

# THE SOCIAL INFRASTRUCTURE CHAMPION IN EUROPE

June, 2021



Skellefteå Perseus 6 – Cultural center



Linköping Adjunkten 2 – Elderly care



Sigtuna 2:227 – Pre-school



Samhällsbyggnadsbolaget

## THE SOCIAL INFRASTRUCTURE CHAMPION IN EUROPE

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- 1** **Stable cash flow** – Backed by AAA-countries
- 2** **Growth fueled by three value-add strategies** – Building right development and new production, investments in existing portfolio and value-adding transactions
- 3** **Dividend** – Proposed dividend of SEK 1.00 per A- and B class share (increase by 900% since 2017)
- 4** **Rating** – Key ratios delivered for BBB+ (despite the consolidation of Offentliga Hus)
- 5** **Strategic sustainability** – The core of our business model

# SBB OVERVIEW AND KEY HIGHLIGHTS

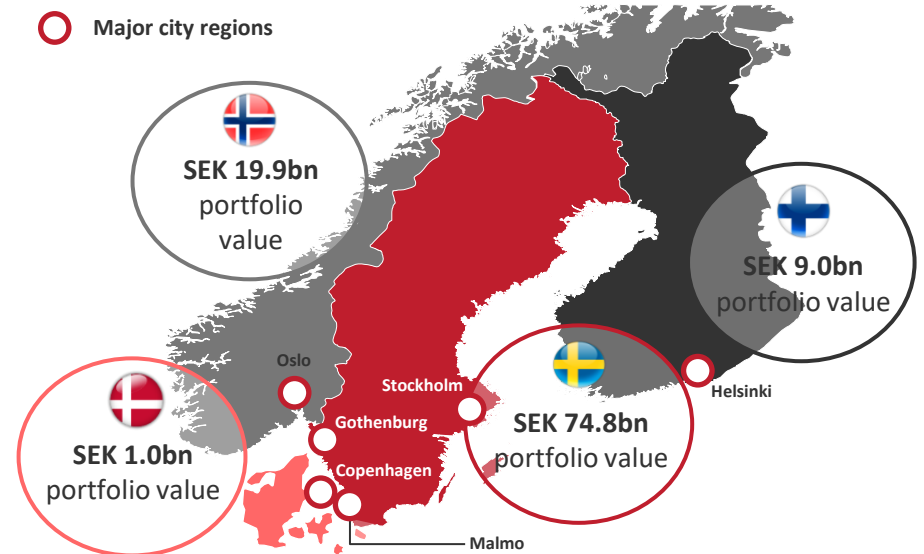
## Company snapshot

- ✓ SBB operates in the world's safest real estate asset classes – community service properties in the Nordics where tenants are government-funded and highly regulated Swedish residentials
- ✓ 3 value-add strategies deliver growth and additional profit
- ✓ Sustainability is the core of SBB's business model as the first private member ever of Public Housing Sweden
- ✓ Strongest and safest cash flow in Europe, 99.8% rent collection

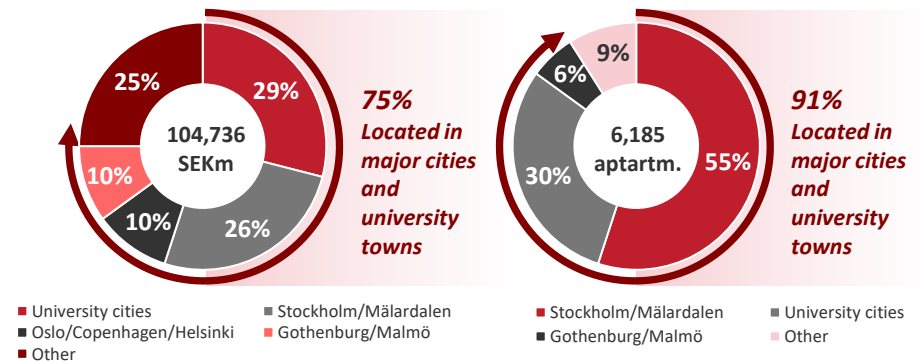
## Key figures

<b>SEK 5.7bn</b> passing rent	<b>SEK 104.7bn</b> portfolio book value	<b>9yr WAULT</b> but effectively perpetual	<b>872</b> Apartments in production <b>5,313</b> Apartments under active development	<b>35%</b> net LTV on total assets
	<b>SEK 2,735m</b> Net profit Q1 2021	<b>4.3%</b> net initial yield	<b>SEK 21,332</b> book value per sq.m.	<b>BBB-</b> S&P Global Ratings FitchRatings

## Portfolio book value by country



## Portfolio book value and project portfolio





# SBB CREATES VALUE FROM “AAA” ASSETS

## Income overview

Classification	Rental Income, SEKm	% of Total
Regulated rent residentials	846	15
Building rights for regulated rent residentials	64	1
<b>Sum residentials</b>	<b>910</b>	<b>16</b>
Education	1 525	27
Pre school	464	8
Compulsory/Upper secondary school	705	12
University	355	6
Elderly care	681	12
LSS	403	7
Health care	414	7
Police and justice	561	10
Municipality and department	439	8
Public offices	453	8
Other	2	0
Building rights for community service	159	3
<b>Sum community service</b>	<b>4 636</b>	<b>82</b>
<b>Total social infrastructure</b>	<b>5 546</b>	<b>98</b>
Other	132	2
<b>Total</b>	<b>5 677</b>	<b>100</b>



The trusted partner for municipalities with scale, speed and quality of execution



Legislation prohibits local governments from declaring default: tenant sovereign risk

## Sovereign credit risk exposure in community service

### Government and government-backed tenants



### Sovereign credit rating

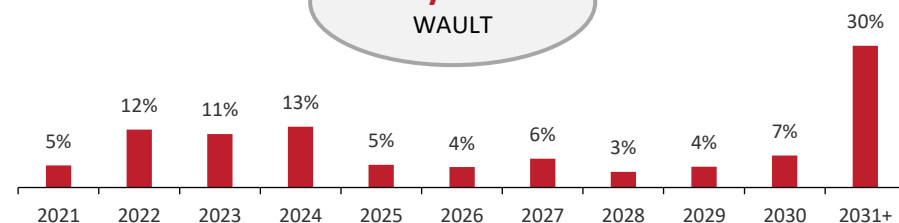
S&P Global Ratings **AAA** (Stable)  
FitchRatings **AAA** (Stable)  
Moody's **Aaa** (Stable)

S&P Global Ratings **AAA** (Stable)  
FitchRatings **AAA** (Stable)  
Moody's **Aaa** (Stable)

S&P Global Ratings **AA+** (Stable)  
FitchRatings **AA+** (Stable)  
Moody's **Aa1** (Stable)

S&P Global Ratings **AAA** (Stable)  
FitchRatings **AAA** (Stable)  
Moody's **Aaa** (Stable)

**9 years**  
WALVT



# WORLD-CLASS TEAM UNLOCKING FULL POTENTIAL TO SBB'S SHAREHOLDERS THROUGH THREE VALUE-ADD STRATEGIES BEYOND TRADITIONAL PROPERTY MANAGEMENT

The Social Infrastructure Champion in Europe



## Committed to value-add strategies



### Building rights development and new production



**Krister Karlsson**  
Deputy CEO & Prop.  
Dev. Manager



**Mats Silow**  
Head of Property  
Development



**Erik Hävermark**  
Head of Project  
Development



**Jenny Asmundsson**  
Head of Public Tender  
Management



**Viktor Mandel**  
Head of  
Sveafastigheter

➤ +2,900,000 sq.m. of building rights, corresponding to c. 41,700 apartments

✓ SEK 1,000–1,400m



### Investments in existing portfolio



**Peter Olausson**  
Chief Technical Officer



**Marika Dimming**  
Investor Relations and  
Head of Sustainability



**Martin Andersson**  
Sustainability analyst

➤ Renovation potential for c. 75% of the portfolio  
➤ Targets 600 apartments renovated p.a.

✓ SEK 600m



### Value-adding transactions



**Oscar Lekander**  
Business  
Development  
Manager



**Carl Lundh  
Mortimer**  
Project Development  
Manager



**Joakim Bill**  
Transaction  
Manager



**Linus Eklund**  
Analyst



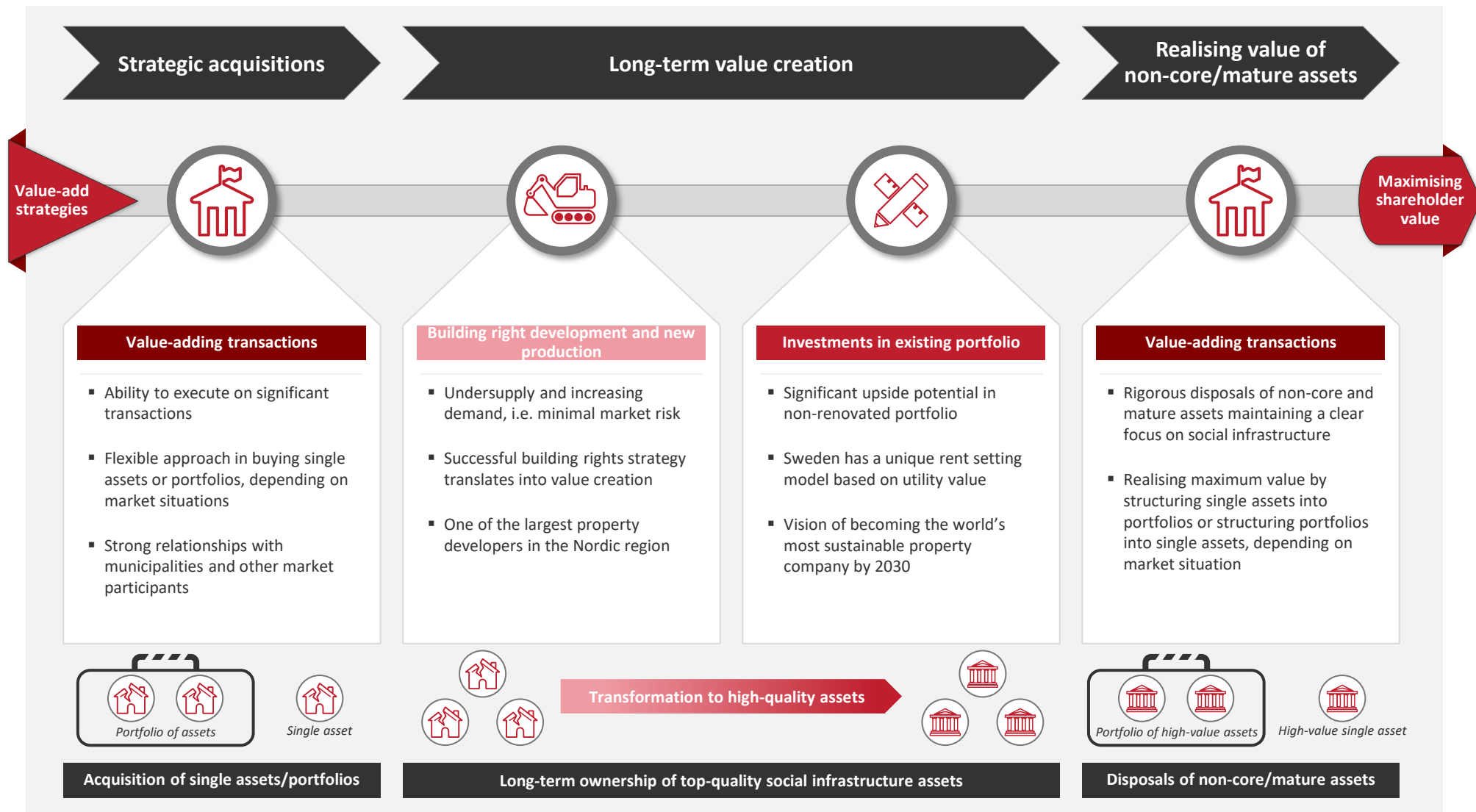
**Lovisa Sörensson**  
Analyst

➤ SEK 84.5bn acquisitions and SEK 24.8bn disposals since 2019

✓ SEK 400m

**Property Management** as the foundation of our business model, providing passing rent of SEK 5.7bn with a rent collection of 99.8%, likely the highest in European listed real estate universe

# SBB'S LEADING BUSINESS MODEL: VALUE-ADD STRATEGIES



# SBB'S VALUE-ADD STRATEGIES

## BUILDING RIGHTS DEVELOPMENT AND NEW PRODUCTION



**Krister Karlsson**  
*Deputy CEO and Property Development Manager*  
 Industry experience  
 36 years



**Jenny Asmundsson**  
*Head of Public Procurements*  
 Industry experience  
 26 years



**Erik Hävermark**  
*Head of Project Development*  
 Industry experience  
 18 years

**Jenny Linghede** **Johan Ågren**  
*Project manager* *Project manager*

**Patrik Ahlbin** **Johan Eklund**  
*Project manager* *Project lead*

**Karim El Hage** **Stig Atle Nilsson**  
*Project manager* *Project director NO*

**Erik Nygren** **Martin Verstad Sylte**  
*Project manager* *Project manager NO*



**Mats Silow**  
*Head of Property Development*  
 Industry experience  
 13 years

**Malin Hein Dymling**  
*Property developer*

**Lovisa Gustavsson**  
*Property developer*

**Johanna Peacock**  
*Property developer*

**Karl-Erik Larsson**  
*Property developer*



**Victor Mandel**  
*Head of Sveafastigheter*  
 Industry experience  
 16 years

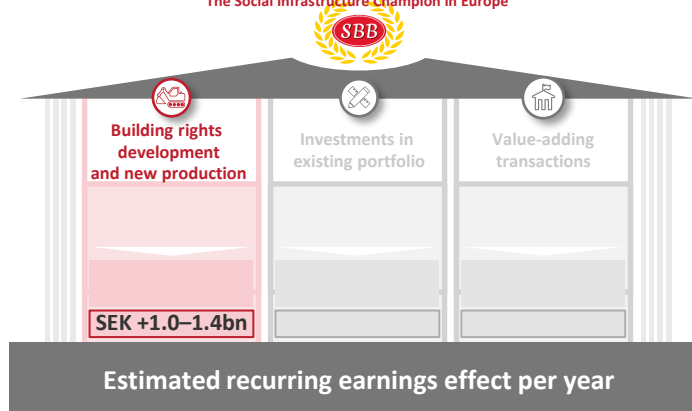
**Lars Gärde**  
*Senior VP acquisitions*

**Svante Jernberg**  
*CEO Sveafastigheter Bostad*

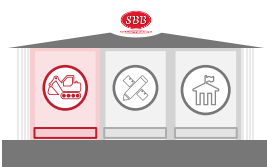
**Görel Hällqvist**  
*Director, Construction*

**Harry McNeil**  
*Group CMO and sustainability*

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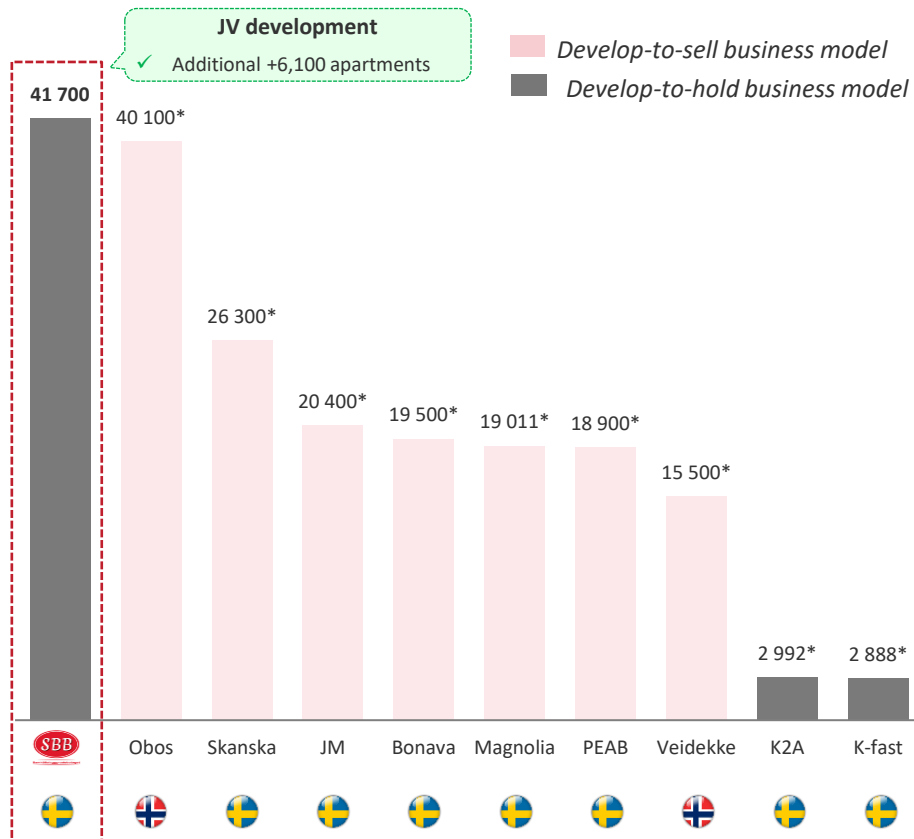
- ✓ Highly skilled and experienced team creates the opportunity to build for own management
- ✓ No. 1 Nordic property developer with ~41,700 building rights on own balance sheet:
  - 5,313 residential units in project development
  - 872 residential units developed for own management
- ✓ Development property portfolio's estimated value upon completion of zoning of SEK 10.2bn vs. book value of SEK 3.8bn



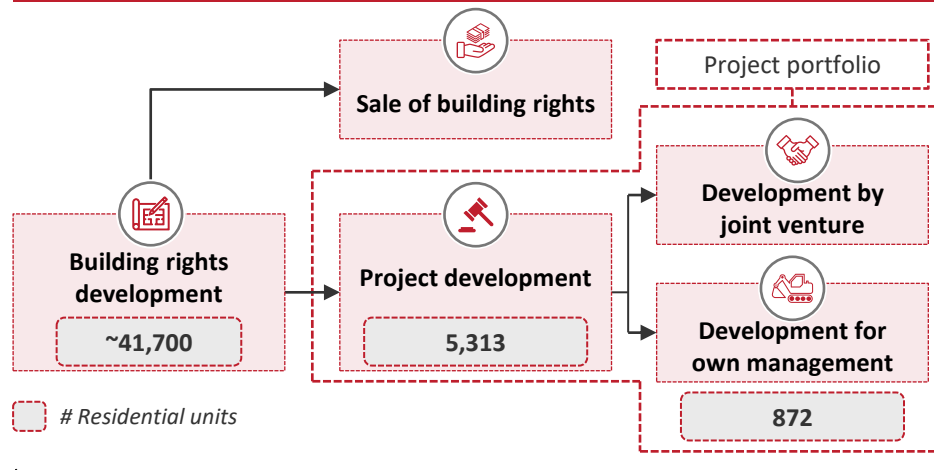
# BUILDING RIGHT DEVELOPMENT AND NEW PRODUCTION PROFIT Q1 SEK 507M

## No. 1 property developer in the Nordic region

Top Nordic property developers by building rights on own balance sheet  
(no. of residential units, c. 70 sq.m. per apartment)

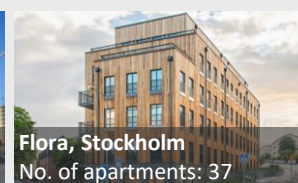
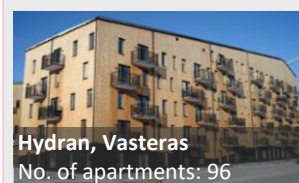


## Utilising building rights to create value throughout the value chain



Estimated recurring earnings effect per year: SEK 1,000–1,400m

## Selected development projects



**No. 1 developer in the Nordic region with +2.9m sq.m. of building rights, 5,313 apartments under project development and 872 apartments in production for own management. Estimated recurring earnings effect per year: SEK 1,000–1,400m**



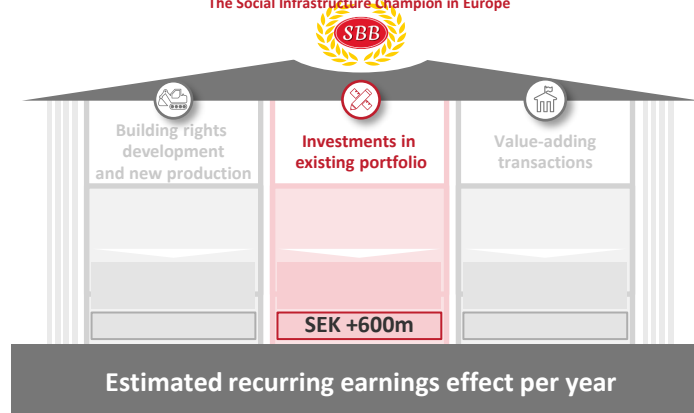
Notes: \* Numbers as of Q4 2020



# SBB'S VALUE-ADD STRATEGIES

## INVESTMENTS IN EXISTING PORTFOLIO

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- Strong sustainability delivery**
- ✓ 100% renewable electricity
  - ✓ 95% total social impact of total rental income
  - ✓ Sustainable financing through social and green bonds
  - ✓ 52% of new production in progress constructed in wood



**Peter Olausson**  
*Chief Technical Officer*  
 Industry experience  
**20 years**

- Karl-Anders Persson**  
Project manager
- Erik Navarette**  
Project manager
- Ulf Mikaelsson**  
Project manager
- Niclas Franzén**  
Project manager
- Peter Landwehr**  
Project manager

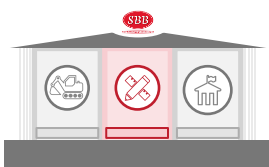


**Marika Dimming**  
*Investor Relations and Head of Sustainability*  
 Industry experience  
**25 years**



**Martin Andersson**  
*Sustainability analyst*  
 Industry experience  
**9 years**

- ✓ **Vision of becoming the world's most sustainable property company by 2030**
- ✓ **Value-enhancing renovations across community service and residential properties**
- ✓ **Target of 600 renovated residential apartments p.a. (200 renovated during Q1 2021)**
- ✓ **Highly experienced team with strong relationships with tenants to understand needs and requirements**



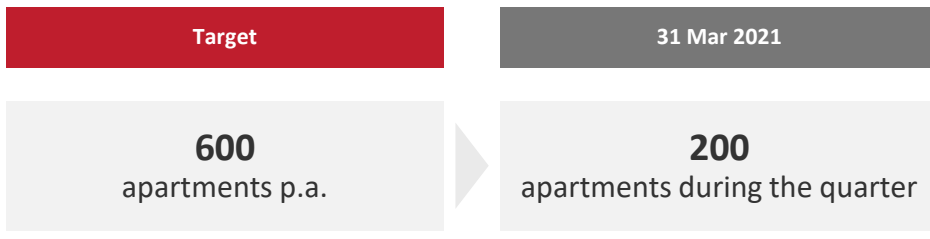
# INVESTMENTS IN EXISTING PORTFOLIO

## Significant renovations upside potential with a clear ESG focus

- ✓ Energy reduction from renovations average ~28%
- ✓ ~8% yield on cost from energy reducing investments
- ✓ Vision of becoming the world's most sustainable property company by 2030
- ✓ 86 percent have been environmentally decontaminated

## Significant upside potential in non-renovated residential portfolio

### Number of apartment renovations



### Upside potential

- 75% of property portfolio is non-renovated
- Significant upside potential

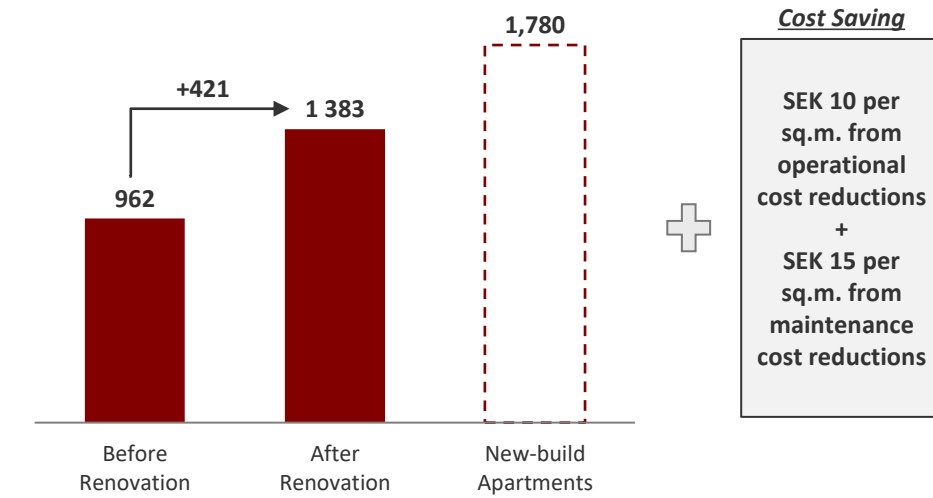
## Significant avg. rental uplift after renovations in residential portfolio

### Average rent (SEK) per sq.m.: +SEK 421 after renovation

Stockholm prime, rent levels  
Yield: 1.25% – 3.25%

Gothenburg prime, rent levels  
Yield: 1.50% – 2.50%

Malmö prime, rent levels  
Yield: 2.50% – 3.75%



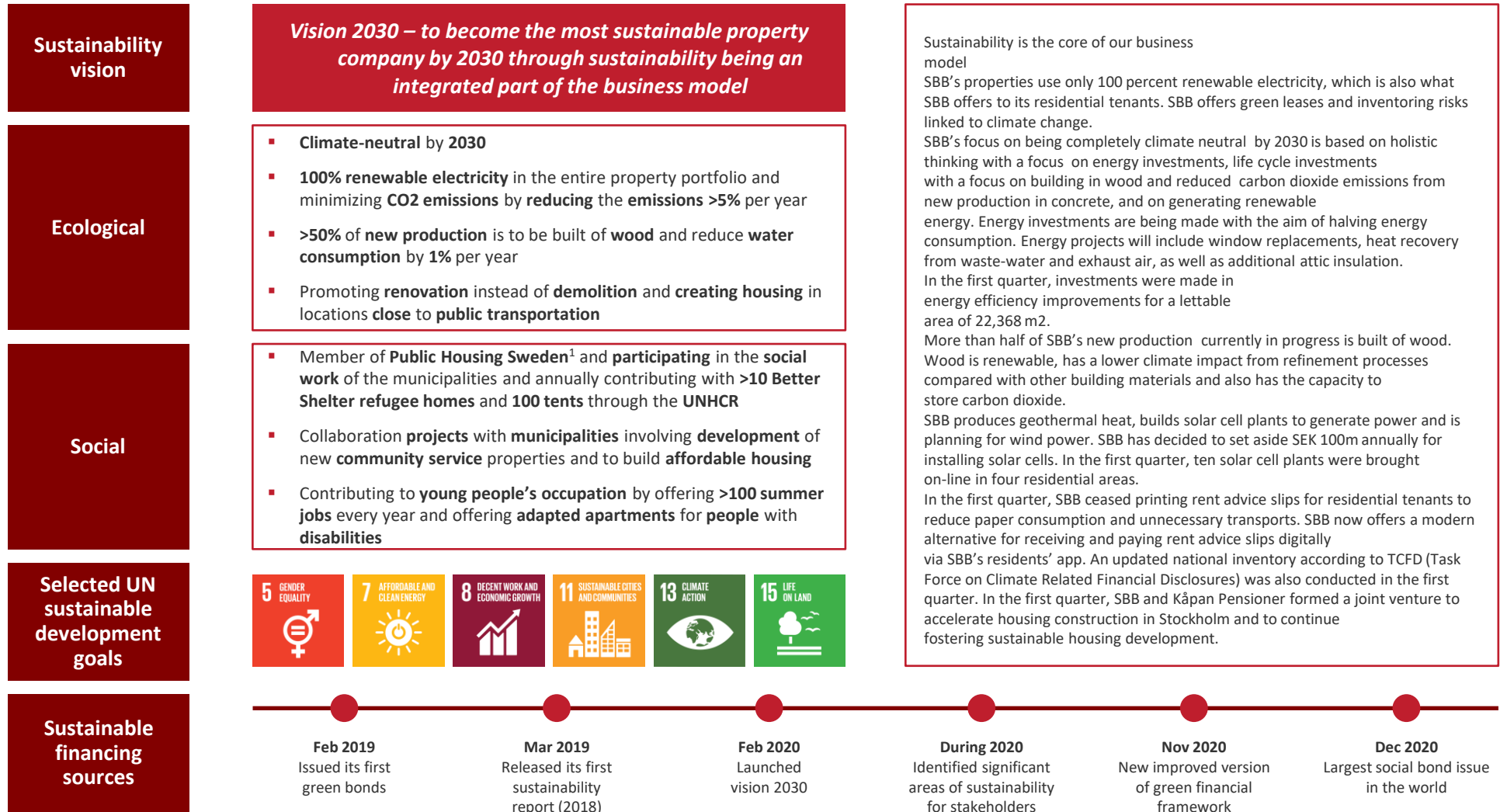
NOI margin improvement from c. 54% to c. 70% on renovated apartments



6–7% net yield on cost

Value-enhancing renovations across the community service and residential properties with a clear vision of becoming the world's most sustainable property company. Estimated total recurring earnings effect per year: SEK 600m

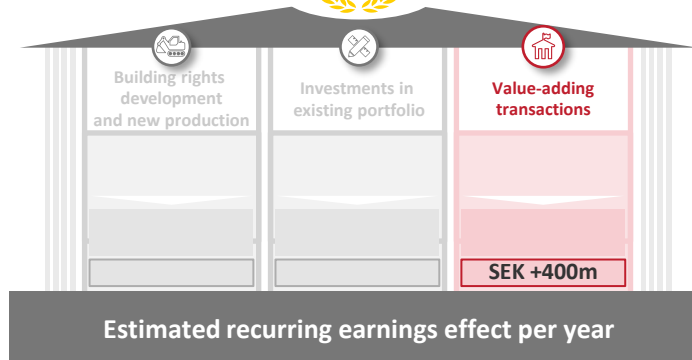
# VISION 2030, SUSTAINABILITY FRAMEWORK, ACCELERATING ENVIRONMENTAL INITIATIVES TOWARDS A MORE SUSTAINABLE WORLD



# SBB'S VALUE-ADD STRATEGIES

## VALUE-ADDING TRANSACTIONS

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**Oscar Lekander**  
Business Development  
Manager  
Industry experience  
11 years



**Carl Lundh Mortimer**  
Project Development  
Manager  
Industry experience  
9 years



**Joakim Bill**  
Transaction Manager  
Industry experience  
11 years



**Linus Eklund**  
Analyst  
Industry experience  
6 years



**Lovisa Sörensson**  
Analyst  
Industry experience  
5 years



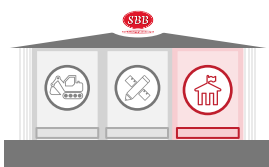
**Fredrik Cronqvist**  
Senior Business  
Developer Denmark  
Industry experience  
16 years



**Päivi Loukusa-Virta**  
Investment Director  
Finland  
Industry experience  
15 years

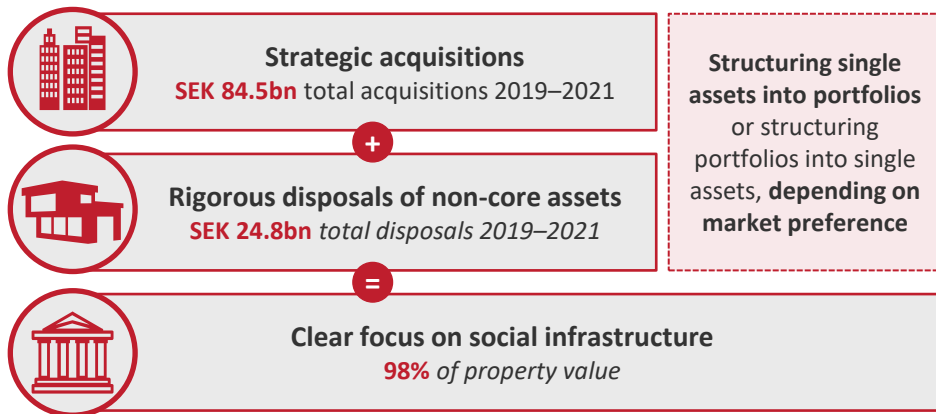
- ✓ The #1 real estate M&A team in the Nordics enabling off-market transactions at attractive valuations
- ✓ Local presence in all relevant geographies gives insight into local markets and facilitates sourcing
- ✓ The #1 acquirer of Nordic real estate by transaction volume
- ✓ The #1 acquirer of Nordic community service properties by transaction volume





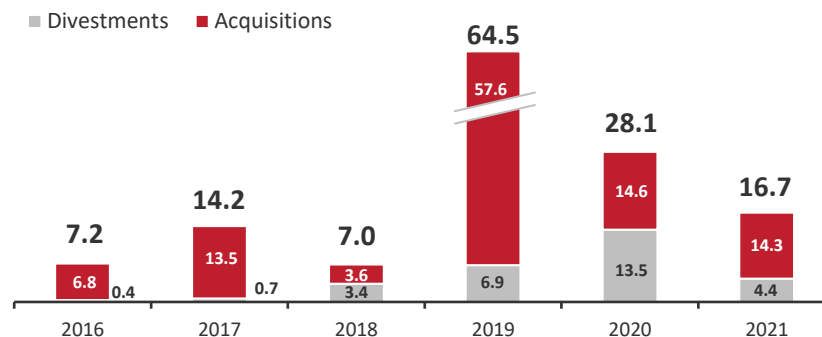
# VALUE-ADDING TRANSACTIONS

## Clear M&A strategy in the world's safest real estate class



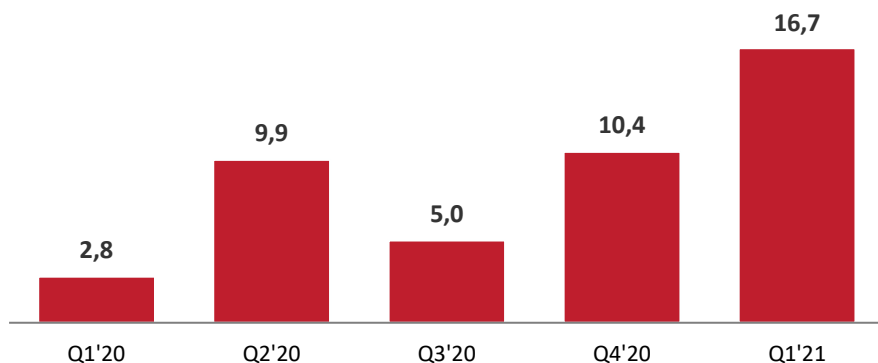
## Significant transaction volume since inception

### Yearly transaction volume (SEKbn)



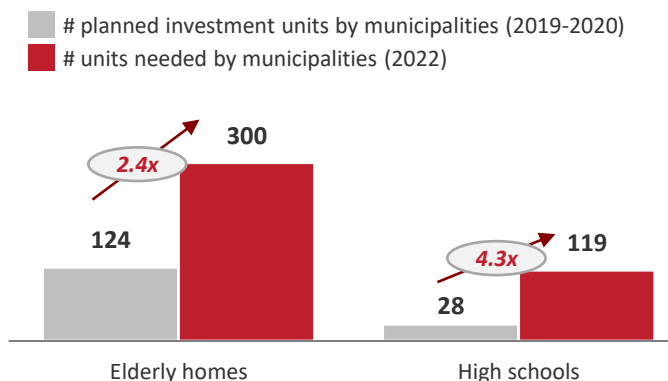
## Social infrastructure – a low-risk and highly liquid market

SBB's total transaction volume totaling SEK 44.8bn during a volatile 2020-2021



## Undersupply of CSP; significant investment potential for SBB

### Planned (2019–2022) and needed units (2022), Sweden<sup>2</sup>



SBB's market position and strong balance sheet enables single asset acquisitions as well as large portfolio acquisitions

SBB frequently scans the whole SEK +1,000bn<sup>1</sup> market for attractive investment opportunities

**SBB has a clear strategy of acquisitions to reach target of SEK 125bn property value by 2025 and BBB+ rating key ratios delivered. Estimated recurring earnings effect per year: SEK 400m**



Notes: <sup>1</sup> Refers to the Swedish community service market size; <sup>2</sup> Newsec market report as of September 2019, based on a survey by SALAR

# WORLD-CLASS TEAM UNLOCKING FULL POTENTIAL TO SBB'S SHAREHOLDERS THROUGH THREE VALUE-ADD STRATEGIES BEYOND TRADITIONAL PROPERTY MANAGEMENT

The Social Infrastructure Champion in Europe



## Committed to value-add strategies



Building rights development and new production



Investments in existing portfolio



Value-adding transactions

SEK +1,000–1,400m

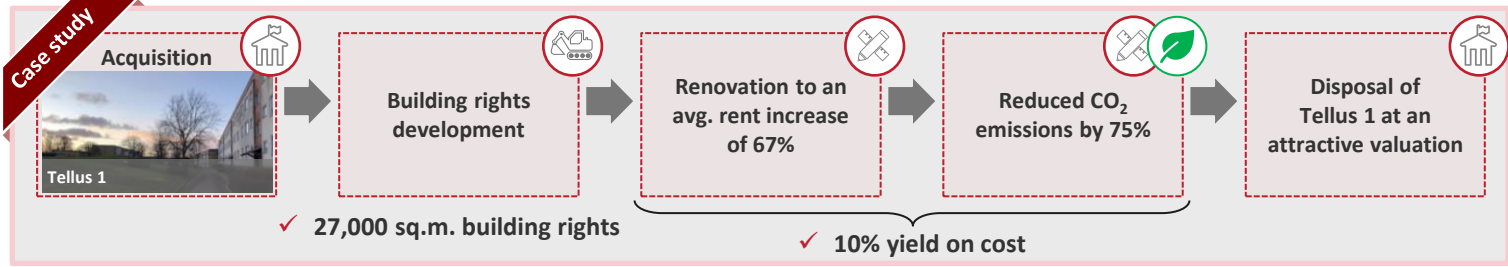
SEK +600m

SEK +400m

Total value creation

Value-add strategies in practice: Tellus 1

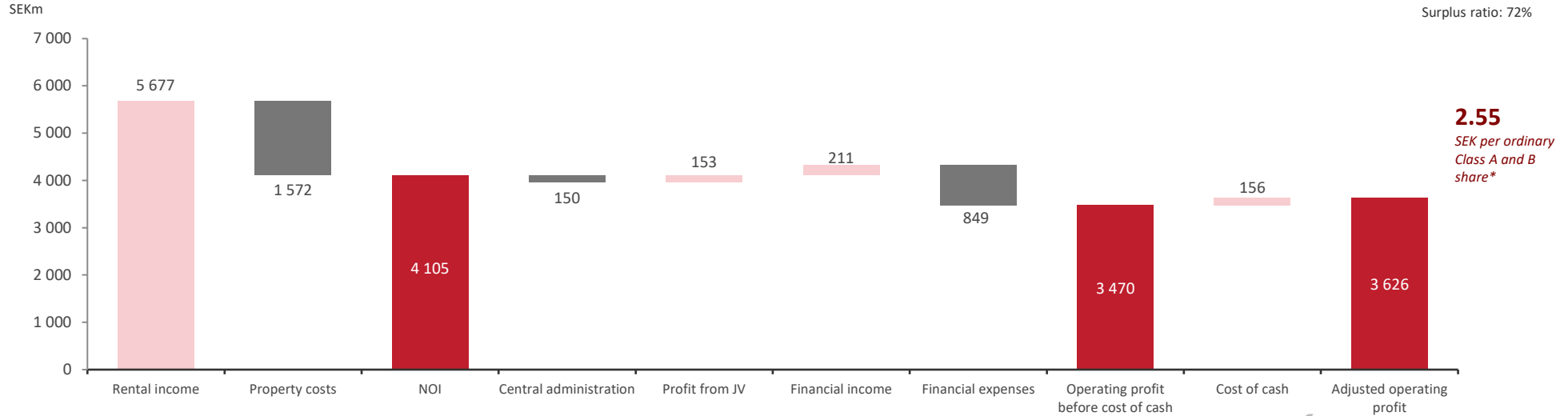
Property management



**Property Management** as the foundation of our business model, providing passing rent of SEK 5.7bn of which 98% are coming from “AAA” economies and rent-regulated residentials

# STRONG OPERATING PROFIT Q1 – ROLLING 12 MONTHS

## Current earnings capability for the Group for 12 months



1

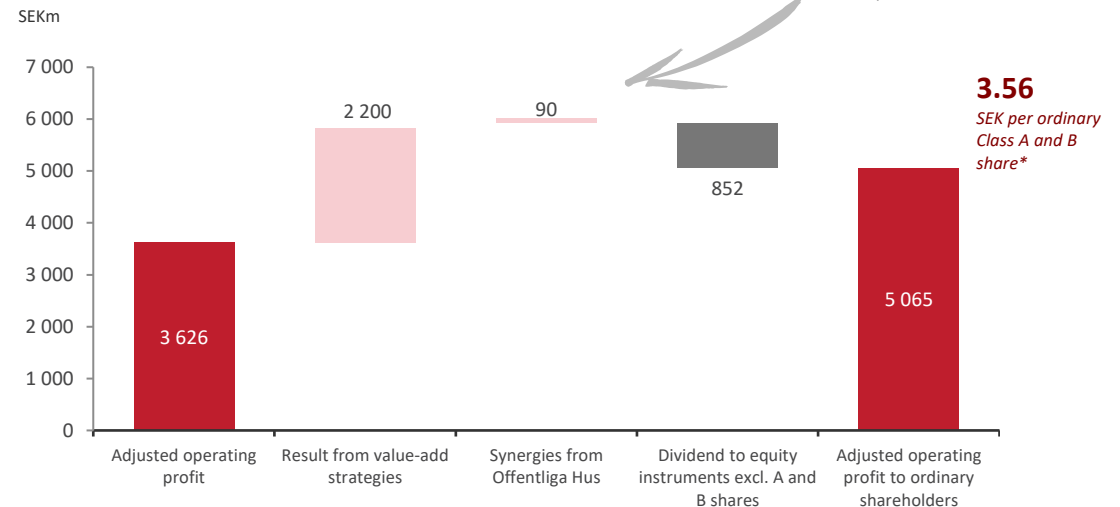
Profit after tax for the period was SEK 2,735m, a strong increase compared to the corresponding period of the previous year. Corresponding to 1.75 SEK per ordinary Class A and B share (0.94).

2

Adjusted for non-recurring costs, profit from property management increased by 41 percent in comparison with the first quarter of 2020 to SEK 843m (596).

3

For the full year 2021, earnings per ordinary share A and B are estimated to be SEK 5.15



## IN SUMMARY...

### “For the full year 2021, earnings per ordinary share A and B are estimated to be SEK 5.15”

1

**Strong and stable cash flow backed by AAA-countries** – SBB continues to deliver strong profits, secure cash flows and high growth. Profit after tax was SEK 2.7bn, an increase of 99 percent compared with the first quarter last year.

**Adjusted for non-recurring costs for repayment of expensive loans** and deductions for earnings attributable to preference shares, series D shares, hybrid bonds and minority interests, **profit for the period amounted to SEK 1.91 per series A and B ordinary share.**

**Growth – Our value-add strategies continue to outperform.**

2

**Profit from building right development and new production** for the first quarter of 2021 amounted to SEK 507m, compared with the target of SEK 1.0-1.4bn on an annual basis. At the end of the first quarter, SBB’s portfolio of building rights amounted to approximately 2,919,000 m<sup>2</sup> GFA, corresponding to approximately 42,000 apartments, which, together with a new production portfolio of 6,185 apartments, makes SBB the **Nordic region’s leading property developer.**

**Profit from investments in existing portfolio** in the first quarter of 2021 amounted to SEK 155m, compared with the target of SEK 600m on an annual basis. In the first quarter of 2021, SBB completed renovations that improve the net operating income from 200 apartments. A further 120 apartments are currently being renovated and the leases on 167 apartments have been terminated, with renovation planned to commence within a three-month period.

3

**Key ratios for a BBB+ rating have been delivered** – In the first quarter of 2021, SBB strengthened its equity by SEK 5.8bn. Despite the completion of the SEK 10bn transaction to acquire Offentliga Hus from the stock exchange, there has been a significant reduction in the loan-to-value ratio compared with last year.

At the end of the period, our pro forma net debt, adjusted for cash inflows from properties that have been sold but not yet transferred, liquid financial assets and 12 months’ earnings divided by total capital, in accordance with S&P’s definition of the loan-to-value ratio, amounted to 48 percent. According to S&P’s loan-to-value definition, our reported adjusted net debt was 51 percent at the end of the quarter, despite Offentliga Hus having been consolidated. **On the reported key ratios, we therefore have a strong BBB rating. According to our calculations, we have, at the same time, fulfilled the key ratios most significant for a BBB+ rating.**

**SBB HAD SEK 18BN IN CASH AT THE END OF Q1 2021**



**THANK YOU!**

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**Samhällsbyggnadsbolaget**

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