



Adjunkten 2, Linköping

WEBCAST PRESENTATION Q3 - 2019

September 2019

PERIOD HIGHLIGHTS

1

- Rental income increased to SEK 1,400m (1,227) and NOI increased to SEK 903m (797).
- Profit before tax amounted to SEK 1,526m. Profit after tax was SEK 1,337m.
- The profit from property management adjusted for non-recurring costs increased compared with the third quarter of 2018 by 59 percent to 658. The third quarter of 2019 became SBB's best quarter ever in terms of profit from property management, which doubled.

2

- Cash flow from operating activities before changes in working capital increased by 99 percent to SEK 507m (255).

3

- We continue to deliver profit from three value creating areas - renovations/investments in our properties, building rights and transactions.
- Our renovation rate is now at the levels that we have strived for and will continue to yield strong earnings and growth in EPRA NAV. In the first nine months, we began renovating 476 apartments, and for another 232 apartments, the leases of which are cancelled, agreements have been signed for renovations to commence in the fourth quarter.
- In the first nine months, transactions totalled approximately SEK 16 billion. Transactions continue to provide a strong return.
- Property development also continues to provide a strong return. At 30 September, SBB had development projects in various detailed development planning phases totalling approximately 1,020,000 sq.m. GFA.

4

- Our strong financial position looks even stronger when we can show that our average interest rate decreased in the past 12 months from 2.49 percent to 1.75 percent.
- We also extended the period of fixed interest. 100 percent of SBB's loans are interest hedged with an average duration of 4.9 years. Our debt maturity is among the longest in the market at 4.9 years. At the end of the third quarter, our net debt through total capital according to S&P's definition amounted to 55 percent.

5

- At the beginning of September, SBB was the first private property company to become an associated member of Public Housing Sweden.

6

- Our estimated earnings capacity adjusted for cost of cash on a rolling 12-month basis at the end of the third quarter was SEK 1,141 million, an increase with 48 percent from SEK 770m at the end of Q4 2018.

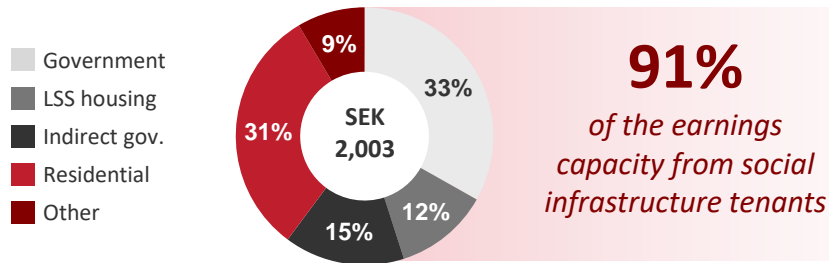
FINANCIAL PERFORMANCE

	2019 Q3	2018 Q3	2018 Jan-Dec
Rental income, SEKm	1,400	1,227	1,680
Net operating income, SEKm	903	797	1,071
Surplus ratio, %	65	65	64
Interim profit, SEKm	1,337	999	1,690
Yield, %	4.7	4.8	4.7
Cash flow from current operations, SEKm	507	255	248
Property value (market value), SEKm	30,776	25,122	25,243
Adjusted EPRA NAV (Adjusted net asset value), SEKm	17,257	10,432	11,941
EPRA NAV (long-term net asset value), SEKm	9,914	8,294	8,736
Earnings capacity, 12 months rolling	1,141	766	770
Loan-to-value ratio %	38	56	53
Equity ratio, %	36	36	41
Adjusted Equity ratio, %	39	40	44
Earnings per ordinary share, SEK	1.41	1.24	2.07

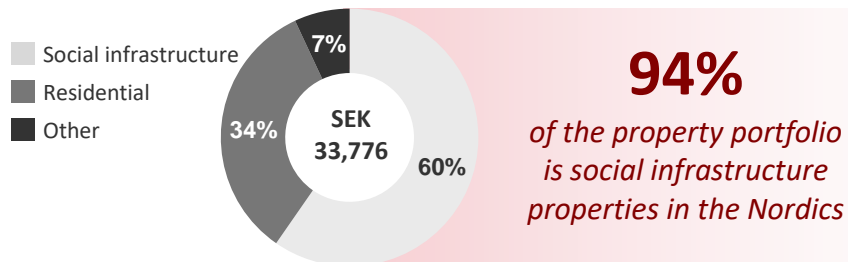
SBB HAS ASSEMBLED A UNIQUE PORTFOLIO ACROSS TIER 1 LOCATIONS

High quality property portfolio with attractive underlying exposures

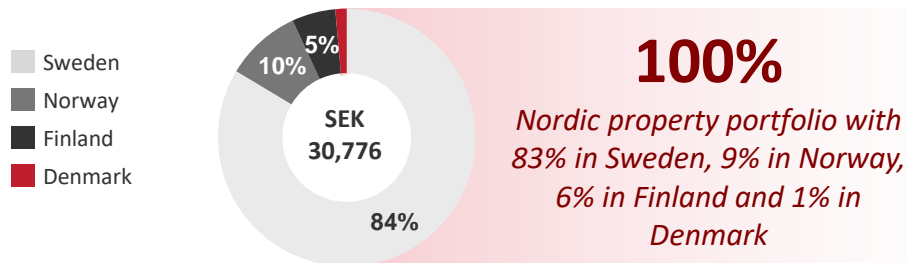
R12 Earnings capacity by tenant type



Property value by property type

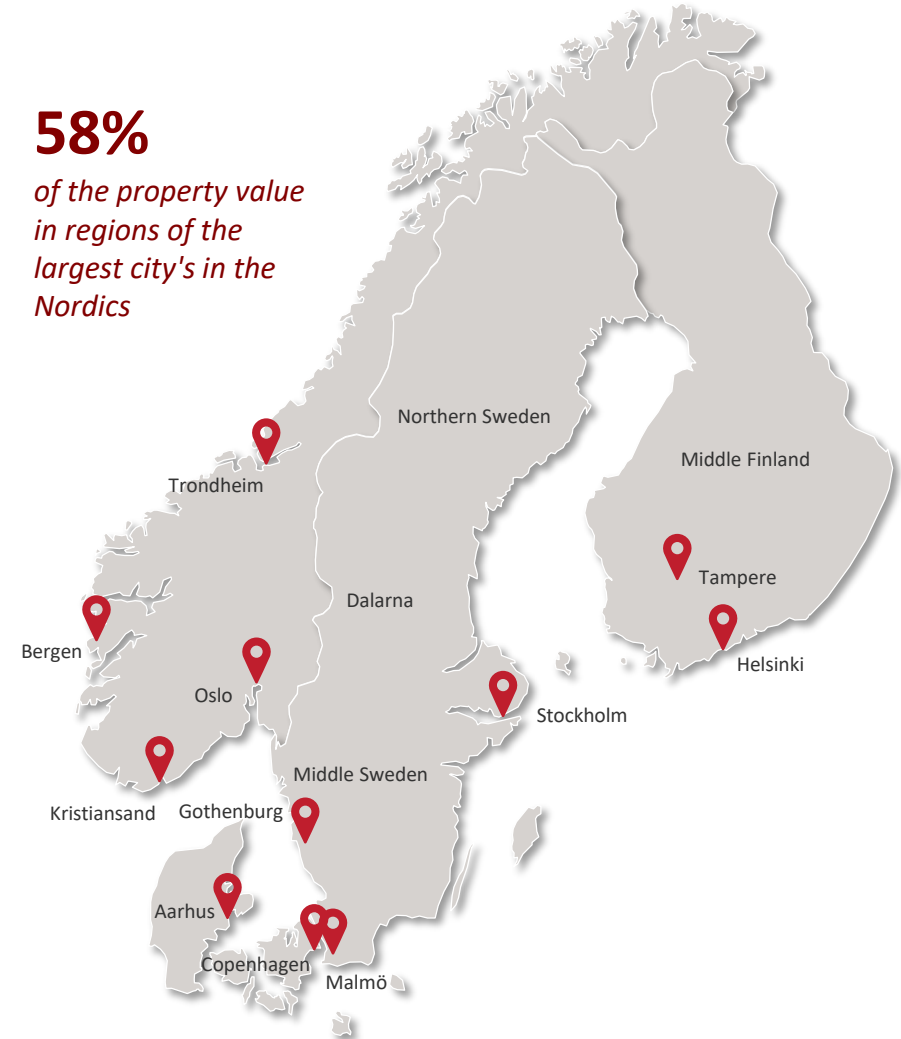


Property value by location



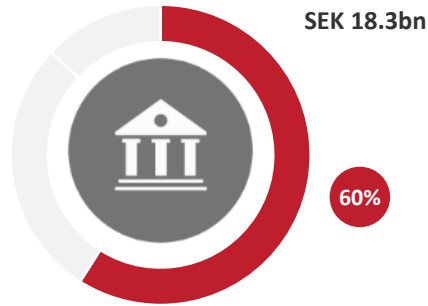
Geographical diversification

58%
of the property value in regions of the largest city's in the Nordics



LOW-RISK COMMUNITY SERVICE AND RESIDENTIAL PROPERTIES COMPLEMENTED BY RESIDENTIAL DEVELOPMENT POTENTIAL

Social infrastructure properties

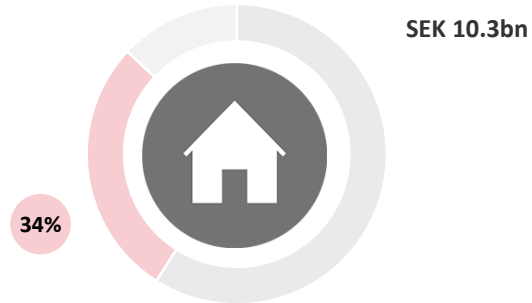


Includes schools, elderly care, LSS-housing and municipal/governmental agencies

- Nordic focus
- Publicly financed tenants
- Low tenant turnover and long contracts
- High demand, limited supply



Residential properties



Mainly constitutes of rental apartments in multi-tenant houses but also includes rental terraced houses

- Swedish focus
- Low tenant dependency and high occupancy rate
- Value creation through renovations



Other / building rights development



Commercial properties held in order to create future residential development plans

- Identified development potential in current portfolio corresponding to 1,020k sqm
- Only opportunities with a high risk adjusted return is undertaken



LONG TERM RELIABLE PARTNER FOR MUNICIPALITIES CREATES STABLE INCOME

Income overview¹⁾

Classification	Rental Income, SEKm	% of Total
Residential	627	31
Group Housing (LSS)	238	12
Government	665	33
Indirect Government	303	15
Other	171	9
Total	2,003	100

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

Property development

- Property development portfolio includes assets in Haninge, Falkenberg, Falun, Nyköping, Nykvarn, Höganäs, Motala, Uppsala, Karlstad, Kävlinge, Luleå and Ulricehamn

Properties acquired from municipalities

 **Borlänge**
SEK ~760m

 **KARLSKRONA KOMMUN**
SEK ~400m

 **Haninge kommun**
SEK ~350m

 **FALUN**
SEK ~300m

 **SKELLEFTEÅ**
SEK ~1,050m

 **ULRICEHAMNS KOMMUN**
SEK ~70m

Municipality and state tenants



The transactions

- Borlänge: Acquisition of residential and community service properties, for example the City Hall
- Haninge: Acquisition of Jordbro Centrum and Västerhaninge Centrum and upcoming building rights for approx. 1,500 apartments
- 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

UNDERLYING MEGATRENDS SUPPORT CONTINUED GROWTH



Demographic change



Sustainability and
energy efficiency



Urbanization

STRONG NET OPERATING INCOME IN Q3

1

- Net income after tax for the period amounted to SEK 404m (482) and Operating profit doubled to SEK 254m (113).

2

- 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 amounted to SEK 263m (99).

3

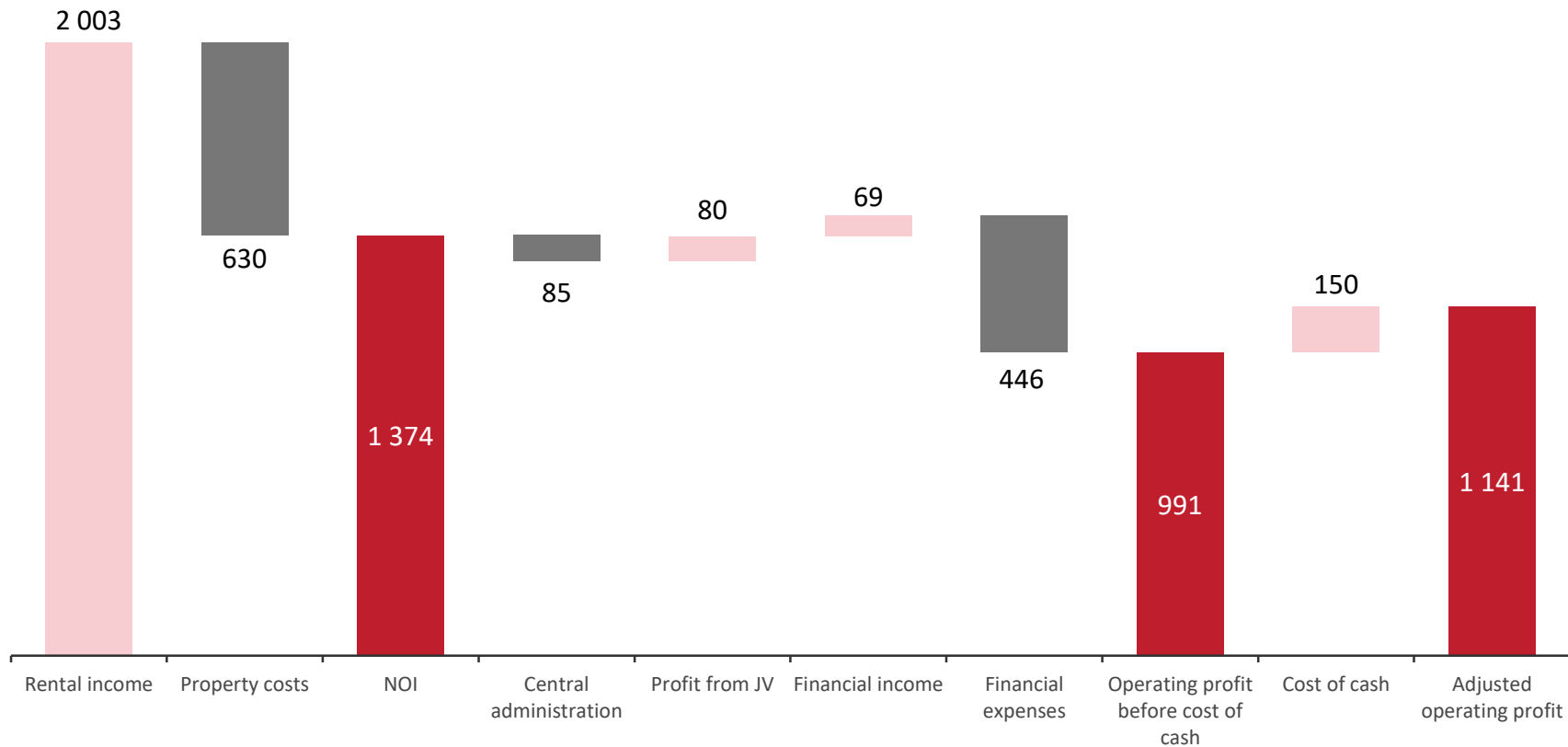
- Our estimated earnings capacity adjusted for cost of cash on a rolling 12-month basis at the end of the third quarter was SEK 1,141 million, an increase of 48 percent from SEK 770m at the end of 2018.

EARNINGS CAPACITY PROPERTY PORTFOLIO AS OF 30 SEPTEMBER 2019

Current earnings capability for the Group for 12 months

SEKm

Surplus ratio: 69%



PROJECT DEVELOPMENT POTENTIAL

Current development portfolio (30 September 2019)

Planning phase	GFA building rights (sq.m.)	Book value (SEKm)	per sq.m.
Phase 1 – Project ideas	96 140	20	208
Phase 2 – Pending planning decision	91 000	64	703
Phase 3 – Formal planning process	665 920	817	1 227
Phase 4 – Zoning plan granted	167 290	442	2 642
Total	1 020 350	1 343	1 316

Sales status	GFA building rights (sq.m.)	Value (SEKm)	per sq.m.
Sold, but not closed building rights	414 650	1 447	3 490
Unsold building rights	605 700	2 013	3 323
Total	1 020 350	3 460	3 391

- SBB had per 2019-09-30 ongoing development projects with a total of 1,020,000 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.

SBB never buys or owns raw land, but develops building rights from properties that are already cash flow generating and thus takes on minimal or no capex risk

IN SUMMARY

1

- Sustainable and predictable cash flow remains the foundation of our activities.
- Cash flow from operating activities before changes in working capital increased by 99 percent to SEK 507m (255). Adjusted for non-recurring costs for, among other things, the repayment of expensive loans, cash flow for the nine-month period lands at SEK 657m (335).

2

- Profit before tax amounted to SEK 1,526m. Profit after tax was SEK 1,337m. Adjusted for non-recurring costs for repayment of expensive loans, the nine-month earnings per ordinary A and B shares (after profit paid to preference shares, class D-shares and hybrids) were SEK 1.61 per share.

3

- Sustainability is a central part of our business model and we have therefore initiated collaboration with Skellefteå Kraft for them to supply 100-percent origin-certified renewable electricity to all of SBB's Swedish properties. Once SBB's total consumption in Sweden of around 60 GWh has switched over to 100-percent renewable electricity, it will mean that SBB's carbon dioxide emissions will be around 15,000 ton lower per year than if the energy according to the so-called Nordic residual mix were used.

4

- On top of delivering the strong cash flow and strong earnings capacity from the property management, we continue to deliver profit from three value-creating areas - renovations/investments in our properties, development of building rights and transactions.
- In the first nine months, we began renovating 476 apartments and for another 232 apartments, the leases of which are cancelled, agreements have been signed for renovations to commence in the fourth quarter.
- In the first nine months, transactions totalled approximately SEK 16 billion. Transactions continue to provide a strong return.
- Property development also continues to provide a strong return. At 30 September, SBB had development projects in various detailed development planning phases totalling approximately 1,020,000 sq.m. GFA.

5

- New targets presented: the target for the equity/assets ratio was adjusted to higher than 45 percent and the target for the interest coverage ratio was adjusted to no less than 3.0 times. The new growth target is expressed as: "A property portfolio of SEK 55bn by 2021, with retained BBB+ rating (compared with the earlier SEK 40bn by 2023 with the retained investment grade rating)".
- We focus on achieving a BBB+ rating in the next 12 months, which is a prerequisite for strong growth.
- SBB's new dividend policy entails a goal to generate a steadily increasing annual dividend. The company's Board of Directors is expected to propose an initial dividend according to the new dividend policy of SEK 0.60 per ordinary A and B share for the 2019 financial year, to be paid out quarterly in 2020/2021.

6

- SBB's secure cash flows are only marginally affected by the economy and external factors and we are active in a social infrastructure market where the need for investments in social infrastructure in the next 10-year period is the highest ever. For 2019-2021, our assessment is that we will be able to deliver the highest annual increase in EPRA NAV among all Swedish listed property companies.
- SBB's strong journey of growth is supported by the fact that SBB's B- and D-shares have been traded on Nasdaq Stockholm's Large cap list since 20 September 2019 and the potential to growth may be even stronger with the inclusion of SBB's B-shares in the FTSE EPRA Nareit Global Real Estate Index, that I expect when the next quarterly Index review that will be published on 5 December 2019.

THANK YOU!



Samhällsbyggnadsbolaget
