



D. CARNEGIE & CO.

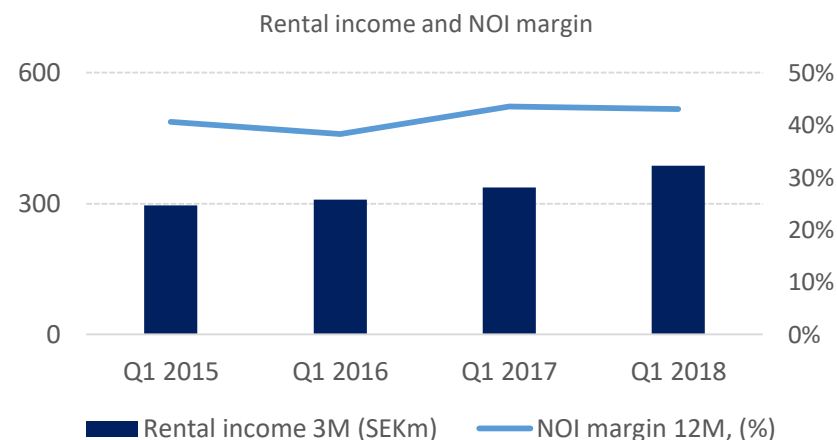
## **Q1 – Tenants remain our top priority**

*Manage, refurbish and develop residential properties*

# Business highlights and key data

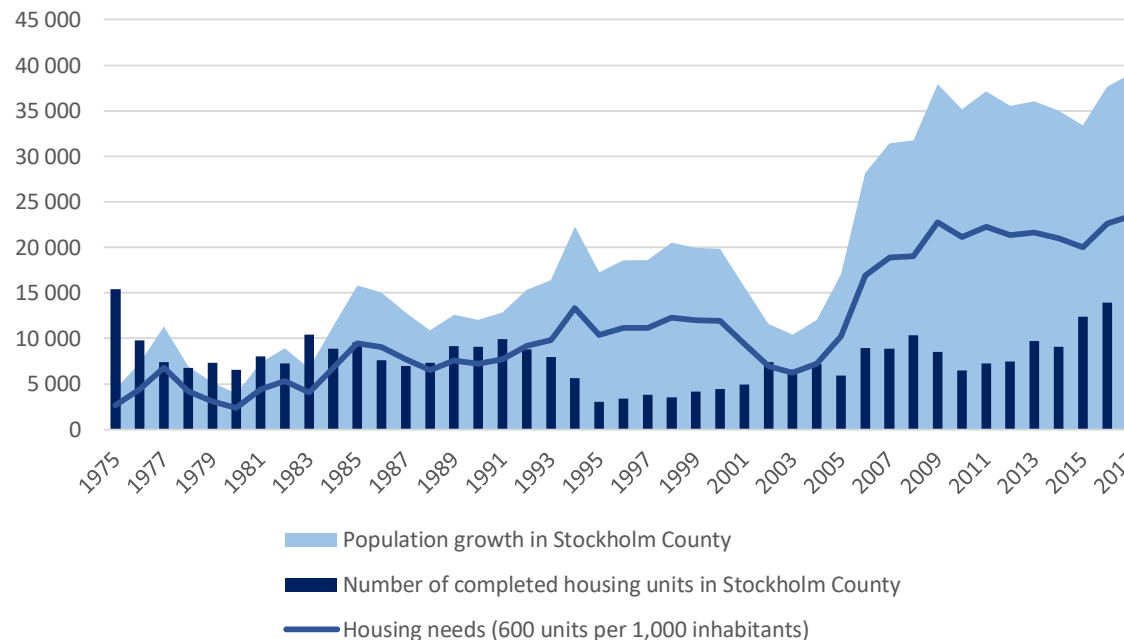
- Strong financial outcome as a result of continued high pace of refurbishments
  - 373 apartments renovations completed in Q1 (387), represents a strong start to the year
- NOI for the quarter reaching SEK 166 m
  - Increase of 13% yoy
- Quarterly NOI margin
  - 43.0% (43.5%)
- NOI margin, LTM
  - 52.2% (49.8%), above our target of 50%
- NOI (comparable portfolio) Q1 2017 – Q1 2018 increasing to SEK 153m
  - Reported yoy income growth of 4.9% understates underlying performance as income was suppressed by the unusually cold weather

SEK m	Q1 2018	Q1 2017	FY 2017
Rental income	386	337	1,473
Net operating income (NOI)	166	147	774
Equity EPRA NAV per share (SEK)	125.4	102.4 <sup>1</sup>	123.3 <sup>1</sup>



# The market in which we operate

New housing supply versus population growth in Stockholm

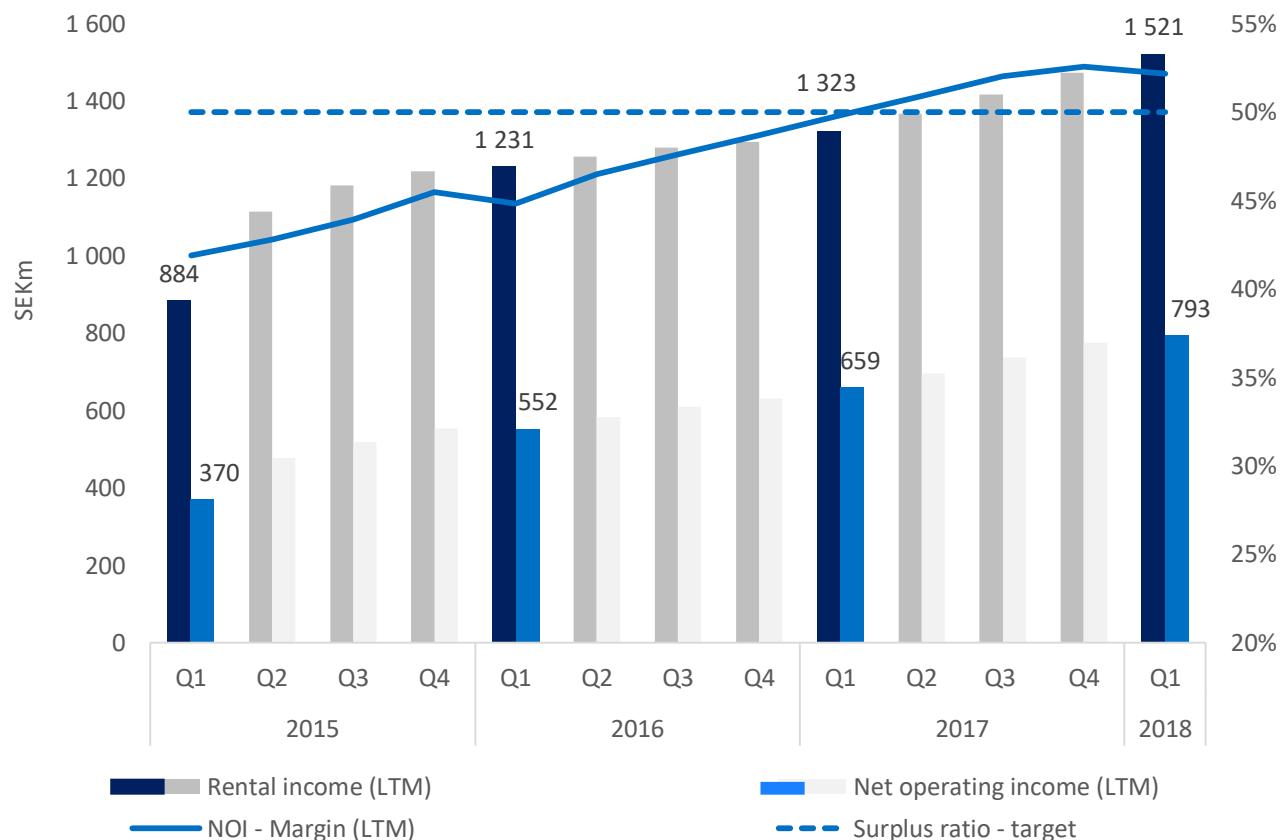


Source: Statistiska centralbyrån (SCB)

- Strong population growth, estimated to increase to 2.6 million by 2026
- Around 21,000 new homes required per year until 2030
- Yet, new development is expected to decrease by ~25% in the Stockholm region following the recent decline in co-op prices and tighter credit restrictions

Source: Boverket and Statistiska centralbyrån (SCB)

# Strong growth as a result of reduced costs and increased rent levels



**+15%** (LTM)

Increase in rental income compared to LTM Q1 2017

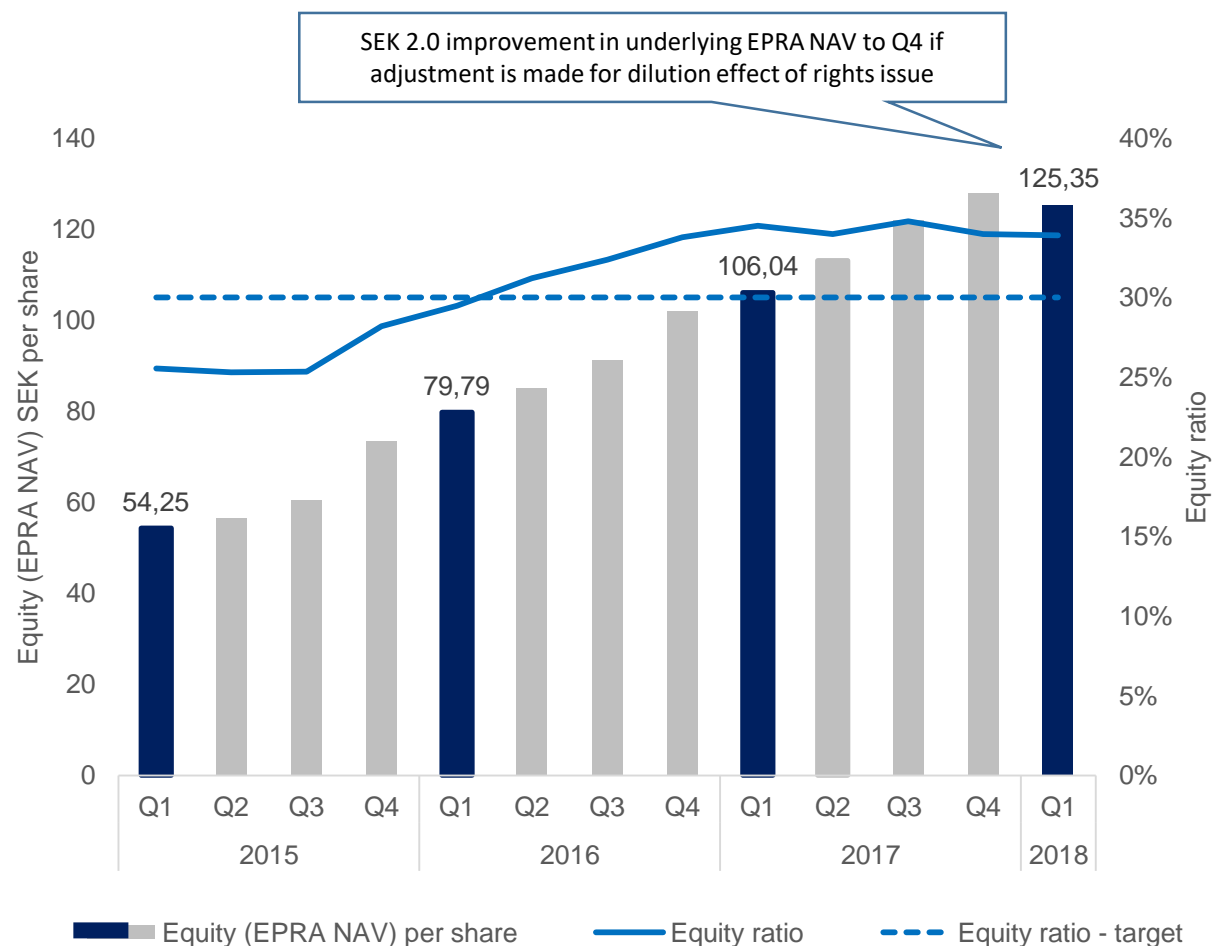
**+20%** (LTM)

Increase in net operating income compared to LTM Q1 2017

**52.2%**

NOI margin (LTM) compared to LTM Q1 2017 at 49.8%

# Consistently strong growth in EPRA NAV

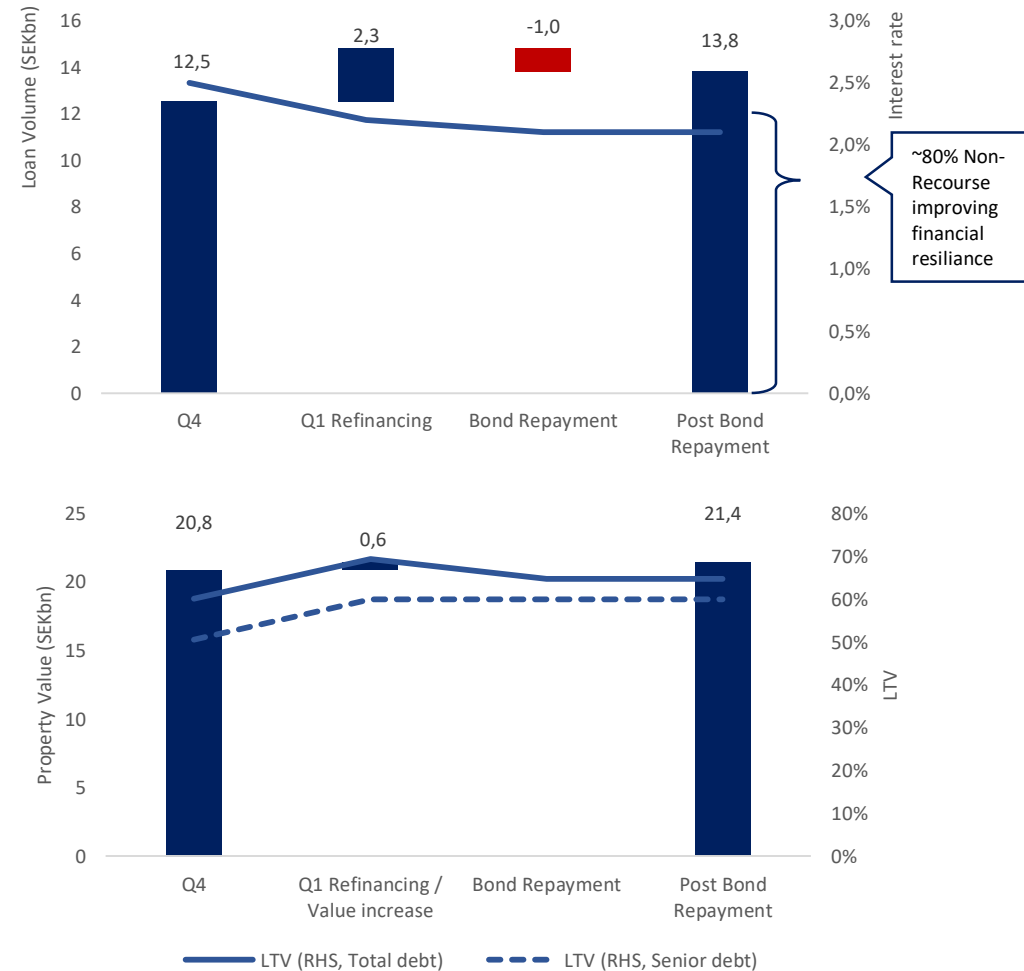


**+18.2%** (yoy)

Increase adjusted equity (EPRA NAV) per share

# Continuously optimizing capital structure

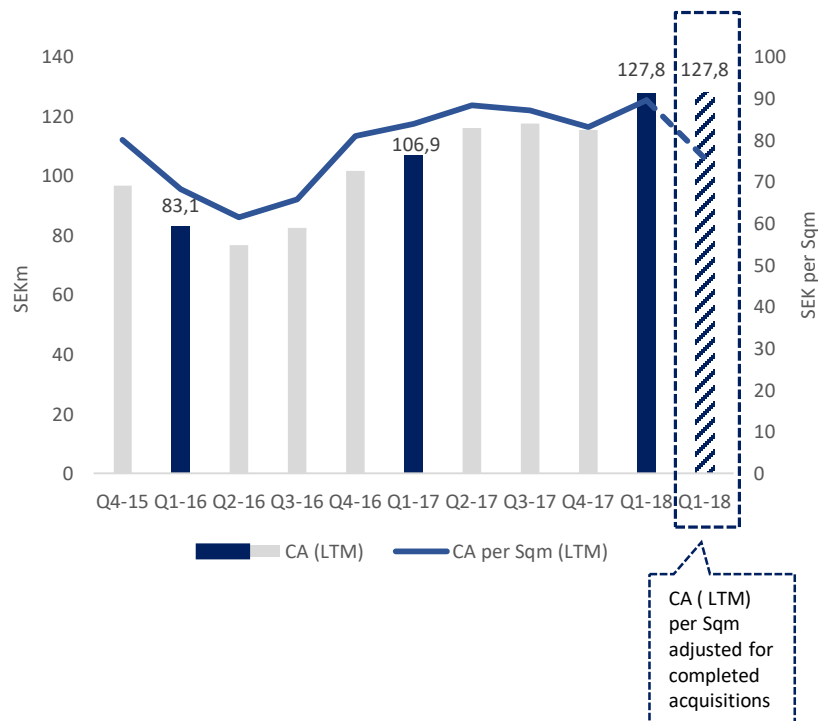
- D. Carnegie is continuously focused on optimizing its capital structure
- SEK 4.8 bn refinancing in the first quarter has increased LTV and reduced financing costs (albeit incurring SEK 0.1 bn of non-recurring break costs)
  - SEK 2 bn released partly used to repay SEK 1 bn bond
  - 7 year floating rate (2.1% margin) term facility combined with SEK 1 bn revolving capex facility
    - 90% hedged by a 2.5% interest rate cap
- Q1 refinancing in line with D. Carnegie's overall financing strategy
  - Long-term loans combined with capex top-up facilities
  - Non-recourse



\*Excl. Building rights SEK 0,6 bn Q1 2018

# Central administration

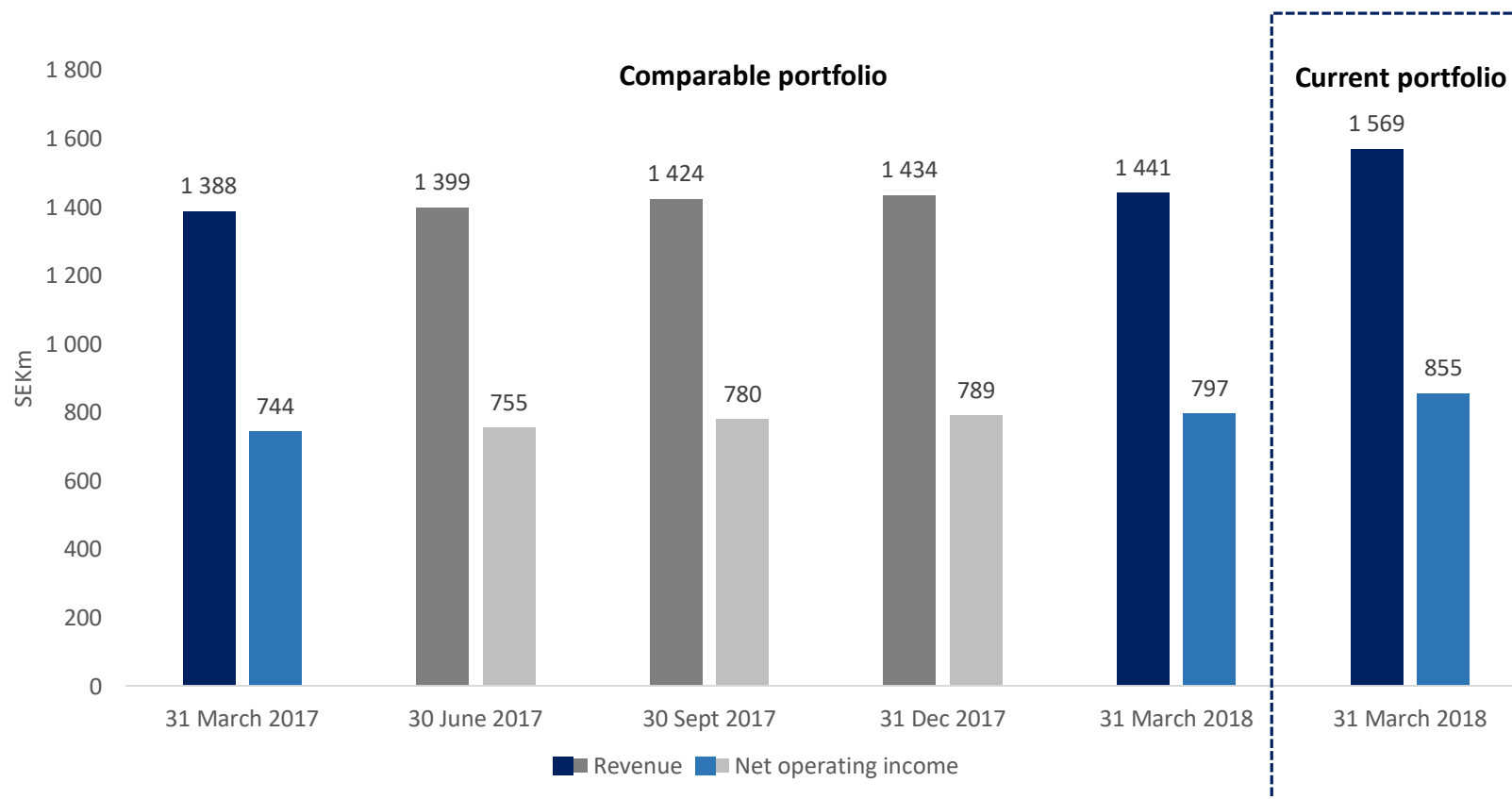
## Central administration quarterly development



## Comments

- Increasing costs for central administration (20% LTM) in part a result of organizational expansion in preparation for continued portfolio growth
- SEK 127.8 includes compensation amounting to approx. SEK 6 million for the previous CEO, which was fully taken during the quarter
- Focus on further cost efficiencies and improvement in 2018

## Steady growth in NOI earnings capacity: +7% for comparable portfolio (yoy)



Quarterly revenue growth

0.8%

0.8%

1.8%

0.7%

0.5%

Quarterly NOI growth

1.5%

1.5%

3.3%

1.2%

1.0%

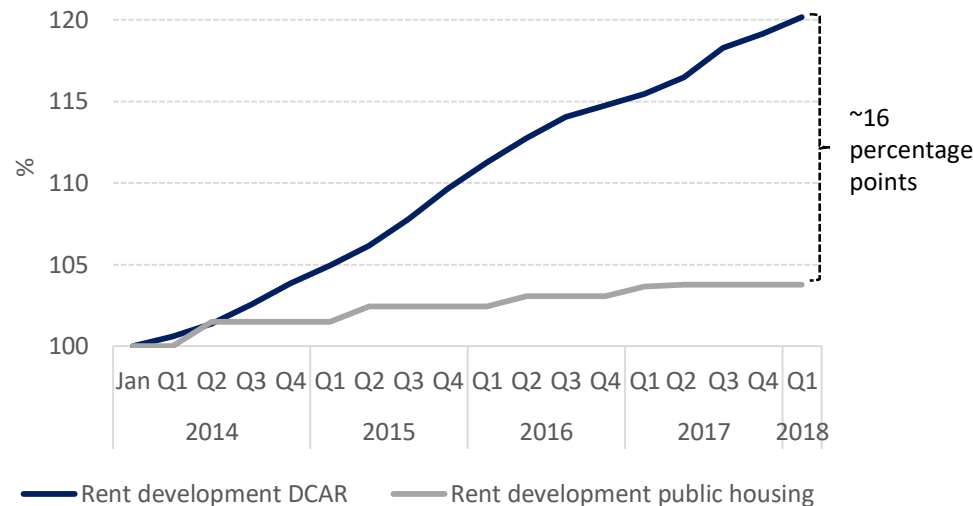
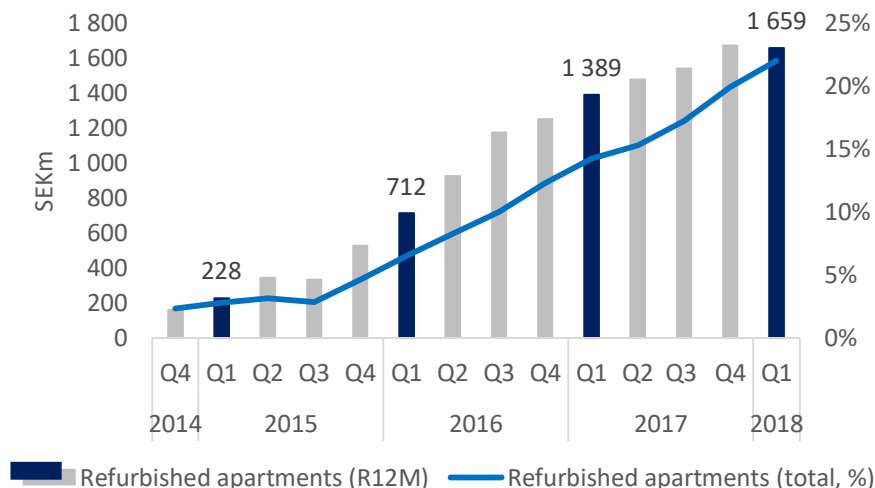
7% growth in NOI earnings capacity



# Strong refurbishment rate continues with 1,659 units completed in the last twelve months

1,659 apartments renovated LTM

Additional 16 percentage points rental increase vs public housing



- 3,966 (2,329) apartments of a total of 18,031 apartments have been renovated since 2014
- 78% (86%) remains unrenovated at the end of the period, implying meaningful future potential across our assets

- Refurbishments driving rapid growth in rental income

# Refurbishing process improved and expanded since 2014

## Refurbishment process improved and expanded over time

D. Carnegie has developed and refined its refurbishment process since the strategy was first adopted in 2014

- Our apartments are **completely refurbished** to a modern standard using increasingly high quality materials with features such as heating systems and pipes comprehensively replaced
- Quality materials and long lasting solutions with lower maintenance costs differentiate D. Carnegie's refurbished apartments



## Costs per unit and sqm varies slightly over time






The two main drivers of cost deviations are:

- **Size of the refurbished apartment** - larger units commanding a higher total, but a lower per sqm cost
- **Extra costs related to the specific condition of the property** (e.g. walls that need to be strengthened)



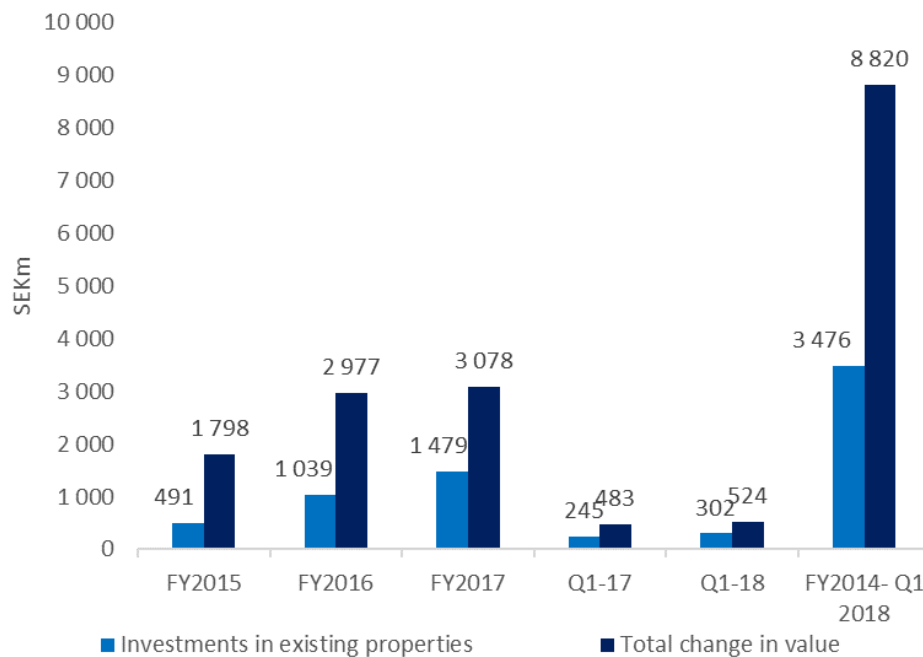
## Refurbishment process mature, but room to improve further

Refurbishment process in good shape:

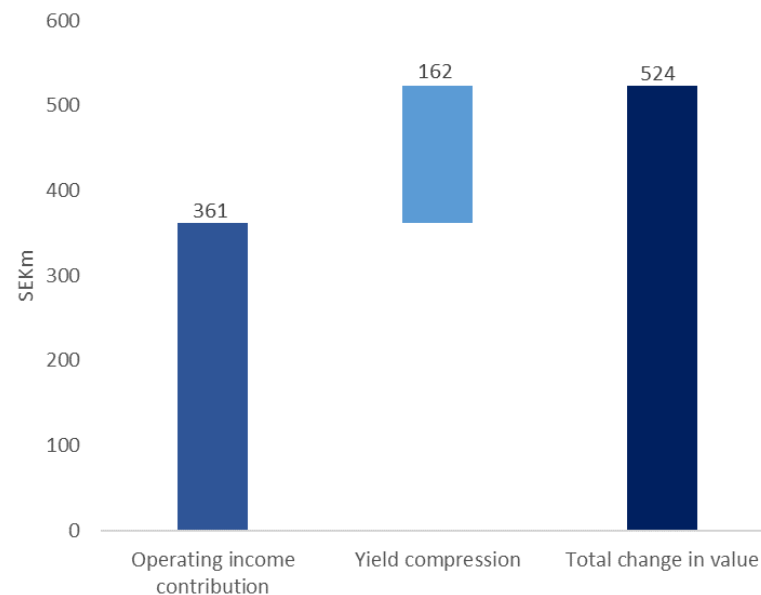
- **Product** - completely refurbished apartments with a modern standard and a nice atmosphere 
- **Refurbishment rate** – 1,673 units refurbished in '17 and strong momentum in Q1 '18 with 373 units completed 
- **Quality** - high quality refurbished apartment product that will stand the test of time 
- **Time** - Refurbishment completed in 5-6 weeks, further time saving without risking quality difficult 
- **Cost optimization** – Still room for further cost optimization within labor and material 

# Over 100% return on investments since inception

Investments and increase in property value since inception (2014)



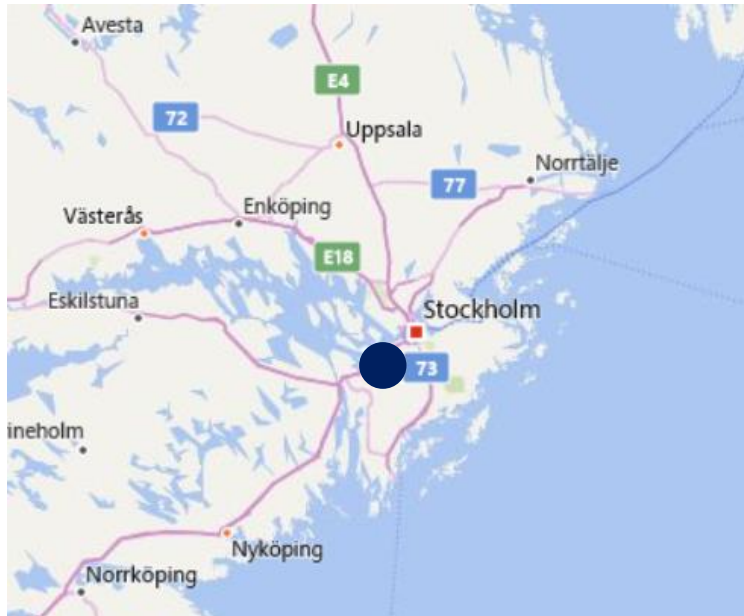
Property valuation breakdown Q1 2018



# Acquisitions

## During the first quarter

- At the end of January D. Carnegie & Co divested two properties in Eskilstuna to a private housing cooperative to an underlying property value of SEK 44 million, corresponding to SEK 23,417 per square meter lettable area.



● Alby acquisition

## After the fourth quarter

- At the beginning of April, D. Carnegie & Co completed the acquisitions of 1,420 apartments in the Stockholm region and 749 apartments in Västerås.
- On 26 April D. Carnegie & Co completed the acquisition of 1,274 apartments in Alby, Stockholm. The agreement was entered into on 5 April 2018 with Byggmästare Anders J Ahlström Fastighets AB. As part of the purchase price of SEK 1,673 million, Byggmästare Ahlström subscribed for series B-shares in D. Carnegie & Co, welcoming a new shareholder to the company.

## Closing remarks

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- Tenants are our top priority
- Long-term perspective in all parts of the organization
- Strong focus on the value of our shareholders' equity

The above is underpinned by major investments into our assets, including renovation of apartments, upgrading of the buildings and also investing into our local communities.



D. CARNEGIE & CO.

**Thank you!**

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