



Juristen 6, Härnösand

# WEBCAST PRESENTATION: SBB, Q2 REPORT 2020

July 2020

# FINANCIAL PERFORMANCE

	2020	2019	2019	2018
	Q2	Q2	Jan-Dec	Jan-Dec
Rental income, SEKm	2,664	893	1,996	1,680
Net operating income, SEKm	1,817	560	1,265	1,071
Surplus ratio, %	68	63	63	64
Interim profit, SEKm	2,595	933	2,624	1,690
Yield, %	4.6	4.7	4.8	4.7
Cash flow from current operations, SEKm	1,194	244	745	248
Property value (market value), SEKm	72,974	30,331	79,542	25,243
EPRA NAV (long-term net asset value), SEKm	19.92	12.69	24,855	8,736
Earnings capacity, 12 months rolling	2,506	1,006	2,845	770
Loan-to-value ratio %	50	43	41	53
Equity ratio, %	38	43	30	41
Adjusted Equity ratio, %	42	46	33	44
Earnings per ordinary share, SEK	1.80	1.01	2.97	2.07

# LONG TERM RELIABLE PARTNER FOR MUNICIPALITIES CREATES STABLE INCOME

## Income overview<sup>1)</sup>

Classification	Rental Income, SEKm	% of Total
Regulated rent residentials	771	17
<b>Sum residentials</b>	<b>771</b>	<b>17</b>
Education	1 071	24
Elderly care	497	11
LSS	310	7
Health care	313	7
Police and justice	441	10
Municipality and department	523	12
Public offices	359	8
Office & other	2	0
<b>Sum community service</b>	<b>3 516</b>	<b>77</b>
<b>Total social infrastructure</b>	<b>4 287</b>	<b>94</b>
Other	250	6
<b>Total</b>	<b>4 537</b>	<b>100</b>

## History of acquiring from municipalities

- Long history of actively working with several municipalities in Sweden
- First transaction completed only 6 months after SBB was founded

## Active ownership

- Ongoing discussions with several municipalities for collaboration projects involving development of new community service properties
- Extensive collaboration with long term care service provider, to meet municipal needs of service

## Rent collection

- Rent collection of 99.8% in Q2 2020, likely the highest in European listed real estate universe

## Properties acquired from municipalities

## Municipality and state tenants



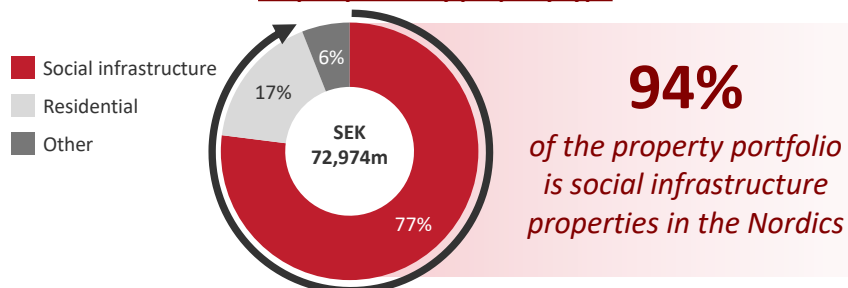
## The transactions

- Borlänge: Acquisition of residential and community service properties, for example the City Hall
- Huddinge: Nine school and community service properties acquired from the municipality of Huddinge in Stockholm County
- Skellefteå: Signed SPA to acquire the new community center
- Västerås 25-years lease, Elderly care home
- Three new police station

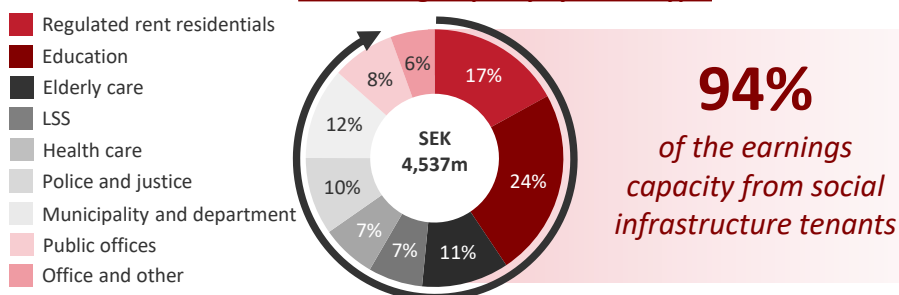
# SBB HAS ASSEMBLED A UNIQUE PORTFOLIO ACROSS TIER 1 LOCATIONS

## High quality property portfolio with attractive underlying exposures

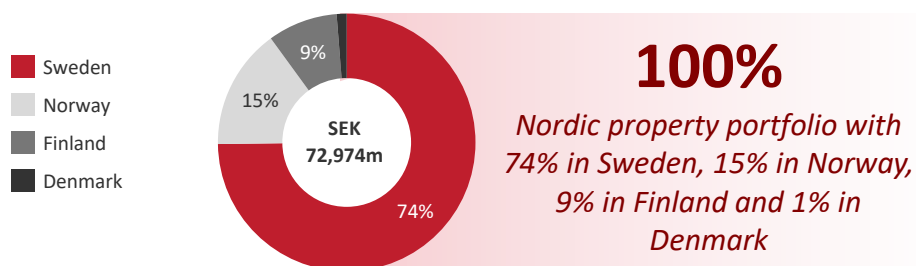
### Property value by property type



### R12 Earnings capacity by tenant type

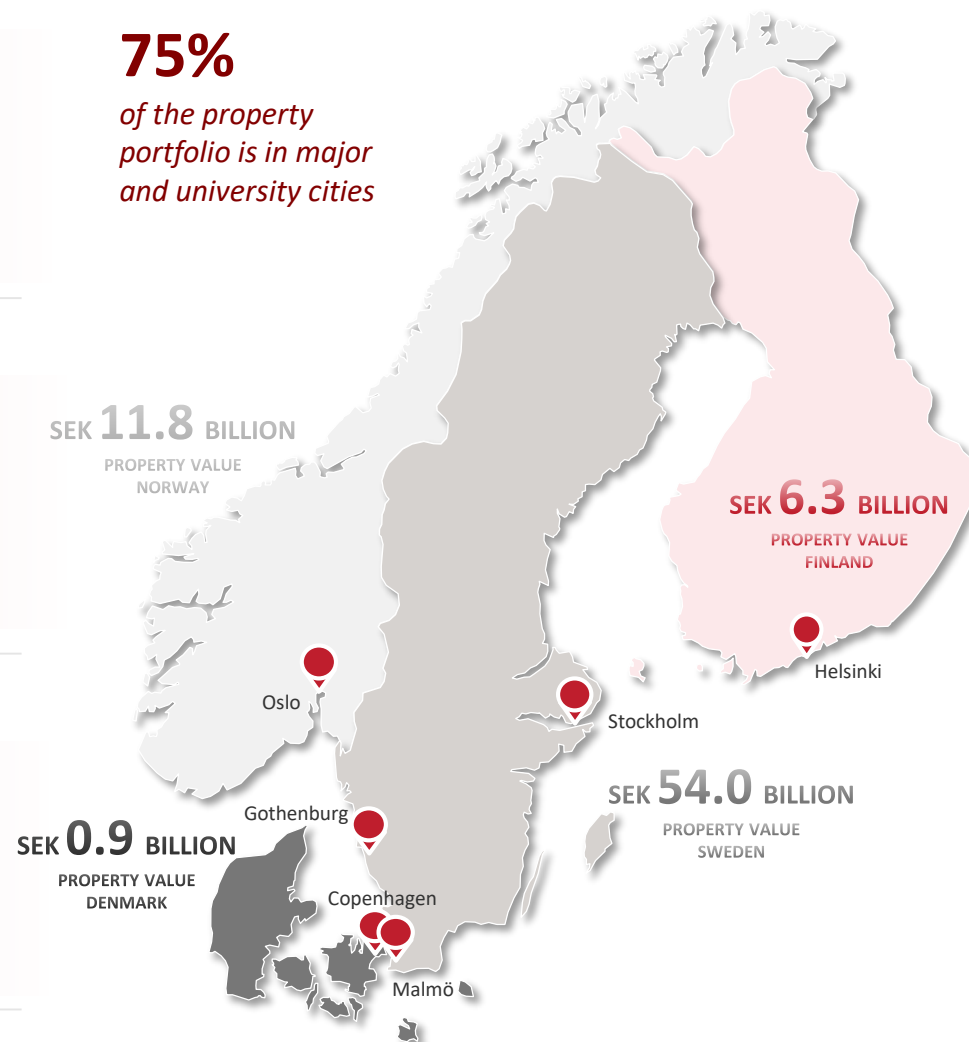


### Property value by location



## Geographical diversification

**75%**  
of the property  
portfolio is in major  
and university cities



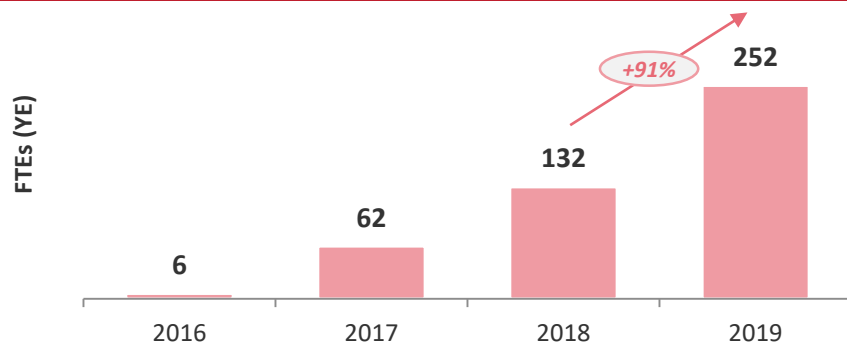


# STRONG TRACK RECORD OF OPERATIONAL PERFORMANCE SUPPORTED BY VERY EXPERIENCED MANAGEMENT TEAM – ADJUSTED MARGIN INCREASE WITH 7 PERCENTAGE UNITS, L-F-L 7%

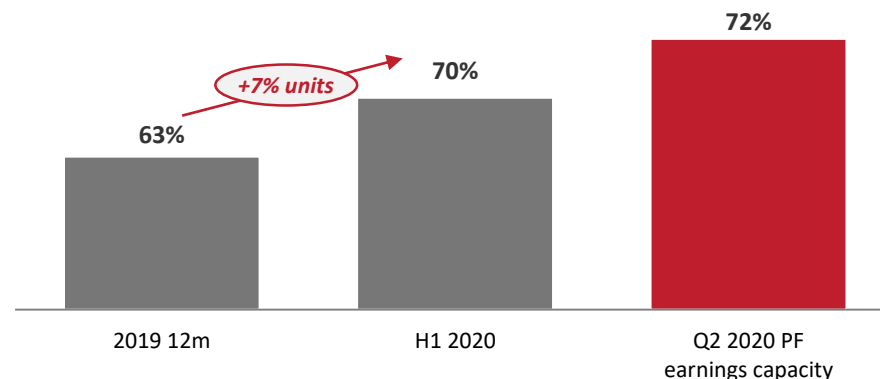
## Strong management team and Board of Directors

- **Organisational integration fully accomplished.** Successfully integrated talented best-in-class managers from SBB and Hemfosa
- **Active and hands-on management team with exceptional experience and track-record,** supported by a highly dedicated, reputable and diverse Board of Directors with strong real estate background
- **Experienced and best-in-class property management team with local market knowledge and presence**
  - ✓ Local market presence in all of SBB's major investment markets
  - ✓ In-house asset management and property management capabilities
  - ✓ **Extensive network and in-depth market knowledge** to identify new acquisition and leasing opportunities

## Number of full time employees

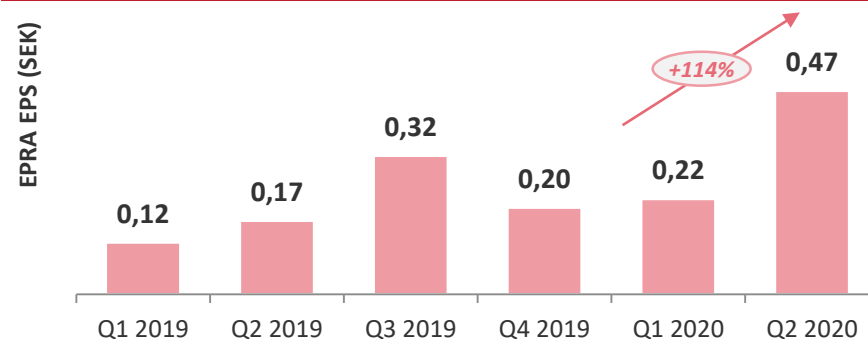


## NOI margin improvement



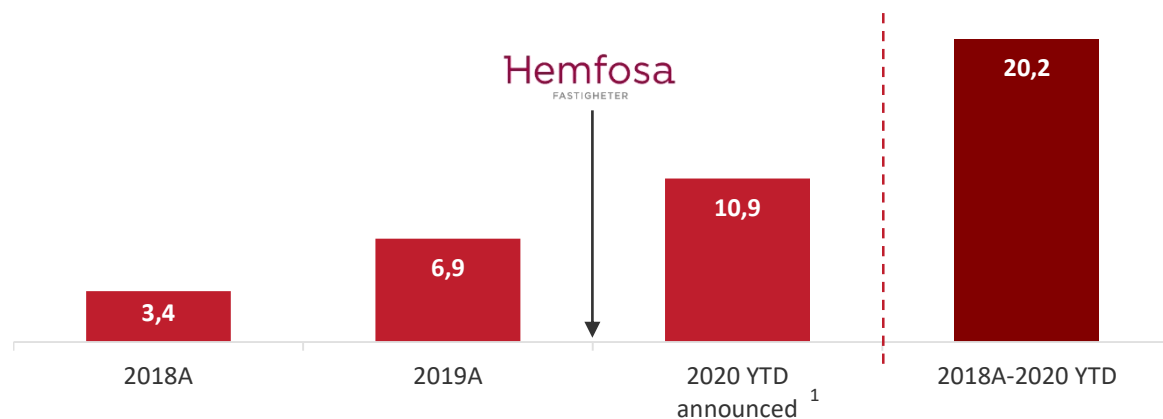
- **Margin H1 2020: 70% vs. 2019 63%**
- **NOI Like-for-Like growth H1 2020 vs. H1 2019: 7%**

## EPRA EPS growth



# ASSETS DISPOSALS ACCORDING TO PLAN SINCE ACQUISITION OF HEMFOSA

## Historical disposal development (SEKbn)



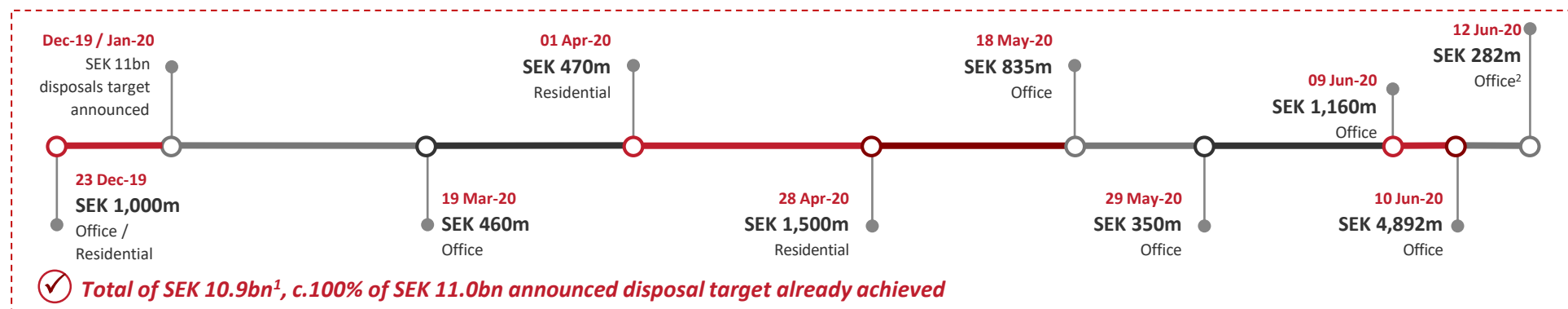
## Announced disposal post combination with Hemfosa

■ c. SEK 11bn of target disposal announced in Dec-19 / Jan-20

✓ Of which SEK 10.9bn<sup>1</sup> already disposed

- Releases significant proceeds for deleveraging
- Accelerates our path to achieving a BBB+ credit rating within the next 12 months
- SBB's real estate portfolio is among the most liquid in the market; we are continuing to experience high demand for our cash flow properties through COVID-19

## Deleveraging ambitions through disposals since Hemfosa acquisition achieved



**SBB is well positioned to deliver on our deleveraging ambitions, and continue maintaining a robust and healthy capital structure that supports an early rating upgrade to BBB+**



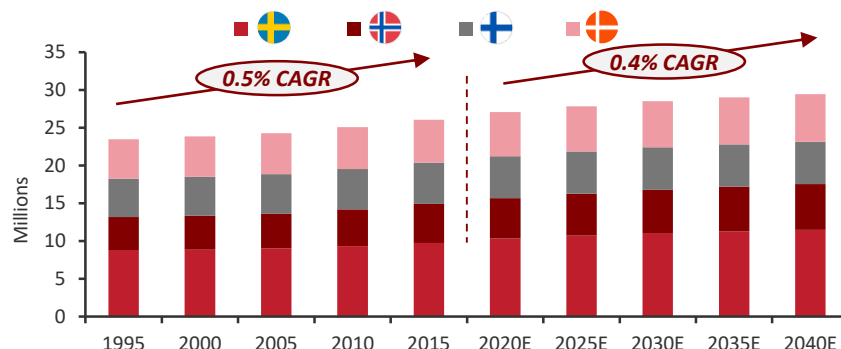
Source: Company information

Notes: <sup>1</sup> Includes SEK 1.0bn disposal announced on 23 December 2019; <sup>2</sup> Classified as Community Service due to the type of tenant

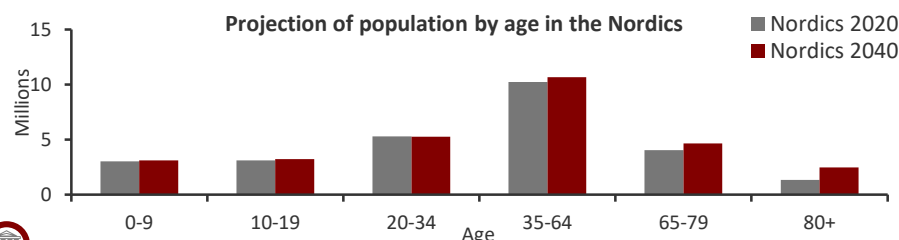
# UNDERSUPPLY AND INCREASING DEMAND FOR SBB'S PROPERTY ASSETS TRANSLATE INTO MINIMAL MARKET RISK



## Strong population growth across all the Nordics

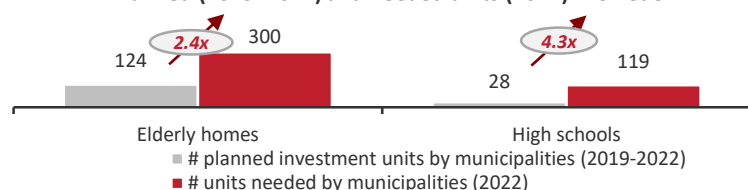


## Elderly population expected to grow the most in the Nordics by 2040



## Clear supply shortage of community service properties

### Planned (2019–2022) and needed units (2022) in Sweden



## Key considerations



- Strong population growth** expected in the Nordic countries (plus c.2.4m inhabitants up to 2040), **concentrated in the urban and intermediate regions**, with population growth across all age classes
  - The rent regulated Swedish residential market has a **widespread shortage of housing with long queues: c.3 years in Sweden and c.10 years in Stockholm**

**Residential property portfolio generates stable and predictable cash flows over the business cycle, supported by the Swedish regulated residential property market's strong fundamentals**



### Trend of ageing population:

- OADR<sup>1</sup> increased from c.24% in 1990 to 30% in 2017, and expected to reach c. 40% by 2040 – i.e. 100 people in the working-age population will support 40 people of retirement ages
- Clear demand growth for community service properties** such as healthcare and retirement homes
- Only in Sweden, **need for c.7.7m sq.m. for new community service properties by 2030**, representing c.SEK 230bn in needed investments

**Community service are safest assets in the world: no-risk state-financed tenants, effectively perpetual leases, under continued increasing demand and limited new supply**

# PROJECT DEVELOPMENT POTENTIAL

## Current development portfolio (30 June 2020)

Planning phase	GFA building rights (sq.m.)	Book value (SEKm)	per sq.m.
Phase 1 – Project ideas	819,372	693	846
Phase 2 – Pending planning decision	23,000	16	689
Phase 3 – Formal planning process	846,727	1,140	1,347
Phase 4 – Zoning plan granted	403,787	877	2,172
<b>Total</b>	<b>2,092,886</b>	<b>2,726</b>	<b>1,302</b>

Sales status	GFA building rights (sq.m.)	Value (SEKm)	per sq.m.
Sold, but not closed building rights	443,600	1,553	3,502
Unsold building rights	1,649,286	5,457	3,308
<b>Total</b>	<b>2,092,886</b>	<b>7,010</b>	<b>3,349</b>

As of 30 June 2020, SBB's portfolio of building rights amounted to approximately 2,093,000 sq.m. GFA for social infrastructure, corresponding to approximately 28,000 apartments, making SBB one of the Nordic region's leading property developers.

- SBB had per 2020-06-30 ongoing development projects with a total of 2,093,000 sqm GFA. The table above contains information regarding SBB's current planning projects along with estimated volumes

## Example projects

### Västerhaninge (Haninge)



### Zoning plan process

#### Västerhaninge centrum, Haninge

The area is located right by Västerhaninge station, a station for the Stockholm commuter train. The entire community centre is to be demolished to enable a new residential area of 110,000 sqm GLA with a mixture of shops and other services at street level.

### Raspen 1, 2 & 3 (Nyköping)



### Zoning plan process

#### Nöthagen, Nyköping

An urban development project of an existing industrial area in a very central location in Nyköping, right next to the new station for the high-speed railway Ostlänken. The project will enable the development of 156,000 sqm GLA residential property mixed and community service properties.



# STRONG TRACK RECORD OF OPERATIONAL PERFORMANCE DELIVERING SOCIAL INFRASTRUCTURE

Selected post Q2  
2020 acquisition

Læringsverkstedet



- ✓ **35 year** triple-net lease with Læringsverkstedet, Norway's largest private kindergarten chain
- ✓ No break clauses
- ✓ **100%** indexed to CPI

Selected ongoing projects



- ✓ **50 year** lease with Skellefteå Municipality (one of Sweden's richest municipalities) for new cultural centre in central
- ✓ No break clauses
- ✓ **100%** indexed to CPI



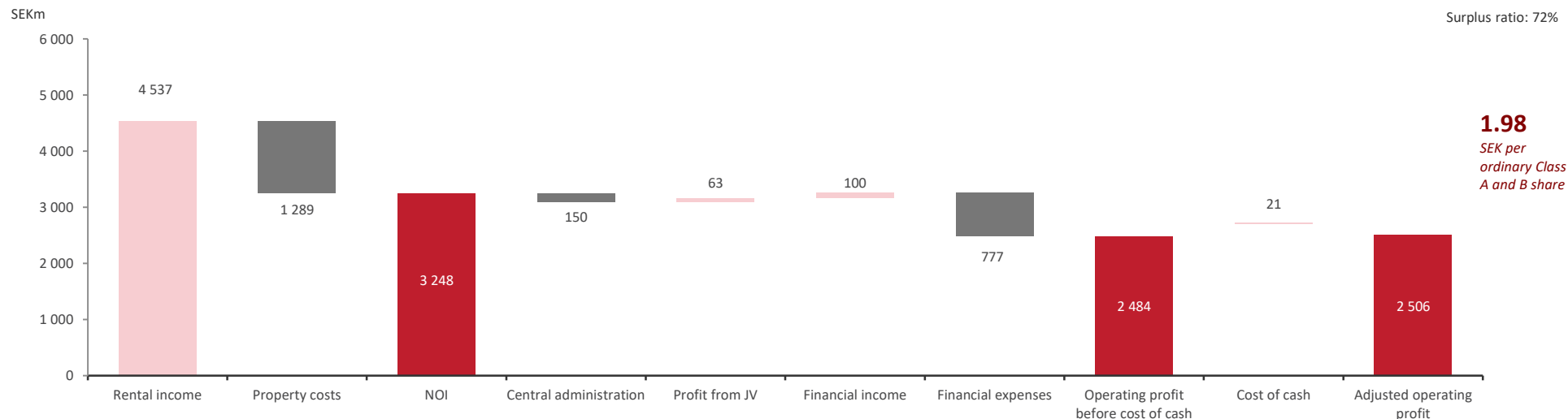
- ✓ **25 year** lease with Västerås municipality (Sweden's 7<sup>th</sup> largest municipality) for new elderly care home in close distance to train station (less than 1h from Stockholm C)
- ✓ No break clauses
- ✓ **100 %** indexed to CPI



- ✓ **15 year** lease signed with Police authority for new police station in Västerås municipality, Sälen municipality and Örnsköldsvik municipality
- ✓ No break clauses
- ✓ Several ongoing discussion with Police authority regarding construction of new police stations in different cities in the Nordics.

# STRONG OPERATING PROFIT Q1 – ROLLING 12 MONTHS

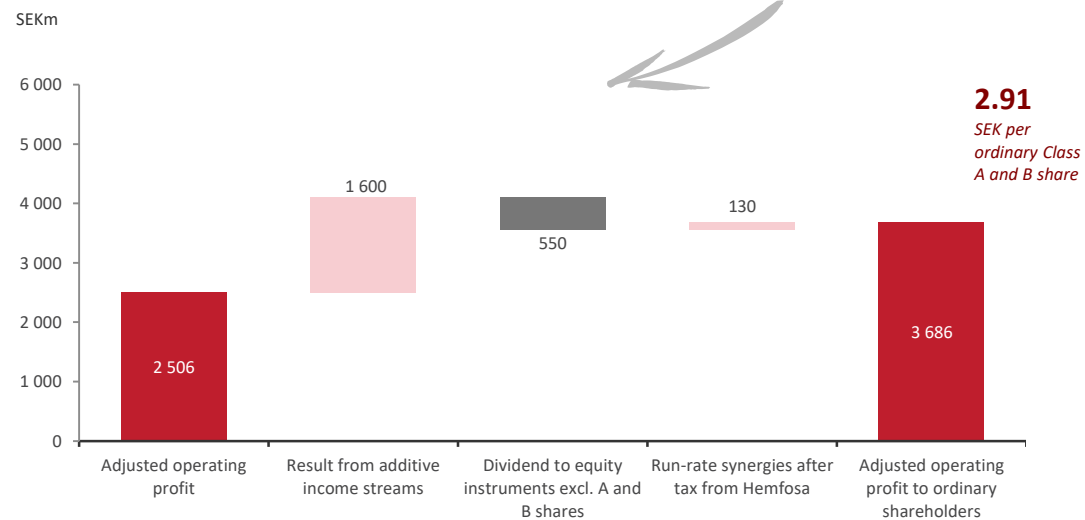
## Current earnings capability for the Group for 12 months



**1** Our estimated earnings capacity adjusted for cost of cash on a rolling 12-month basis at the end of the year was SEK 2,506 million, an increase with 149 percent per ordinary Class A and B share.

**2** Profit after tax was SEK 2,595m, a strong increase compared to the corresponding period of the previous year.

**3** Our strong net operating income combined with long-term reduced financing costs enable continuing strong cash flow. Cash flow from operations before changes in working capital adjusted for non-recurring costs amounted to SEK 1,348m.



# KEY UPDATES – SUCCESSFULLY DELIVERING ON THE BUSINESS PLAN

Ahead of schedule, we delivered our stated goals and the execution of our business plan in conjunction with the Hemfosa acquisition and deleveraging ambition

## 1 Acquisition of Hemfosa

- Organisational integration fully accomplished
- Created the **Social Infrastructure Champion in the Nordics**
- Realised synergy targets ahead of schedule: **c.SEK 170m of run-rate synergies already unlocked**

## 2 Disposals

- Since acquisition of Hemfosa, total of **SEK 10.9bn disposals already achieved: c.100% of SEK 11.0bn announced in December 2019**
- Releases significant **proceeds for deleveraging** and **accelerates our path to achieving a BBB+ credit rating in 1H 2021**
- **Most liquid assets in the Nordics:** the successful disposals, realised above book value, is a testament of the very high demand that our cash flow properties are continuing to experience through the COVID-19 pandemic

In recent months of unprecedented market turbulence, SBB has continued to perform extremely strongly with rent collection of 99.8% in Q2 2020, testament of the resiliency of its business model and quality of its AAA-assets, and has remained active in the transaction market

## 3 Acquisitions post Q2 2020

- On 3 July 2020, acquired a Norwegian preschools portfolio<sup>1</sup> for NOK 4,250m and signed a 35 years triple-net master lease agreement
  - Further **strengthens SBB's position as the leading Nordic player within social infrastructure**
  - The transaction is financed by NOK 2,850m in cash and by NOK 1,400m in D-shares, issued at a price of SEK 31 per D-share

## 4 Signed new leases

- Following the Q2 2020, SBB has received independent property appraisals valuing the newly signed leases that will start within next 12 months at total value exceeding the investments and crystallizing unrealized fair value gain of SEK 2,242m
  - These contracts have an average WAULT of 36 years and a fully indexed NOI of SEK 324.5m

## 5 Capital markets

- **Lowered cost of debt of 1.61% in Q2 2020 compared to 1.75% in Q3 2019**
- **Added a new revolving credit facility of SEK 2bn on 5 June 2020**, now achieving a total of SEK 11.4bn in credit limits: **all loan maturities including commercial paper are covered in excess for the next 24 months.**
- **Update of Green Financing Framework**, eligible for green financing instruments of up to c.SEK 10bn (June 2020)
- Issued a **EUR 50m, 20 year unsecured bond** at a fixed interest rate of 2.75% (March 2020)
- **Repurchased** most of the **unsecured bonds** issued by SBB and Hemfosa **which mature until May 2021** (SEK 3,362m repurchased of the total issued amount of SEK 3,724m) (March 2020)
- Issued an **unsecured bond of EUR 750m** with a fixed coupon of 1% and a maturity of 7.5 years (February 2020)
- Issued a **perpetual hybrid bond of EUR 500m** with a fixed coupon of 2.624% (January 2020)

# IN SUMMARY

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## “Profit after tax per ordinary share of class A and B increased to SEK 1.8 (1.0)”

1

- SBB's 12-month rolling earning capacity from the management operations amounted to SEK 2,484 million (798) at the end of Q2 2020. Considering a theoretical cost because the company had a liquid position of SEK 1.3 billion, an adjusted earning capacity would end up at SEK 2,506 million, corresponding to an increase of 149 per cent per ordinary A and B share since the end of Q2 2019.

2

- Profit before tax was SEK 2,447 million and profit after tax was SEK 2,595 million. Adjusted for non-recurring costs for repayment of expensive loans and deductions for profit attributable to preference shares, D shares and hybrid bonds, earnings for the year were SEK 2.08 per ordinary A and B share.

3

- Cash flow from operating activities before changes in working capital increased by 389 percent to SEK 1,194 million (244). Adjusted for non-recurring effects for the buyback of expensive loans, cash flow for the period ends up at SEK 1,348 million (367).

4

- Project and property development within SBB is to generate an average annual profit of SEK 500 – 700m over a business cycle. Profit from project and property development amounted to SEK 258m for the period and SEK 180m for the quarter.
- As of 30 June 2020, SBB's portfolio of building rights amounted to approximately 2,093,000 sq.m. GFA for social infrastructure, corresponding to approximately 28,000 apartments, making SBB one of the Nordic region's leading property developers.
- During the first two quarters of the year, SBB finished renovating 323 apartments. A further 93 apartments are currently being renovated and the leases on 188 apartments have been terminated, with renovation planned to commence within a three-month period.
- In accordance with SBB's green framework, the company has initiated energy efficiency enhancing measures in another four properties in Swedish university towns.

5

- We are focusing on achieving a BBB+ rating during 2020, which is a prerequisite for strong growth. In the long term, the goal is to achieve an A- rating.

6

- Strong potential from organic growth and high NOI margins. The Q2 2020 adjusted NOI margin 70 percent. LFL increase with 7%

THANK YOU!

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**Samhällsbyggnadsbolaget**

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