OBOS BBL

Issuer profile

OBOS BBL (OBOS/the company/the group) is the largest cooperative building association in the Nordics, entirely owned by its members. The group has since its inception in 1929 acted as a prominent homebuilder in the Norwegian market. After mainly serving the municipality of Oslo for more than half a century, the company has expanded its business across numerous regions in Norway. Currently, OBOS's market share in Norway and Sweden is c.20% including the market shares of BWG Homes AB. Through the BWG Homes acquisition in 2014, OBOS has also gained an important footprint in the Swedish market. Based on the company's strong business model and healthy liquidity position, we believe the outstanding bonds should trade in line with our NOK BBB index.

Internal profits used to expand business further

Being a cooperative building association, OBOS does not pay back to its members through dividends, but rather through member-based advantages and corporate social responsibility projects. Internally generated profits are thus used to expand its business further, and consequently the acquisition activity in OBOS remains at a high level. The company is engaged in major long-term development projects that will require substantial investments, such as the Ulven project. As a significant amount of building complexes in the central areas are being built with commercial activities, the commercial property segment is often engaged in the same projects as the homebuilding segment. The high activity in both homebuilding and commercial property is being facilitated by the benign real estate market in Norway and Sweden. Due to the company's long-term perspective, it is able to scale down its growth activities if the real estate market should deteriorate.

Key figures

NOKm	2015	2016	2017	2018E	2019E
Total sales	9 748	11 287	11 569	11 930	12 955
EBITDA (rep.)	1 031	1 386	1 727	1 912	2 064
EBITDA (adj.)	1 072	1 406	1 762	1 944	2 093
Net income	2 243	2 658	2 431	2 299	2 474
FFO (rep.)	881	1 186	1 694	1 669	1 686
FFO (adj.)	374	671	1 073	1 078	1 085
Equity	14 655	17 391	19 915	22 179	24 653
Net debt	30 215	38 619	46 002	52 394	57 409
Net debt (adj.)	10 038	13 362	15 604	18 802	22 277
Ratios	**2015**	**2016**	**2017**	**2018E**	**2019E**
EBITDA-margin	10,6%	12,3%	14,9%	16,0%	15,9%
Net debt/EBITDA (x)	29,3	27,9	26,6	27,4	27,8
Adj. net debt/adj. EBITDA (x)	9,4	9,5	8,9	9,7	10,6
FFO/net debt	3%	3%	4%	3%	3%
Adj. FFO/adj. net debt	4%	5%	7%	6%	5%
Net debt/total capital	65%	67%	68%	69%	69%

Source: Company data, Danske Bank DCM Research

FACTS

Sector: Industrials, Construction

Corporate ticker: OBOS

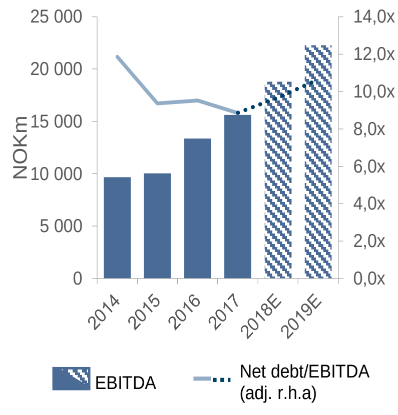
Equity ticker

Ratings:
S&P: NR / NR
Moody's: NR / NR
Fitch: NR / NR

Analysts
Haseeb Syed
hsy@danskebank.com
+47 85 40 54 19

Bendik Engebretsen
bee@danskebank.com
+47 85 40 69 14

EBITDA and leverage ratio



Source: Company data, Danske Bank DCM Research

Danske Bank is acting as Joint Lead Manager and Bookrunner in connection with an upcoming offering of bonds by OBOS BBL.
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This document is intended for institutional investors and is not subject to all the independence and disclosure standards applicable to debt research reports prepared for retail investors

Important disclosures and certifications are contained from page 14 of this report

Bond overview

Table 1. Outstanding bonds

ISIN	Ticker	Outst. (NOKm)	Issued (NOKm)	Issue date	Maturity date	Coupon	Rank	Last price	Last spread (bp)
NO0010695166	OBOS17PRO	700	700	Nov-13	Nov-18	3MN+155bp	Unsecured	100.651	34
NO0010697519	OBOS18PRO	200	200	Dec-13	Dec-20	4.40%	Unsecured	n.a	n.a
NO0010725229	OBOS19PRO	300	300	Dec-14	Dec-19	3MN+85bp	Unsecured	100.430	65
NO0010725237	OBOS20PRO	200	200	Dec-14	Dec-21	2.80%	Unsecured	n.a	n.a
NO0010763733	OBOS21PRO	130	130	Apr-16	Apr-26	3.25%	Unsecured	100.200	101
NO0010763758	OBOS22PRO	325	325	Apr-16	Apr-26	2.80%	Unsecured	n.a	n.a
NO0010763741	OBOS23PRO	600	600	Apr-16	Apr-21	3MN+145bp	Unsecured	102.100	74

Source: Stamdata, Bloomberg data, Danske Bank DCM Research

Table 2. Financial covenants

	Group **Debt/Equity+Debt* =< 50%**	***OBOS BBL*** **Debt/Equity+Debt** =< 35%**	**Guarantees to subsid./assoc. =< NOK600m**
Bonds	✓	✓	✓

** Consolidated debt excluding OBOS-Banken. ** Non-consolidated debt in OBOS BBL*

Source: Stamdata, Company data, Danske Bank DCM Research

Table 3. Short-term and long-term risk factors

Short term	Long term
Higher capex and development burden due to lack of project and financial partners at Ulven	Major development projects could coincide with a market downturn and end up as more costly than initially envisaged.

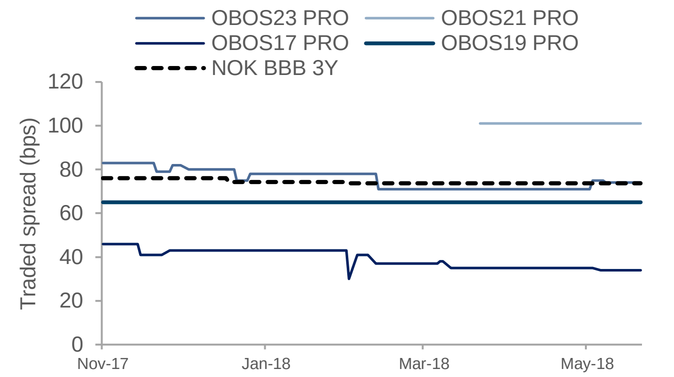
Source: Danske Bank DCM Research

Table 4. Credit strengths and credit weaknesses

Strengths	Weaknesses
Strong market position and asset holdings in Norway and Sweden	Aggressive growth strategy deteriorates the FCF profile
Does not pay cash dividends	Debt-funded acquisitions are retaining a high financial gearing
Long-term perspective on its investments	Susceptible to macro shocks in the housing and commercial property market
Satisfactory liquidity position	

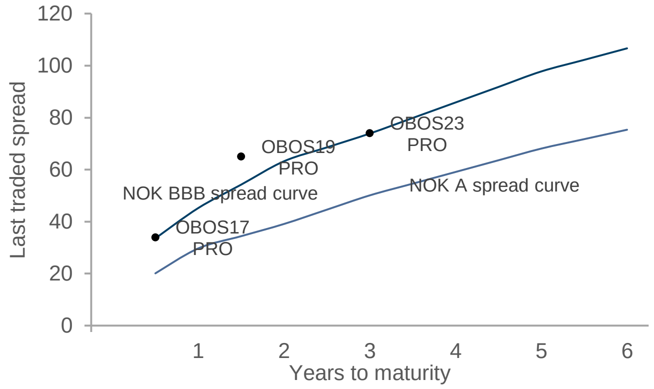
Source: Danske Bank DCM Research

Chart 1. Spread development in OBOS bonds



Source: Oslo Børs, Danske Bank DCM Research

Chart 2. OBOS bonds on the NOK IG curves (bp)



Source: Bloomberg data, Oslo Børs, Danske Bank DCM Research

Business profile

Company description

OBOS BBL is the largest co-operative building association in the Nordics, owned entirely by its c.430,000 members. Since its inception in 1929, the group has acted as a prominent homebuilder in the Norwegian market. OBOS's main segments are homebuilding, property management and advisory, commercial property and bank and real estate agency. The three former segments represent the majority of the company's revenue stream, totalling as much as 96% for 2017, where homebuilding, being the core segment, accounts for almost 80% of the revenues.

Currently, OBOS's market position in Norway is c.20% when the market share of BWG Homes AB is taken into consideration. Through the acquisition of BWG Homes in 2014, OBOS has also gained an important footprint in the Swedish market. BWG Homes is better known in Norway through its Block Watne entity, which typically builds small houses and apartments on the outskirts of cities' central areas. Being a co-operative building association, OBOS does not pay back to its members through dividends but rather through member-based advantages and corporate social responsibility projects. Internally generated profits are thus used to expand its business further and, consequently, the acquisition activity in OBOS remains at a high level. The company is engaged in major long-term development projects, which will require substantial investments.

Homebuilding attracts new members

OBOS saw its membership basis increasing by 4.5% from 2016 to 2017. We are confident that OBOS is in good shape to maintain and even increase the number of memberships. With solid annual growth in homebuilding, the company could attract new members through the main incentives embedded in the membership, namely the priority right to buy a property built and developed by OBOS. Currently, each member initially has to contribute NOK300 in capital injection, which comes in addition to a member fee of NOK200 per year.

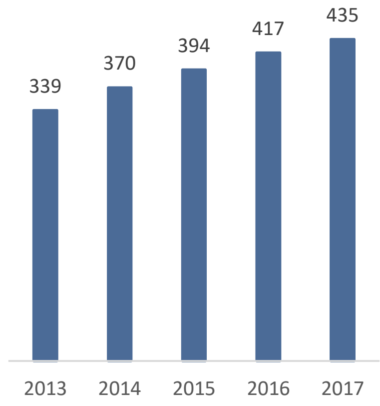
Business strategy

In OBOS's financial policy, profit is retained within the group and is directed at growth-related projects and corporate social engagements at the members' disposal. Management is very clear on the company's strategy that the contribution through member fees, amounting to NOK87m throughout 2017, should be channelled back to the members through various member advantages in the community.

Diversified geographically…

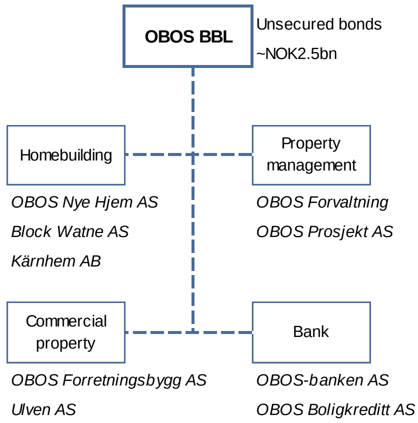
Despite being a co-operative building association with origins in the Oslo area, OBOS has expanded substantially both geographically and operationally. Oslo and Akershus are still by far the largest geographical segments, with approximately two-thirds of members based in and around the capital city. However, OBOS's footprint in Norway is now spread across several regions. That OBOS has also established a solid basis for its operations through its acquisition of BWG Homes has further credit positive implications for the company. Through the acquisition of BWG Homes, OBOS has established a strong and significant position as a homebuilder in Sweden through the well-known brands Kärnhem, Myresjöhus and SmålandsVillan. OBOS currently ranks as the industry leader when measured in amount of properties under development.

Chart 3. Paying members by year



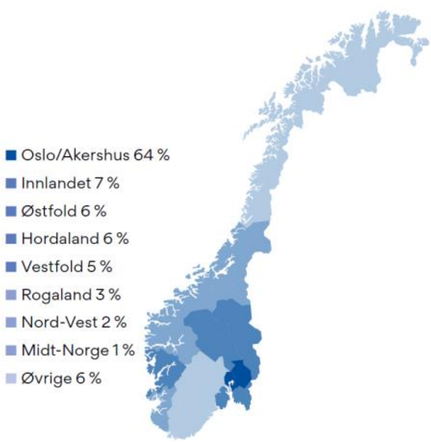
Source: Company data

Chart 4. Organisation structure



Source: Company data

Chart 5. Paying members by geography



Source: Company data

…but the core business prevails

The core business in OBOS from the company's inception has been homebuilding, which accounted for c.80% of group revenues in 2017. However, throughout its history, OBOS has expanded its operations widely by offering services affiliated closely to its main business, be it for instance property management and consulting, real estate agency, or banking services to households. However, the company has over the past year narrowed its focus on segments that appeal best to its strategic range, which has prompted a sale of non-core segments, such as the sale of the insurance unit to Tryg and the sale of the custodian company Gårdpass to Vaktmesterkompaniet in 2017, as well as the sale of the property operating service company OBOS Eiendomsdrift to Coor Service Management in 2018.

Although OBOS offers a variety of services related to homebuilding, the operational diversification is not so strong, as all the affiliated segments are more or less economically interdependent. OBOS-banken (Baa-1 by Moody's) accounted for only 4% of group revenues at the end of 2017 and more than 70% of the bank's customers are OBOS members. Therefore, we do not assign much weight to the diversification that OBOS-banken provides to the group.

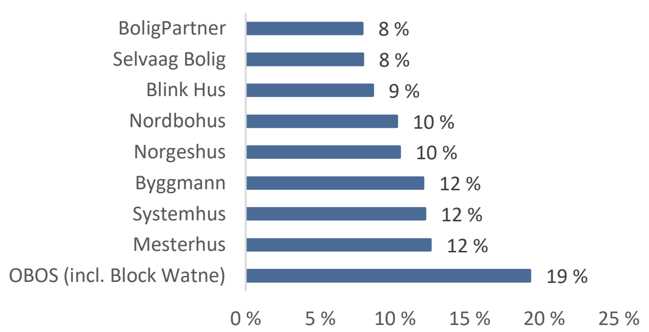
Maintaining a high sales ratio in homebuilding

The sales ratio in homebuilding, i.e. the ratio of sold units as a percentage of total homes in production, was 78% at the end of 2017. In line with OBOS's internal policies for homebuilding in Norway, no building projects should be started before the sales ratio (based on sales value) is at least 50%. If the company does not reach this minimum target level of sales ratios, it is obliged to submit a guarantee for the residual value at the creditors' (banks) disposal. As at the end of 2017, the company's share of unsold and completed properties stood at 116 properties. Historically, the sales ratio and the number of unsold properties have been at a more or less stable and low level, which underpins the solid foundation in the homebuilding business.

Cyclical nature of the core business

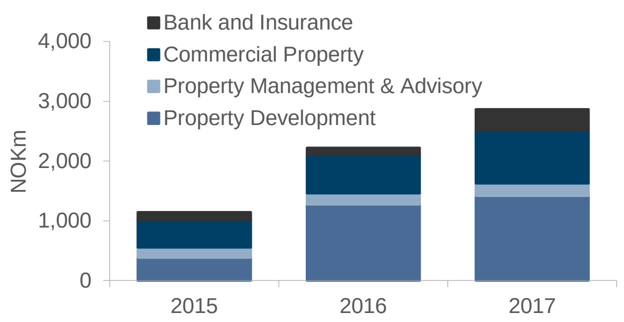
We need to highlight that the homebuilding sector in general is highly susceptible to the cyclical housing and commercial property markets. The credit profile of the company is somewhat strengthened by property management and consulting being far more stable segments than homebuilding itself. However, the outlook for further development of revenues from property management and consulting is largely dependent on the housing and commercial property market; hence, these segments cannot be deemed entirely non-cyclical.

Chart 6. Homebuilding market share Norway 2017



Source: Boligprodusentenes Forening

Chart 7. EBITDA per segment (NOKm)



Source: Company data

OBOS Forretningsbygg

Through OBOS Forretningsbygg (OFB), OBOS develops, owns and operates commercial properties in Oslo and other major cities in Norway. The property portfolio of OFB consists of 73 fully owned properties; in total, 675,000 sq. metres of commercial property area. OFB also owns two of the 60 largest shopping centres in Norway. In total, the vacancy ratio in OFB was 3.8% at year-end 2017, slightly up from 3.3% the previous year, which we consider as a significantly low level.

OFB, which is the second largest in the OBOS BBL group, accounted for around 7% of group revenues in 2017, with the letting part of the segment contributing c.80% of the segment revenues. As in the other main segments, the growth in this segment can to a significant degree be attributed to non-organic growth, with new projects pushing up the activity level and revenues.

Ulven – the new 'wolf' in the town

OFB's acquisition of the Ulven area from Storebrand and Fabritius in Oslo in 2016 paves the way for an extensive and long-term development project that will extend the financial dimension of the entire group, which will be exposed to both commercial property and homebuilding segments in the area. The acquisition had a price of NOK2.9bn and became effective on 1 February 2016, providing OBOS with a land area of 214,000 square metres. Through the Ulven project, OBOS aims to develop a new residential area with up to 3,000 units and commercial properties employing approximately 5,000 people. In our opinion, the Ulven acquisition acts as proof of the company's strong long-term growth ambitions. OBOS intends to develop the Ulven area gradually over the coming 15-20 years. During April 2017, the company completed the construction of the town halls at Ulven with a total area of 21,000 square metres.

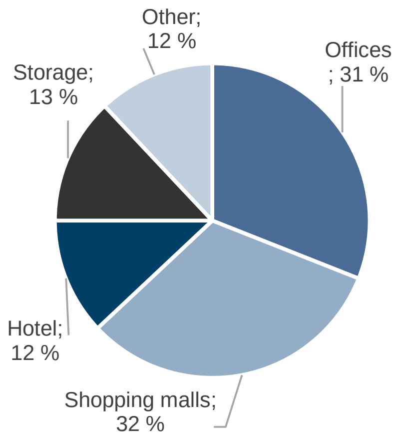
As the development at Ulven will be executed both for commercial property and homebuilding purposes, about half of the land investment cost of NOK3.1bn is recognised as investment properties (commercial property) and half as inventories (homebuilding). The increase in inventories of c.NOK1.5bn from 2015 to 2016 can be attributed to the land within the homebuilding part from the Ulven transaction.

Table 5. Ulven property facts

Sellers of property	Storebrand, Fabritius
Time of acquisition	1 February 2016
Price of acquisition	NOK2.9bn
External valuation	NOK3.8bn
Planned residential units	3 000 apartments
Size of property	214 000 sqm
Planned time of project	15-20 years

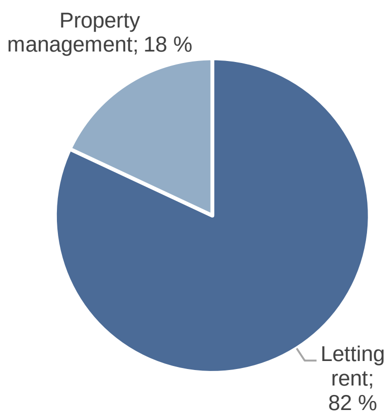
Source: Company data

Chart 8. OFB Revenue by type of property 2017



Source: Company data

Chart 9. OFB Revenue by type of business 2017



Source: Company data

Financial profile

Lower sales post the record-high year of 2016

In 2017, OBOS sold 3,387 properties, of which the company's value related share was 3,107 units. This is c.25% lower than the record-high sales in 2016, as a result of declining housing prices and a relatively weaker housing market in the larger cities during 2017. However, the company does not recognise the entire sales income until delivery of new homes. As we deem completed units as a good proxy for deliveries, we note that a relatively stable amount of completed units from 2016 to 2017 contributed a slight increase of 2% in total revenues in the group during the period. According to management, OBOS aims to sell approximately 4,000 properties each year. Moreover, it intends to keep the land bank stable, implying that the same amount of homes must be added to the land bank annually. Hence, the acquisition strategy for the land bank to a high degree corresponds to the sales levels.

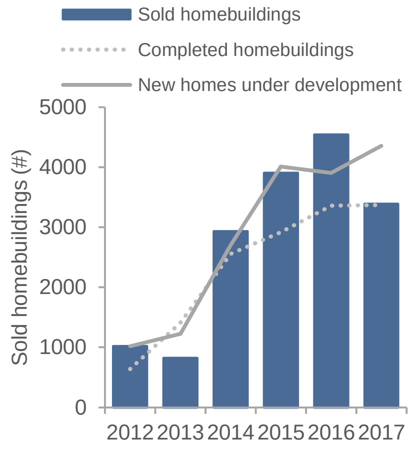
Good prospects following high development

Looking ahead, new homes under development went up by c.12% from 2016 to 2017, which bears prospects of a promising development in completed homebuilding and hence total revenues in the coming years. We forecast that the average year on year increase in revenues within homebuilding is set to be 3% per quarter over 2018 and 2019, compared to 5% during H2 17.

In good shape to maintain profitability levels

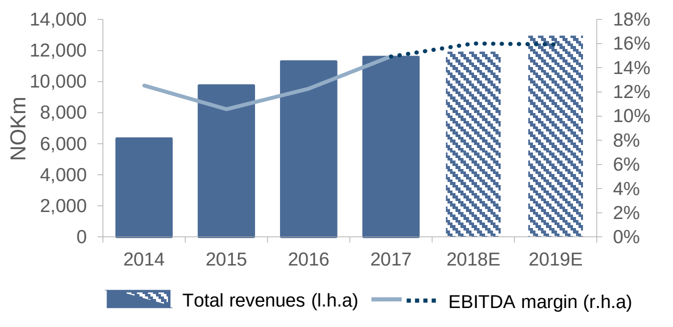
As at the end of 2017, OBOS's profitability, calculated as the EBITDA (adj.) margin, was 15%. Over the past four years, the company has managed to achieve an average EBITDA margin of c.13%, which bodes well for the sustainability of the OBOS business model. In our forecast period, we see an annual EBITDA margin of 15-16%. We are also confident that management will be able to continue expanding its business within the relatively more profitable segments, enabling the company to maintain its current profitability level.

Chart 10. Operational development



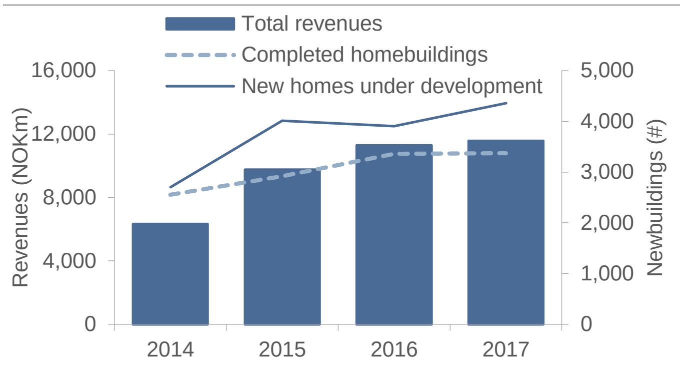
Source: Company data

Chart 11. Revenue and EBITDA margin



Source: Company data, Danske Bank DCM Research estimates

Chart 12. Revenue and operational activity



Source: Company data

Large investments in prospect

In 2017, OBOS signed an agreement to acquire land for NOK3.7bn with a total potential of building c.7,800 homes, of which the group's share was c.6,700 homes. OBOS has historically retained all profits within the group, and it plans to follow the same strategy, ruling out any profit model that pays dividends. Accumulated cash in the company is used in various strategic investments, be it acquisition of shares in other major companies or for instance acquisition of land to expand the homebuilding business. Therefore, we believe that OBOS will invest all excess cash above a certain level in different projects and companies. In our opinion, the strategy of not paying dividends improves OBOS's credit profile, easing the company's ability to invest in development without materially impairing the liquidity profile. Moreover, we are mindful that a significant portion of investments in OBOS's projects are undertaken along with other building companies, which curbs the level of capital binding in each project. In our opinion, this in turn reduces project-specific risks and facilitates a more diversified building portfolio.

Sizeable land bank

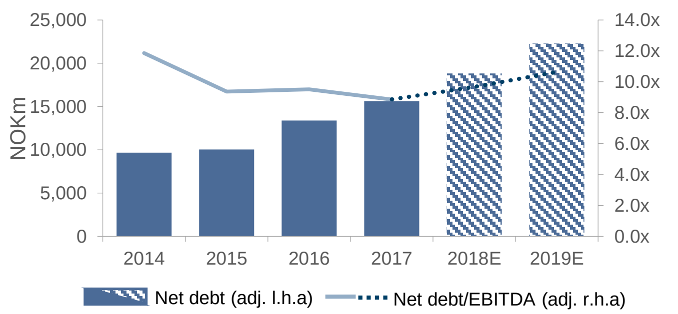
In order for OBOS to maintain its growth strategy, it is pivotal that it has a large land bank, which gives numerous opportunities for further residential and commercial homebuilding. At year-end 2017, the entire group's land bank consisted of around 42,000 homes, owned fully or in combination with other companies. The land bank underpins the company's large growth ambitions and also highlights that OBOS carries a long-term scope in its investments. In 2017, the land bank was recognised with a book value of NOK10.7bn, corresponding to around 20% of total assets.

No planned deleveraging

Our modelling of liability instalments and interest expenses is split between bond liabilities and long- and short-term debt. We assume that principal payments on maturing bonds are fully replaced by new bonds, with the assumption of the NOK700m OBOS17PRO bond being refinanced during Q2 18. Similarly, we assume that long-term debt instalments are rolled over and that the company adds some higher amount of debt than is about to mature in order to reflect the high investment activity.

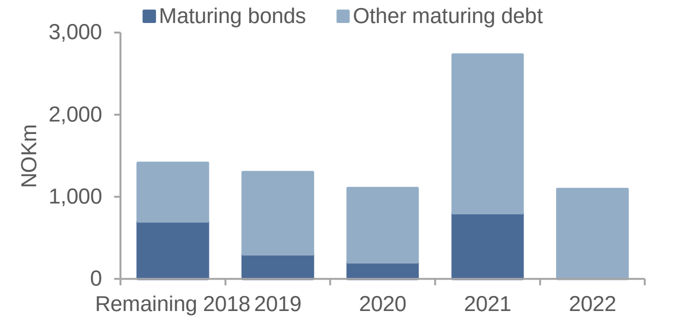
At the end of 2017, net debt/EBITDA (adj.) in the company was 8.9x. Despite noting that OBOS can actually end up maintaining its current level of leverage ratio by increasing debt further on the back of higher profitability, we estimate that the Ulven development compels a gradual increase in the leverage ratio over the coming two years.

Chart 13. Net leverage (adj.)



Source: Company data, Danske Bank DCM Research estimates

Chart 14. Debt maturity profile

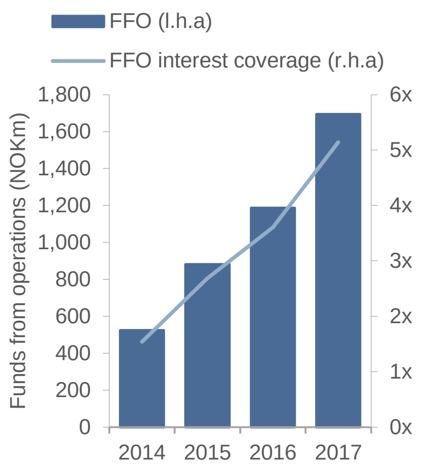


Source: Company data, Danske Bank DCM Research estimates

Free cash flow position weakened by investments

OBOS's free cash flow profile relies on the degree to which the internally generated cash is used as capex. We note that both historical and our estimated FCF for 2018 and 2019 are negative as a result of heavy annual capex in the company. The FCF profile is also hampered by the build-up of working capital in the company. Whilst development capex of commercial properties adds to the investment properties, development costs related to homebuilding will be recognised as inventory in the balance sheet and hence weigh on the operating cash flow figures after working capital changes. However, focusing on funds for operations (FFO) into account instead, we see that the operational cash flow profile has been positive and increasing until 2017, followed by a gradual hike in our forecast window. Moreover, our liquidity bridge in the chart below underpins that the company had substantial cash outflows from financial investments and investments in fixed assets last year.

Chart 15. FFO interest coverage

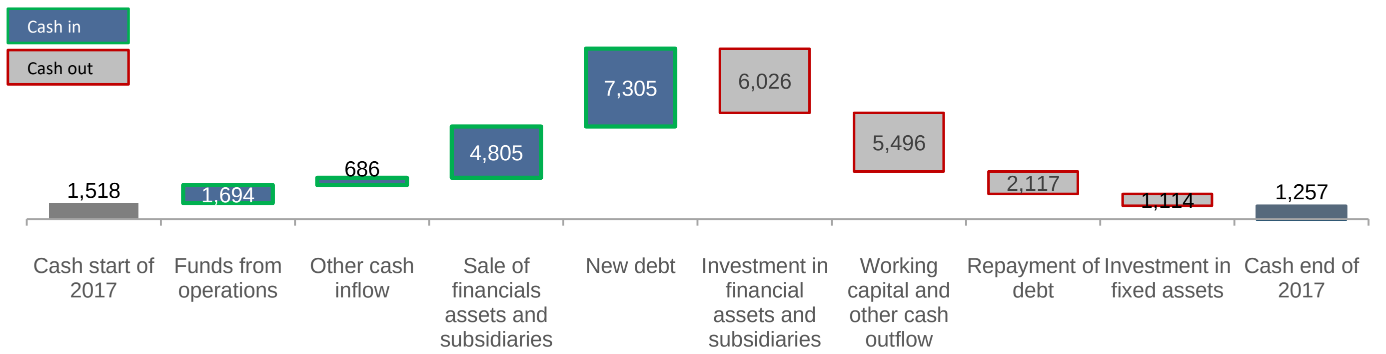


Source: Company data, Danske Bank DCM Research

Strong liquidity position

Having a sound liquidity position is of high importance to OBOS, as the company will be able to meet its short-term liabilities without being forced to refinance or sell assets. In order to estimate the liquidity position as at the end of 2017, we take account of cash holdings of NOK1.257bn by year-end. Adding the value of the company's marketable securities of c.NOK7bn and excluding the company's holdings in AF Gruppen and Veidekke, which are recognised as associated companies, available liquidity amounts to c.NOK8bn. If we also include undrawn credit lines of NOK3.4bn by year-end 2017, available liquidity would aggregate to c.NOK11bn. On the liability side, we sum up short-term debt in 2018 (c.NOK700m) and our estimated investments of c.NOK4bn in 2018, recognising that available liquidity exceeds cash in use with more than adequate headroom. Overall, we would characterise the liquidity position in OBOS as very strong, and taking into consideration the prudent business profile, where the company does not undertake dividend payment and applies a long-term approach on its investments, we are confident that OBOS will keep its strong liquidity position intact going forward.

Chart 16. Group cash flow disaggregated 2017 (NOKm)



Source: Company data, Danske Bank DCM Research

OBOS BBL in a rating perspective

We analyse the credit profile of OBOS in light of Moody's rating methodology for the Homebuilding and Property Development Industry (2018). Specifically, the approach views the company's scale, its business profile, its profitability and efficiency, its leverage and interest coverage as well as its financial policy.

Overall, the company's business profile and financial policy support the company's credit profile. Its business profile is strengthened by its unparalleled market position and good track record. While the company's operations bear a somewhat high concentration risk from its heavy exposure to the Oslo housing market, we do not expect sufficient volatility in earnings to impair the company's credit profile. Moreover, on the back of its member-owned structure, the company does not pay any dividends to its members. This results in a particularly creditor-friendly financial policy. The company's financial strategy includes having a debt maturity profile that allows for flexibility and solid liquidity. Moreover, the consolidated debt that matures over a 12 month period should not exceed 30% of the company's total debt.

Despite being Norway's leading homebuilder, the company's scale falls into the high yield-area in Moody's rating methodology. The company's leverage is somewhat high, yet its interest coverage is deemed adequate in Moody's rating grid.

Table 6. OBOS BBL in Moody's rating methodology for 'Homebuilding and Property Development Industry' (2017)

	Weight	A	Baa	Ba	B
Revenue (USDbn)	15%	$15 - 30	$5 - $15	$1.5 - $5	$0.5 - $1.5
Gross Margin*	10%	36% - 50%	28% - 36%	21% - 28%	14% - 21%
Coverage**	15%	10x - 15x	6x - 10x	3x - 6x	1x - 3x
Leverage**	15%	25% - 30%	30% - 40%	40% - 50%	50% - 65%
Business profile	25%	Low expected volatility in results. Supported by a strong market position, visible competitive advantages and solid diversity characteristics. Cautious land strategy and solid execution track record. National exposure.	Moderate expected volatility in results. Supported by a solid market position and at least one clear competitive advantage. Good diversity characteristics provide a buffer against sudden/unexpected shifts in demand. Land strategy balances growth vs liquidity. Execution track record largely in line with expectations.	Results are vulnerable to periods of heightened volatility. Such exposure is tempered by a solid market position in a number of its core markets and fair diversity characteristics. Land strategy tends to be aggressive. Modest execution track record.	Results are expected to be highly volatile. Market position could quickly erode. Concentration risk. Aggressive land strategy and inconsistent execution track record.
Financial policy	20%	Expected to have predictable financial policies that preserve creditor interests. Although modest event risk exists, the effect on leverage is small and temporary; strong commitment to a solid credit profile.	Expected to have financial policies that balance the interest of creditors and shareholders; some risk that debt funded acquisitions or shareholder distributions could lead to ratings migration.	Expected to have financial policies that tend to favour shareholders over creditors; above average financial risk resulting from shareholder distributions, acquisitions or other significant capital structure changes.	Expected to have financial policies that favour shareholders over creditors; high financial risk resulting from shareholder distributions, acquisitions or other capital structure changes.

**Gross margin calculated as operating revenues minus projects costs (incl. OBOS-Banken). **Coverage calculated as EBIT over interest cost; Leverage calculated as Homebuilding debt (adjusted debt) as a fraction of employed capital.*

Source: Moody's Investors Services, Company data, Danske Bank DCM Research estimates

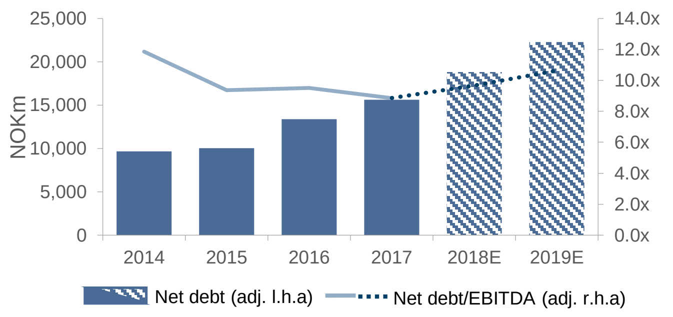
Table 7. OBOS BBL compared to Norwegian real estate companies

	OBOS BBL			Norwegian Property			Olav Thon Eiendomsselskap		
Danske Bank DCM 5yr curve	87bp (unsecured)			115bp (secured)			70bp (secured)		
Business strategy	- Homebuilder and affiliated business - Developer, owner and house seller			- Oslo Central Business District - Owner and operator			- Traditional shopping centres - Developer and owner		
Financial metrics	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Revenues (NOKm)	9,748	11,287	11,569	858	901	784	3,267	3,579	3,785
EBITDA (adj.) (NOKm)	1,072	1,406	1,762	643	741	607	2,157	2,439	2,528
Gross assets (adj.) (NOKm)	29,627	36,851	40,226	16,533	14,306	15,552	49,743	56,750	61,092
EBITDA margin (adj.)	11%	12%	15%	75%	82%	77%	59%	59%	62%
Net debt to EBITDA (adj.)	9.4	9.5	8.9	14.7	9.1	11.3	10.3	10.4	10.7
Net LTV (adj.)*	50%	52%	56%	59%	48%	46%	45%	44%	42%
EBITDA interest coverage (adj.)	2.0	3.0	4.2	1.6	1.9	2.3	3.3	3.4	3.6

**Not included market value on properties under JVs and associates.*

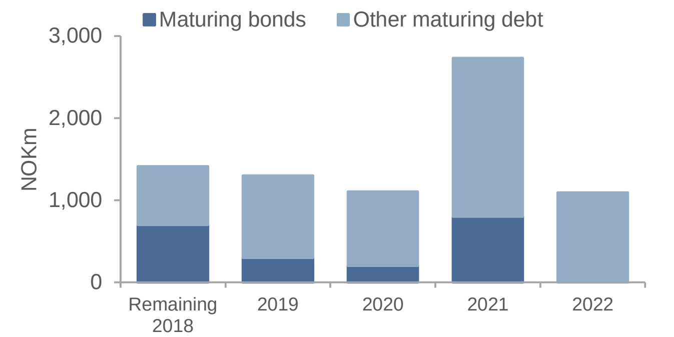
Source: Company data, Danske Bank DCM Research

Chart 17. Net debt to EBITDA (adj.)



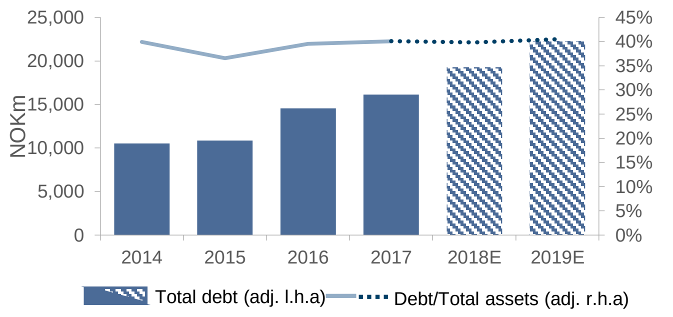
Source: Company data, Danske Bank DCM Research estimates

Chart 18. Maturity profile (Q1 18)



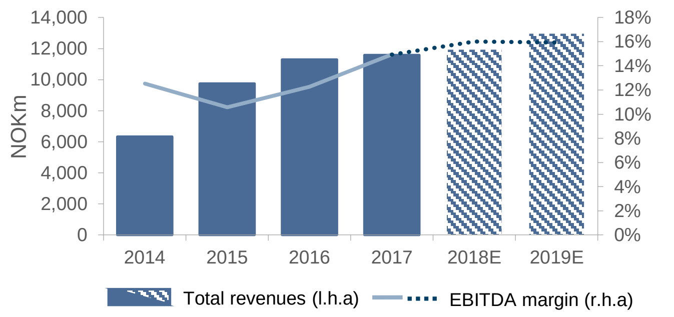
Source: Company data, Danske Bank DCM Research estimates

Chart 19. Total debt to assets (adj.)



Source: Company data, Danske Bank DCM Research estimates

Chart 20. Total revenues and EBITDA margin



Source: Company data, Danske Bank DCM Research estimates

Summary tables

Income statement (NOKm)	2015	2016	2017	2018E	2019E
Total sales	9 748	11 287	11 569	11 930	12 955
Operating expenses	-8 718	-9 902	-9 842	-10 018	-10 890
EBITDA	1 031	1 386	1 727	1 912	2 064
EBITDA adjusted	1 072	1 406	1 762	1 944	2 093
Depreciation and amortisation	-108	-154	-135	-113	-99
EBIT	2 404	2 700	2 804	2 936	3 227
EBIT adjusted	2 446	2 720	2 840	2 968	3 256
Net interest	21	82	-195	-423	-544
Pre-tax profit	2 425	2 782	2 609	2 512	2 683
Tax	-182	-172	-178	-213	-209
Net income	2 243	2 658	2 431	2 299	2 474
Balance sheet (NOKm)	**2015**	**2016**	**2017**	**2018E**	**2019E**
Fixed assets					
Goodwill	1 134	1 095	1 067	1 034	1 034
Associates	2 638	2 993	3 632	4 519	4 894
Other non-current assets	34 803	42 948	50 170	55 946	60 078
Working capital assets	11 558	14 542	16 952	18 779	21 353
Cash and cash equivalents	1 420	1 518	1 257	1 055	587
of which restricted cash					
Other current assets	4 509	5 650	6 048	6 904	7 279
Total assets	52 291	64 658	74 427	82 683	89 297
Total assets (adj.)	29 627	36 851	40 226	48 482	55 095
Total interest-bearing debt	31 635	40 137	47 259	53 449	57 996
Total interest-bearing debt adjusted	10 841	14 561	16 122	19 298	22 306
Net interest-bearing debt	30 215	38 619	46 002	52 394	57 409
Net interest-bearing debt adjusted	10 038	13 362	15 604	18 802	22 277
Working capital liabilities	876	900	1 135	785	378
Other current liabilities					
Other non-current liabilities	16 146	20 310	21 251	22 320	22 320
Total equity	14 655	17 391	19 915	22 179	24 653
Total equity and liabilities	29 627	36 851	40 226	48 482	55 095
Total equity and liabilities (adj.)	29 627	36 851	40 226	48 482	55 095
Cash flow statement (NOKm)	**2015**	**2016**	**2017**	**2018E**	**2019E**
EBITDA	1 031	1 386	1 727	1 912	2 064
Tax paid	-156	-267	-287	-283	-209
Other cash flow from operations	7	67	254	41	-169
Funds from operations (FFO)	881	1 186	1 694	1 669	1 686
FFO (adjusted)	374	671	1 073	1 078	1 085
Change in working capital	-3 918	-1 242	-4 870	-2 789	-2 982
Operating cashflow (CFO)	-3 037	-56	-3 176	-1 120	-1 296
CFO (adjusted)	461	608	-86	-246	-644
Capex	-508	-970	-1 114	-882	-974
Divestments /acquisitions of businesses	-3 283	-4 213	-1 221	-2 058	-1 118
Free operating cashflow (FOCF)	-5 839	-5 222	-6 054	-4 644	-3 762
FOCF (adjusted)	-2 341	-4 558	-2 964	-3 770	-3 110
Dividend paid					
Share buyback					
Free cashflow (FCF)					
Other investing activities	989	17	-543	-584	-375
Debt repayment	-2 047	-4 012	-2 117	-4 170	-4 703
Funding shortfall	-6 898	-9 217	-8 714	-9 398	-8 841
New debt	8 209	9 388	7 305	9 522	9 251
New equity					
Other financing activities	7	-56	603	-909	-1 253
Change in cash	329	98	-263	-202	-468

Source: Company data, Danske Bank DCM Research

Summary tables

NOKm	2015	2016	2017	2018E	2019E
Sales growth	54%	16%	2%	3%	9%
EBITDA margin	10,6%	12,3%	14,9%	16,0%	15,9%
Adj. EBITDA margin	11,0%	12,5%	15,2%	16,3%	16,2%
EBIT margin	24,7%	23,9%	24,2%	24,6%	24,9%
Adj. EBIT margin	25,1%	24,1%	24,5%	24,9%	25,1%
EBITDA interest coverage (x)	2,7	3,3	4,6	3,7	3,5
Adj. EBITDA Interest coverage (x)					
EBIT Interest coverage (x)	5,3	6,2	7,2	5,6	5,5
Adj. EBIT interest coverage (x)					
FFO interest coverage (x)	2,4	2,9	4,5	3,2	2,9
Adj. FFO interest coverage (x)					
CFO interest coverage (x)	-5,1	0,2	-7,4	-2,0	-2,1
Adj. CFO interest coverage (x)					
Net debt/EBITDA (reported) (x)	29,3	27,9	26,6	27,4	27,8
Net debt/EBITDA (x)	29,3	27,9	26,6	27,4	27,8
Adj. net debt/adj. EBITDA (x)	9,4	9,5	8,9	9,7	10,6
Debt/EBITDA (x)	30,7	29,0	27,4	28,0	28,1
Adj. debt/adj. EBITDA (x)	10,1	10,4	9,1	9,9	10,7
Debt/EBITDA (reported) (x)	30,7	29,0	27,4	28,0	28,1
FFO/net debt	2,9%	3,1%	3,7%	3,2%	2,9%
Adj. FFO/adj. debt	3,5%	4,6%	6,7%	5,6%	4,9%
Adj. FFO/adj. net debt	3,7%	5,0%	6,9%	5,7%	4,9%
FFO/debt	2,8%	3,0%	3,6%	3,1%	2,9%
Adj. total debt/total capital					
Net debt/total capital	65,3%	67,1%	68,5%	69,3%	69,5%
Yearly overview (NOKm)	**2015**	**2016**	**2017**	**2018E**	**2019E**
Net sales	9 748	11 287	11 569	11 930	12 955
EBITDA	1 031	1 386	1 727	1 912	2 064
Adj. EBITDA	1 072	1 406	1 762	1 944	2 093
EBIT	2 404	2 700	2 804	2 936	3 227
Net Income	2 243	2 658	2 431	2 299	2 474
Capex	-508	-970	-1 114	-882	-974
FFO	881	1 186	1 694	1 669	1 686
Total debt	31 635	40 137	47 259	53 449	57 996
Net debt	30 215	38 619	46 002	52 394	57 409
Adjusted net debt	10 038	13 362	15 604	18 802	22 277
Equity (incl. minorities)	14 655	17 391	19 915	22 179	24 653
Ratios:					
Net debt to EBITDA (X)	29,3	27,9	26,6	27,4	27,8
Adj. net debt to EBITDA (x)	9,4	9,5	8,9	9,7	10,6
FFO to net debt	3%	3%	4%	3%	3%
Adj. FFO to net debt					

Source: Company data, Danske Bank DCM Research

Fixed Income Credit Research

Thomas Hovard
Head of Credit Research
+45 45 12 85 05
hova@danskebank.com

Henrik René Andresen
Credit Portfolios
+45 45 13 33 27
hena@danskebank.com

Gabriel Bergin
Strategy, Real Estate
+46 8 568 80602
gabe@danskebank.com

Brian Børsting
Industrials
+45 45 12 85 19
brbr@danskebank.com

David Boyle
Industrials & Norwegian HY
+47 85 40 54 17
dboy@danskebank.com

Jesper Damkjær
Financials
+45 45 12 80 41
damk@danskebank.com

Bendik Engebretsen
Industrials & Norwegian HY
+47 85 40 69 14
bee@danskebank.com

Christopher Hellesnes
Real Estate
+46 8 568 80547
cahe@danskebank.se

Louis Landeman
TMT, Industrials
+46 8 568 80524
llan@danskebank.com

Jakob Magnussen
Utilities, Energy
+45 45 12 85 03
jakja@danskebank.com

Nicolai Pertou Ringkøbing
Financials
+45 45 12 80 56
nrin@danskebank.com

Niklas Ripa
Credit Portfolios
+45 45 12 80 47
niri@danskebank.com

Mads Rosendal
Industrials, TMT
+46 8 568 80594
madro@danskebank.com

Haseeb Syed
Industrials & Norwegian HY
+47 85 40 54 19
hsy@danskebank.com

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