



Q3

Gamlestaden 2:5, Göteborg

WEBCAST PRESENTATION: SBB, Q3 REPORT 2020

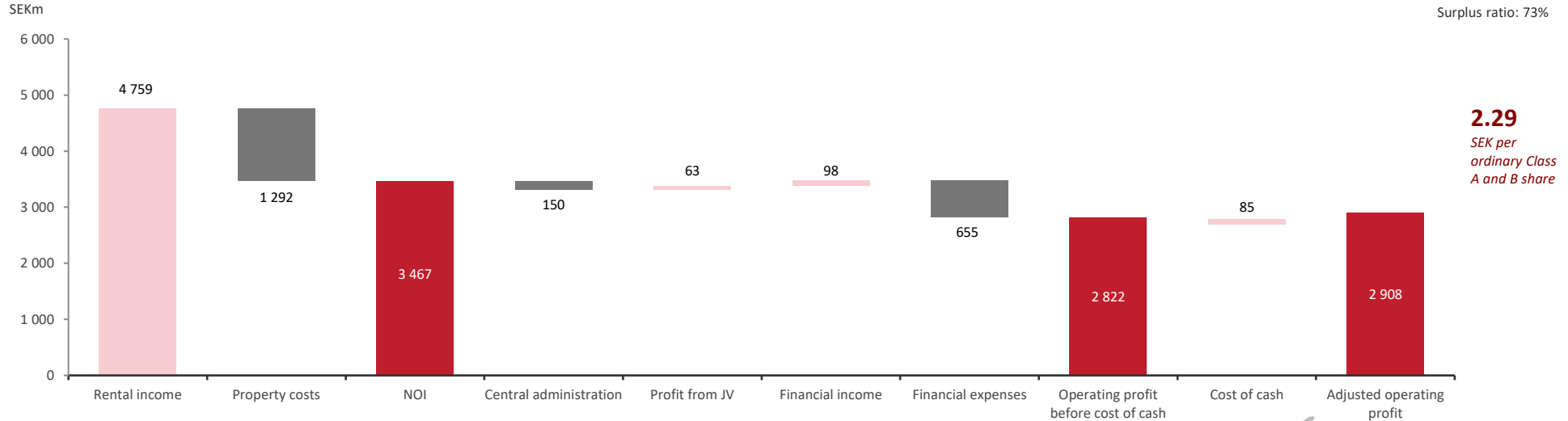
November 2020

FINANCIAL PERFORMANCE

	2020	2019	2020	2019	2019
	Q1-Q3	Q1-Q3	Q3	Q3	Jan-Dec
Rental income, SEKm	3,868	1,400	1,204	507	1,996
Net operating income, SEKm	2,669	903	852	343	1,265
Surplus ratio, %	69	65	71	68	63
Interim profit, SEKm	5,734	1,337	3,139	404	2,624
Yield, %	4.5	4.7	4.5	4.7	4.8
Cash flow from current operations, SEKm	1,590	450	411	255	653
Property value (market value), SEKm	81,187	30,776	81,187	30,776	79,542
EPRA NRV (long-term net asset value), SEKm	30,886	9,914	30,886	9,914	24,855
Earnings capacity, 12 months rolling	2,908	1,141	2,908	1,141	2,845
Loan-to-value ratio %	42	38	42	38	41
Equity ratio, %	42	36	42	36	30
Adjusted Equity ratio, %	46	39	46	39	33
Earnings per ordinary share, SEK	4.15	1.41	2.35	0.40	2.97

STRONG OPERATING PROFIT Q3 – ROLLING 12 MONTHS

Current earnings capability for the Group for 12 months



1

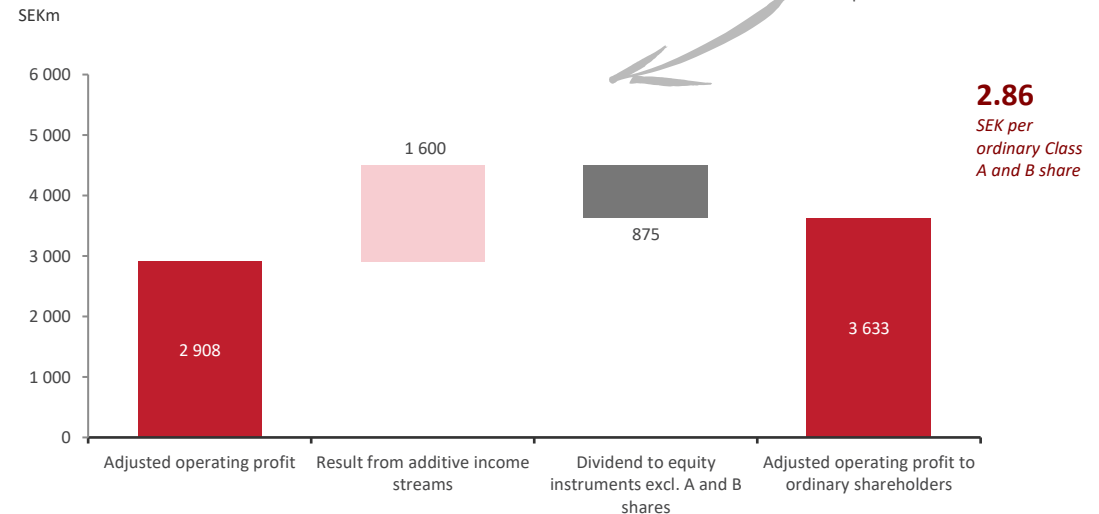
Our estimated earnings capacity adjusted for cost of cash on a rolling 12-month basis at the end of the period was SEK 2,908 million, an increase with 52 percent per ordinary Class A and B share from Q3 2019.

2

Profit after tax was SEK 5,734m, a strong increase compared to the corresponding period of the previous year.

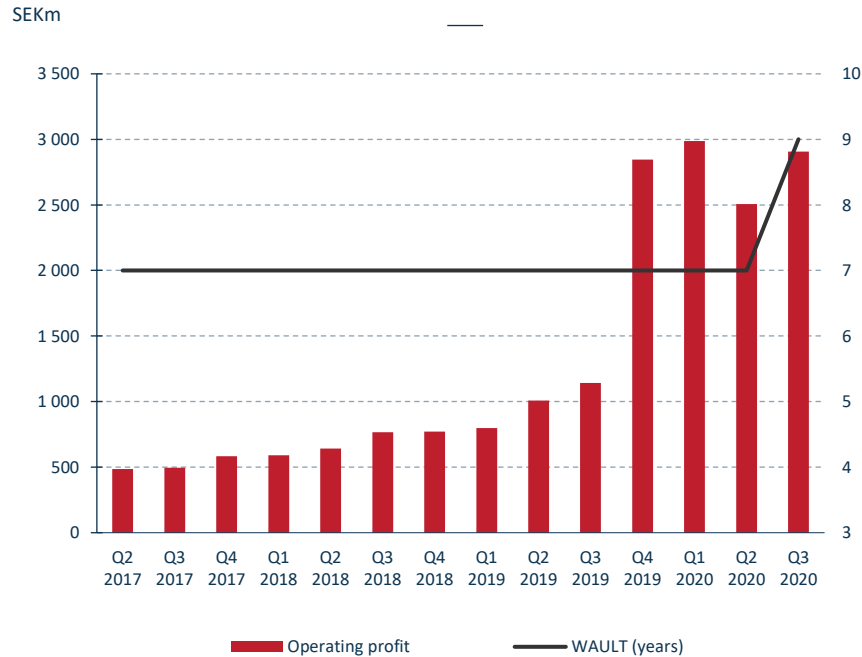
3

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 1,796m.



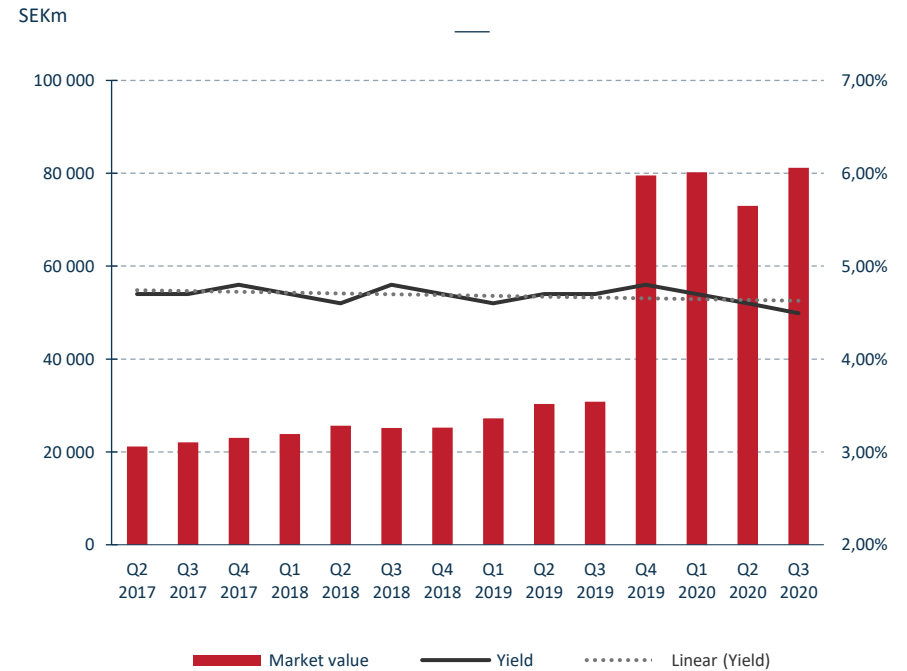
28 PERCENT INCREASE IN WAULT COMBINED WITH HIGH ORGANIC GROWTH

OPERATING PROFIT - ROLLING 12 MONTHS



- Strong increase in earnings capacity with 28 percent increase in WAULT from seven (7) years to nine (9) years.

MARKET VALUE OF THE PROPERTIES



- Stable and high yield of 4.5 percent for Europe's most secure assets in challenging times.

SBB PILLARS OF STRATEGY

Key pillars to deliver attractive returns



Unique and difficult to replicate long-term relationships with municipalities and other market participants



SEK 81.2bn and fastest growing low-risk Nordic social infrastructure property portfolio

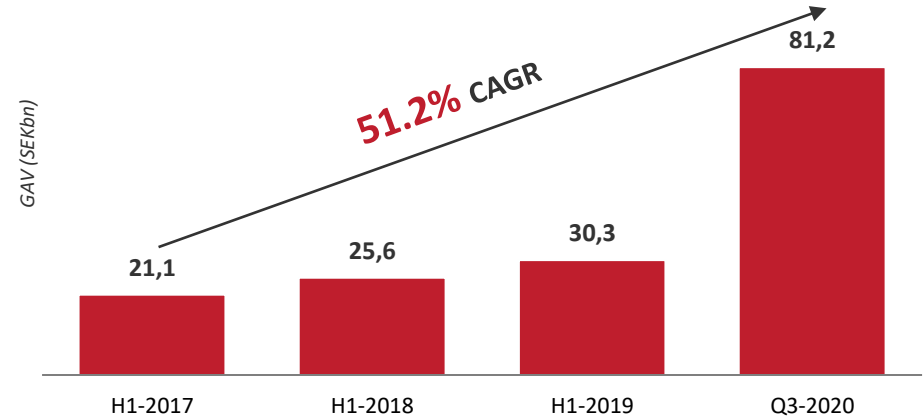


Strong financial position, demonstrated stability of cash flows and credit metrics for BBB+

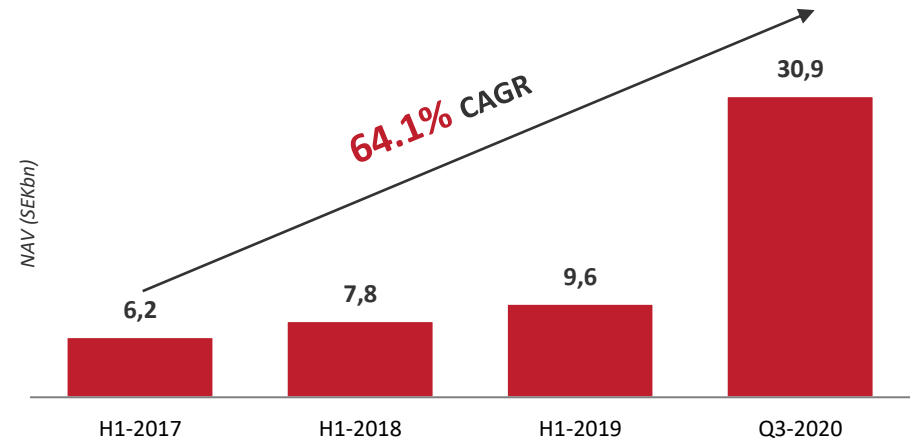


Delivered compelling NAV growth – over 60% CAGR over the last three years

Portfolio has grown from SEK 21.1bn to SEK 81.2bn+ over 3.25 years...



...whilst delivering strong growth in long-term NAV

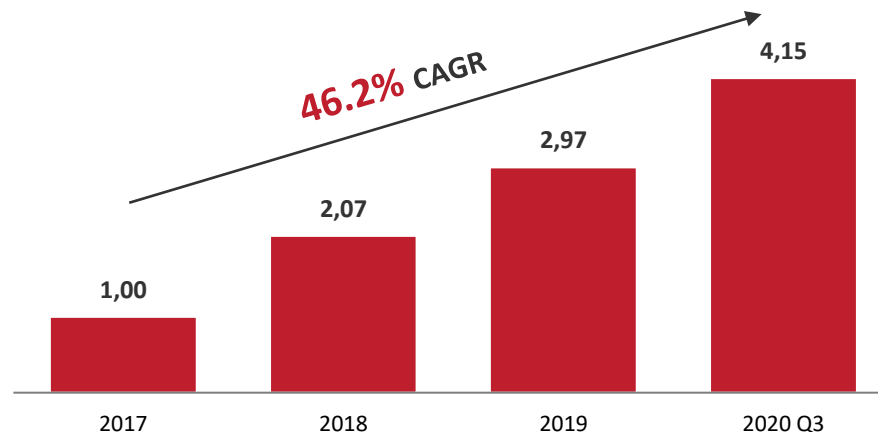


STRONG TRACK RECORD OF DELIVERY: EARNINGS PER SHARE, DIVIDEND AND STRONG BALANCE SHEET

Delivery first

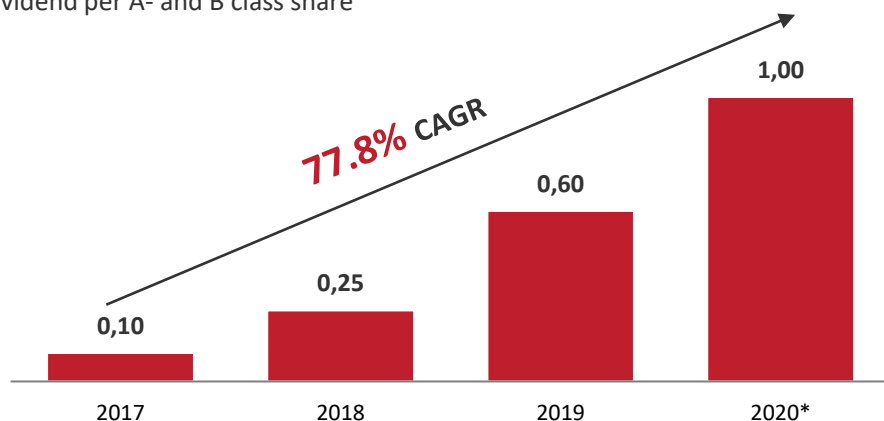
- Earnings per share increased by 315% since 2017
- Dividend per A- and B class share increased by 900% since 2017
- Strong increase in shareholder's equity per share, excluding non controlling interest
- Strong Balance sheet: BBB- from S&P and Fitch; already within BBB+ credit metrics

Earnings per share (in SEK)

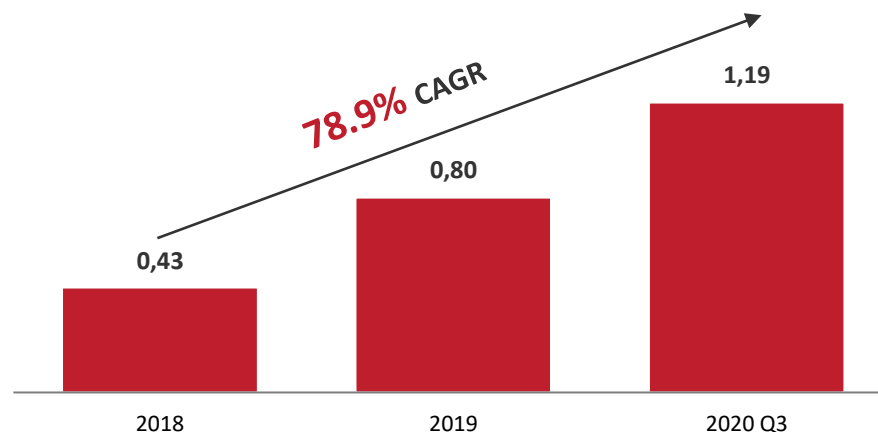


Strong increase in dividend per share (in SEK)

Dividend per A- and B class share



EPRA earnings per share (EPS), (in SEK)



BBB+ RATING IN FOCUS

Interest-bearing liabilities	47 984
50% of hybrid bonds	4 947
Leasing liabilities	460
Cash and cash equivalents	-6 065
Other receivables (sold properties)	-1 953
Financial assets at fair value, realized in Oct 2020	-376
Financial assets at fair value	-1 229
Receivables from associated companies/joint ventures	-1 128
Profit from property management, before dividend (12 months rolling)	-2 822
Cash from building rights	-850
Dividend (shares serie A, B, D, mandatory convertible and hybrid bonds)	1 653
Adjusted net debt 12 months forward	40 621
Adjusted net debt Q3 2020	44 997

Equity	41 983
50% of hybrid bonds	-4 947
Share of value changes as a result of long agreements, not in balance sheet	624
Reversal of reserved but not paid dividend	829
Reversal of reserved but not paid interest mandatory convertible	579
Earnings capacity (12 months rolling)	3 633
Dividend (shares serie A, B, D and hybrid bonds, Q3 2021)	-1 653
Adjusted equity 12 months forward	41 048
Adjusted equity Q3 2020	39 069
	0
Adjusted net debt 12 months forward in % of total capital (S&P adjusted LTV)	49.7%
Adjusted net debt Q3 2020 in % of total capital (S&P adjusted LTV)	53.5%

Comments

- **LTV, in accordance with S&P's definition, amounted to 49.7 percent**

SBB's pro forma net debt, adjusted for cash inflows from properties that have been sold but not yet transferred and 12 months' earnings capacity divided by total capital, amounted to 49.7 percent (see table).

- **Supported by high quality assets**

SBB's asset segments have proven to be Europe's most secure in challenging times with rent collection of almost 100 percent.

- **Continue to raise the interest coverage ratio**

- ✓ At the end of the period the ICR was 3.3 percent
- ✓ Expected to end up at 3.7 for the full year, to then pass 4 early next year

- **SEK 60 billion in unencumbered assets**

We have slightly more than SEK 60 billion in unencumbered assets; cash balances, including liquidity from properties that have been sold but not yet transferred and financial assets of SEK 9.6bn, as well as available credit commitments of SEK 9.1bn.

According to our calculations, we have fulfilled the key figures most significant for a BBB+ rating

We are on track of reaching our long-term objective to achieve an A- rating

LONG TERM RELIABLE PARTNER FOR MUNICIPALITIES CREATES STABLE INCOME

Income overview¹⁾

Classification	Rental Income, SEKm	% of Total
Regulated rent residentials	773	16
Sum residentials	773	16
Education	1 320	28
Pre school	417	9
Compulsory/Upper secondary school	612	13
University	290	6
Elderly care	516	11
LSS	305	6
Health care	286	6
Police and justice	556	12
Municipality and department	418	9
Public offices	326	7
Other	2	0
Sum community service	3 729	78
Building rights for social infrastructure	172	4
Total social infrastructure	4 674	98
Other	85	2
Total	4 759	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

Rent collection

- Rent collection of 99.8% in Q2 and Q3 2020, likely the highest in European listed real estate universe

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 stations

Properties acquired from municipalities



Municipality and state tenants



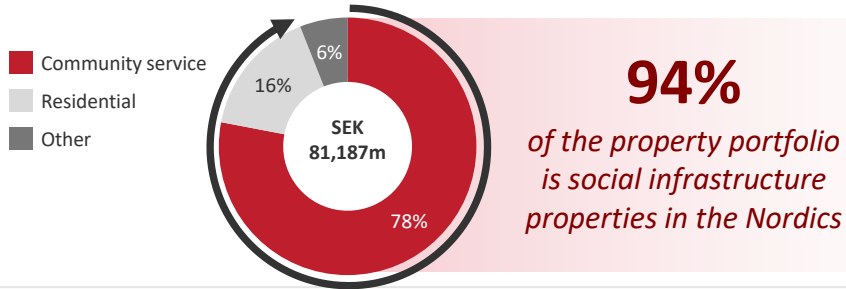
1) Current earnings capacity for the Group for 12 months given the real estate portfolio, financial costs, capital structure and organisation as of 30 September 2020

SBB HAS ASSEMBLED A UNIQUE PORTFOLIO ACROSS TIER 1 LOCATIONS

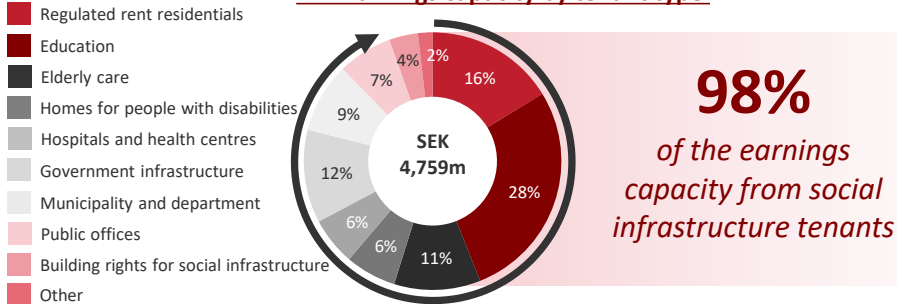
High quality property portfolio with attractive underlying exposures

Geographical diversification

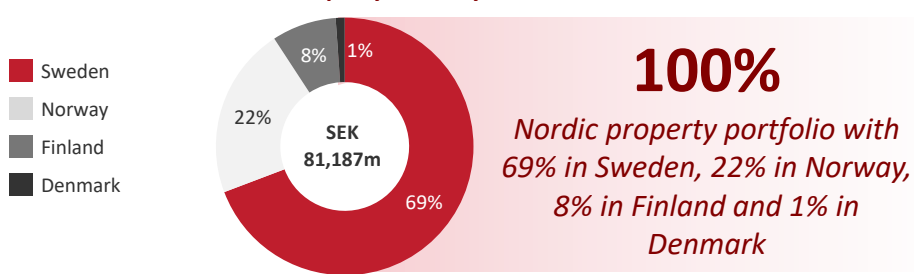
Property value by property type



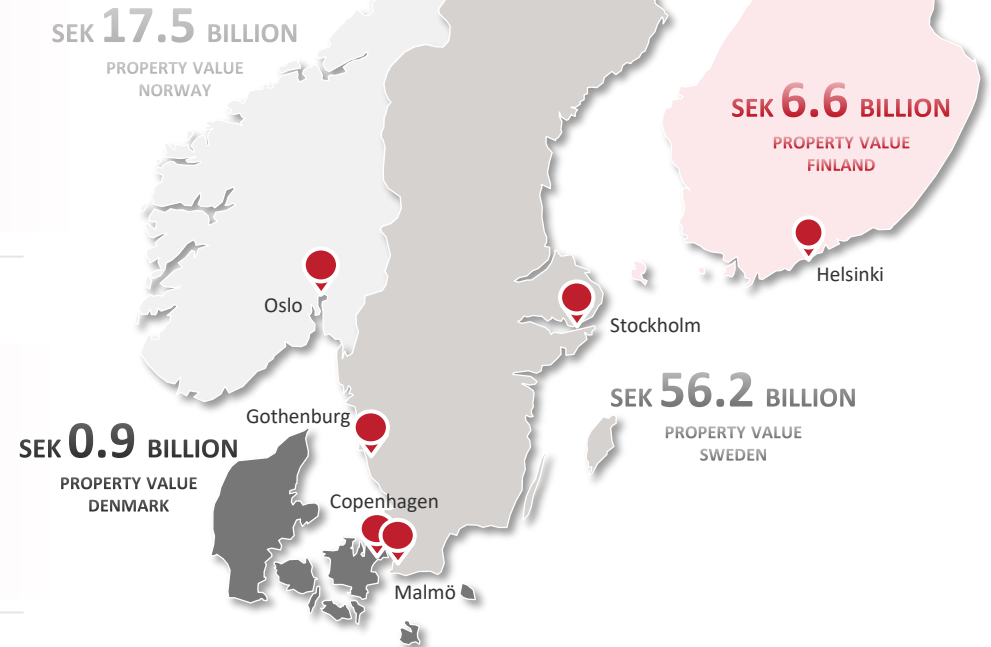
R12 Earnings capacity by tenant type



Property value by location



73%
of the property portfolio is in major and university cities



UNIQUE MODEL BEYOND TRADITIONAL PROPERTY MANAGEMENT THROUGH ADDITIVE RECURRING VALUE CREATING ACTIVITIES

The Social Infrastructure Champion in the Nordics



Committed to additive recurring income streams



Project and property development

- Entails developing building rights and the development of properties for SBB's own management where the contractor assumes complete responsibility for the implementation of the project

➤ +2,000,000 sq.m. of building rights, corresponding to c. 29,000 apartments

✓ SEK 500-700m



Renovations

- Renovations across SBB's residential properties, benefitting from the Swedish unique residential rent setting model based on the "principle of utility"
- In addition, SBB has a large volume of remodeling projects and tenants adaptations across its community service properties

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

✓ SEK 600m



Property transactions

- Acquisition and sale of properties, generating regular attractive profits
- Off-market transactions and competitive advantage thanks to SBB's ability to acquire properties across diverse asset classes

➤ SEK 68.3bn acquisitions and SEK 23.1bn disposals since 2018

✓ SEK 400m

Estimated recurring earnings effect per year¹

Property Management as the foundation of our business model, providing passing rent of SEK 4.8bn with a rent collection of 99.8%, likely the highest in European listed real estate universe



Source: Company information
Notes: ¹ Pre-tax

PROJECT DEVELOPMENT POTENTIAL

Current development portfolio (30 Sept 2020)

Planning phase	GFA building rights (sq.m.)	Book value (SEKm)	per sq.m.
Phase 1 – Project ideas	724,570	581	801
Phase 2 – Pending planning decision	148,000	134	904
Phase 3 – Formal planning process	870,753	1,515	1,740
Phase 4 – Zoning plan granted	441,184	900	2,040
Total	2,184,507	3,130	1,433

Sales status	GFA building rights (sq.m.)	Value (SEKm)	per sq.m.
Sold, but not closed building rights	426,600	1,468	3,442
Unsold building rights	1,757,907	6,051	3,442
Total	2,184,507	7,520	3,442

As of 30 Sept 2020, SBB's portfolio of building rights amounted to approximately 2,185,000 sq.m. GFA for social infrastructure, corresponding to approximately 29,000 apartments, making SBB one of the Nordic region's leading property developers.

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 approved by municipality September 2020



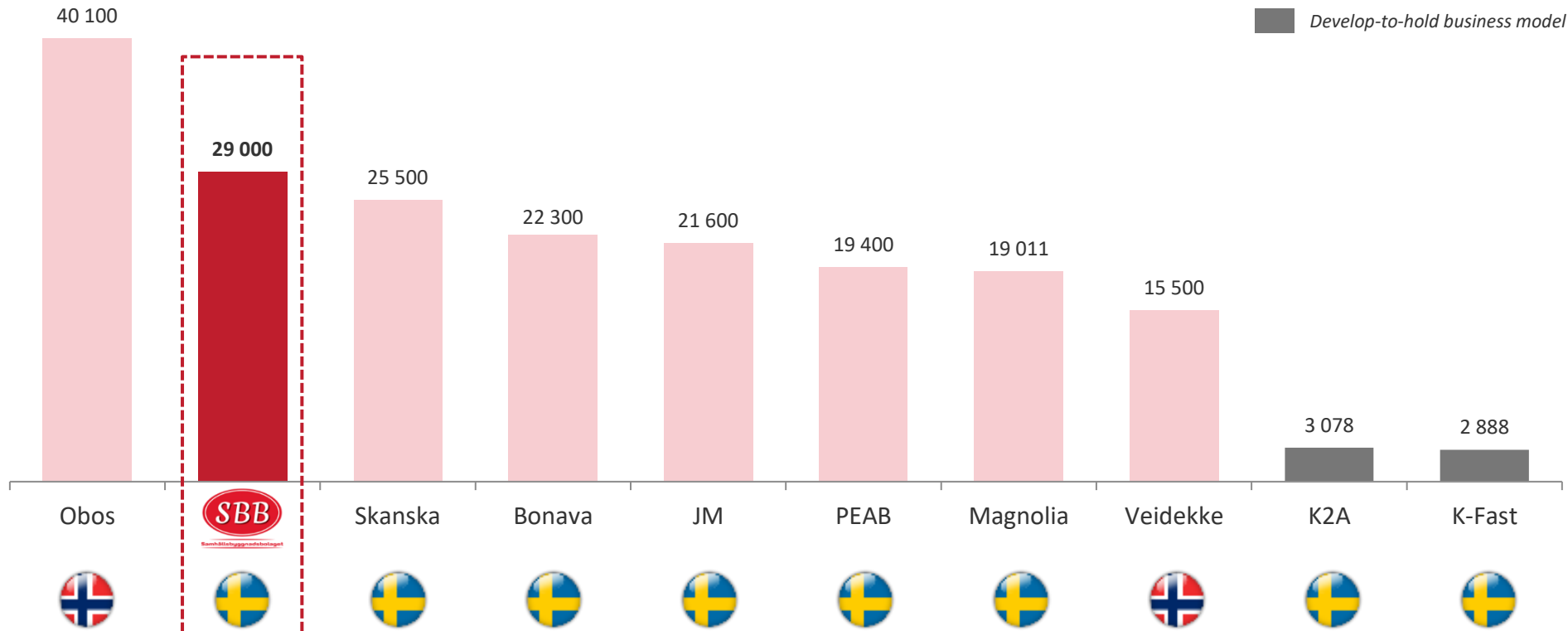
Nöthagen, Nyköping

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 165,000 sqm GLA residential property mixed and community service properties.

SBB: ONE OF THE LARGEST PROPERTY DEVELOPERS IN THE NORDIC REGION

Top Nordic property developers by building rights on own balance sheet
(no. of residential units, c. 75 sq.m. per apartment)

- Develop-to-sell business model
- Mixed business model
- Develop-to-hold business model



**Targeting SEK 500-700m recurring earnings p.a.¹,
from Project and Property Development**



Source: Companies' information; Notes: ¹ Pre-tax

STRONG TRACK RECORD OF OPERATIONAL PERFORMANCE DELIVERING SOCIAL INFRASTRUCTURE

Acquisition in Q3 2020

Læringsverkstedet



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



- ✓ **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 7th 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.

Selected ongoing projects

IN SUMMARY

“Profit after tax per ordinary share of class A and B increased to SEK 4.15 (1.41)”

1

- SBB’s 12-month rolling earning capacity from the management operations amounted to SEK 2,822 million (991) at the end of Q3 2020. Considering a theoretical cost because the company had a liquid position of SEK 6.1 billion, an adjusted earning capacity would end up at SEK 2,908 million, corresponding to an increase of 52 per cent per ordinary A and B share since the end of Q3 2019.
- Through renegotiation of lease agreements, new lease agreements and through an active transaction team, our average lease duration for community service properties has increased by 28%, from 7 to 9 years.
- Strong potential from organic growth and high NOI margins. The Q3 2020 adjusted NOI margin 71 percent.
- LFL NOI increase with 3.4 percent.

2

- Profit before tax amounted to SEK 6,142m and profit after tax was SEK 5,734m. Adjusted for non-recurring costs and deductions for earnings attributable to preference shares, series D shares and hybrid bonds, profit for the period amounted to SEK 4.39 per series A and B ordinary share.

3

- Cash flow from operations before changes in working capital increased by 253 percent to SEK 1,590m (450) for the first nine months of the year. Adjusted for non-recurring effects for repurchases of expensive loans and restructuring costs, cash flow for the nine-month period ended up at SEK 1,796m (580).

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 852m for the period and SEK 594m for the quarter.
- As of 30 September 2020, SBB’s portfolio of building rights amounted to approximately 2,185,000 sq.m. GFA for social infrastructure, corresponding to approximately 29,000 apartments, making SBB one of the Nordic region’s leading property developers.
- Over the nine-month period, SBB completed the renovation of 437 apartments. A further 80 apartments are currently being renovated and renovation of a further 176 apartments is planned within the next three months. Combined with renovation of community service properties, this generates potential for strong recurring earnings.
- SBB is one of Europe’s most socially sustainable company and has invested in summer jobs this summer by offering a job to 134 young people.

5

- We have already the credit metrics in place to achieving a BBB+ rating, which is a prerequisite for strong growth. In the long term, the goal is to achieve an A- rating.

6

- We continue to lower our average interest rate, ending up at 1.41 percent (1.76) at the end of the period. SBB has no exposure to variable interest rates. The average interest duration for all interest-bearing liabilities is among the longest in the Nordics at 4.9 years (2.8) and the average debt maturity was 4.7 years (3.4). To further strengthen its sustainability profile, SBB intends to launch a framework for social sustainable bonds.

THANK YOU!



Samhällsbyggnadsbolaget
