



FRIGAARD

Property Group

Q3 2023 result presentation



Simon Nyquist Martinsen

CEO

November 14, 2023

This is Frigaard Property Group – Q3 2023



Strategy

FPG aims to be the leading contractor and residential property developer in its core markets, by combining its industrial and financial expertise

Focused on “Intercity triangle”

Urban areas in Eastern Norway outside Oslo

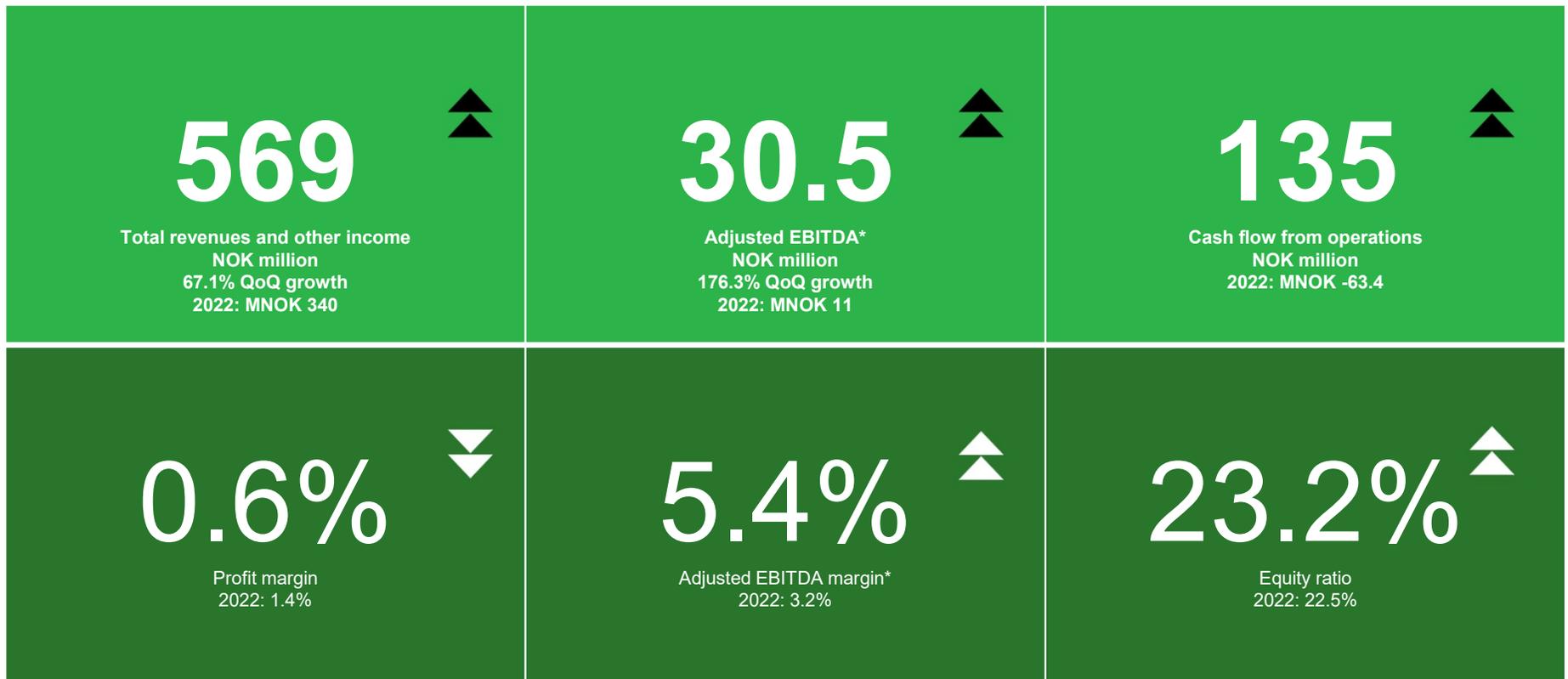
Key figures (MNOK)

Key figures	2019	2020	2021	2022	YTD 2023
Revenues	1 043	1 267	1 583	1 501	1 580
Adjusted EBITDA	52	92 ²⁾	21 ¹⁾	69 ³⁾	74 ⁴⁾
Net profit	17	58	-5	28	14
EBITDA-margin	5.0%	7.3%	1.3%	4.1%	3.6%
Order backlog	846	1,020	1 520	1 529	1 242
Equity ratio	27.8%	28.7%	22.3%	19.1%	23.2%

Note: 1 After one off costs related to a project within the Construction segment of MNOK 41. 2) Including share sale gain of MNOK 47. 3) Excluding onetime costs related to a strategic review of Alento of 6,4 MNOK, 4) EBITDA in the quarter is adjusted with MNOK 18,3 of non-recurring items related to an unfavorable judgment in a lawsuit and a settlement in a dispute in a project finalized in 2021. See slide 4.

The presentation should be read together with the full Q3 text report from Frigaard Property Group.

Key figures Q3 2023 (Q3 2022)



- EBITDA is profit before interest, taxes, depreciation and amortization. Adjusted EBITDA both for Q3 2023 and 2022.

Highlights Q3 2023 (Q3 2022)

- Revenue increased by 67.1% to MNOK 568.9 (340.3) in the quarter.
 - Tribunen phase 3 finalized and delivered.
 - Fagerlia phase 1 finalized and delivered.
- Adjusted EBITDA* for the quarter MNOK 30.5 (11). Adjusted EBITDA margins of 5.4% (3.2%).
- Net profit decreased to -11.8 MNOK (3.6) in the quarter.
- Revenue year to date increased by 41.7% to MNOK 1 580.3 (MNOK 1115.6), EBITDA of MNOK 56.1 (MNOK 50.8).
- Adjusted EBITDA* of MNOK 74.4 YTD (MNOK 57.2)
- Solid and healthy order backlog of MNOK 1 242.4 (1 698.6), including MNOK 90.6 (391.5) related to own development projects in Frigaard Bolig.
 - Intensive sales work towards the public and private sector, continued inflow of commercial projects, but slow housing market.
 - Alento secured two new contracts of a total of MNOK 585 with Møller Eiendom and Phase 4 of Neselva Hageby, in July 2023.
 - Solid pipeline of new housing projects in the Construction Segment, awaiting sufficient sales rate before start up.
- Prepare for more challenging times will implement cost measures in Q4

				
Key figures (NOK million)	3Q 23	3Q 22	30.09.2023	30.09.2022
Revenues Property development	313.4	0.4	592.6	19.9
Revenues Construction	503.0	339.7	1 386.6	1 095.1
Revenues Other	0.3	0.2	1.0	0.6
Elimination of internal income	-247.8	-	-399.9	-
Total revenues and other income	568.9	340.3	1 580.3	1 115.6
EBITDA Property development	13.1	-1.8	17.7	-4.4
EBITDA Construction	9.9	16.6	63.7	73.7
EBITDA Other	-3.3	-4.8	-10.3	-18.5
Elimination of internal cost	-7.5	-	-15.0	-
Total EBITDA	12.3	10.0	56.1	50.8
Adjusted EBITDA¹⁾	30.5	11.0	74.4	57.2
Earnings before financial items and tax (EBIT)	10.2	8.0	50.0	44.5
Net profit for the period	-11.8	3.6	13.7	34.8
EBITDA margin	2.2%	3.0%	3.6%	4.6%
Adjusted EBITDA margin ¹⁾	5.4%	3.2%	4.7%	5.1%
Operating profit margin	1.8%	2.3%	3.2%	4.0%
Profit margin	0.6%	1.1%	2.3%	2.7%

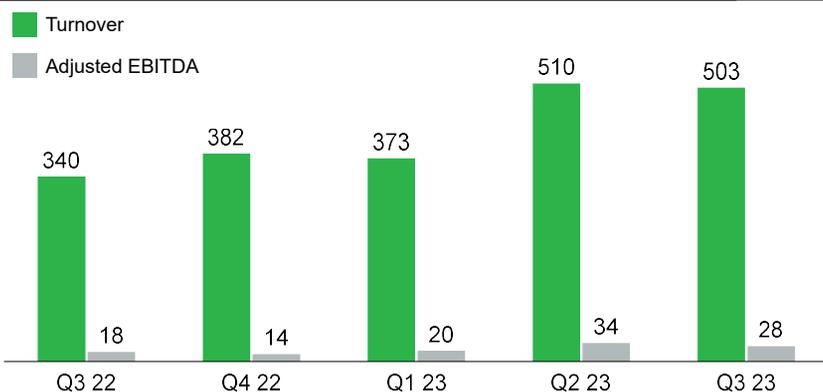
*The reported EBITDA of 30,5 MNOK in the quarter is adjusted with MNOK 18,3 of non-recurring items. The non-recurring items relates in full to the Construction segment, the adjusted EBITDA in this segment is MNOK 28,2. The losses are realized following: i) An unfavorable judgment in a lawsuit. The underlying dispute related to a combined residential and commercial construction project signed in 2019 and finalized in 2021. Parts of the judgment are appealed. ii) A settlement in a dispute that were scheduled for court in December. The dispute related to a steel construction project signed in 2020 and finalized in 2021. The cash consequences of the lawsuit and the settlement are positive due to receipt of a cash settlement and refund of VAT. The Q2 and Q3 figures in 2022 were adjusted by MNOK 5.4 and 1 MNOK respectively, due to a strategic review of Alento.

Construction segment

Highlights

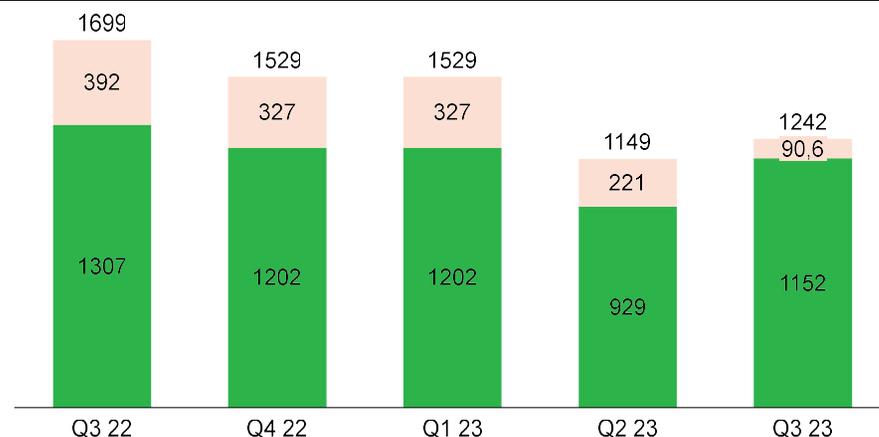
- MNOK 503 revenue and MNOK 28.2 in adjusted EBITDA, generated in the quarter (17.6)
 - Increased revenue for the segment of MNOK 248, from the handover of phase 3 of Tribunen in Moss and phase 1 of Fagerlia in Fredrikstad.
- Adjusted EBITDA MNOK 81.9 (80.1) year to date.
- Inflow on new orders in the quarter of MNOK 614.
- Solid order backlog of MNOK 1 242 of which MNOK 365.4 attributable to 2023, MNOK 817.7 relates to 2024, and MNOK 59.3 is related to 2025.
- High tender activity and pipeline, but few new residential projects due to the slow housing market.

Revenues and Adjusted EBITDA*



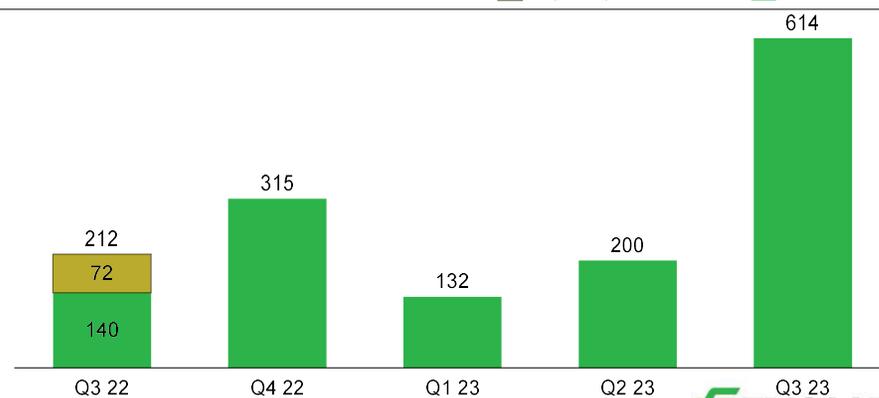
Order backlog

Backlog towards Frigaard Bolig External backlog



Order intake

Adjusting of order bank Order intake



5 Note: *Adjusted EBITDA due to non-recurring items from loss in a lawsuit and one settlement in a completed construction project (Q3 2022: MNOK 1 related to a strategic review of Alento). Adjustment of Order intake of MNOK 72 in Q3 2022 is related to delayed project, thus reported order intake for the quarter is MNOK 140.

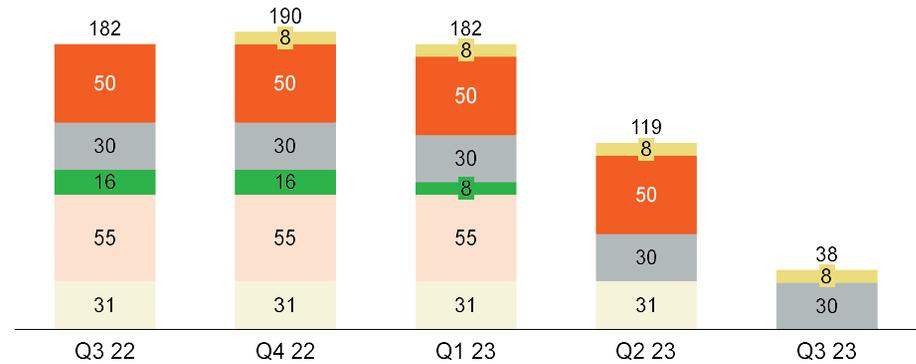
Property development segment: Projects on track

Highlights

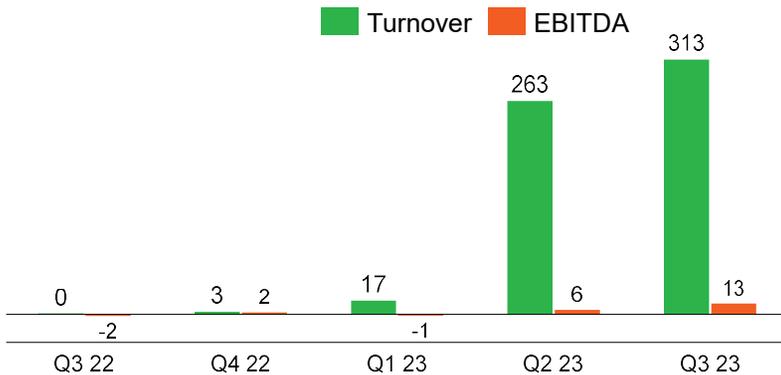
- Income this quarter is mainly from the handover of the third phase of Tribunen in Moss, and Fagerlia phase 1 in Fredrikstad.
- 5 units (apartments) sold during third quarter and 38 units currently under construction.
- Uncertainty in the market remains, with consequences for new sales – still only 29 units left to sell in the portfolio of finalized and ongoing projects.
- Revenue and profit will be seen in the P&L at the time of hand over of the units. Next hand over is planned Q4 Fagerlia 2 and Høgli (Mysen). The EBITDA is impacted by non cash interest on equity in the projects of around MNOK 21.

Fagerlia 2 Tribunen 3 Høgli Dronningen Tribunen 2 Fagerlia 1

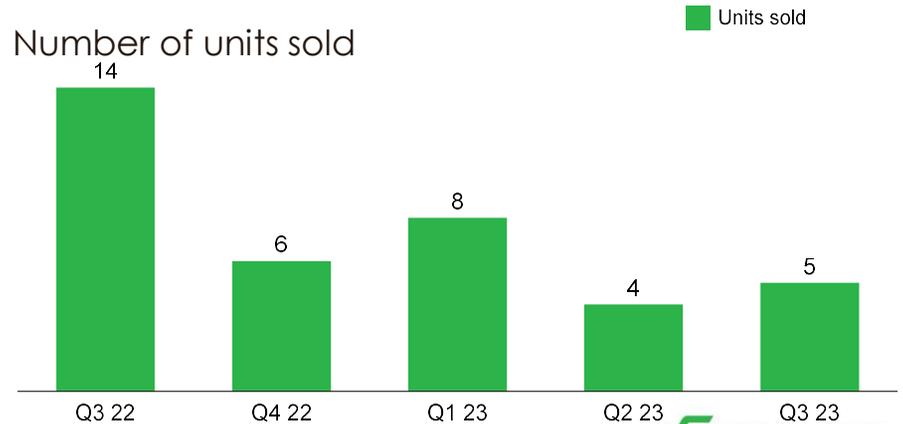
Units under construction



Revenues and EBITDA



Number of units sold



Units sold

Property development segment: Four ongoing residential projects

Project overview Q3 2023

 <p>Fagerlia II & III Fredrikstad</p> <p>Ongoing and in sales stage</p>	 <p>Høgli Mysen</p> <p>Ongoing</p>	 <p>Tindlund Terrasse Sarpsborg</p> <p>Zoning</p>	 <p>Lundebakken Fredrikstad</p> <p>Zoning</p>	 <p>Solbyen Sarpsborg</p> <p>Zoning</p>	
<p>30 apartments & 8 townhouses 8 townhouses in phase 2 6/8 town house sold 30 apartments in phase 3 6/30 units sold Total of 7 163 BRAS</p>	<p>30 apartments & 9 land plots 20/30 units sold and 5 land plots All phases est. completed Q4 23 Total of 7 424 BRAS</p>	<p>94 apartments Ownership 50% Expected sales start Q3 24 Est. completed Q1 26 Total of 8 268 BRAS</p>	<p>45 apartments Expected sales start Q4 24 Est. completed Q2 26 Total of 3 650 BRAS</p>	<p>50 apartments Expected sales start Q2 24 Est. completed Q1 26 Total of 2 900 BRAS</p>	
 <p>Aspelundtunet Askim</p> <p>Completed ✓</p>	 <p>R2 Panorama Mysen</p> <p>Completed ✓</p>	 <p>Moenskogen I & II Sarpsborg</p> <p>Completed ✓</p>	 <p>Dronningen Sarpsborg</p> <p>Completed ✓</p>	 <p>Fagerlia I Fredrikstad</p> <p>Completed ✓</p>	 <p>Tribunen I, II & III Moss</p> <p>Completed ✓</p>
<p>22 townhouses 22/22 units sold Total of 2 618 BRAS</p>	<p>29 apartments 29/29 units sold Total of 3 039 BRAS</p>	<p>60 apartments 60/60 units sold Total of 4 656 BRAS</p>	<p>16 apartments 12/16 units sold Total of 1 111 BRAS</p>	<p>31 apartments 22/31 units sold Total of 7 163 BRAS</p>	<p>174 apartments 69/69 units sold phase 1 54/55 units sold phase 2 47/50 units sold phase 3 Total of 12 752 BRAS</p>

Property development segment: ongoing residential projects

Full focus on finalization of fully financed projects during 2023

Projects with expected and estimated completion over the next three years

Name	BRAS	Units	Sold units	Sold	Delivery	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026
Tribunen 2	4,374	55	51	98%	Jun'23												
Tribunen 3	3,665	50	43	94%	Sept'23												
Fagerlia 1	2,966	31	20	71%	Aug'23												
Fagerlia 2	1,400	8	6	75%	Nov'23	▶	▶										
Høglia	2,438	39	25	64%	Dec'23	▶	▶										
Dronningensgate Atrium	1,111	16	12	75%	Apr'23												
Total to be delivered in 2023	20,940	199	166	83%													
Fagerlia 3	2,797	30	6	20%	-			▶	▶	▶	▶	▶	▶	▶	▶	▶	▶
Solbyen	2,900	48	-	-	-					▶	▶	▶	▶	▶	▶	▶	▶
Tindlund Terrasse	8,268	95	-	-	-					▶	▶	▶	▶	▶	▶	▶	▶
Lundebakken Utvikling	3,520	45	-	-	-									▶	▶	▶	▶
Åsenveien	12,500	156	-	-	-											▶	▶
Total other	29,985	374	6	2%													

* BRAs /units for Other is an estimate. Arrows in the figure is an estimate for building phase, which among other depends on sale rates.

Income statement

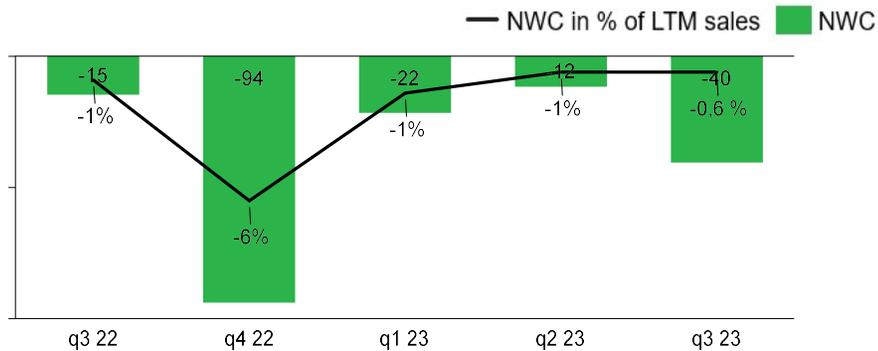
All amounts in MNOK	3Q 2023	3Q 2022	30.09.2023	30.09.2022	31.12.2022
Order backlog	1 242,4	1 698,6	1 242,4	1 698,6	1 528,6
Order intake	614,3	140,2	946,4	1 373,2	1 688,1
Revenue from contracts with customers	568,5	340,1	1 579,3	1 113,7	1 495,8
Other operating revenue	0,3	0,2	1,0	1,9	4,9
Total operating revenue	568,9	340,3	1 580,3	1 115,6	1 500,7
Materials, subcontractors and consumables	491,5	285,9	1 352,3	920,9	1 239,0
Salaries and personnel expense	40,9	34,9	123,8	111,3	155,4
Other operating expense	24,3	9,5	48,1	32,6	44,2
Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)	12,3	10,0	56,1	50,8	62,1
Depreciation and amortisation expense	2,0	2,1	6,1	6,3	8,5
Operating profit (EBIT)	10,2	8,0	50,0	44,5	53,7
Net financial costs	6,6	3,3	13,5	9,7	16,5
Profit before income tax	3,6	4,6	36,5	34,8	37,2
Income taxes	15,4	1,0	22,7	7,7	9,0
Net profit for the period	-11,8	3,6	13,7	27,2	28,2

- Solid order backlog and residential units in production at the end of the quarter
 - MNOK 614.3 in new orders secured in third quarter 2023
- Revenue this quarter is affected by MNOK 248 from the handover of Tribunen in Moss, phase 3 and Fagerlia phase 1 in Fredrikstad.
- EBITDA* increased with 22% compared to third quarter 2022, and 10.5% YoY.
- Majority of net finance costs is related to a listed bond of MNOK 300. Calculated interest on equity investments into the Property Development projects are being accounted for in the balance sheet and cost is taken when residential units are handed over.

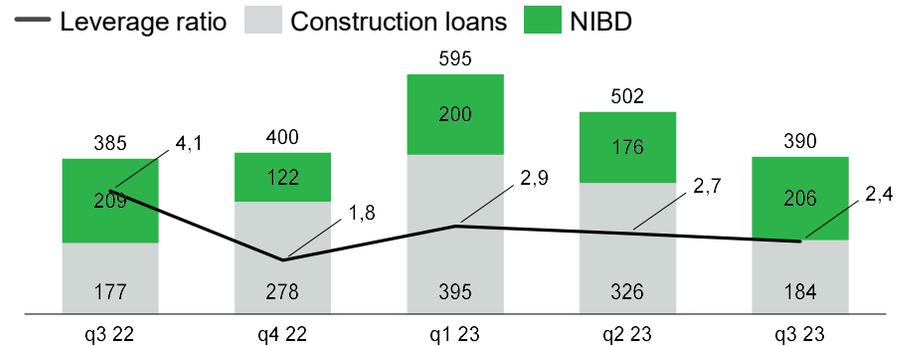
*Non-recurring items of 18,3 MNOK in Q3 are accounted for within EBITDA, see slide 4. Adjusted EBITDA is MNOK 30.5.

Working capital, net interest-bearing debt and Cash

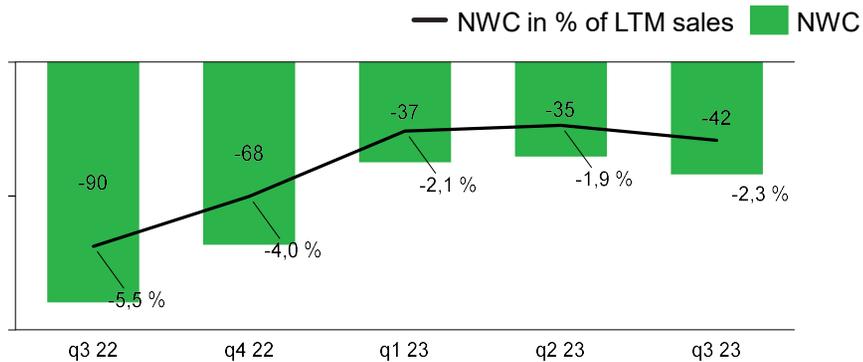
Net working capital (construction)



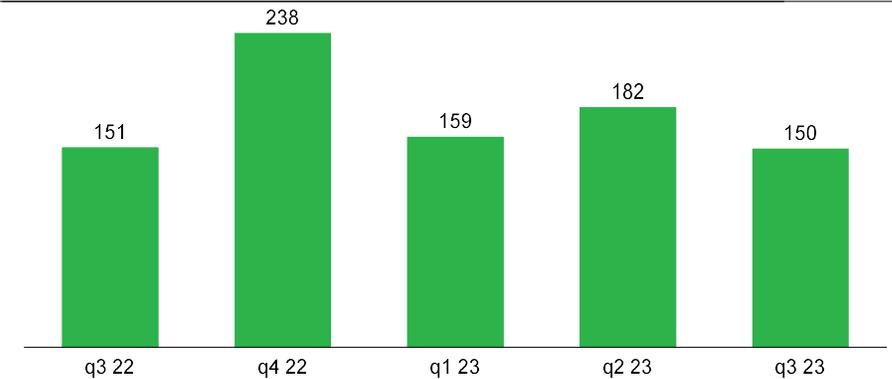
Net interest-bearing debt and leverage ratio (Group)



Average working capital LTM (construction)



Cash position (Group)



Note: Leverage ratio as defined in bond terms, construction loans are excluded in NIBD in bond terms. As per Q3 the ratio is adjusted for exceptional items related to a strategic view of Alento.

Cash flow statement

NOK million	3Q 2023	3Q 2022	30/09/2023	30/09/2022
Earnings before income taxes	3.6	4.6	36.5	34.8
Depreciation and impairment	2.0	2.1	6.1	6.3
Change in net working capital	127.8	-100.7	65.6	-414.9
Other adjustments/taxes paid	1.7	30.6	-55.7	103.0
Cash flow from operations	135.0	-63.4	52.5	-270.8
Net investment	-1.2	-0.6	-1.5	60.7
Cash flow from financial activities	-165.2	81.2	-138.4	152.3
Net decrease (increase) in cash and cash equivalents	-31.3	17.2	-87.5	-57.8
Net cash and cash equivalents at beginning of period	181.6	134.2	237.8	209.2
Total cash and cash equivalents	150.3	151.3	150.3	151.3

- Change in net working capital is to a large extent related to handover of Tribunen phase 3 and Fagerlia phase 1.
- Tribunen 3 and Fagerlia 1 was financed with a mix of construction loans and equity.
- Strong cash position at 30 of September.
- All our property development projects under construction is fully financed.
- Net negative financial cashflow in the third quarter is mainly related to down payment of the Construction loan related to Tribunen phase 3, in Moss and Fagerlia phase 1 in Fredrikstad.

Balance sheet

Amounts in NOK million	30.09.2023	30.09.2022	31.12.2022
ASSETS			
Goodwill and other intangible assets	284,2	284,1	284,3
Tangible fixed assets	7,7	7,9	8,0
Right-of-use assets	5,5	10,7	9,8
Investment in joint ventures	3,8	-	3,8
Other long term receivables	2,0	-	-
TOTAL NON-CURRENT ASSETS	303,1	303	306
Inventories and development properties	489,0	513,4	661,7
Trade receivables, contract assets and other short term receivables	300,8	307,0	234,3
Cash and cash equivalents	150,3	151,3	237,8
TOTAL CURRENT ASSETS	940,1	971,8	1 133,7
TOTAL ASSETS	1 243,2	1 274,5	1 439,5
EQUITY AND LIABILITIES			
TOTAL EQUITY	288,9	274,2	275,2
Deferred tax	54,1	30,0	31,3
Bond loan	-	297,7	298,1
Liabilities to financial institutions	12,4	37,4	12,6
Construction loan	-	20,6	-
Leasing liabilities	1,1	5,2	3,9
Other non-current liabilities	3,8	6,3	3,8
TOTAL NON-CURRENT LIABILITIES	71,3	397,2	349,7
Short term financial liabilities	38,8	14,0	38,8
Bond loan	299,5	-	-
Short term construction loan	184,2	155,9	278,4
Lease liabilities	4,7	5,8	6,1
Trade account payables, contract liabilities and other short term debt	355,8	427,4	491,1
TOTAL CURRENT LIABILITIES	883,0	603,1	814,6
TOTAL EQUITY AND LIABILITIES	1 243,2	1 274,5	1 439,5

- Goodwill from acquisitions
- IFRS lease assets of MNOK 5.5
- In February 2021, a new secured floating rate bond of NOK 300 million with a 3-year tenor was issued.
- Construction loan is mainly related to Høgli in Mysen, Fagerlia phase 1 & 2, located in Fredrikstad and phase 3 of Tribunen, located in Moss. Scheduled hand over is Q4 2023 for Fagerlia phase 2 and Høgli.
- FPG announced September 13, a process where the parent company Frigaard AS initiated a process to potentially raise a MNOK 550 senior secured floating rate bond, that would partially be employed towards the outstanding FPG bond. This process is ongoing and FPG is evaluating this and other options to re-finance its bond in due time before the due date in February 2024.

Outlook

- The effect of a slower economy following higher interest rates has gradually faced us and we are operating in a more challenging environment than previous periods. This is met by even higher focus on efficiency and optimizing solutions for our customers, and pro-active sales work in general.
- Fortunately, we still have a high order backlog and record high tender activity in our construction segment. Sales of residential properties are slow, but steady. And we are about to finalize the last two projects in our development portfolio, which are in production.
- Following this, we can gradually develop our land bank and be ready for the market when the demand increases.
- In the meantime, to secure our operations and liquidity, we prepare to adjust our cost base during Q4.

