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Translation from the original Norwegian, which remains the definitive version

Corporate participants

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Presentation

Sverre Molvik, CEO, Selvaag Bolig ASA

Good morning, and welcome to the presentation of second-quarter results for Selvaag Bolig. My name is Sverre Molvik, the CEO, and I am accompanied by Christopher Brunvoll, our CFO. Together we will take you through today's presentation. We will go through the highlights from the quarter, look closer at operations, Christopher will take us through the financials, and I'll cover the market with a summary and finish with our outlook.

The second quarter had record sales. The sales value at nearly NOK 1.4 billion was the highest it has ever been after we became a listed company in 2012. The market has been very strong, and we also see that the second-hand housing market has been strong so far this year. The supply side has fallen from high levels at the end of last year and early 2024 to more normal levels and is likely to continue declining.

Given the economic situation, we delivered good earnings of NOK 0.85/share. We delivered many units with good margins due to good construction contracts, fine floor plans and locations in our areas. Construction costs have stabilised, although at a rather high level, due to the euro and capacity in the sector. Although costs are high, they are stable and give us the predictability and opportunity to start more projects than we could one year ago, which is positive.

The board has decided to postpone the dividend for the first half of the year and make an overall evaluation of the whole year. This will not impact the total dividend for the year, but rather when the dividend is paid. This is due to the uncertainty we see in the housing market and in the world today, and is also linked to cash flow tied to unsold completed units. We have about 120 unsold completed units which tie up capital. That number is declining and should reach a much lower level by the end of the year. Then it will be easier to see what the dividend should be.

Looking at our key numbers, our operating revenues came in at NOK 620 million with an adjusted operating margin of 20 percent in the quarter. Due to the accounting effect of joint ventures, which Christopher will talk about later, the underlying margin was lower than that. Nevertheless the margins were good, despite an uncertain market and high interest rates, helped by fixed price contracts including inflation and pay increases. Selling for market prices in our projects has impacted positively as well.

Construction costs are at a stable level, and we signed a construction contract in Bergen this quarter at a reasonable price. Although prices are still relatively high, it helps that they aren't bouncing around. We had hoped costs would decline further, but especially due to the weaker krone and pay increases, it is hard to see prices declining from the levels they are at now. But costs are low enough now that we can start projects with good profitability. That is good as well as predictable, and we hope things can stay that way going forward.

Our sales were record high in the quarter at nearly NOK 1.4 billion, and sales have continued to be at a high level so far in Q3. During July, we have sold roughly one home a day, which is very good considering that July is usually a weak month for seasonal reasons. We have a lot of units for sale, more than 400, and very much is "pot ready" if the market can absorb them, which is positive.

When it comes to our land bank we have made some new purchases. We have bought an extra plot for 50 – 60 units at Bjerke (*Oslo*). When we have a large area, we like to expand it. We have purchased a childcare centre and some single family homes, which expands one of our Bjerke-projects by 50 to 60 units.

We have done the same in Sandsli, Bergen, where we have purchased a land plot adjoining properties that we already have.

We have sold the Equinor land plot at Hamang to Bærum municipality. A few years earlier we had sold the commercial building there to an actor. Now we have sold the land plot, which was originally intended for housing.

We have also made an adjustment in Trondheim. There we sold a land plot tied to the Ringve Pluss project in July, which will show up in Q3. These are adjustments we make, as a way of prioritising our assets in various regions, for instance by growing and betting on other regions when we sell assets in one region.

Looking at the sales, we were at nearly NOK 1.4 billion in the quarter, selling 207 units. The value was driven by the very high unit price. This is why we didn't set a record for the number of units sold with our average sales price at NOK 6.7 million, because we sold well at Ballerud and Lørenskog (both in Greater Oslo) with a large proportion terraced homes that have high unit prices.

So far this year we have sold 346 units, which is nearly as much as we sold all last year. The pace of sales is excellent at about twice the rate of last year, which is very positive. We have maintained that pace so far in Q3, with 40 – 50 homes sold so far.

The 12-month rolling sales value jumped to over NOK 3 billion after such a good quarter. Although that is not back to a normal level yet, it helps considerably and will contribute good earnings going forward, assuming they all lead to construction starts.

We started construction on 95 units in the second quarter and completed 105, roughly at the same pace for both. It is too bad that we don't have planning permission for everything we are selling, because then we could have started construction on more units after posting such good sales. Those permissions should come in a few months. Despite that, we increased our order reserve by NOK 300 million to NOK 4.2 billion. That gives us 661 units under construction.

We expect to complete 515 units in 2024, which has been our guidance for quite a while. Of those units, we had sold 80% by the end of the quarter, and even more now.

When it comes to unsold completed units, we had 120-125 at the end of Q1, and 119 at the end of the second quarter. Our sales have been decent now during the vacation period. It is, of course, important to reduce the value of the unsold completed units during the year from the current level of approximately NOK 600 million. That is part of the reason we are holding back on our dividend until we see how that market is developing.

Now Christopher, you can cover our financials.

Christopher Brunvoll, CFO, Selvaag Bolig ASA

Good morning. Now we will look at the financial highlights for the quarter. We will, as usual, begin with the income statement according to IFRS, where income and costs in the projects are first recognised when the homes are delivered to our customers. We delivered 127 units net in the quarter, which is down somewhat from 155 in the year-ago quarter. 58 of the 127 units were from joint ventures, which don't contribute to revenues in our official quarterly accounts.

Revenues came in at NOK 620 million, with the main deliveries in the quarter being Sinselveien in Oslo, Skårerbyen in Lørenskog and Ringve Pluss in Trondheim. The average price for the consolidated units was roughly NOK 5.3 million. Included in the sales of NOK 620 million is a land plot at Hamang in Sandvika (*Bærum*) and a completed childcare centre at Lørenskog. They contributed NOK 230 million to the revenue. Revenues include other revenues of NOK 23 million, which is from billing for project management and operating our Pluss centres, which we have many of. Project costs came in at NOK 490 million. Our project managers run their projects well and within their budgets. As Sverre mentioned, we also have fixed price contracts that were signed at good levels more than two years ago, allowing us to deliver satisfactory margins in the quarter.

Other costs came in at NOK 61 million, slightly up from one year earlier. We have a stable cost base with a steady number of employees. Some of the increase is due to annual pay negotiations in 2023. That gave an adjusted EBITDA of NOK 124 million, corresponding to a margin of 20 percent. We have excluded NOK 25 million in financial costs which are included in the cost of goods in IFRS. This gives a cleaner EBITDA without financial items. We are satisfied with the margins we delivered in the quarter on an isolated basis, bringing us down to an EPS of NOK 0.85, up from NOK 0.55 in the same period last year. Much of that was due to the one-offs from property sales that we did not have one year ago.

Now we will look at a proforma income statement for the quarter. Here we consolidate our gross share of income and costs in joint ventures. The official accounts report a net number on a separate line. This statement shows a gross income and cost statement, making it easier to compare quarters. Here we see that we delivered 127 units, giving us revenues of NOK 979 million and a margin of 17 percent, compared to NOK 841 million in Q2 2023 and a margin of 12 percent. We see that revenues are up, which is due to the one-offs we didn't have last year. The adjusted EBITDA is NOK 170 million, compared to NOK 99 million a year earlier.

This gives, of course, the same bottom line, which is NOK 0.85/share in earnings, versus NOK 0.55 one year earlier.

Now we will look at the half-year numbers, first the official numbers, according to IFRS.

We delivered 306 units, compared to 305 last year. Of those, 110 were from joint ventures. If we compare to the first half of 2023, we see that revenues declined from NOK 1.57 billion to NOK 1.2 billion. This is due to a much higher share of sales in joint ventures, and those units are not included in our revenues. We will have more info on this in the proforma numbers.

We had an adjusted EBITDA of NOK 230 million, compared to 205 last year, with an adjusted EBITDA margin of 18 percent, compared to 13 percent last year. That gives an EPS of NOK 1.45 for the first half, compared to NOK 1.25 one year earlier. The increase is largely due to the sale of two properties.

We also have 6-month proforma figures. Those include gross numbers, with our proportionate share of joint ventures to get more comparable figures. We delivered 306 units, with revenues of NOK 1.8 billion vs. 1.6 last year. The increase was due to the one-off sale of properties for NOK 234 million. The adjusted EBITDA was NOK 305 million, significantly up from NOK 210 million one year earlier. The adjusted margin was 17 percent, compared to 13 percent one year earlier. The bottom line proforma EPS is the same, at NOK 1.45/share vs NOK 1.25 one year earlier. For those who are interested, there is more info in the quarterly report.

Now we will look at segment results which follow Norwegian accounting principles (NGAAP), which use the percentage of completion method and better reflect underlying trends in the company. The percentage of completion method takes the sales ratio multiplied by the completion ratio in the projects to arrive at a withdrawal ratio. That means that we recognise income on a continuous basis in the projects over the life of each project.

We had NOK 603 million in revenues in Q2, up from NOK 547 in Q1, with a margin of 8 percent, which is after pay and other operating costs. We still have good project margins. If we look at our 12-month rolling revenue, we were at NOK 2.2 billion, and a rolling 12-month average EBITDA margin of 8 percent. The margin has declined over time since we have far fewer units under production and construction costs have risen considerably.

Next we will look at cash flow development. We started the quarter with NOK 208 million in the bank and we had positive operating cash flow of NOK 87 million, helped by deliveries and reduced inventories. Our cash flow from financing was negative due to the dividend of NOK 94 million paid in May. The net change is small, down by NOK 9 million to NOK 199 million in cash at the end of the quarter.

We have a total balance sheet of NOK 4.5 billion, basically unchanged from the previous quarter. We have a book value of equity per share of NOK 25, giving us an equity ratio of 51.7%. Since the dividend was paid this quarter, this is slightly lower than in the first quarter. Our total balance sheet has declined a lot because we have fewer homes under construction, which significantly increases our equity ratio.

In other changes, inventories are lower, which I will come back to. Other receivables did not change much. Cash declined slightly, as mentioned. We have prepayments from customers at NOK 24 million, which are included in other short-term debt.

If we look at inventories, there were no big changes compared to the previous quarter. The land value fell by NOK 29 million due to construction starts and property sales. Work in progress increased by NOK 190 million. Many of the deliveries in the quarter were from joint ventures which do not impact this inventory. We have started many projects, and we have been invoiced for work from the construction companies, which increases work in progress inventory. Then there is our inventory

of finished goods, which has declined from NOK 844 million to NOK 648 million. That is because we have delivered unsold completed units and it is because we have sold the childcare centre, which was part of our finished goods inventory and was delivered in the second quarter.

As of 30 June, we had 119 unsold completed units. In addition we had 41 sold and completed units which will mostly be delivered in Q3 and Q4.

The sum of this is finished inventory valued at NOK 648 million, which ties up capital as Sverre mentioned earlier.

Then we will look at the debt. We have interest-bearing debt totalling NOK 1.2 billion, of which the big item was a NOK 746 million construction loan. We also have our usual debt to Urban Property of NOK 437 million, representing repurchase agreements and seller financing. We also have some land loans remaining, for property on our own balance sheet, for a total of NOK 35 million after we repaid loans in conjunction with the sale of the Hamang property at Sandvika (*Bærum*). We have not had any change to loan conditions, nor have we drawn on any of our credit or overdraft facilities at the end of the quarter.

That brings us to a net interest-bearing debt of NOK 1 billion at the end of the quarter, which was as the same level as the previous quarter.

Then a word about dividends. Since we listed in 2012, Selvaag Bolig has prioritised good dividends to our shareholders over time. Our policy has been to pay 60% of net earnings each year.

If we look at our history, on an accumulated basis, we have earned about NOK 61 per share. We have paid about NOK 55/share in dividends since we were listed on the stock exchange in 2012. That includes the dividend of NOK 22/share related to the Urban Property transaction in 2020.

Going back to what Sverre said in his introduction, the board has decided to postpone the decision about dividends for the first half of the year. This is based on what we have seen in the new home market the past two years and fewer units under construction. We have gone from 1 500 homes to 660. In addition, we have many unsold completed units which tie up capital.

There is no change in the dividend policy. Our goal is still to provide good dividends to our shareholders going forward.

To conclude, we will look at return on equity, which is calculated based on net income after tax the past 12 months, divided by the starting equity balance. We have delivered net income of NOK 263 million the past 12 months, corresponding to a return on equity of 12 percent.

That winds up financials. Now Sverre will continue with an update about the market.

Sverre Molvik, CEO, Selvaag Bolig ASA

We'll start by looking at the Oslo market as usual. It is more or less the same story; just worse I would say. The annual housing need in Oslo, which is a projection based on what has been completed, is estimated to be 3 300 units a year over the next three years.

Estimated completions for 2024 in Oslo are expected to be less than 2 300 and then below 1 700 units next year. This will create a big gap, which is getting bigger and bigger. This is something we have discussed for many years. Promises about helping the property market keep getting better and better, but less and less is actually being achieved, unfortunately.

An interesting development is that the same thing is starting to happen in Akershus. Akershus has taken over the Oslo market in recent years, with municipalities like Lørenskog doing a lot of building. Now they are struggling with infrastructure, such as schools and childcares centres, so they are issuing fewer planning permissions.

The housing need in Akershus is admittedly higher, at 5 700 homes per year, but completions will be lower than last year. For 2024 completions will be even lower, at 4 900 units, which is well below the demand. Completions will fall further in 2025, and likely even further in 2026.

In total, we are seeing a developing gap in the combined Oslo and Akershus region, which is really one market. That will lead to a significant supply shortage in the coming years. This will lead to a real upward push to prices, and ought to pressure politicians to do something and issue many planning permissions for the Oslo-Akershus region. If not, the affordability index called the "nurse index" will be hopeless going forward.

For us as property owners in this region, it is not necessarily so negative, because we will benefit from the upward pressure on prices which is bound to come. We saw this in the month of July, which is normally a quiet, weak month, but prices were good, which we will come back to later.

In the newbuild market, if we look at the last couple years, we see that Oslo is at a stable level, with about 1 000 newbuild units for sale, which is a critical minimum. Now there is a little slack, with unsold projects under construction. If prices rise, a bit more is made available by us and others to maintain a certain level, so that number probably cannot go much below 1 000 units. Akershus still has a decent supply side (3 333 units), but it is falling

Bergen, Stavanger and Trondheim's level of newbuilds available for sale is relatively flat. The big difference here is that Trondheim has a very good, high supply side, so it is more of a buyer's market. Trondheim has 6 newbuild units available per capita, compared to 1.4 in Oslo, which is a very big difference in the supply side pressure in the market.

So the market is strong in most of the cities here, except for the buyer's market in Trondheim.

The reason that Akershus must be seen as a market with a pressured supply side, is because it must be judged in conjunction with Oslo, whereas Trondheim is an isolated market.

If we look at the same figures for existing housing, as I said in my introduction, the market is strong. We noted that there was a very high supply side when we reported both our Q3 and Q4 numbers. That supply side has fallen now that very many have sold their homes, and are now more and more people have resumed buying a new home before they sell their current home. This is because of more optimism about interest rates with more people expecting interest rates to fall rather than rise. With fewer and fewer homes available, people want to make sure they get one in the market. There is a sense of urgency in the face of a low supply side and rising demand.

This is positive, and this is what we estimated would happen. Going forward, we will see how many of our unsold completed units we are able to sell, and if we have to offer any discounts or not. That is the key question, and we have seen that we were able to sell many more of them during the last quarter than we did in January. We have already profited from this trend.

Let's hope that this trend continues in the autumn without any global tensions creating negative ripples.

Based on the factors we just went through, we see that Oslo second-hand home prices are very strong, at about NOK 98 000/sqm. If you compare that to Stavanger, at NOK 47 000/sqm, the difference is enormous. Now, of course, there is a much larger share of large homes in Stavanger, and different average sizes, so those numbers are not directly comparable. Nevertheless, there are large differences.

Price growth in July was strong, compared to historical seasonal patterns, being flat in Oslo, slightly down in Bergen, down 1.8% in Trondheim and 1.7% lower in Stavanger. Traditionally, the market is very soft in July when people are on vacation. We didn't see that this year. We sold nearly 30 units in July, which could be close to an all-time high. Without checking, I would guess that is one of our best July months ever, at least for the last two to three years.

The price development so far this year is unusually strong, with high interest rates, the high cost of living, I would say. I don't think you see this in other cities around Europe. This is due to a real market squeeze, which, of course, is coupled with high construction costs, leaving very few new units available for sale.

Prices are up nearly 7 percent year-over-year in Oslo, Bergen very high at 9 percent. Calmer in Trondheim due to the high supply side we mentioned there, and Stavanger was strong. So the market trend for prices is good in our cities.

If we look at a selection of our ongoing and coming projects, we have Lørenskog Stasjonsby where we have launched a new Pluss project called Snøbyen with 60-70 units in May-June and have sold nearly 30 of them so far. That gives a 40 to 45 percent sales ratio in a short period, which is exactly according to the book. We will keep launching successive stages as long as the market keeps absorbing them. At Skårerbyen (*Greater Oslo*) we launched Mathildetunet earlier this year and it has sold well. We have further stages to launch after the market absorbs the current offerings with a sufficient sales ratio to obtain financing and move forward.

At Landås (*Greater Oslo*) we launched two new stages a few months ago and have achieved

a good enough sales ratio, but we are waiting for planning permission which we hope will come in Q3. In the worst case, it could be Q4. There are some objections to the stream bed and miscellaneous things, so that issue has been referred to the County Governor and that takes time.

At Kaldnes Brygge in Tønsberg in Greater Oslo we are in the process of getting planning permission for 500 units. We had a small second round regarding a redesign of the ground floor. That will be a very fine project.

We are selling flats in Barkarby in Stockholm, where the market is sluggish. We have sold 10 units of the 40 we are offering. We are waiting for an interest rate cut which will probably and hopefully come soon. The market for new homes is much slower in Sweden than it is in Norway. Sweden will improve once interest rates decline and household purchasing power picks up.

At Sandsli in Bergen we came with a new project right before the holidays. We have sold nine of 50 terraced homes and flats. That project is adjacent to one which we have just completed. We have more coming, and just purchased a land plot with planning permission adjacent to our project. We have successive stages coming there when the market absorbs our current offering.

In Stavanger, we have just started construction on everything except 100 units. We have made a minor change and will probably get planning permission before Christmas, otherwise it will be early next year.

At Solbergskogen (*Greater Oslo*) we have started construction on one stage, and expect to start another relatively soon. We have sold enough to start construction there on that stage.

Moving to new projects which have not received planning permission yet, we have Solheimsvannet at Minde in Bergen, which is a very nice project. We are, unfortunately, waiting for the municipal authorities there. That will see a sales launch right after approval, hopefully very soon.

For those of you who have followed us a long time, there is a familiar project at Lørenvangen in Oslo. We had hoped that it would be in the market already, as we were promised planning permission in conjunction with political changes in Oslo, but unfortunately that has not happened. I hope that comes this year, but in the worst case, it could be Q1 2025 or when the politicians finish the proceedings. This project is in its ninth year of waiting for planning approval, so I really hope it goes through now.

Fredrikstad is a large project which will also receive planning permission during the year, and most likely get launched next year. It is a very fine project which will keep us busy for many years.

Lilleaker in Oslo is a bit the same as Lørenvangen. We have worked on it a long time, and are waiting for planning permission. We expect it to come next year.

Fornebu (*Akershus in Greater Oslo*) is a big project, and we are on schedule to launch sales in 2025. The Fornebu subway line construction is on track, and we are waiting for planning permission for the first stage. The sequence requirements are not the issue.

At Bjerke, we have purchased some additional land plots, We have three large areas getting planning permission in parallel, called Bjerke South, Bjerke North and Bjerkesvingen. We have expanded one of those areas by purchasing some detached homes and a childcare centre. That will be a very nice, large project which hopefully will come in 2026 at the latest. We must praise Oslo's Agency for Planning and Building Services when praise is due. We have a good cooperation there, which looks promising. Hopefully there won't be any changes in the people in charge, since everything is set for a relatively quick case processing.

Our projects in Sweden are moving forward and will come in 2026 and 2027. We have Slakthus, Hornsberg and Nakka. We also have some new, potential projects that some other actors were unable to implement. That will be exciting to see how they develop. We are very optimistic about the Stockholm region.

So, to summarise our outlook, we are very optimistic about the future. There is a large housing squeeze in the Oslo region, as we have said before, and we are now including Akershus in that shortage. That is good for us who have a lot of property in Oslo and Akershus. This is good for us as sellers and price setters, although not as positive for those who need to buy a home.

We expect interest rates to decline. There are many forecasts out there, but I expect an interest rate cut already this year. A weak economy in the autumn could be a trigger for a cut.

We see that the market in general for second-hand housing is better, making us positive about selling our unsold completed homes at full prices or close to full prices during the autumn when the supply of second-hand housing continues to decline. Buyers in that market will then look at unsold completed homes as part of the supply available.

Another important factor is that household purchasing power is increasing because the pay increase for 2024 kicked in from 1 July and many buyers will hopefully be able to get a better financing certificate. So, better purchasing power, an interest rate cut and a possible change from 1 January in the home loan rules in Norway's Lending Regulations are some of the factors that make us positive to the housing market going forward. Actually, they should change regulations sooner than that, but I doubt they will. Anyway, we'll see if we are right about the market.

To make a final summary, Q2 was a very good quarter given war and global issues. When you have record sales, you can't complain. We have a strong second-hand housing market in the regions where we operate. We have delivered good results because we are skilled at what we do and stick to our strategy: we order at the right time; we lock in our costs including pay and price increases. If we hadn't done that, our earnings wouldn't have been much to brag about. We had some one-off items that helped somewhat as well, but the underlying operations are very good. We see that construction costs are stable, which is positive. We are able to start construction on projects, our margins are acceptable, and we have avoided any write-downs on properties.

We have delayed decision about the dividend. This won't change the amount, but will change the timing. There is nothing dramatic about this; it is about being responsible and avoiding any kind of squeeze by sitting with unsold completed properties. We could have started construction on more projects if the planning permissions and approvals were in place. We want to have ample liquidity even for the very unlikely chance that we don't get planning permissions and keep the unsold completed homes that tie up some liquidity. We want to wait with the dividend payment, but we are not betting on any problems.

Are there any questions?

Q&A

Njål Kleiven, ABG

Can you put a number on the gains from the sales at Lørenskog and Bærum? Can you say more about the sale at Ringve (*Trondheim*)? Will you book a gain there in Q3, or is the sale neutral? So, you can answer one question at a time. Can you give a number for the sale at Lørenskog and Bærum?

Sverre Molvik

We could of course do that, but we never do that. We don't comment on individual transactions or margins in individual projects.

Njål Kleiven, ABG

Can you say more about the sale at Ringve (*Trondheim*)? Will you book a gain in Q3 or is the sale neutral?

Sverre Molvik

It will be booked in Q3. There won't be any major consequences from that sale, other than that we potentially redeploy resources elsewhere.

Njål Kleiven, ABG

Your net sales were 346 units in the first half. How many do you need to sell in the second half to be satisfied, given today's market conditions?

Sverre Molvik

Well, if we sold one a day for the rest of the year, minus July and December where we normally don't budget for any sales at all. But of course, we have already sold one a day in July. Now, to be honest, I am never satisfied, but let's say that we would like to sell as well in the second half as in the first half. It is what it is. We do our best when we promote our projects. We will be satisfied if we can start

construction on enough units in the fourth quarter, and not drop from the levels we are at now. Then, I'll be satisfied, including selling some of the unsold completed units. That would please me. But that takes some work since we will complete many units in the fourth quarter.

Moderator

No more questions from the Internet and no questions from this room.

Sverre Molvik

Then we would like to thank you for attending.