BONAVA

Strategy workshop

2017-05-17

Strategic decision-making is an iterative process

2

Market attractiveness
- Long-term market potential
- Potential to convert demand to deals

1

Financial ambition
- Dividend share of 40%
- Equity to asset ratio >30%
- ROCE between 10-15%

**Where to play &
How to win**

3

Bonava potential to capture
- Historical performance
- RMS position
- Ability to achieve competitive advantage

4

Resource limitations
- Capital
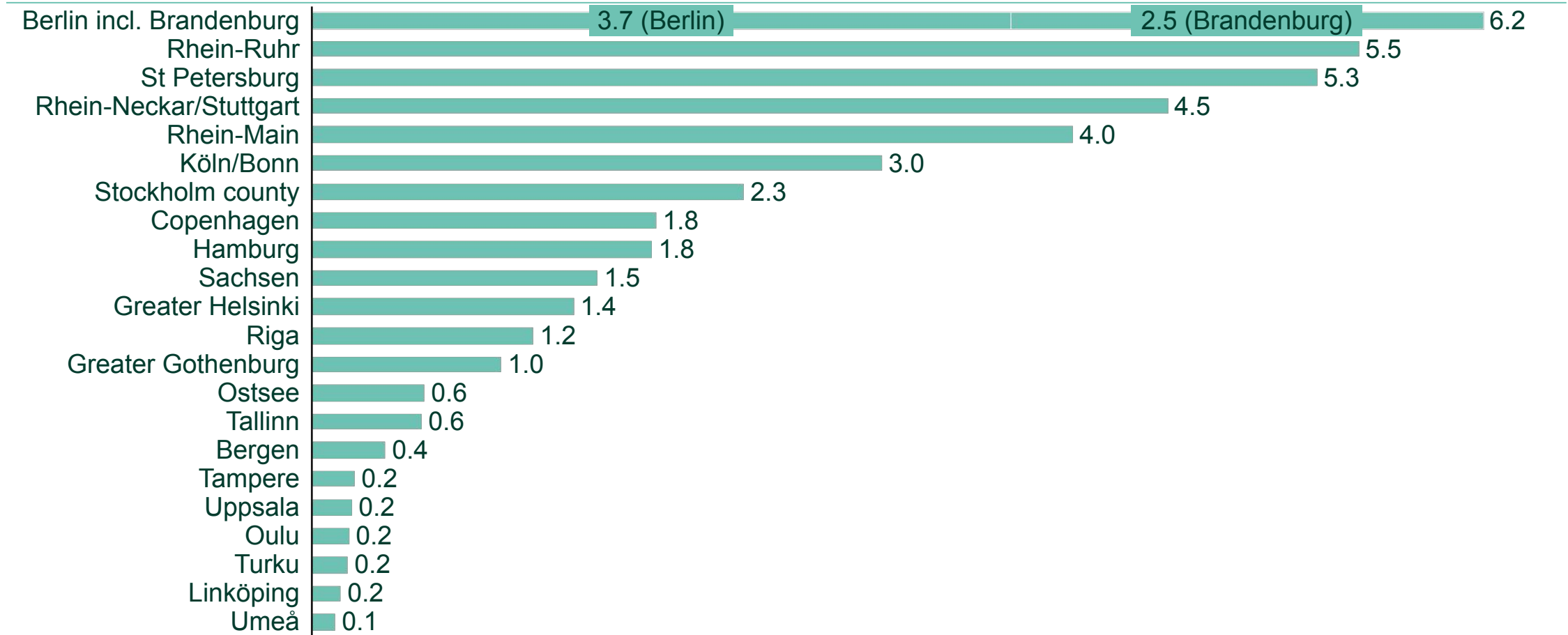- Management attention
- Resources/capabilities

Slowing down of housing price increases most common
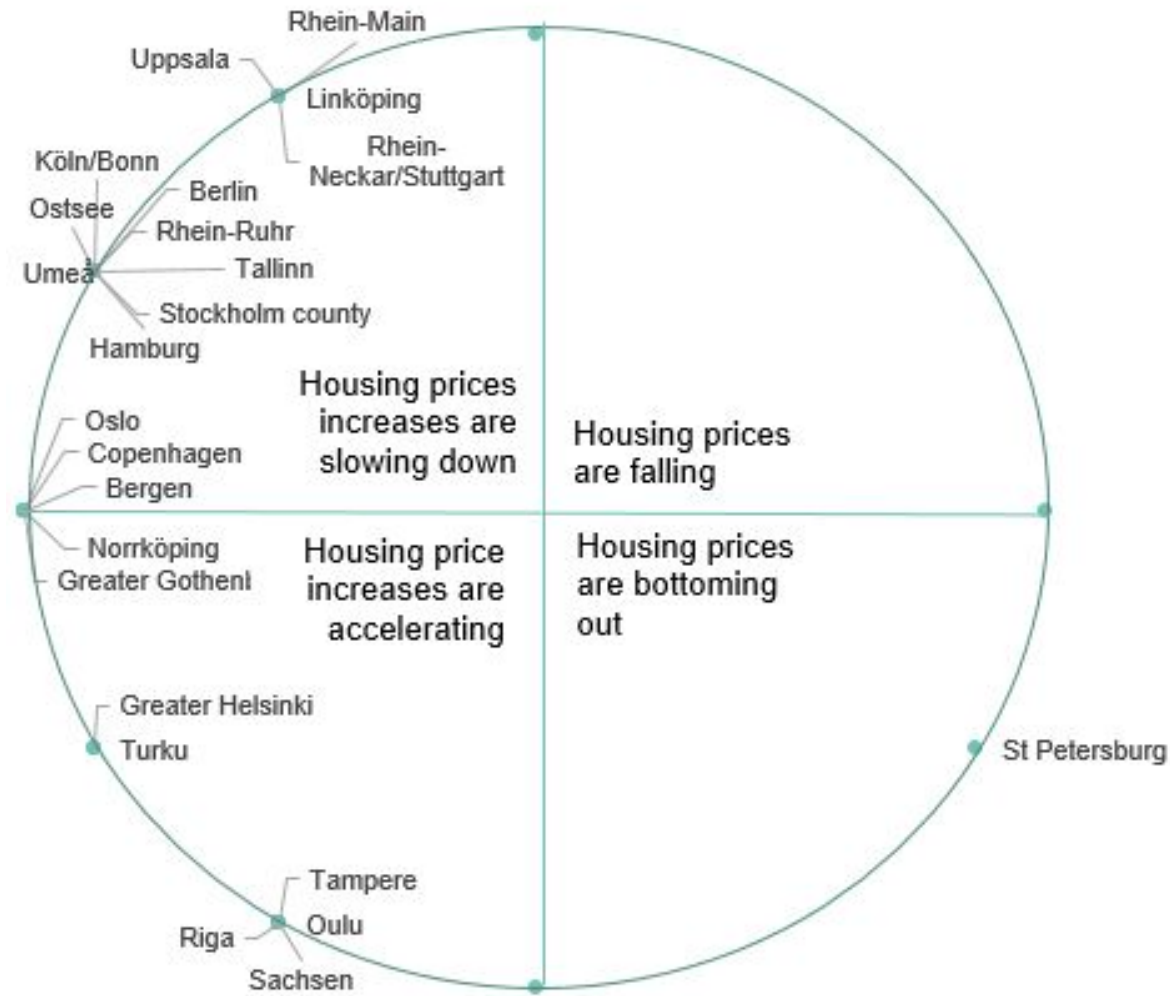
Large difference in size of Bonava's regions

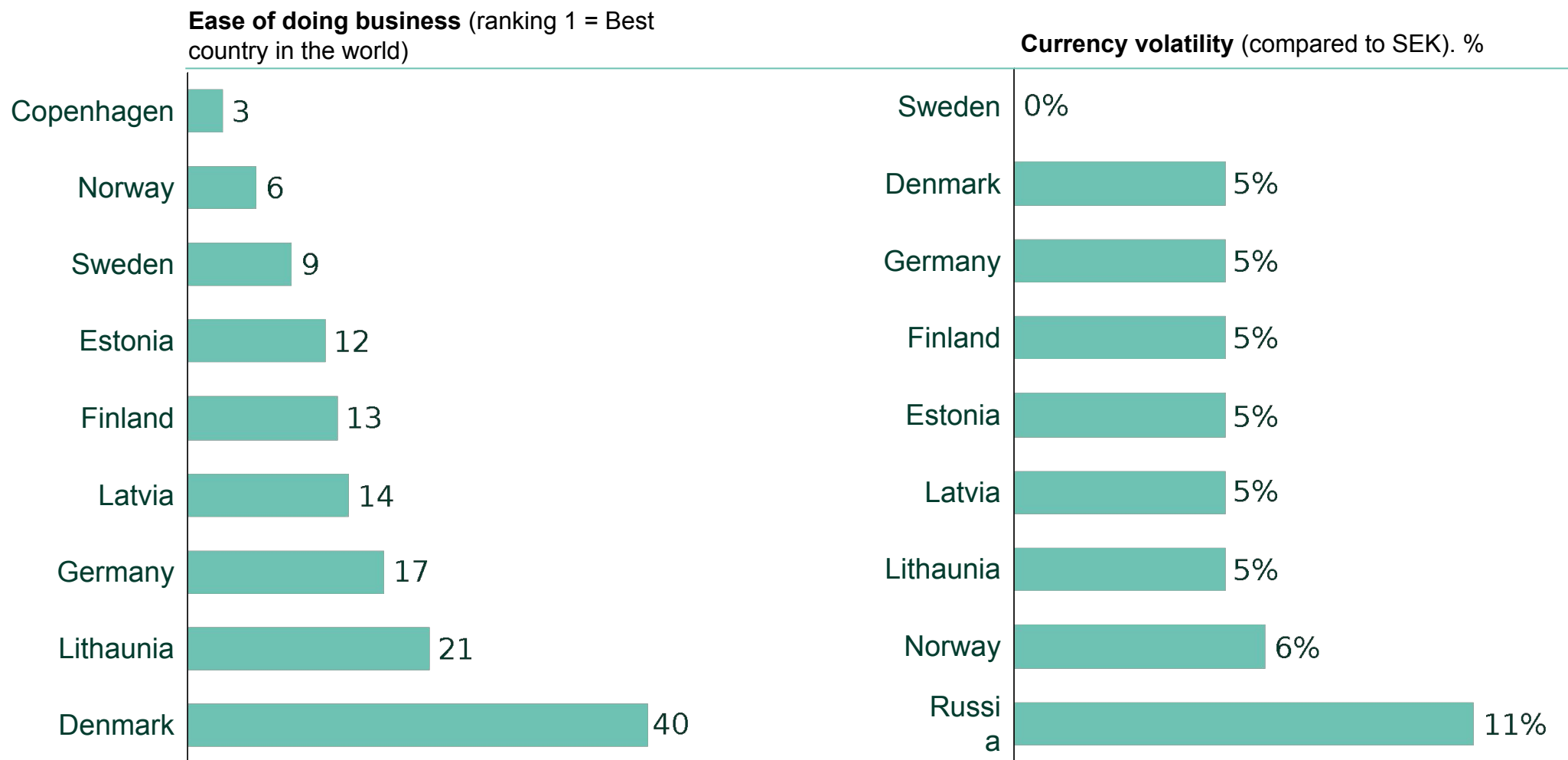**Population in our regions.** million inhabitants

Region	Value
Berlin incl. Brandenburg	3.7 (Berlin) + 2.5 (Brandenburg) = 6.2
Rhein-Ruhr	5.5
St Petersburg	5.3
Rhein-Neckar/Stuttgart	4.5
Rhein-Main	4.0
Köln/Bonn	3.0
Stockholm county	2.3
Copenhagen	1.8
Hamburg	1.8
Sachsen	1.5
Greater Helsinki	1.4
Riga	1.2
Greater Gothenburg	1.0
Ostsee	0.6
Tallinn	0.6
Bergen	0.4
Tampere	0.2
Uppsala	0.2
Oulu	0.2
Turku	0.2
Linköping	0.2
Umeå	0.1

All regions have positive population growth rate
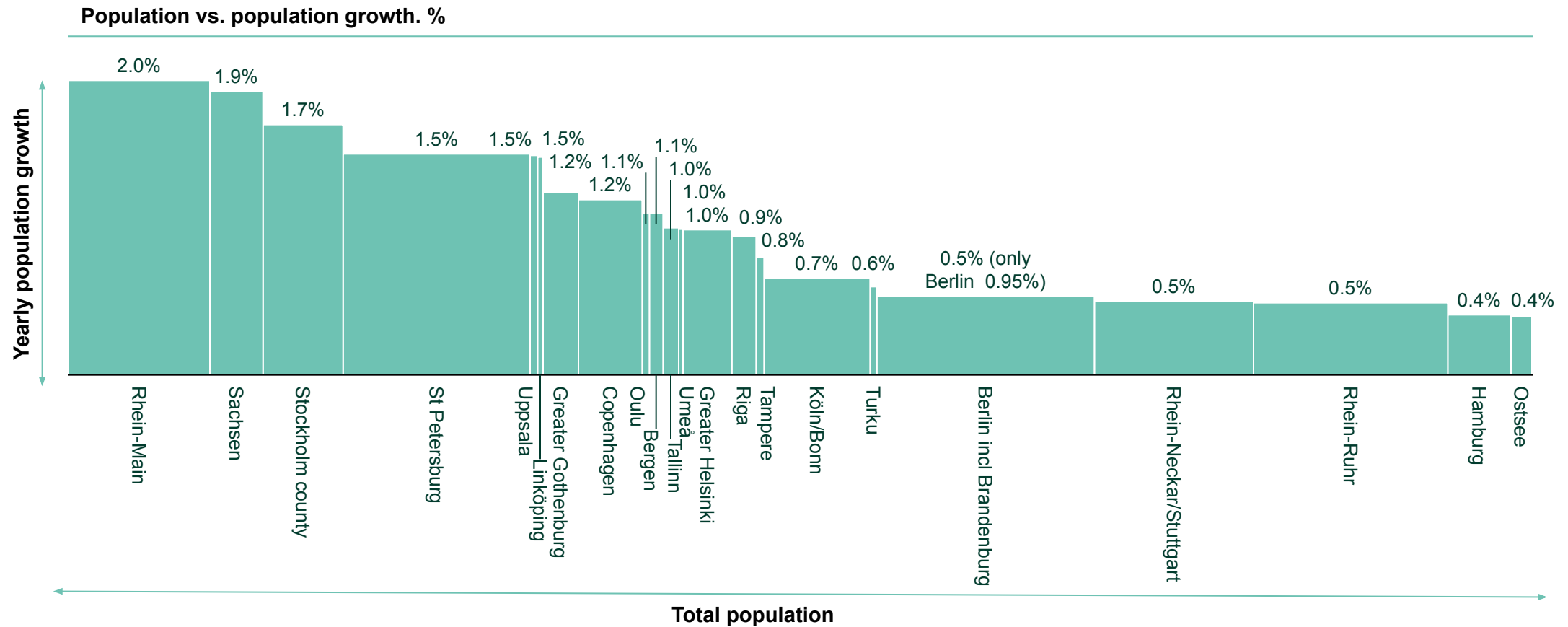
Population vs. population growth. %

Yearly population growth (vertical axis)

Total population (horizontal axis)

Bars with values (left to right):
- Rhein-Main: 2.0%
- Sachsen: 1.9%
- Stockholm county: 1.7%
- St Petersburg: 1.5%
- Uppsala: 1.5%
- Linköping: 1.5%
- Greater Gothenburg: 1.2%
- Copenhagen: 1.1%
- Oulu: 1.2%
- Bergen: 1.1%
- Tallinn: 1.0%
- Umeå: 1.0%
- Greater Helsinki: 1.0%
- Riga: 0.9%
- Tampere: 0.8%
- Köln/Bonn: 0.7%
- Turku: 0.6%
- Berlin incl Brandenburg: 0.5% (only Berlin 0.95%)
- Rhein-Neckar/Stuttgart: 0.5%
- Rhein-Ruhr: 0.5%
- Hamburg: 0.4%
- Ostsee: 0.4%

Differences in market risk parameters between our markets

Ease of doing business (ranking 1 = Best country in the world)

Country	Ranking
Copenhagen	3
Norway	6
Sweden	9
Estonia	12
Finland	13
Latvia	14
Germany	17
Lithaunia	21
Denmark	40

Currency volatility (compared to SEK). %

Country	Volatility
Sweden	0%
Denmark	5%
Germany	5%
Finland	5%
Estonia	5%
Latvia	5%
Lithaunia	5%
Norway	6%
Russia	11%

Backup: What is included in ease of doing business

Ease of doing business

- Ranking by The World Bank

- **Purpose:**
  - Economies are ranked on the ease of doing business. from 1–190
  - A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm

Included sub parameters	Best performing of our markets (global position)	Worst performing of our markets (global position)
Starting a business	Estonia (14)	Germany (114)
Dealing with construction permit	Denmark (6)	Russia (115)
Getting electricity	Germany (5)	Latvia (42)
Registering property	Estonia (6)	Germany (79)
Getting Credit	Latvia (7)	Norway (75)
Protecting Minority investors	Norway (9)	Finland (70)
Paying taxes	Denmark (7)	Russia (45)
Trading cross borders	Denmark (1)	Russia (140)
Enforcing contracts	Norway (4)	Finland (40)
Resolving insolvency	Finland (1)	Russia (51)

Market attractiveness model weight together scores

Step 3

- All scores weighted together with individual weight per metric

Step 2

- Each metric assigned a score between 1 and 5
- Best 5 and worst 1 (percentage distributed between)

Step 1

Data collected centrally and in the business units

Market attractiveness ranking

Back up: Details of model

Factor	Description	Metric	When good (high or low figure)	Weight
1. Market characteristic	• Payment terms from customers	• Measured by 3 archetypes	n/a	7.5%
	• Payment terms for land	• Share of options/off balance percent (of total plots) (internal data)	High	7.5%
	• Project development time	• Average time between TG2 and TG4 (internal data)	Low	5% *(25%)*
	• Market concentration	• Market share of top 4 players	Low	5%
2. Long term demand and supply balance	• Population	• Total population in the region	High	15%
		• Forecasted population growth	High	5% *(25%)*
	• Demand-Supply balance	• Historic housing price development	High	5%
3. Market risk	• Industry concentration	• Binary metric (1 or 0). 1 if you have a clear industry concentration	Low	0%[1]
	• Country risk	• World bank – Ease doing business index	Low	25% *(50%)*
	• Currency risk	• Daily currency volatility	Low	25%
4. Economic sentiment	• Unemployment	• Absolute unemployment rate	Low	
		• Forecasted unemployment rate change	Low	
	• GDP growth	• Forecasted GDP growth	High	
	• Customer activity	• Number of transaction per inhabitant	High	

Sweden and Germany in top

Market attractiveness ranking score – Including short term factors i.e.. economic sentiments

Location	Score
Stockholm county	3.7
Greater Gothenburg	3.6
Linköping	3.5
Uppsala	3.5
Umeå	3.5
Rhein-Main	3.4
Copenhagen	3.4
Rhein-Neckar/Stuttgart	3.3
Bergen	3.3
Riga	3.2
Berlin	3.2
Rhein-Ruhr	3.2
Sachsen	3.0
Tallinn	3.0
Hamburg	3.0
Greater Helsinki	2.9
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Ostsee	2.8
Oulu	2.8
St Petersburg	2.8
Tampere	2.8
Turku	2.7
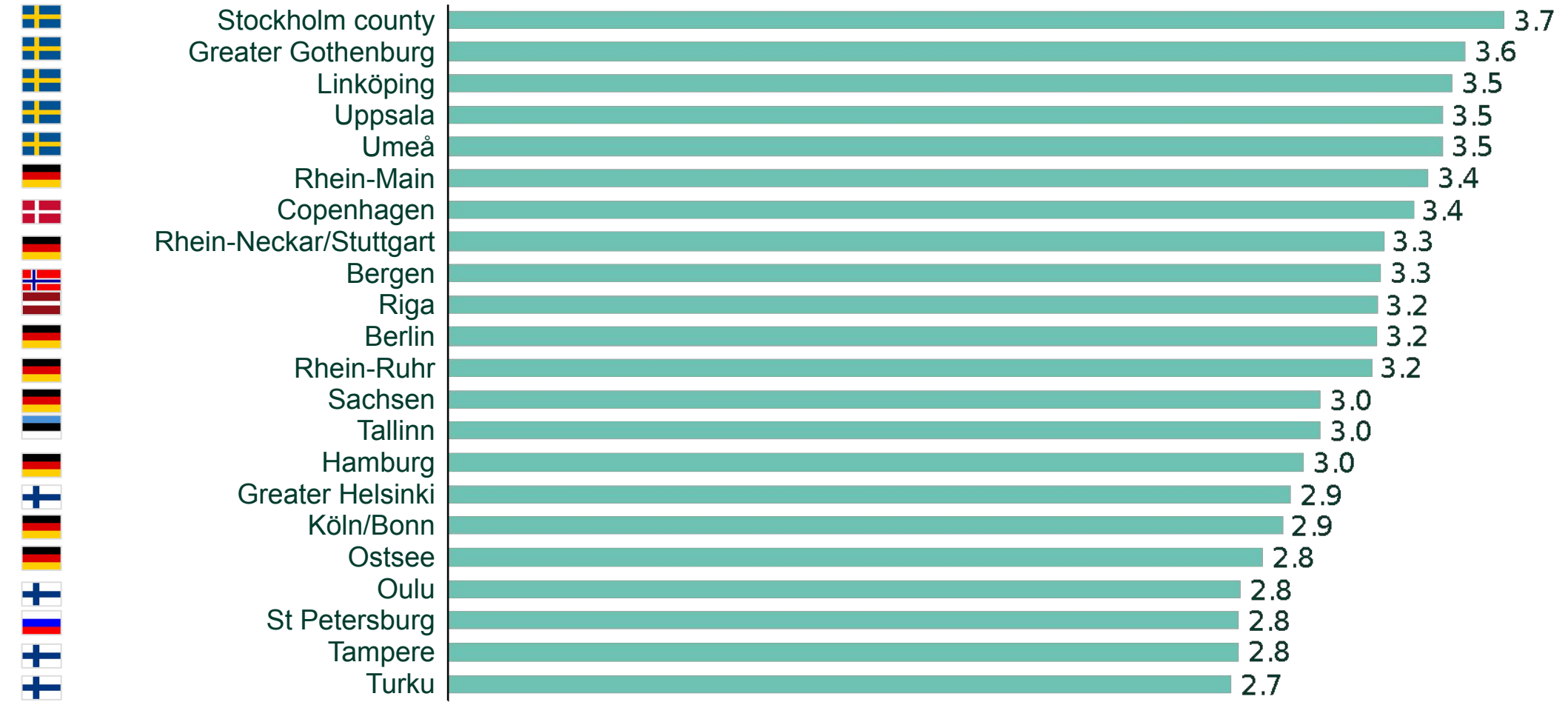
Agreed current situation at EMG meeting

Experience curve

Current maturity

Low   High

Construction cost (cost/m2)

Sweden
- **Norway**
  - **Finland**
    - **Denmark**
      - **St Petersburg**

- **Single family SE**

- **Baltics**

Germany

Accumulated production volume in
<u>same</u> platform
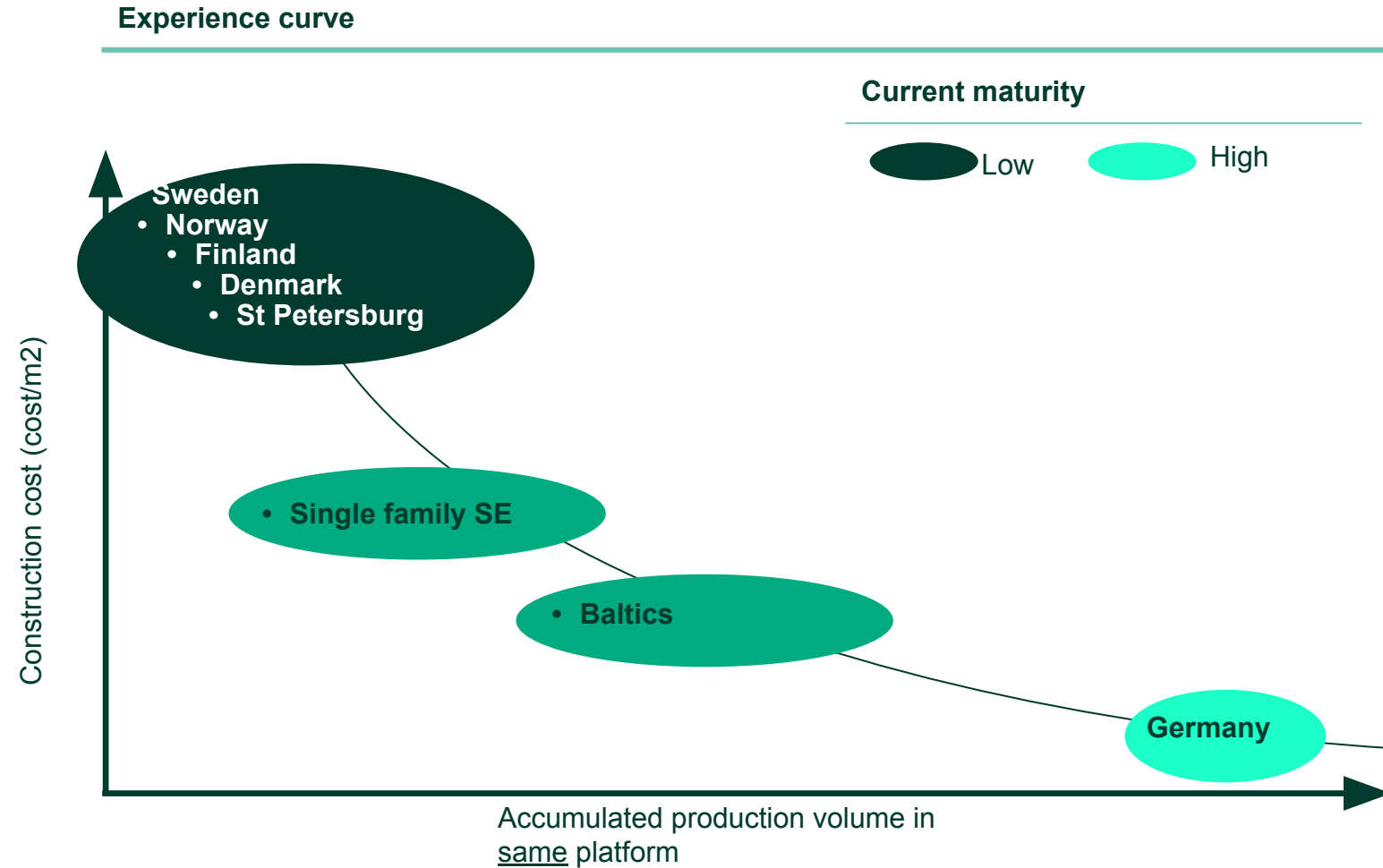
Agenda

- Market attractiveness – Data driven strategy process

- Strategic ideas

- **Beyond 2020**

- What if the crisis comes

Beyond 2020 we should accelerate growth
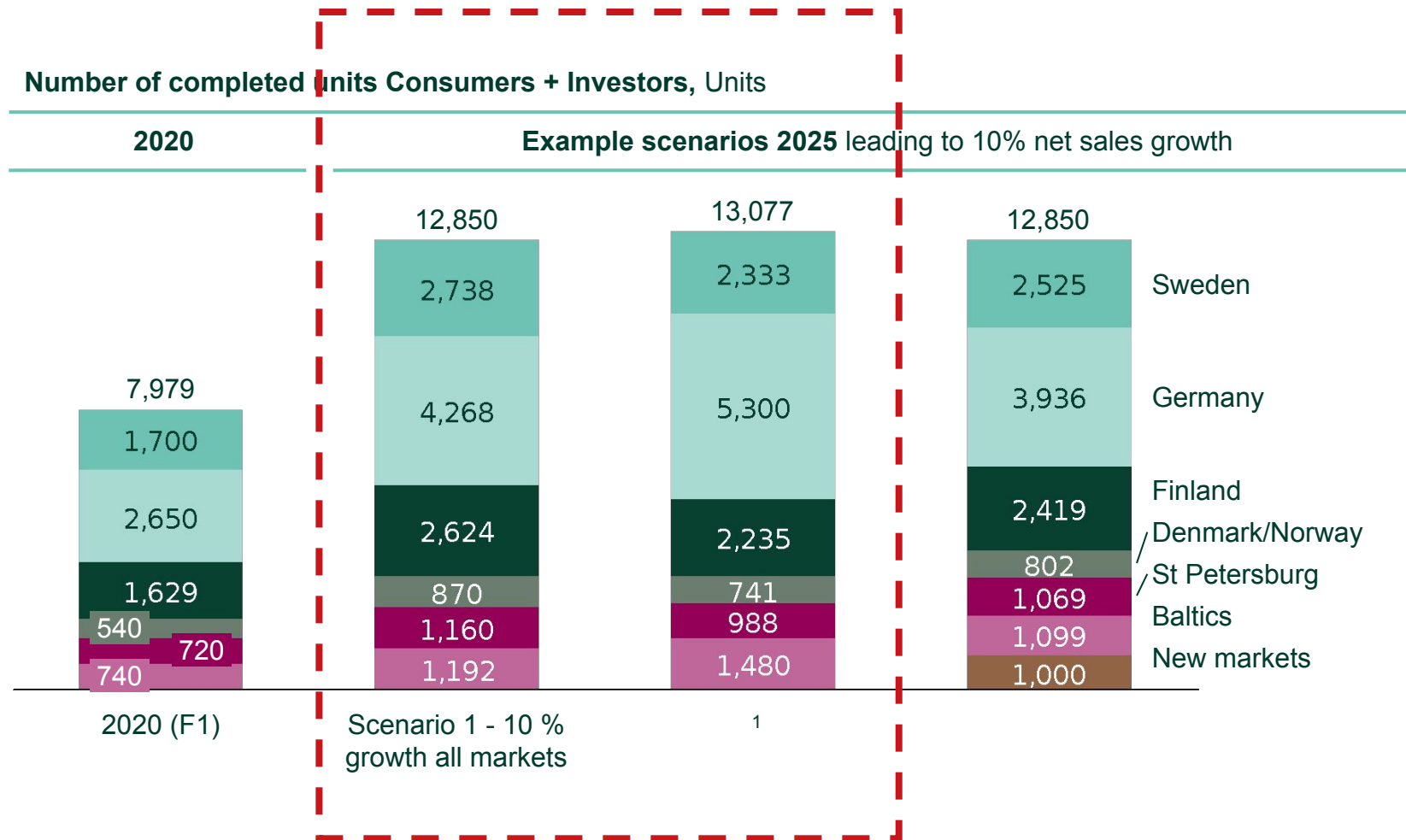
2021-2025

2016-2020

- Mature all markets for future strength
  - Establish Design & Production. procurement
  - Build brand awareness
  - Set the company culture
- Ensure a not to wide spread footprint
- Grow at certain "sweet spots" e.g.. Germany

To achieve 10% growth 2020-2025 different potential scenarios

Number of completed units Consumers + Investors, Units

2020	Example scenarios 2025 leading to 10% net sales growth

12,850

13,077

12,850

7,979

2020 (F1)	Scenario 1 - 10 % growth all markets	1		

2020:
- 1,700
- 2,650
- 1,629
- 540
- 720
- 740

Scenario 1:
- 2,738
- 4,268
- 2,624
- 870
- 1,160
- 1,192

Scenario (1):
- 2,333
- 5,300
- 2,235
- 741
- 988
- 1,480

Right scenario:
- 2,525 — Sweden
- 3,936 — Germany
- 2,419 — Finland / Denmark/Norway
- 802 — St Petersburg
- 1,069 — Baltics
- 1,099 — New markets
- 1,000

- Net sales grows from ~19 BSEK (2020) to ~32 BSEK (2025)
- No margin improvements included – Improving margins could reduce the needed for top line growth
- No adjustment done for housing price increases

1) Since average sales prices per units are lower in Germany. Latvia and Estonia – total number of units increase more when increasing net sales with 105 per annum