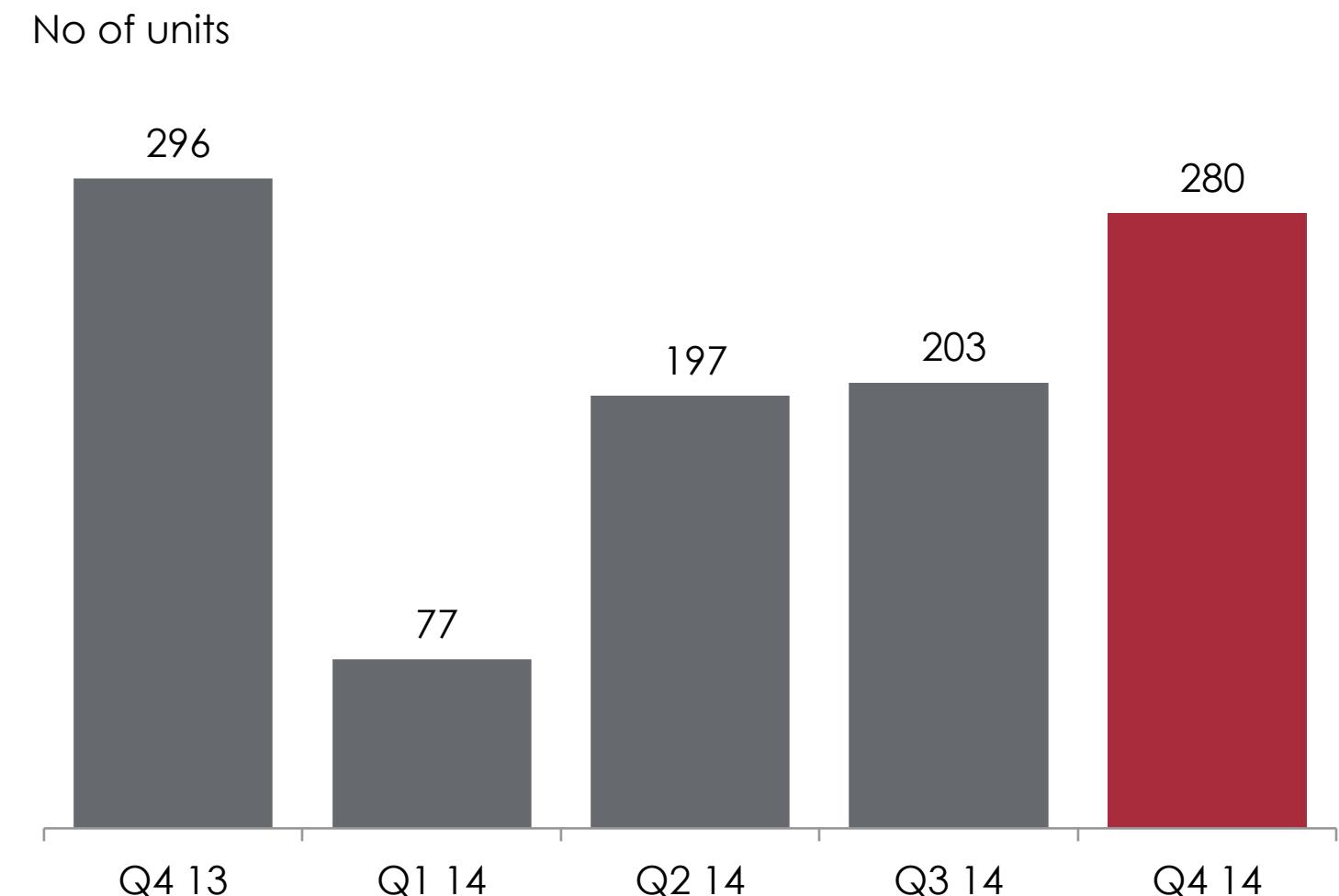
## Sales development Nybyen Økern, stage 1



# Strong trend for construction starts

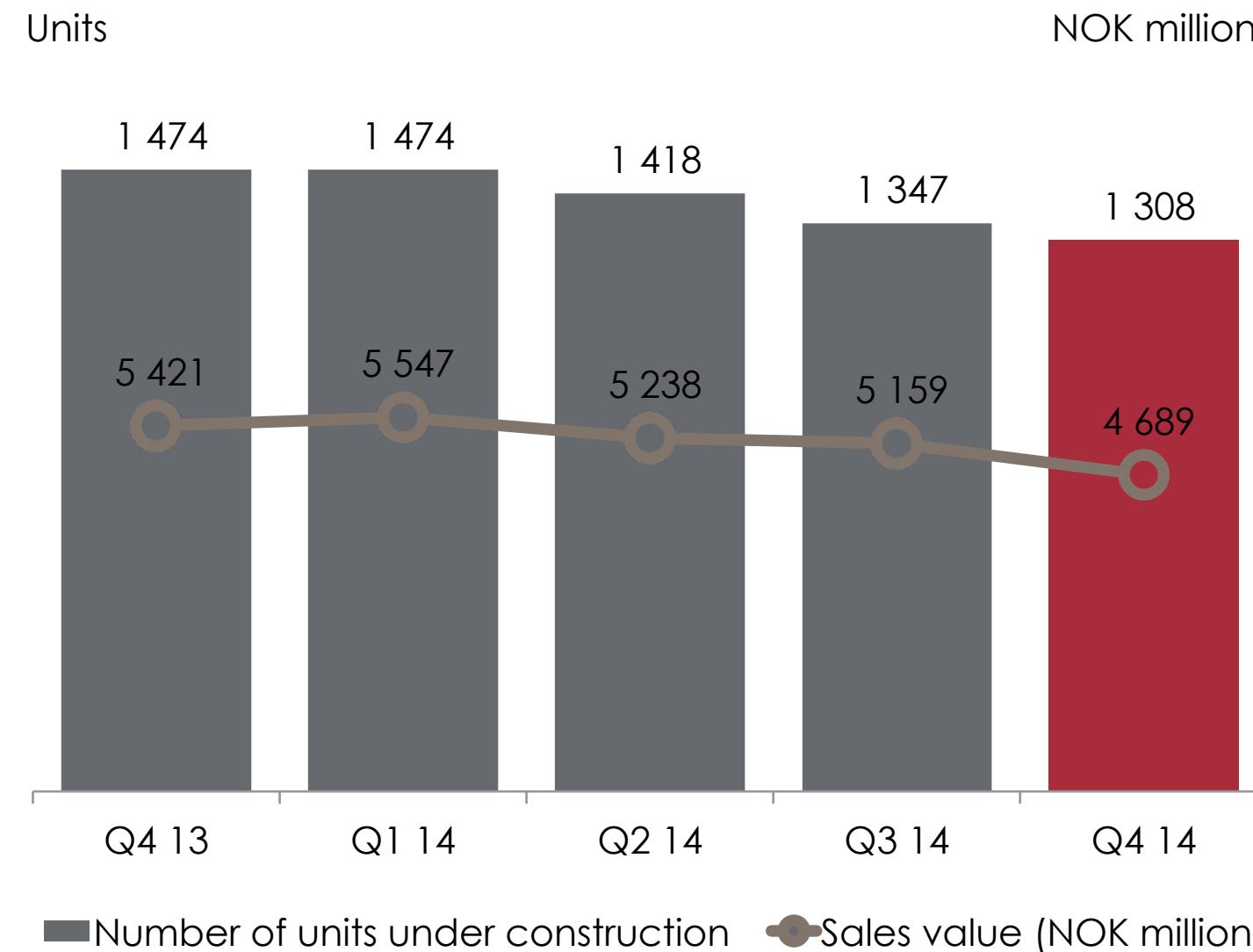
- Construction start on five projects
  - Lade Allé, Trondheim
  - Strandkanten, Tromsø
  - Kornmoenga, Oppegård
  - Løren 5, Oslo (two projects)

## Construction starts per quarter



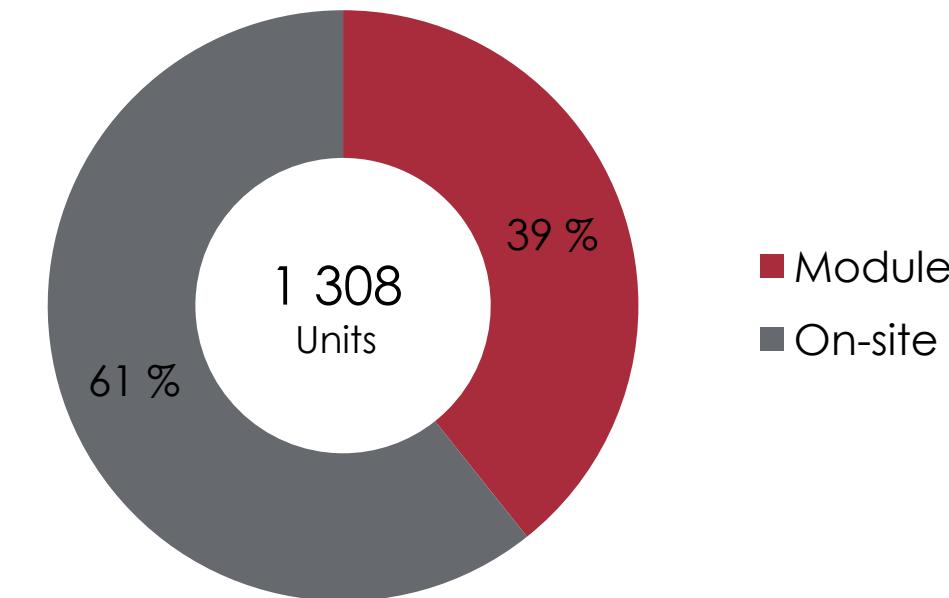
# Production activity at a solid level

## Development units under construction



Note: Projects are included when construction is decided. All numbers are adjusted for Selvaag Bolig's ownership share in joint ventures. Selvaag Bolig currently has 1 340 residential units under construction including joint venture projects.

## Production split

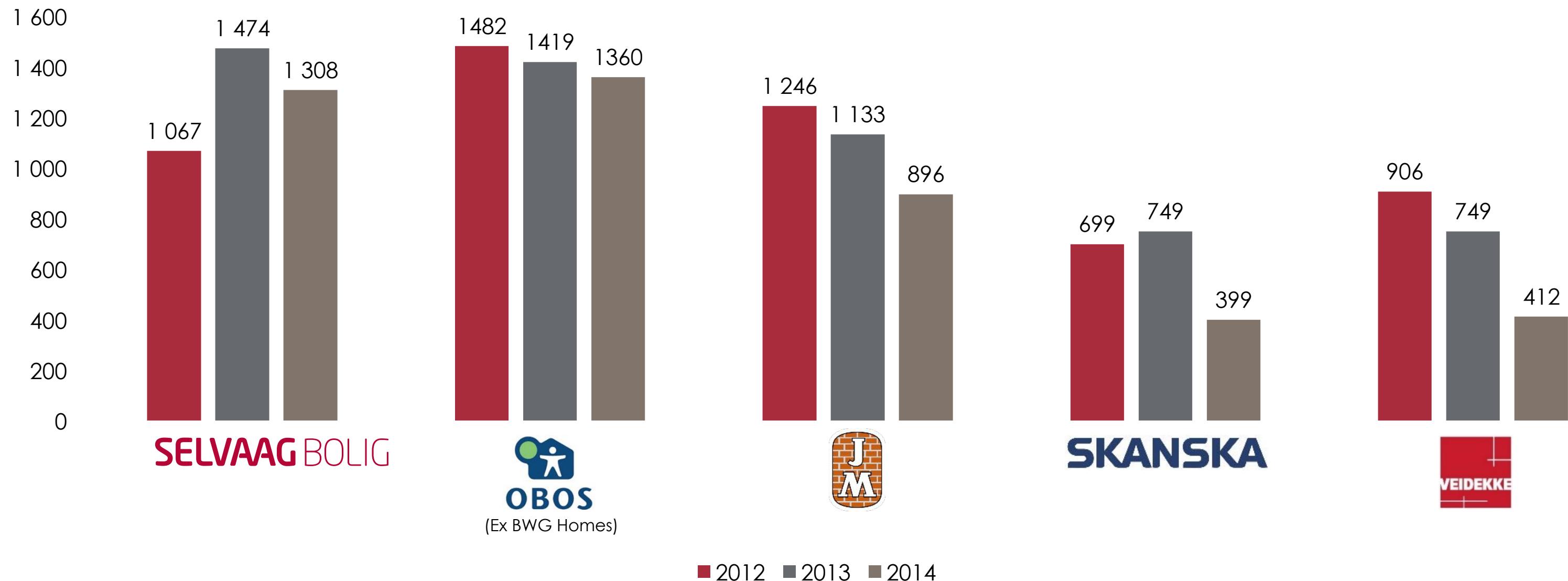


- Sales value of units under construction  
NOK 4 689 million
- 64% of production volume in Greater Oslo
- 77% of the units are sold

# Selvaag Bolig competitively positioned

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

No of units

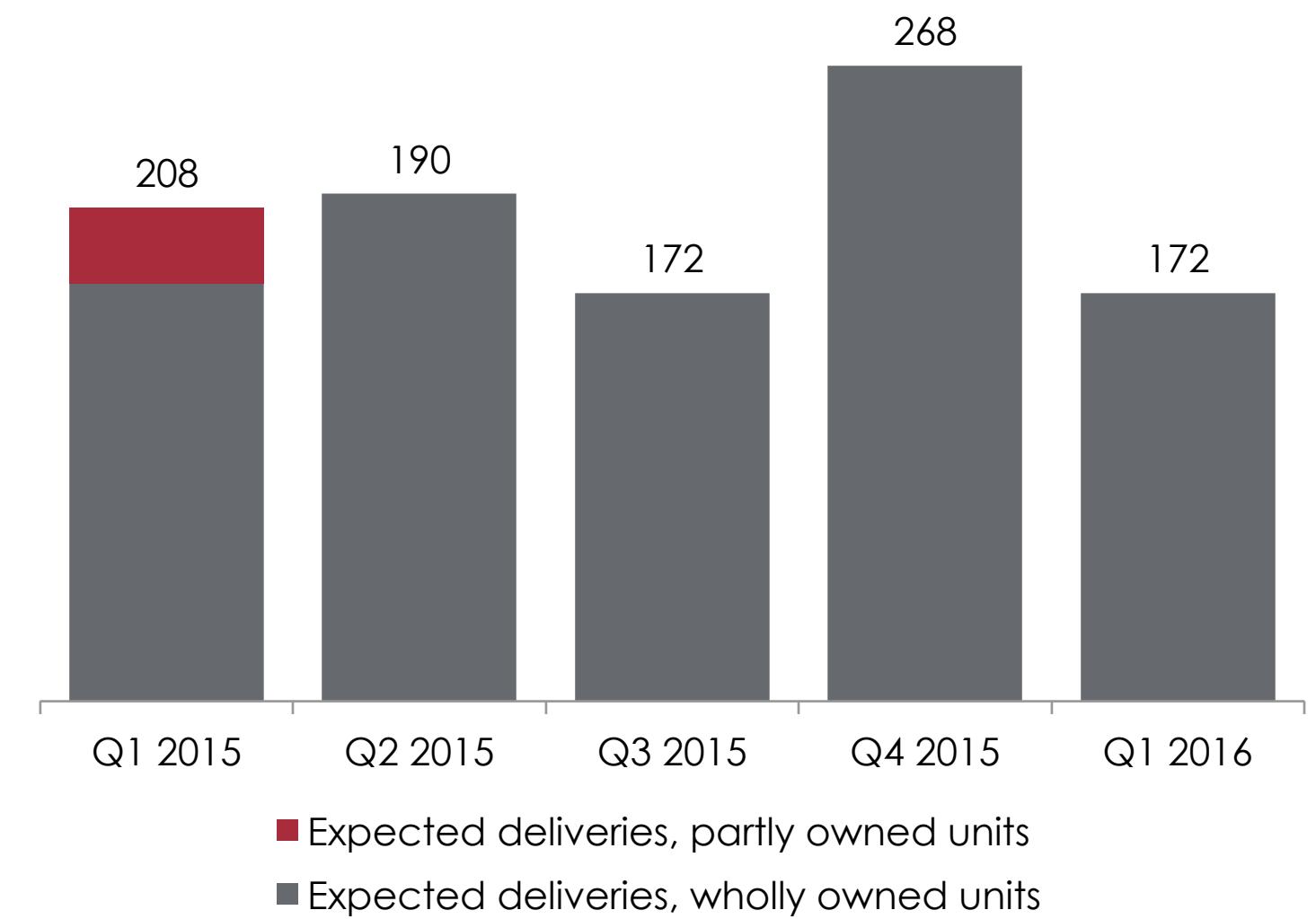


# 1 010 units for delivery next five quarters

- 85% of completions in 2015 were sold by year end 2014
- Net changes in expected deliveries since the previous quarter
  - Q1 2015: +37
  - Q2 2015: -43
  - Q3 2015: -32
  - Q4 2015: +29

## Expected deliveries per quarter

No of units



# Acquisitions

## Two new projects

- Project in central Oslo
  - Approximately 350 apartments
  - NOK 225 million
  - Transaction completed in Q4 2014
- Project in Stockholm, Sweden - 50/50 JV with Veidekke
  - Approximately 130 apartments in total
  - NOK 300 million in total
  - Transaction completed in Q4 2014



Svea Fanfar, Stockholm

# Post-quarter: Acquisitions in Q1 2015

## Two new projects

- Project at Lørenvangen 22 in Oslo
  - Approximately 200 apartments
  - NOK 137 million
  - Completion of transaction in Q1 2015
- Sinsenveien 45-49 in Oslo - 50/50 JV with Veidekke
  - Approximately 400 apartments in total
  - NOK 375 million in total
  - Completion of transaction in Q1 2015



Lørenvangen, Oslo



Sinsenveien, Oslo

# Disposals

## One sale

- Sale of commercial property in Tønsberg
  - Accounting revenue NOK 18.6 million
  - Minor accounting gain
  - Completion of transaction in Q4 2014



Kaldnes, Tønsberg

# Agenda

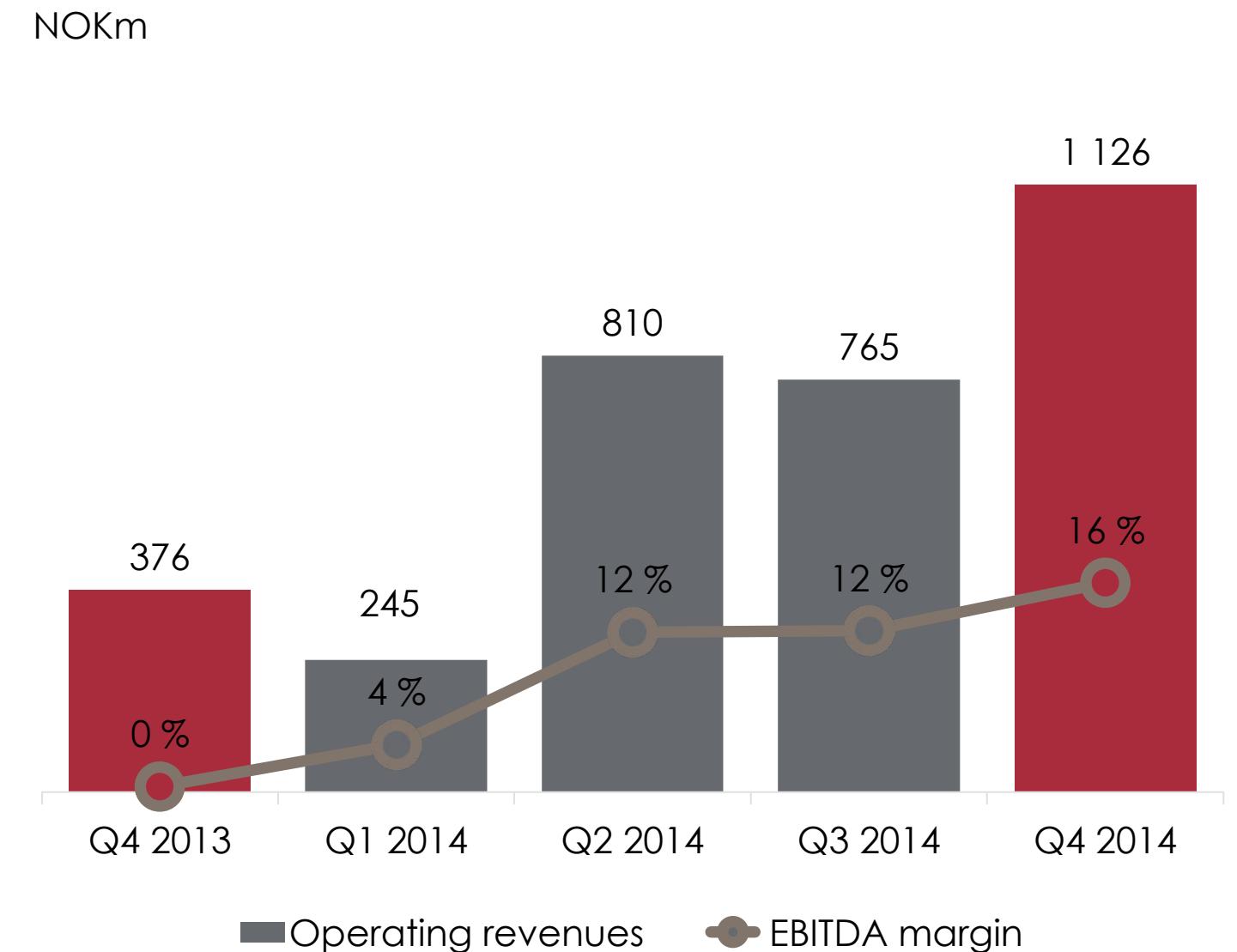
- Highlights
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# Income statement highlights Q4 2014 (IFRS)

- Delivery of 266 units (118)
- Revenues NOK 1 126 million (376)
  - Of which other revenues NOK 15 million (13)
- Project costs NOK 865 million (316)
  - Of which NOK 39 million are interests
- Other costs NOK 79 million (58)
  - Mainly due to increase in sales and marketing
- EBITDA adjusted 222 million (8)
  - Adjusted for financial expenses included in project costs
- EBITDA NOK 182 million (2)
- Earnings per share NOK 1.38

## Revenues and EBITDA margin (IFRS)

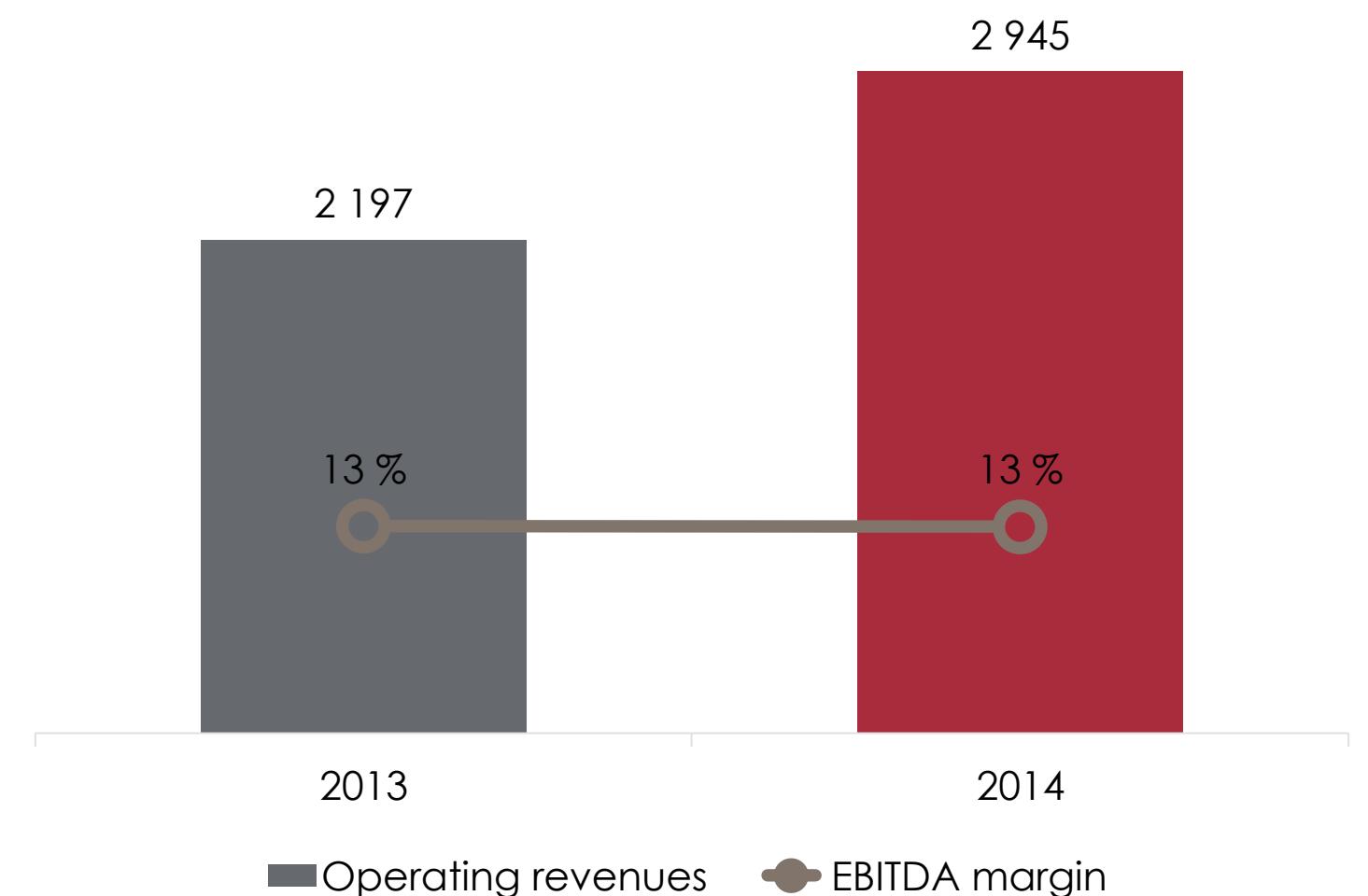


# Income statement highlights FY 2014 (IFRS)

- Delivery of 861 units (687)
- Revenues NOK 2 945 million (2 197 )
- EBITDA adjusted 489 million (348)
  - Adjusted for financial expenses included in project costs
- EBITDA NOK 387 million (289)
- Earnings per share full year NOK 2.70
- Proposed dividend NOK 1.2 per share

## Revenue and EBITDA margin (IFRS)

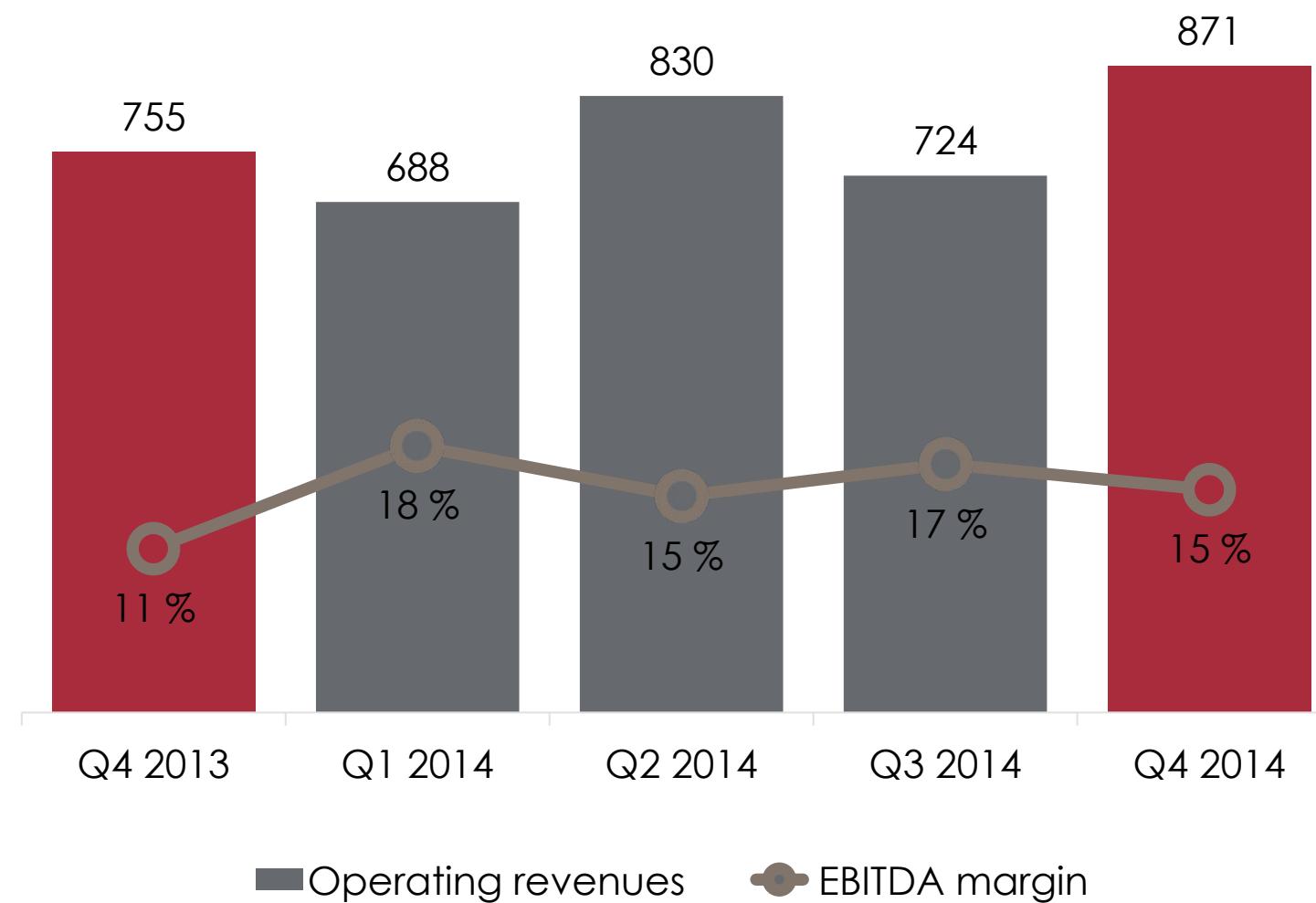
NOKm



# Income statement highlights Q4 2014 (NGAAP)

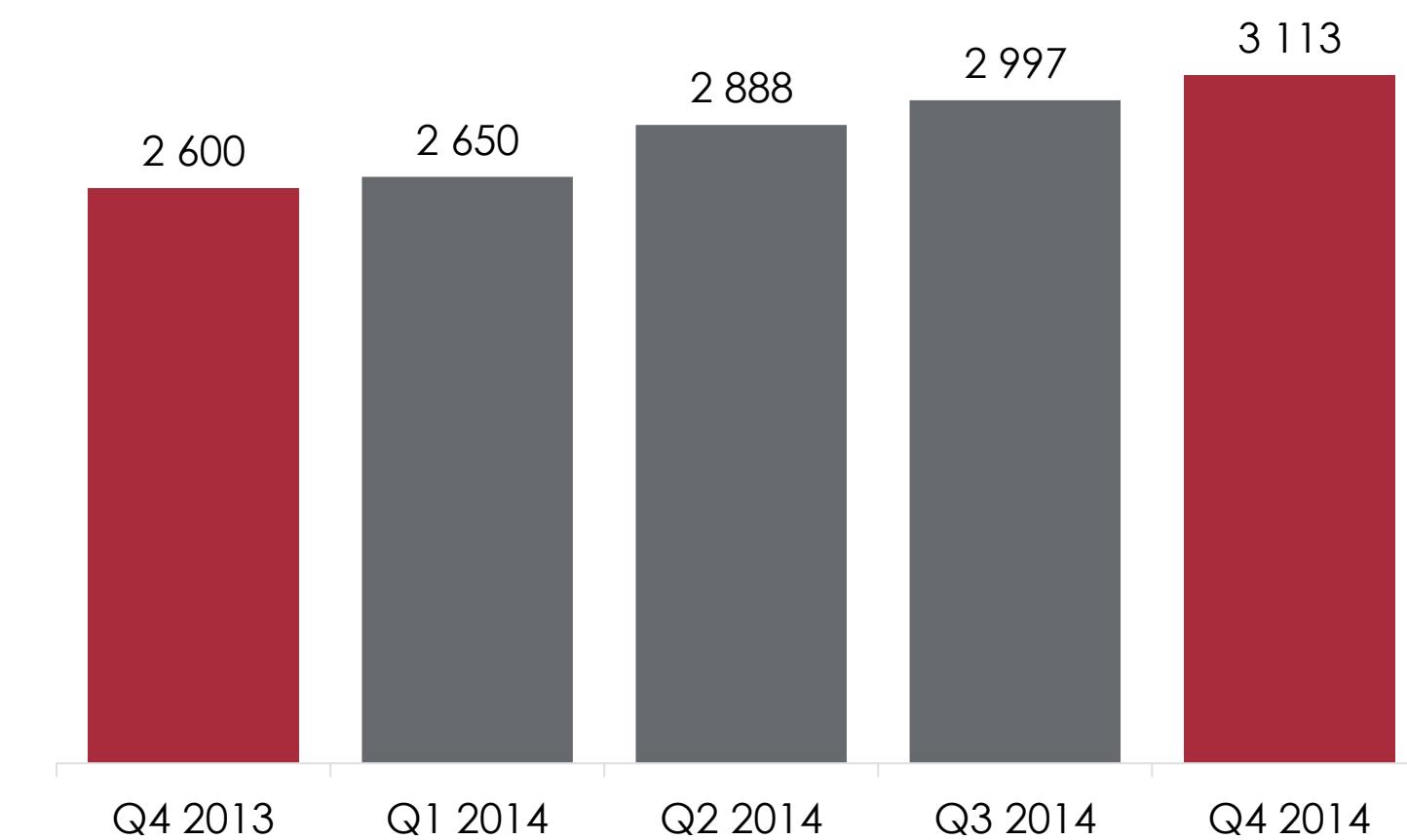
## Revenues and EBITDA margin (NGAAP)\*

NOKm



## 12 months rolling revenues (NGAAP)\*

NOKm

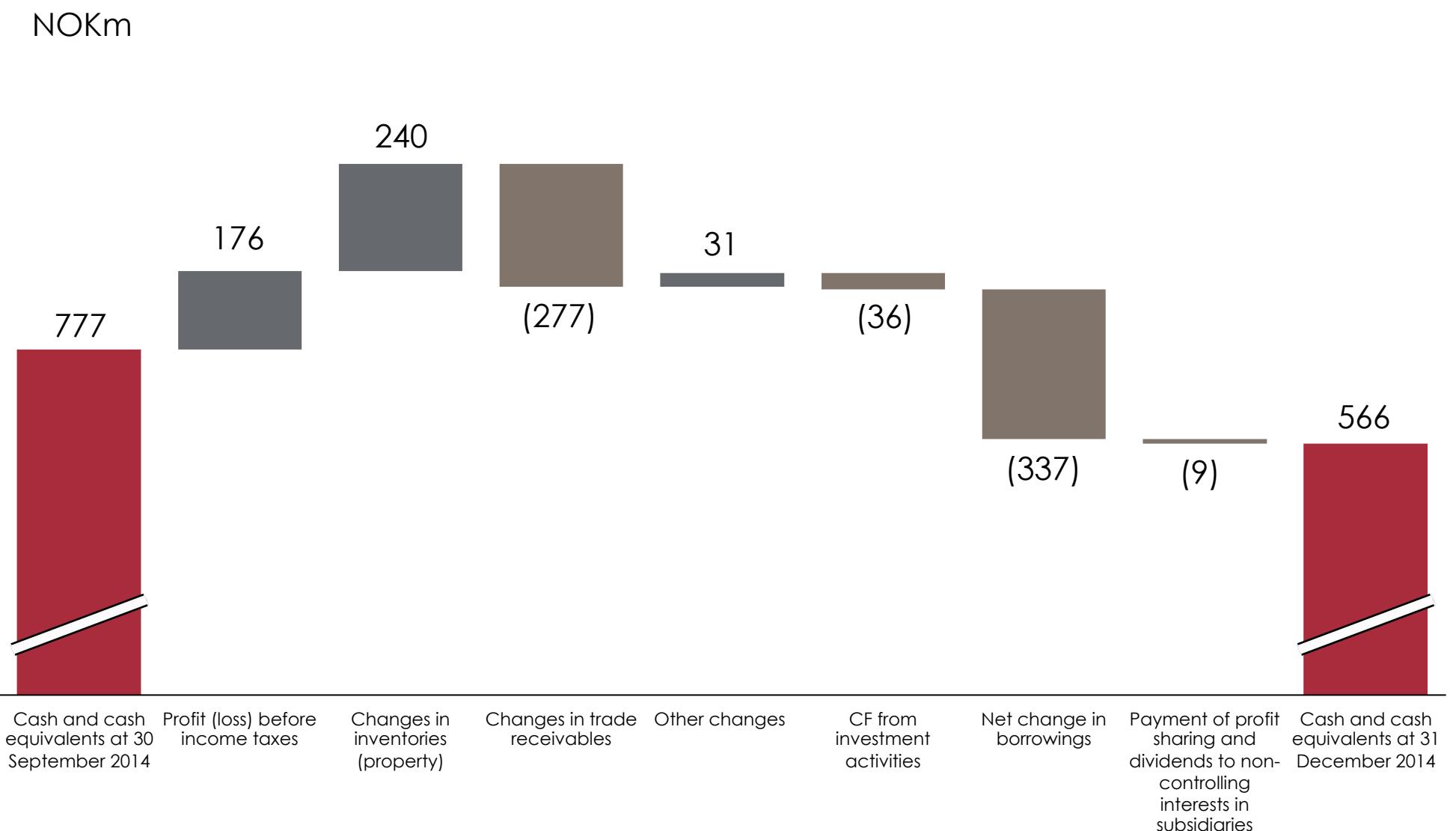


\* Construction costs are exclusive of financial expenses in the segment reporting (NGAAP)

# Cash flow development Q4 2014

- Positive cash flow from operating activities
- Changes in inventory and trade receivables a result of delivered units
- Net change in borrowings a result of down payments on construction loans

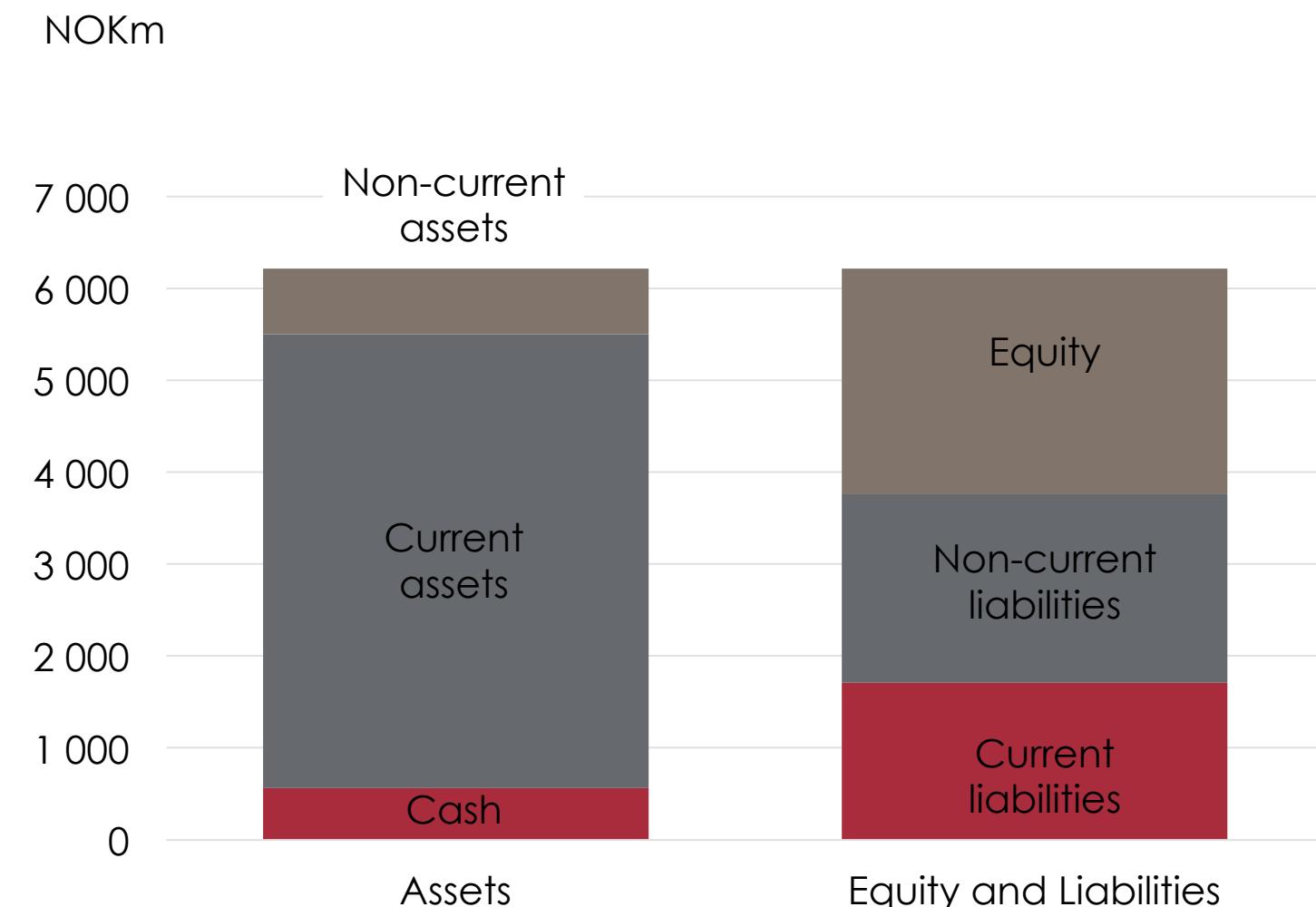
## Condensed cash flow



# Balance sheet highlights Q4 2014

- Book value per share NOK 26.0
  - NOK 24.7 in Q3 2014
- Changes since Q3 2014:
  - Trade receivables increased by NOK 277 million
  - Inventories reduced by NOK 201 million
  - Net reduction of NOK 311 million in interest-bearing liabilities
- Prepayments from customers count for NOK 263 million of other current non interest-bearing liabilities

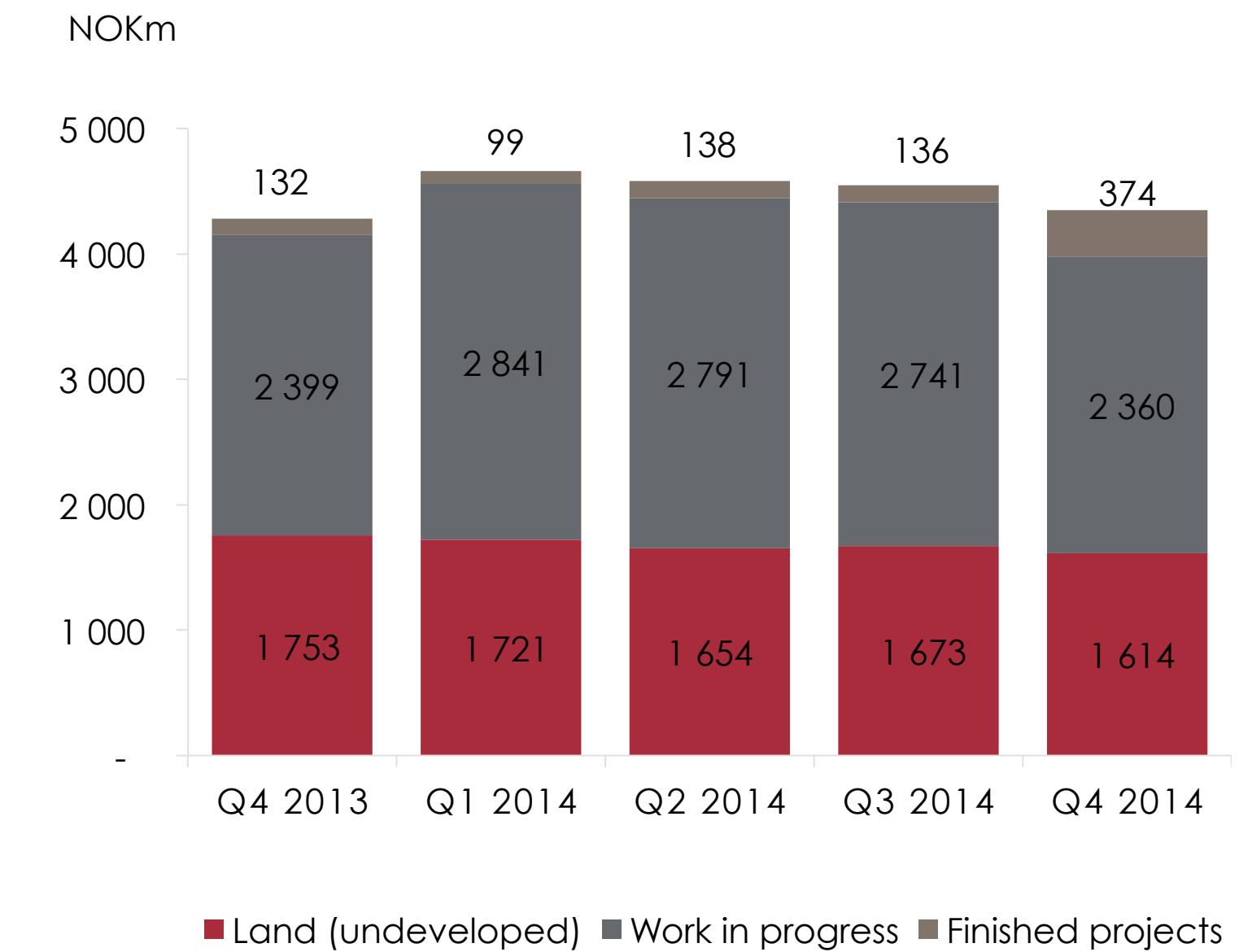
## Balance sheet composition



# Inventories (property) Q4 2014

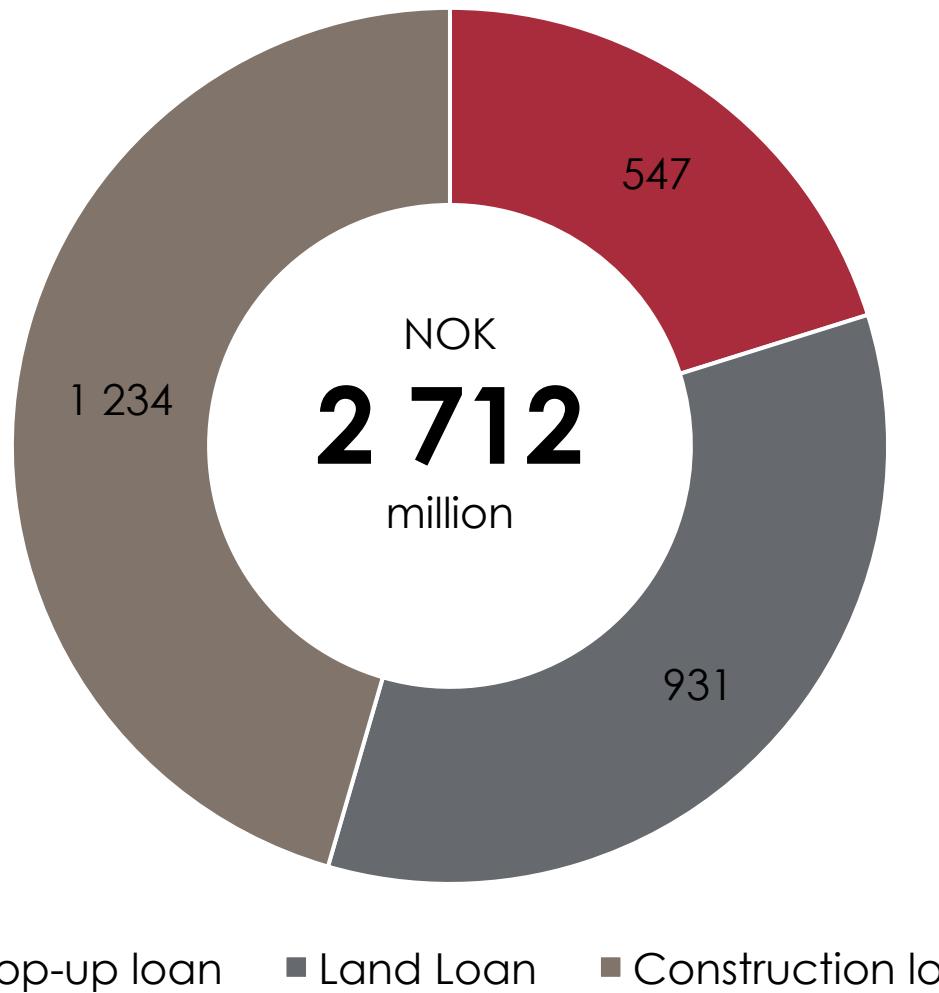
- Land value decreased NOK 59 million from last quarter
  - Due to construction starts
- Work in progress decreased by NOK 380 million from last quarter
  - Due to increase in units completed
- Finished goods of NOK 374 million
  - Of which approximately 30% unsold units

## Inventory value development



# Sound debt structure

## Interest bearing debt as at 31 Dec 2014



Loan facility	Drawn per 31 Dec (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	55	2.00%
4 Land loan facilities from a range of Nordic credit institutions	931	2.20% - 2.50%
5 Construction loan facilities from a range of Nordic credit institutions	1 234	1.90% - 2.50%

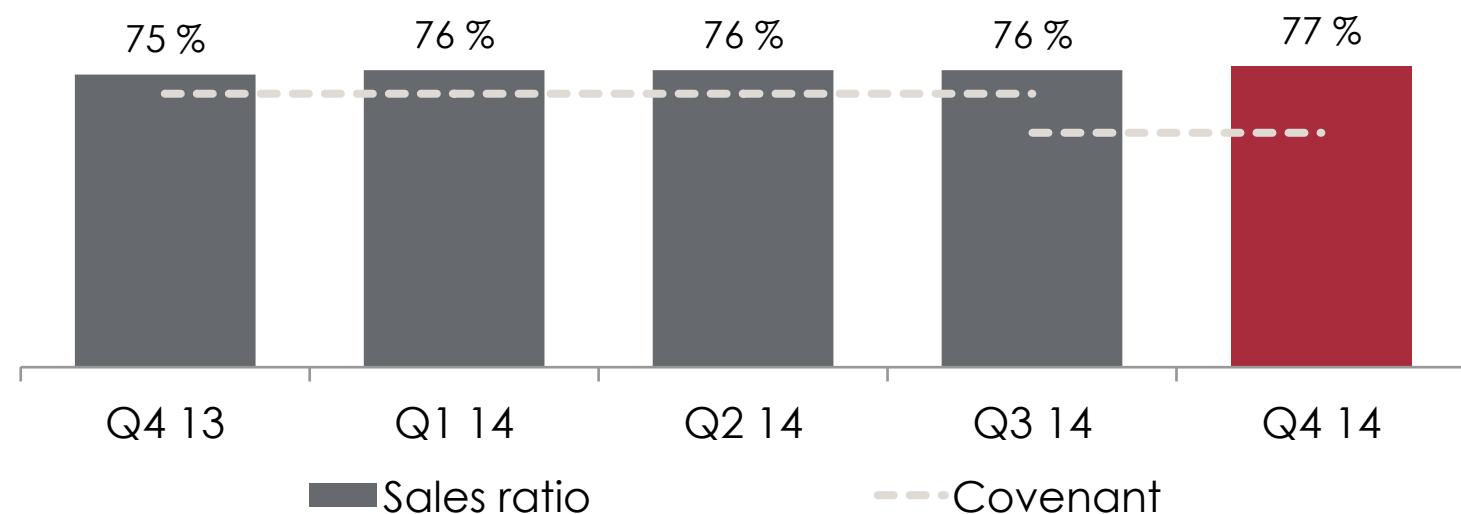
Note: Top-up loan of NOK 555m in the table differs from the summed up top up loan in the pie chart (NOK 547m). The difference is due to NOK -8m in amortized cost which is not actual debt.

# In compliance with financial covenants

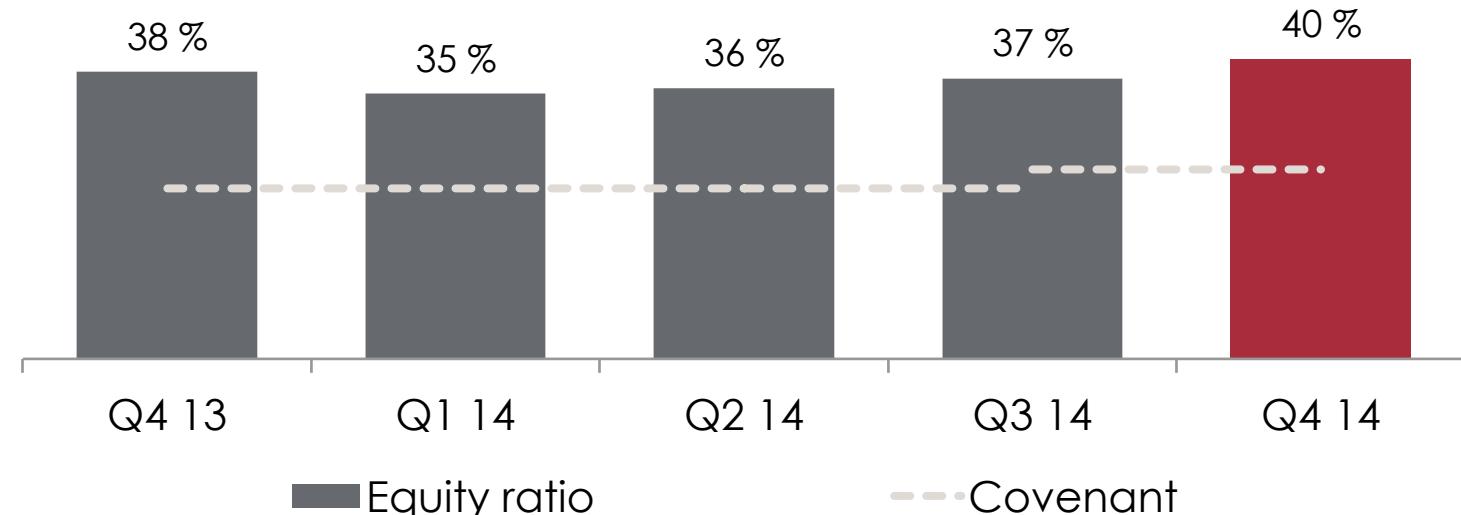
Changes in covenants from Q4 2014:

- Sales ratio covenant reduced to 60.0%
  - Actual ratio in Q4 2014: 77%
- Equity ratio covenant increased to 25.0 % until end of June 2017
  - Increasing to 27.5% until maturity in June 2018
  - Actual ratio in Q4 2014: 40%

## Sales ratio covenant (minimum 60.0%)

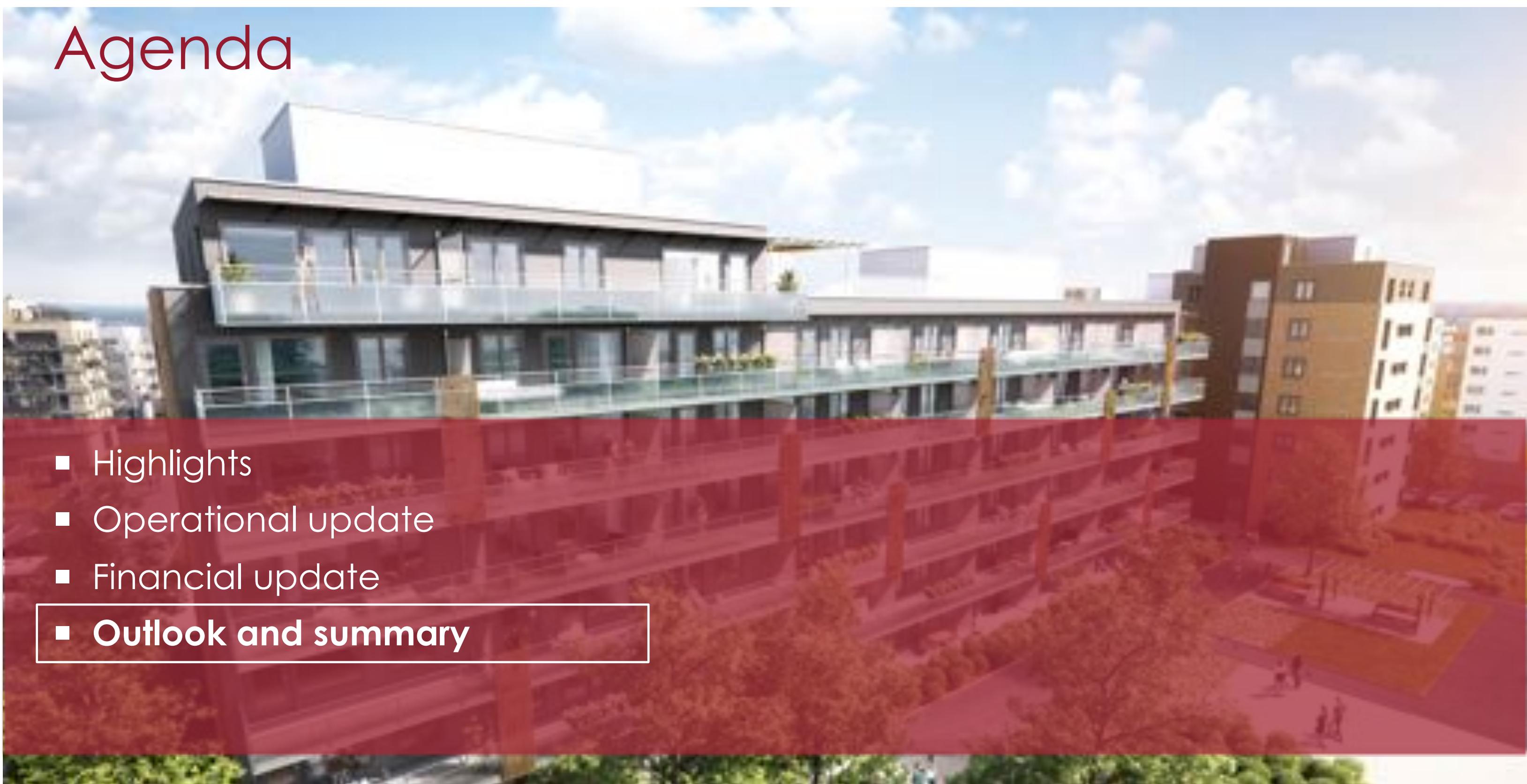


## Equity ratio covenant (minimum 25.0%)



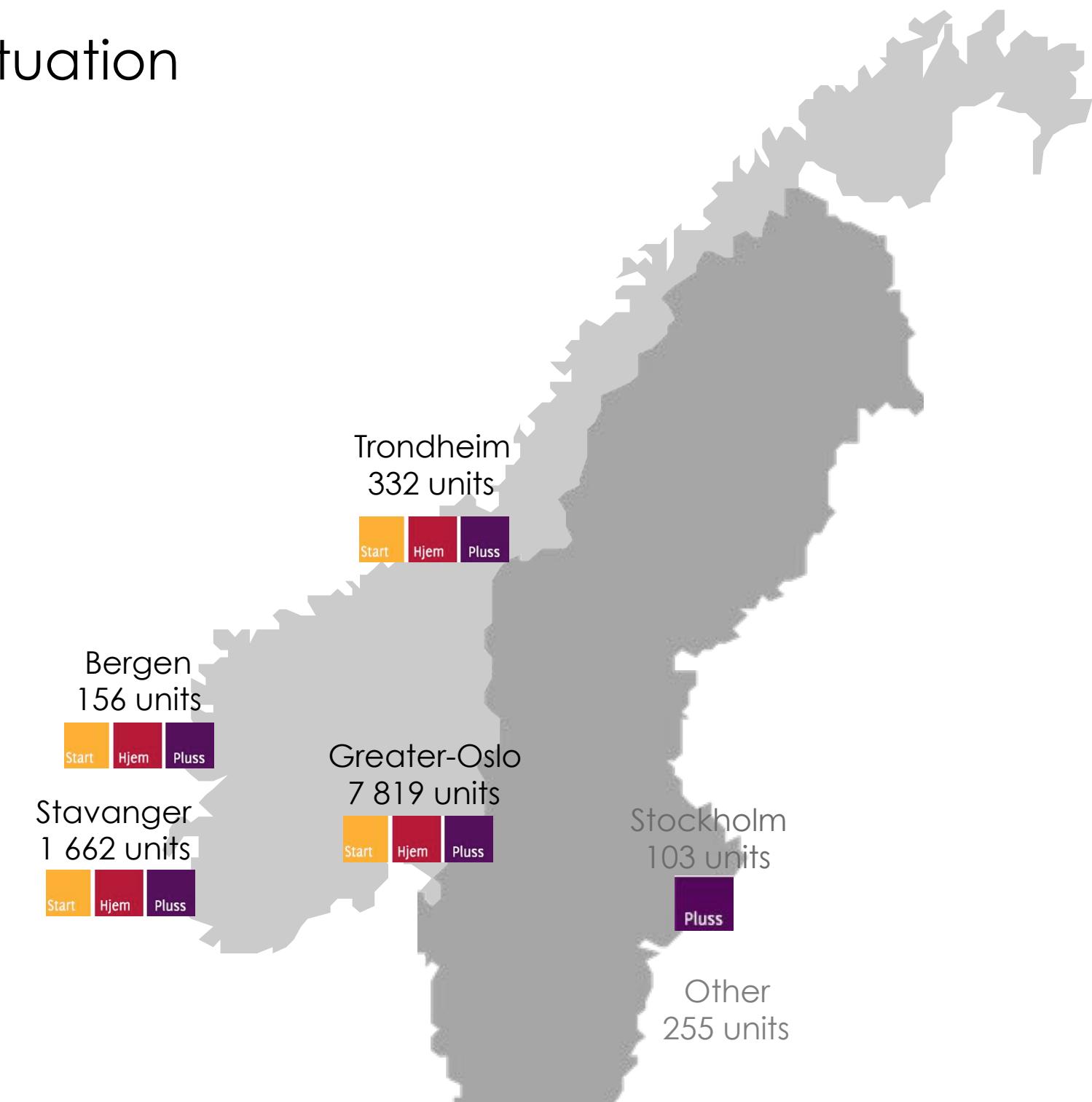
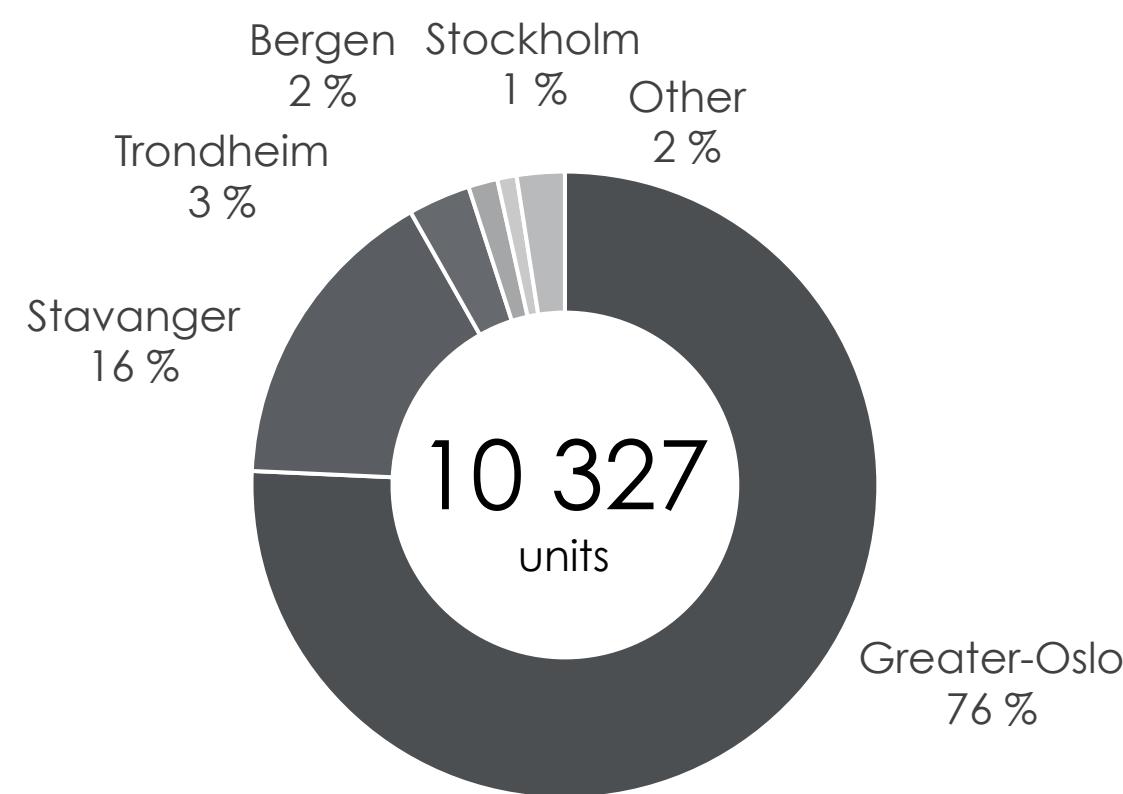
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# Optimal geographic spread

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



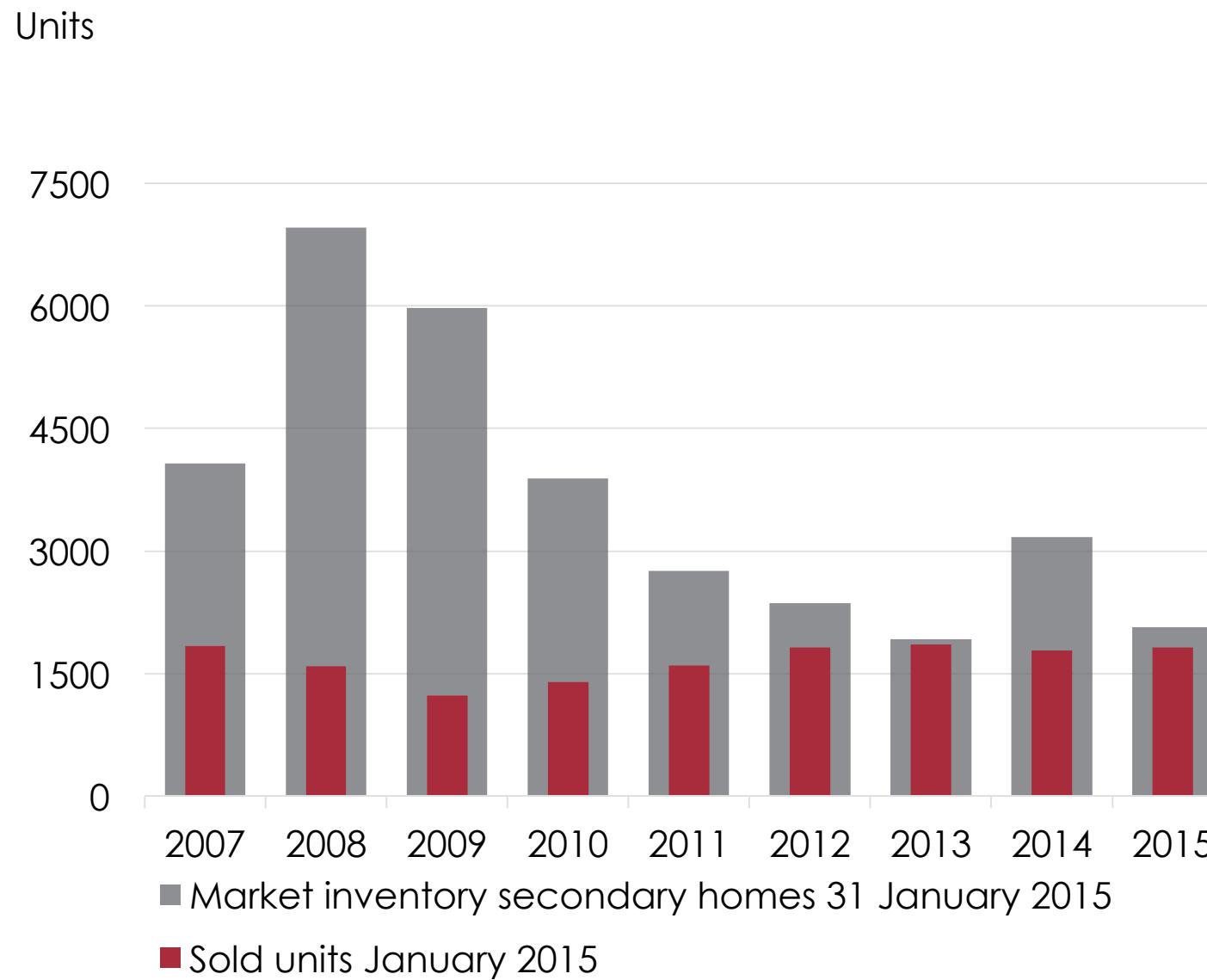
Note: The numbers represent the size of the land portfolio as at 31. December 2014. All numbers are adjusted for Selvaag Bolig's share in joint ventures. 1) Greater Oslo area: Oslo, Akershus, Buskerud, Vestfold and Østfold, 2) 155 units at Tromsø (Troms county) and 100 units at Alfa Del Sol (Spain), 3) The residential property development portfolio consists of land plots that are to be paid for when planning permission is received. These have a development potential of ~3 650 residential units, whereof the company has purchasing obligations for ~3 100 and purchasing options for ~550 units.

## MARKET OUTLOOK

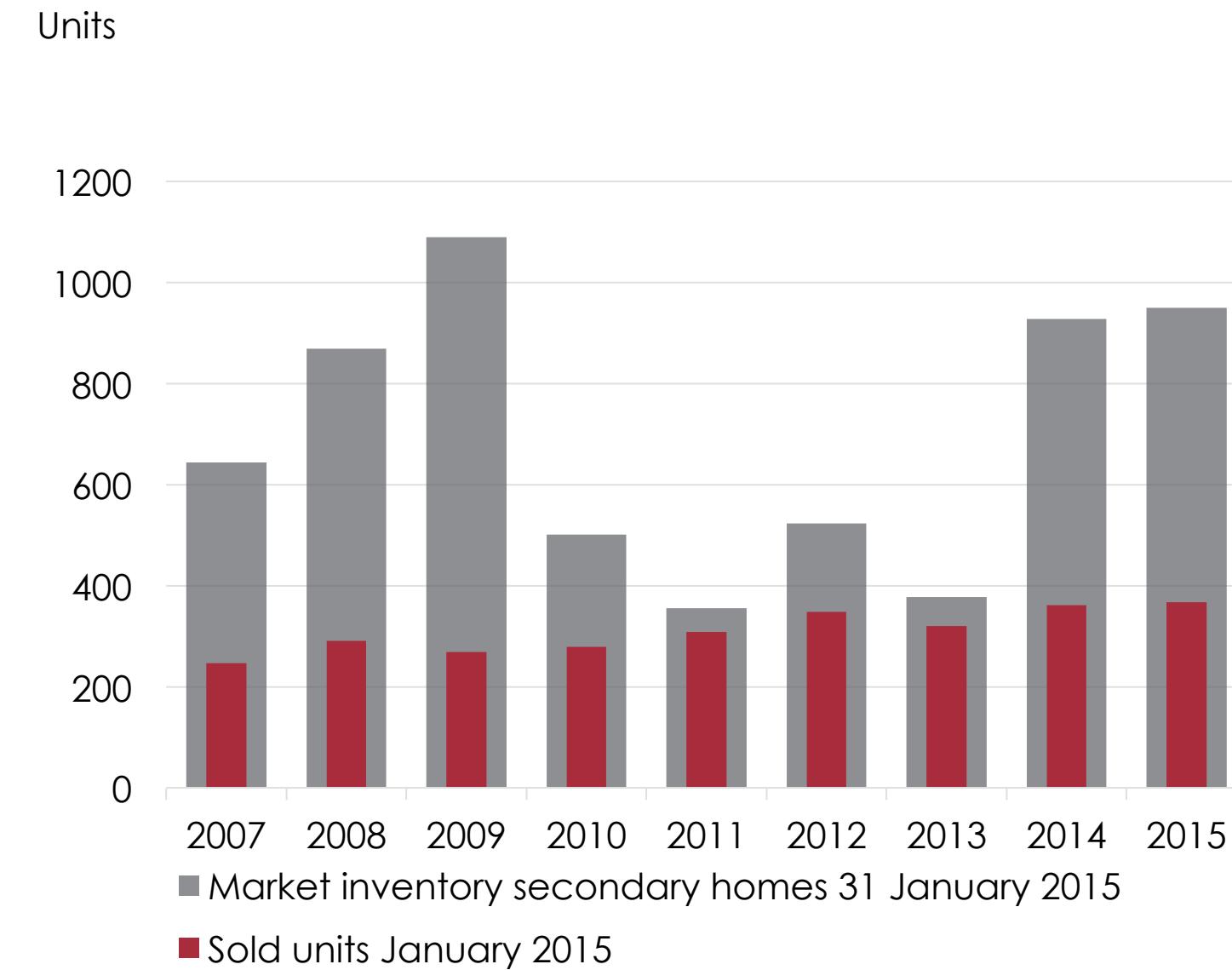
Second-hand market:

# Strong market in Oslo, challenging in Rogaland

### Oslo and Akershus, January 2007-2015



### Rogaland, January 2007-2015



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

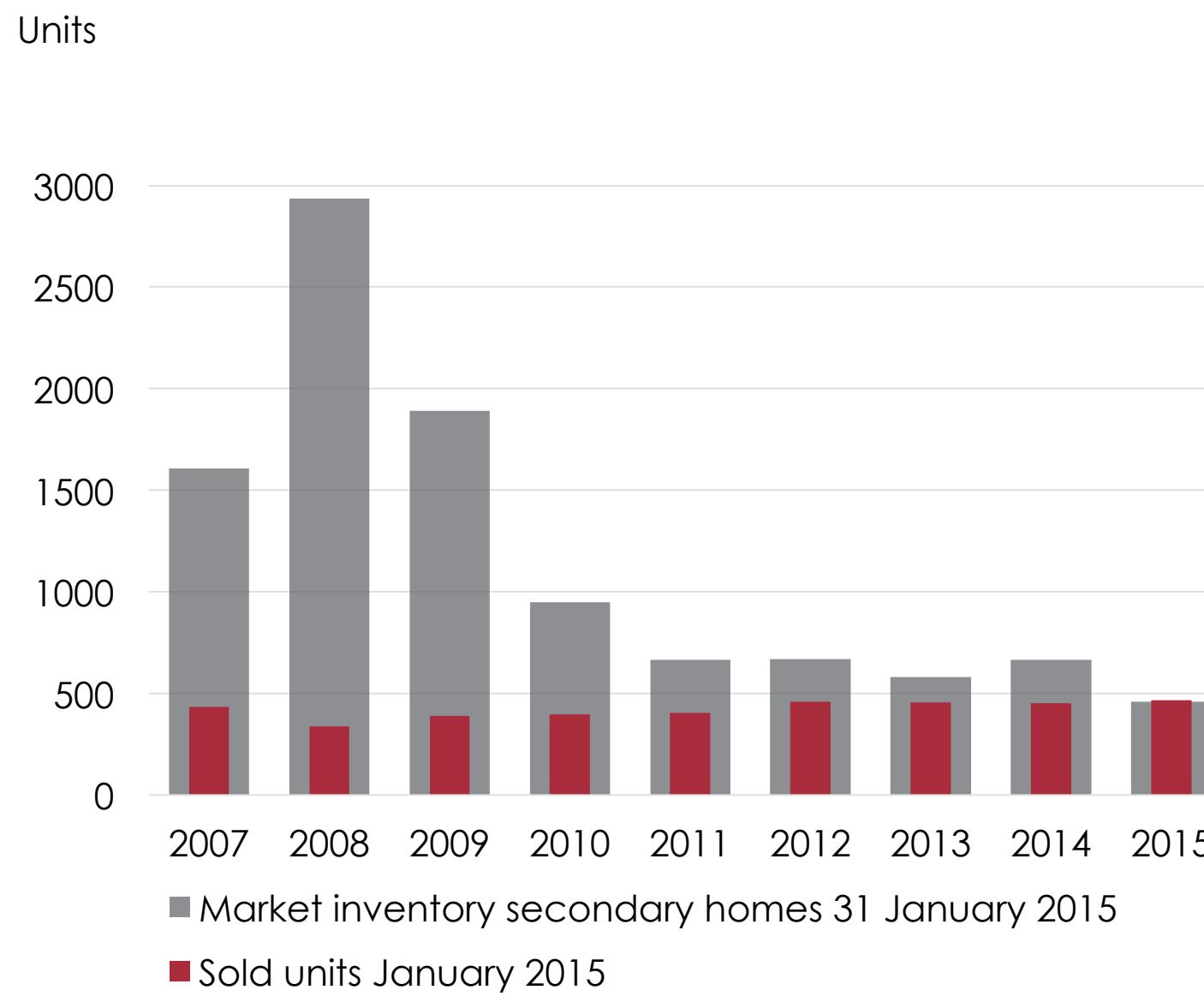
Source: Eiendomsverdi

## MARKET OUTLOOK

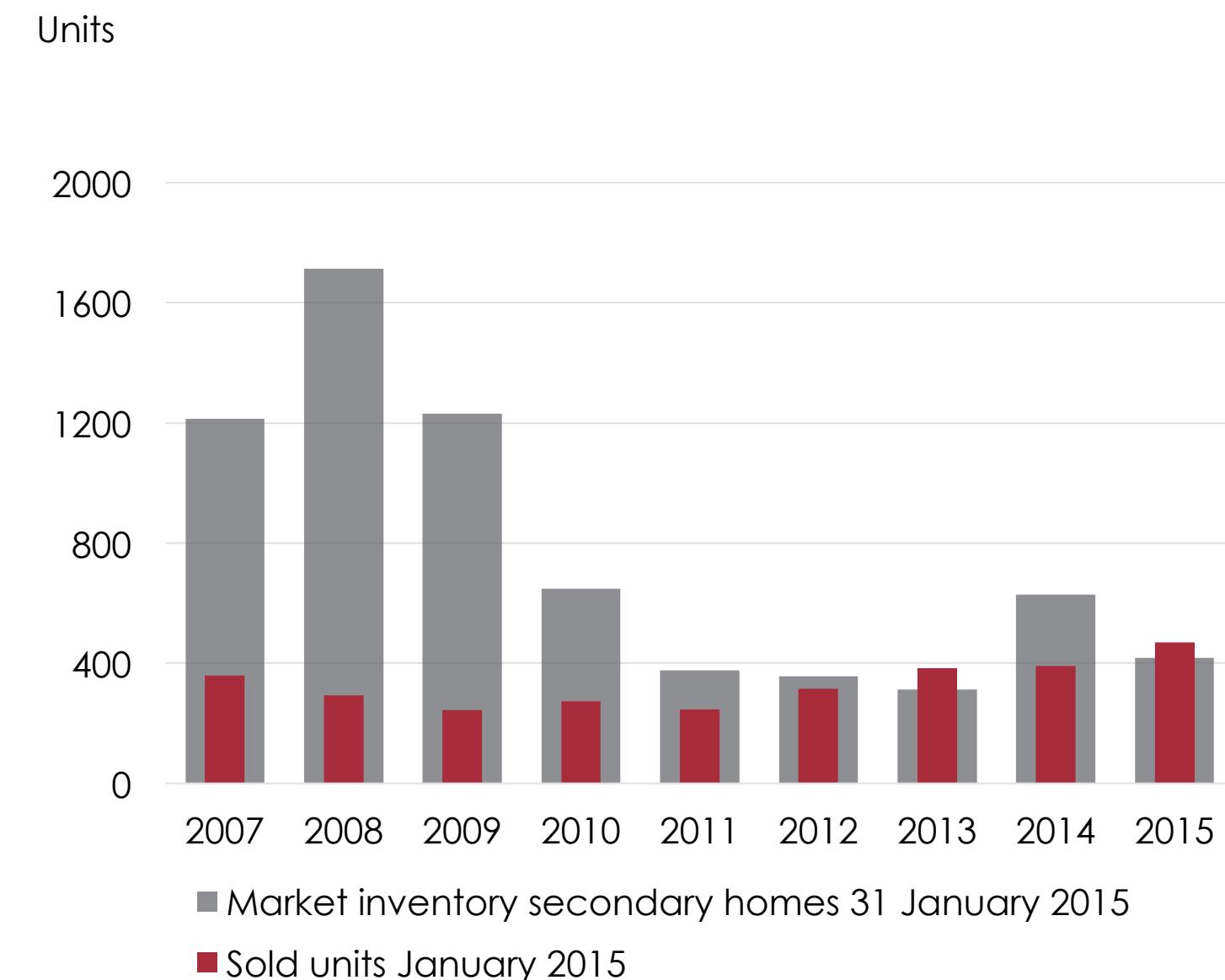
Second-hand market:

# High turnover in both markets

### Bergen, January 2007-2015



### Trondheim, January 2007-2015



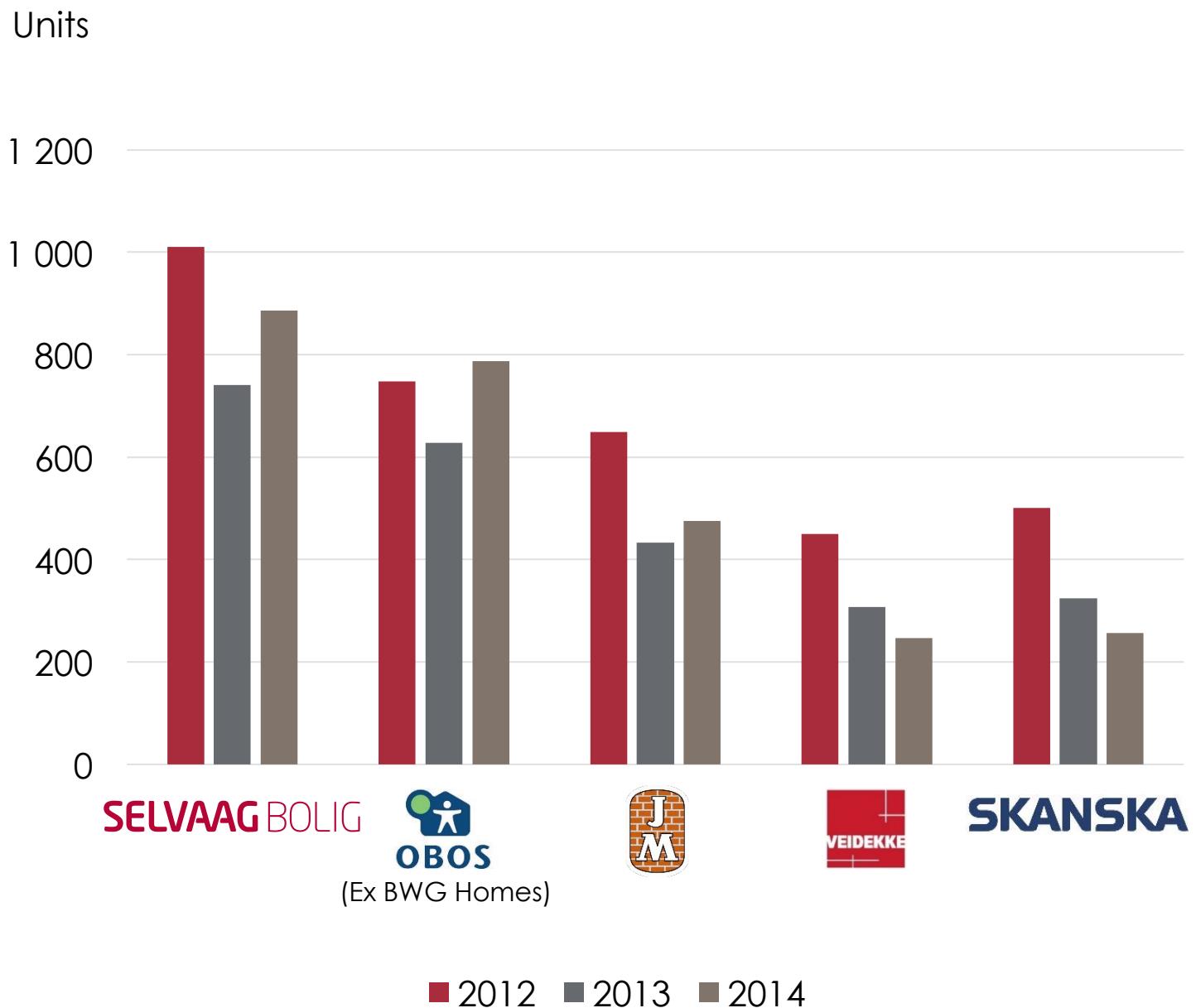
Selected areas: Bergen, Fjell og Askøy

Source: Eiendomsverdi

# Strong position

- Solid sales development for Selvaag Bolig
- Company strategy support market position:
  - Low-cost strategy:
    - Selvaag Bolig average price in 2014\*:  
NOK 3.4m
    - Total market average price in 2014\*:  
flats NOK 3.6m, terraced NOK 4.3m, semi-detached NOK 4.4m
  - No in-house construction arm
  - Defined housing concepts
  - Large land bank

## Sales activity vs. peers (net figures)



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

Source: Selvaag Bolig and Eiendomsverdi

# Positive outlook for Selvaag Bolig

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



Vestparken Lørenskog, Oslo

# Summary

- Solid sales development, especially in Greater-Oslo area
- High construction activity
- Strong market sentiment
- Proposed dividend of NOK 1.2 per share for 2014



Lade Allé, Oslo

Thank you for your attention – follow us online!

Next event:  
Annual general meeting 29 April 2015



@SelvaagAksjen



# Appendix

# Norwegian housing market

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

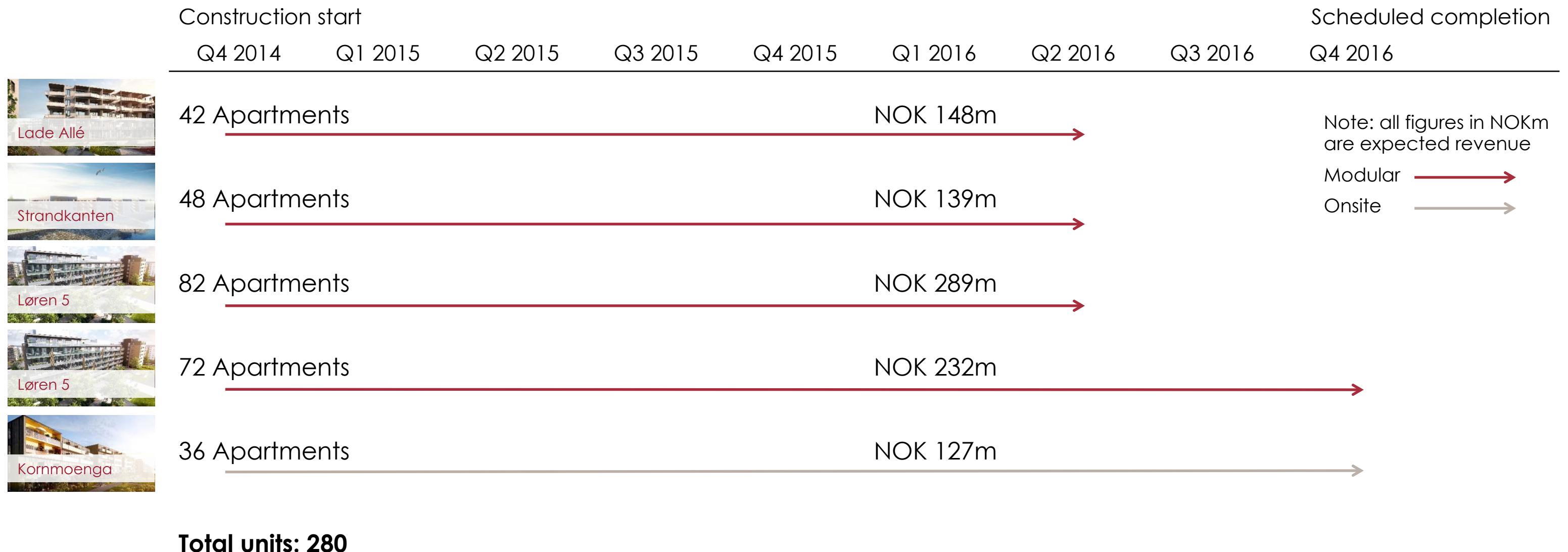
Source: Source Selvaag Bolig and Eurostat

# Selvaag Bolig – value proposition

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

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

# Construction starts in the quarter



# Income statement IFRS

<b>(figures in NOK million)</b>	<b>Q4 2014</b>	<b>Q4 2013</b>	<b>2014</b>	<b>2013</b>
Total operating revenues	1 126.5	375.6	2 945.2	2 197.0
Project expenses	(864.6)	(316.1)	(2 371.8)	(1 709.6)
Other operating expenses	(80.4)	(57.7)	(215.5)	(208.8)
Other gains (loss)	(3.5)	(0.5)	(3.5)	(0.4)
Associated companies and joint ventures	4.4	0.4	32.4	10.9
<b>EBITDA</b>	<b>182.4</b>	<b>1.6</b>	<b>386.9</b>	<b>289.1</b>
Depreciation and amortisation	(5.7)	(5.3)	(21.2)	(22.1)
<b>EBIT</b>	<b>176.7</b>	<b>(3.7)</b>	<b>365.7</b>	<b>267.0</b>
Net financial expenses	(0.3)	(2.8)	(17.0)	(30.0)
<b>Profit/(loss) before taxes</b>	<b>176.4</b>	<b>(6.6)</b>	<b>348.7</b>	<b>237.0</b>
Income taxes	(47.5)	12.9	(94.2)	(51.4)
<b>Net income</b>	<b>128.9</b>	<b>6.3</b>	<b>254.5</b>	<b>185.6</b>

## Net income for the period attributable to:

Non-controlling interests	(0.0)	4.7	1.2	21.4
Shareholders in Selvaag Bolig ASA	128.8	1.6	253.2	164.1

# Cash Flow statement

<b>(figures in NOK million)</b>	<b>Q4 2014</b>	<b>Q4 2013</b>	<b>2014</b>	<b>2013</b>
Net cash flow from operating activities	171.1	(152.9)	187.3	104.0
Net cash flow from investment activities	(35.9)	(2.6)	(5.7)	48.8
Net cash flow from financing activities	(346.3)	189.5	(202.7)	(123.7)
Net change in cash and cash equivalents	(211.0)	34.1	(21.1)	29.1
Cash and cash equivalents at start of period	777.0	552.9	587.0	558.0
Cash and cash equivalents at end of period	565.9	587.0	565.9	587.0

# Balance sheet

<b>(figures in NOK million)</b>	<b>2014</b>	<b>Q3 2014</b>	<b>2013</b>
Intangible assets	415.6	420.3	434.5
Property, plant and equipment	17.4	7.9	4.9
Investments in associated companies and joint ventures	156.7	144.0	150.7
Other non-current assets	121.8	125.5	166.6
<b>Total non-current assets</b>	<b>711.5</b>	<b>697.7</b>	<b>756.7</b>
<b>Inventories (property)</b>	<b>4 348.8</b>	<b>4 550.1</b>	<b>4 283.9</b>
- Land	1 614.4	1 673.4	1 753.4
- Work in progress	2 360.3	2 740.6	2 398.8
- Finished goods	374.1	136.0	131.6
Other current receivables	588.0	291.9	342.3
Cash and cash equivalents	565.9	777.0	587.0
<b>Total current assets</b>	<b>5 502.8</b>	<b>5 618.9</b>	<b>5 213.2</b>
<b>TOTAL ASSETS</b>	<b>6 214.2</b>	<b>6 316.6</b>	<b>5 969.8</b>
Equity attributed to shareholders in Selvaag Bolig ASA*	2 442.6	2 313.8	2 236.3
Non-controlling interests	14.7	23.9	22.7
<b>Total equity</b>	<b>2 457.3</b>	<b>2 337.7</b>	<b>2 259.0</b>
Non-current interest-bearing liabilities	1 752.4	2 295.0	2 116.2
Other non-current non interest-bearing liabilities	293.6	302.9	258.1
<b>Total non-current liabilities</b>	<b>2 046.0</b>	<b>2 598.0</b>	<b>2 374.3</b>
Current interest-bearing liabilities	959.5	728.1	669.0
Other current non interest-bearing liabilities	751.4	652.8	667.5
<b>Total current liabilities</b>	<b>1 710.9</b>	<b>1 380.9</b>	<b>1 336.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6 214.2</b>	<b>6 316.6</b>	<b>5 969.8</b>

\* Corresponding to a book value of NOK 26.0 per share

# Operational highlights – key operating figures

<b>(number of residential units, unless otherwise stated)</b>	<b>Q4 13</b>	<b>Q1 14</b>	<b>Q2 14</b>	<b>Q3 14</b>	<b>Q4 14</b>
Number of units sold	61	139	255	259	233
Number of construction starts	296	77	197	203	280
Number of units completed	101	77	253	274	319
Number of units delivered	118	80	236	279	266
Number of units under construction	1 474	1 474	1 418	1 347	1 308
Proportion of sold units under construction	75 %	76 %	76 %	76 %	77 %
Number of completed unsold units	8	8	17	18	39
Sales value of units under construction (NOK million)	5 421	5 547	5 238	5 159	4 689
Number of employees	98	99	100	100	99

# IFRS EBITDA Q4 2014

(figures in NOK million)	Property development				Other	Total
	Greater Oslo	Rest of Norway	Other countries			
<b>IFRS EBITDA for the quarter, per segment</b>						
Operating revenues	761.5	358.1	0.3	6.3	1	126.2
Project expenses	(570.1)	(297.8)	-	0.2	(867.8)	
Other operating expenses	(17.2)	(13.9)	(1.3)	(48.0)	(80.5)	
Share of income (losses) from associated companies and joint ventures	(1.1)	1.6	3.9	-	4.4	
Other gain (loss), net	-	-	-	-	-	
<b>EBITDA</b>	<b>173.0</b>	<b>48.0</b>	<b>2.9</b>	<b>(41.5)</b>	<b>182.4</b>	

# Operational reporting Q4 2014

<b>(figures in NOK million)</b>	Property development					<b>Other</b>	<b>Total</b>
	Greater Oslo	Rest of Norway	Other countries				
<b>Operating revenues</b>	<b>2 137.0</b>	<b>950.4</b>	<b>2.2</b>		<b>23.6</b>		<b>3 113.2</b>
Project expenses	(1 637.9)	(762.6)	-		(1.4)		(2 401.9)
Other operating expenses	(42.8)	(30.2)	(3.5)		(139.4)		(215.9)
<b>EBITDA (percentage of completion)</b>	<b>456.3</b>	<b>157.6</b>	<b>(1.4)</b>		<b>(117.2)</b>		<b>495.4</b>

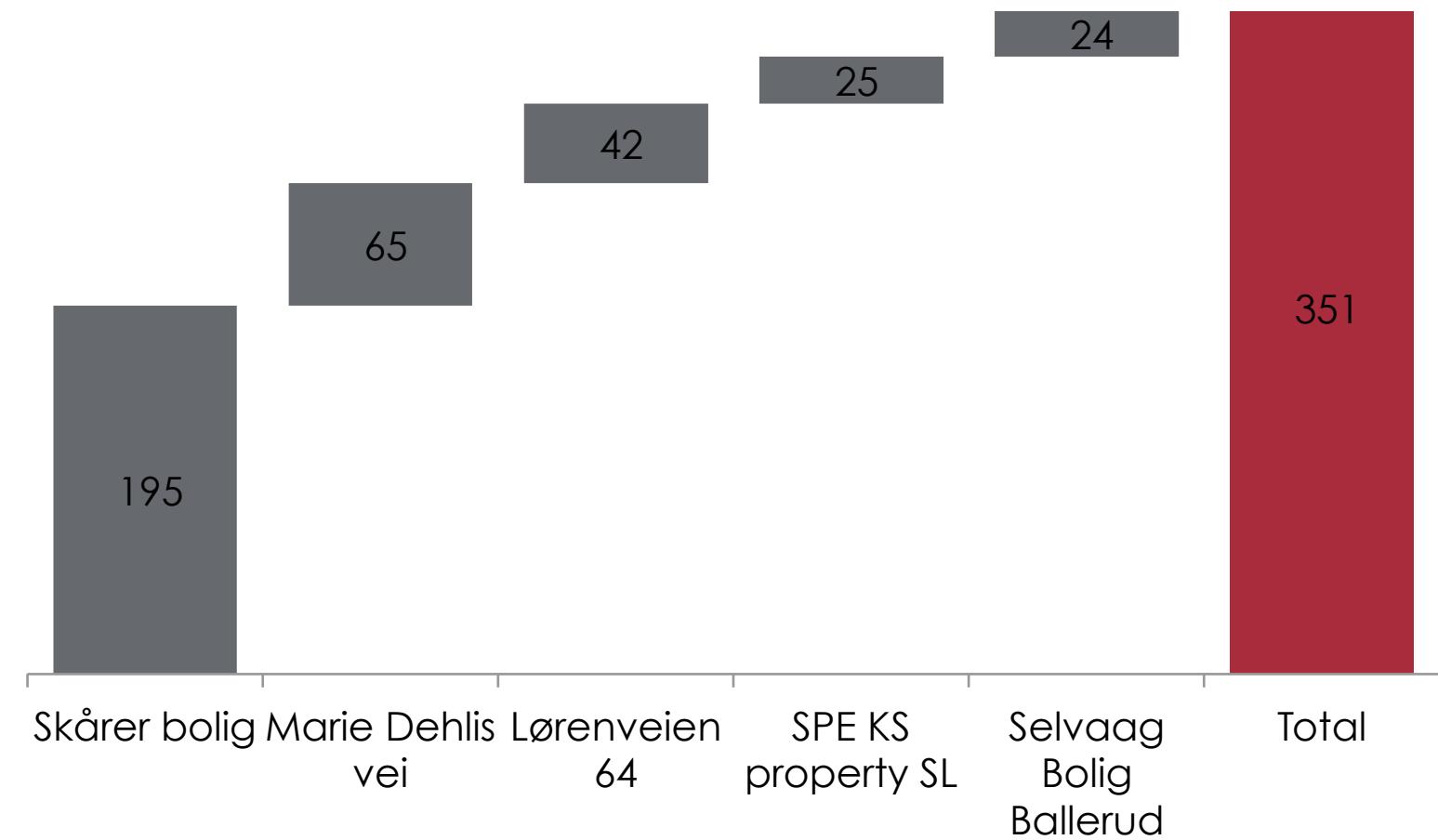
Note: Construction costs are exclusive of financial expenses in the segment reporting.

# Land loan interests on the P&L

- Total land loans are NOK 931 million of which NOK 580 million are loans where interest cost are activated
- Land loan interests activated at regulation
- As at 31 December interests connected to land loans of NOK 351 million was charged on the P&L

## Loans recognised in profit and loss at 31.12.2014

NOKm

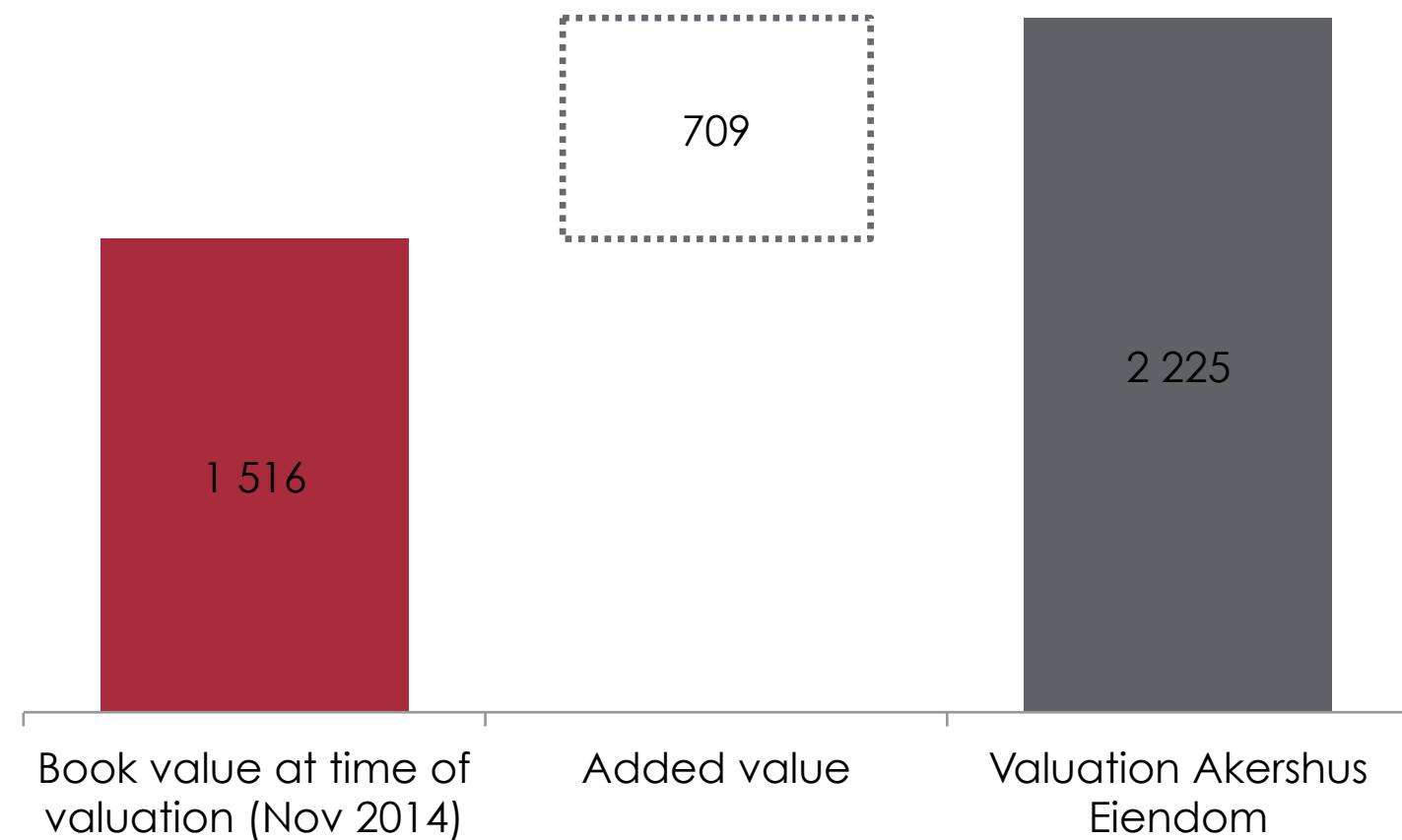


# Land bank valuation

- 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

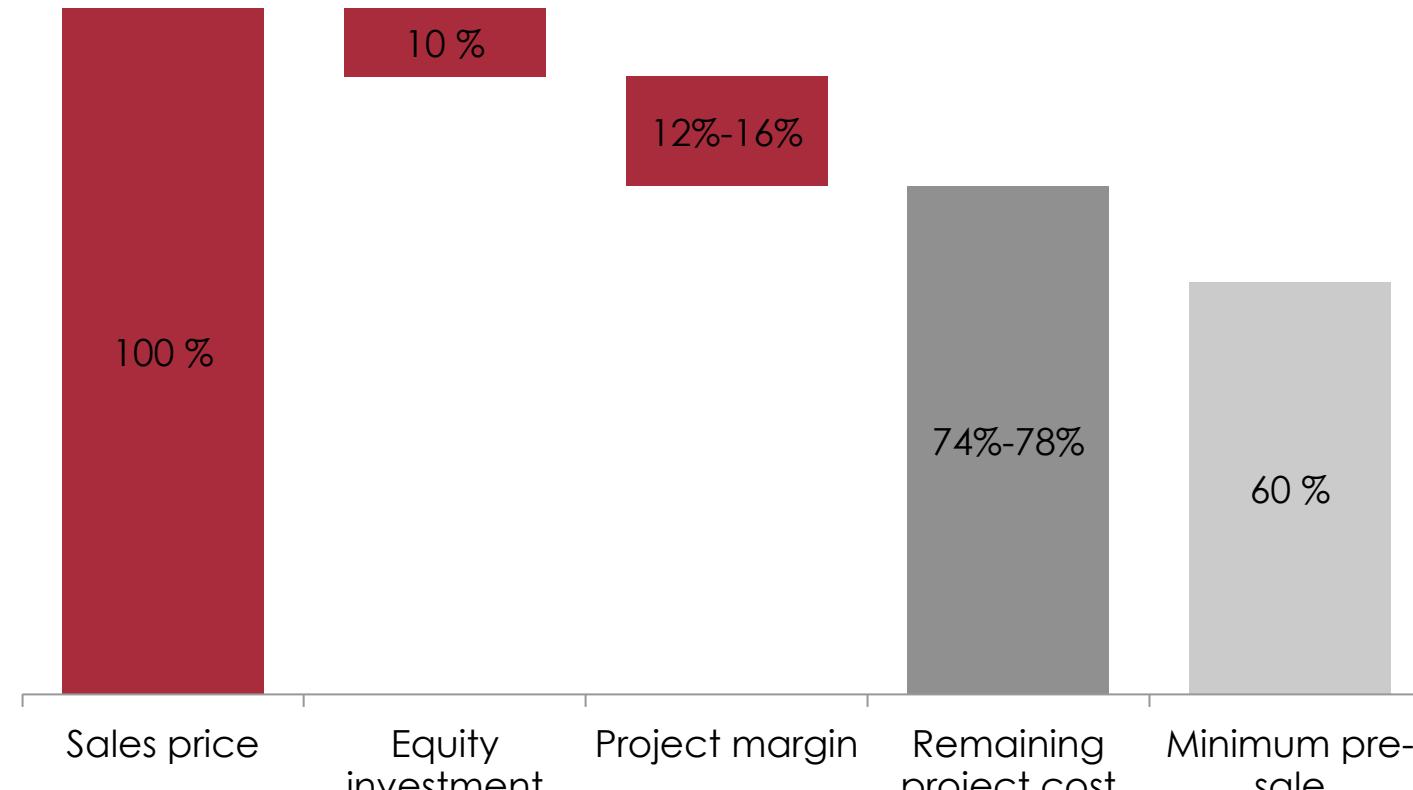
## External valuation vs. book value

NOKm



# 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
- 77% of units in production are sold per Q4'14

## De-risking in key stages of projects

### 1 Land purchase conditional on zoning approval

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

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

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

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

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

### 4 Fixed price construction contract

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

# Modules vs. on-site construction

## Approximate average value

