



# Financial Statement 2019

## Presentation for Investors

*February 12<sup>th</sup> 2020*

**Disclaimer:**

Some of the content in this presentation is based on expectations and plans made by Heimavellir's executives and cannot be verified at the time of the presentations publishing.

Investors are reminded that there are many factors that can affect the Group's operational environment and that its operational performance may differ from the premises put forth in this presentation. This presentation will not be updated after its publishing. Statements made in this presentation apply only at the time of publishing and are bound by the limitations set forth in this disclaimer.

This is a translation of the Icelandic version of the investor presentation.



# Key Points in 2019

---

**EBITDA  
yield  
4,4%\***

**EBIT  
margin  
62,1%\***

**Bonds issued  
for ISK 2.420  
m. at 3,53%  
avg. interest.**

**Asset sales  
of ISK 11,4 b.  
3,7% over  
book value**

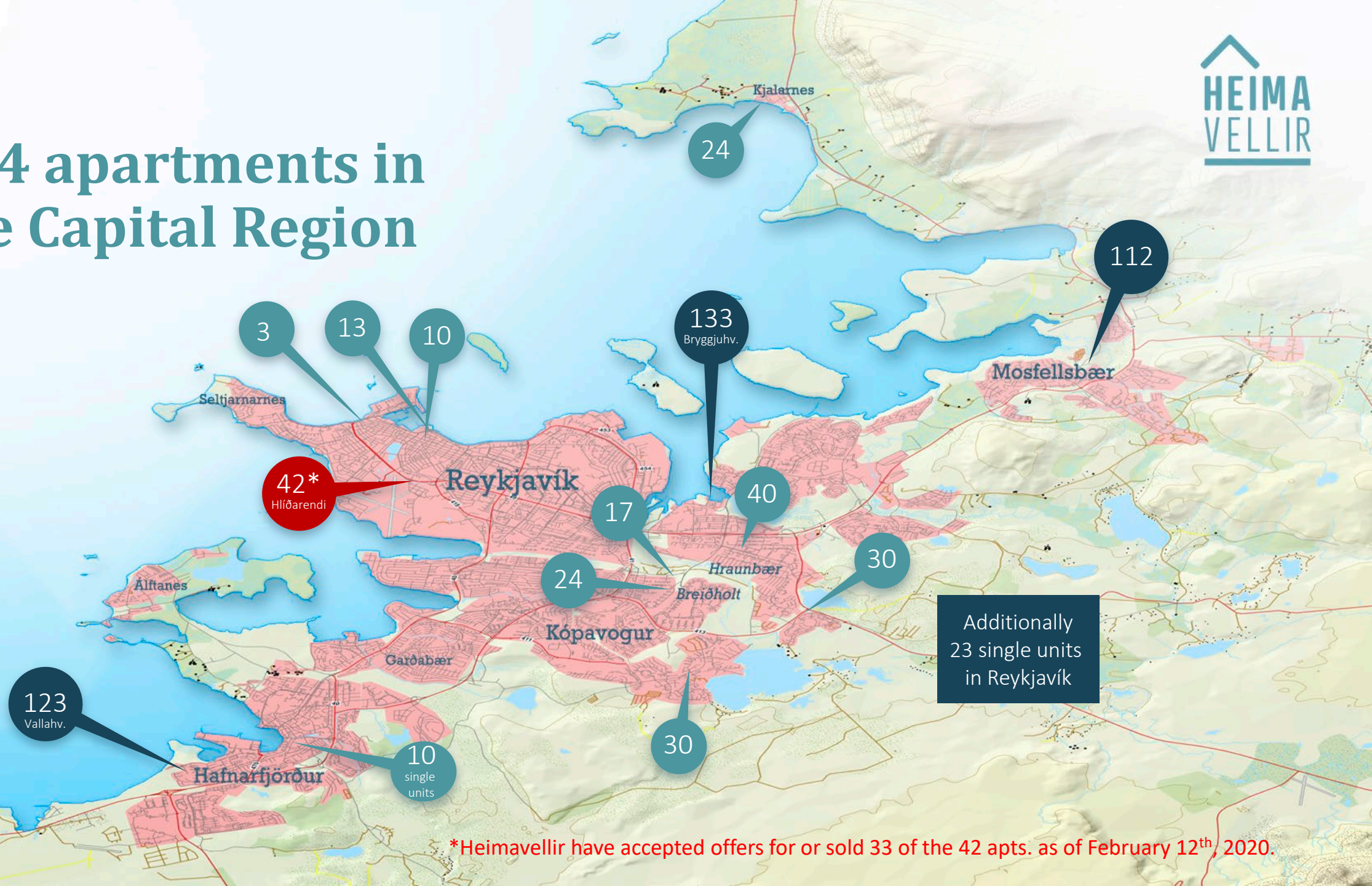


# 1637 apartments nationwide





# 634 apartments in the Capital Region



\*Heimavellir have accepted offers for or sold 33 of the 42 apts. as of February 12<sup>th</sup>, 2020.





*2019 January - December*

**Income statement**

**Balance sheet**

**Cash flow**

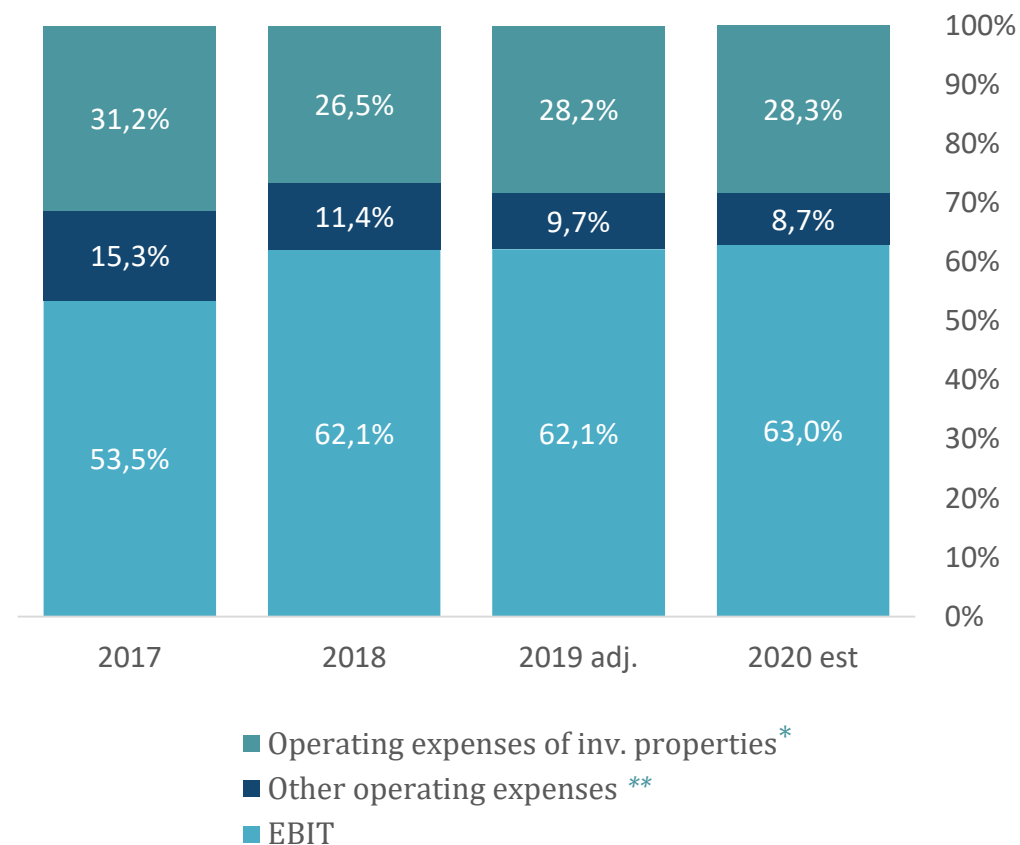


## Financial Statement 2019: Income Statement

# Income Statement 2019

	2019	2018	% ch.
Rental revenue	3.372.239	3.685.788	-9%
Operating expenses of inv. properties	( 950.994)	( 1.015.929)	-6%
Net rental income	2.421.245	2.669.859	-9%
Other income	5.290	0	
Other operating expenses	( 375.125)	( 419.992)	-11%
<b>Operating profit before changes in fair value (EBIT)</b>	<b>2.051.410</b>	<b>2.249.867</b>	-9%
Income from the sale of inv. properties	412.290	496.020	
Changes in fair value of inv. properties	1.695.137	111.918	
<b>Operating profit</b>	<b>4.158.837</b>	<b>2.857.805</b>	46%
Financial income	44.444	11.169	
Financial expenses	( 2.503.037)	( 2.809.076)	-11%
Net financial expenses	( 2.458.593)	( 2.797.907)	
<b>Profit (loss) before income tax</b>	<b>1.700.244</b>	<b>59.898</b>	
Income tax	( 339.268)	( 12.084)	
<b>Profit (loss) for the period</b>	<b>1.360.976</b>	<b>47.814</b>	

EBIT and Operating Expenses to Income



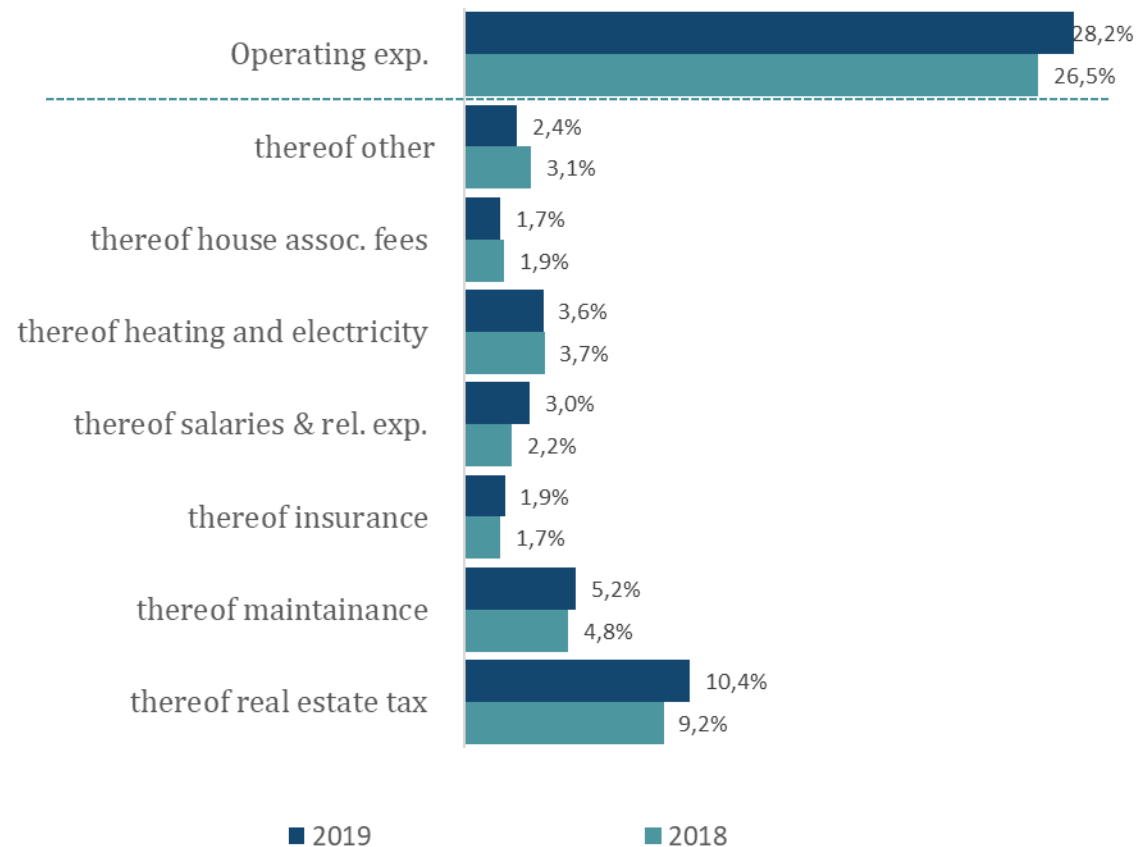
\*Adjusted for non-recurring expenses

\*\*Operating expenses of inv. properties in 2017 and 2018 have been adjusted to take into account the IFRS 16 accounting standard.

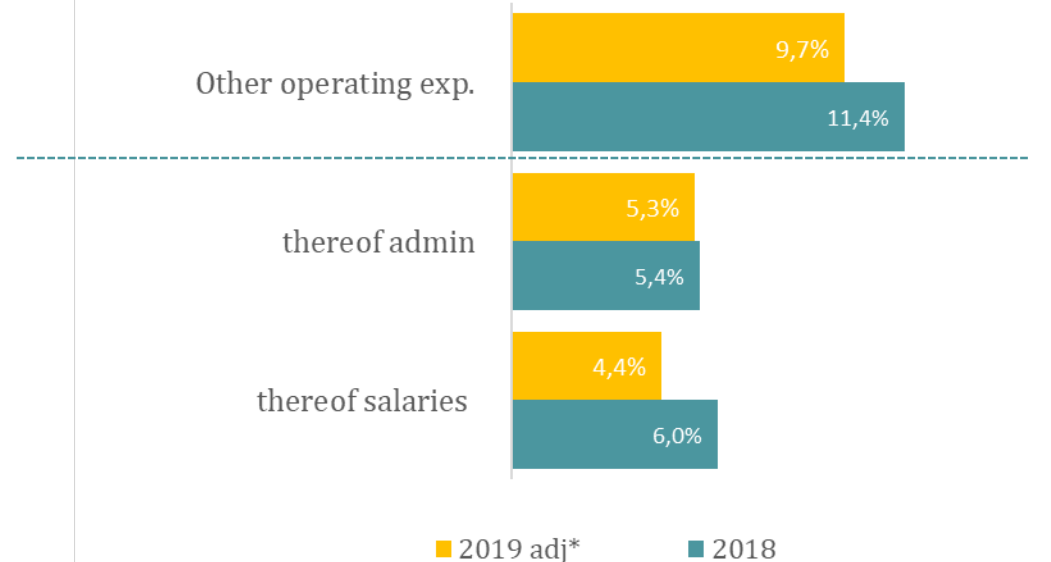


# Operating Expenses and Rental Revenue Income

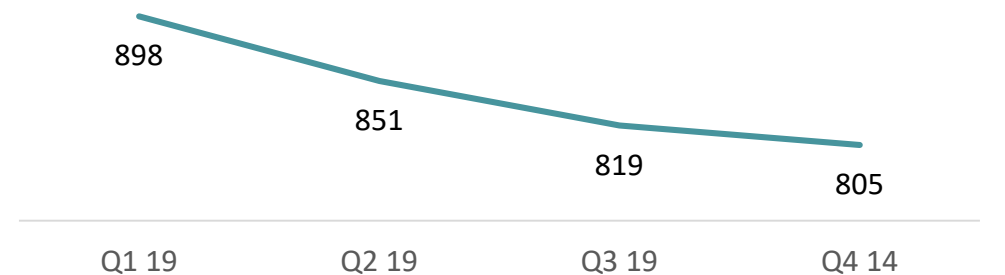
## Operating Exp. of Investment Properties to Rental Revenue



## Other Operating Exp. to Rental Revenue



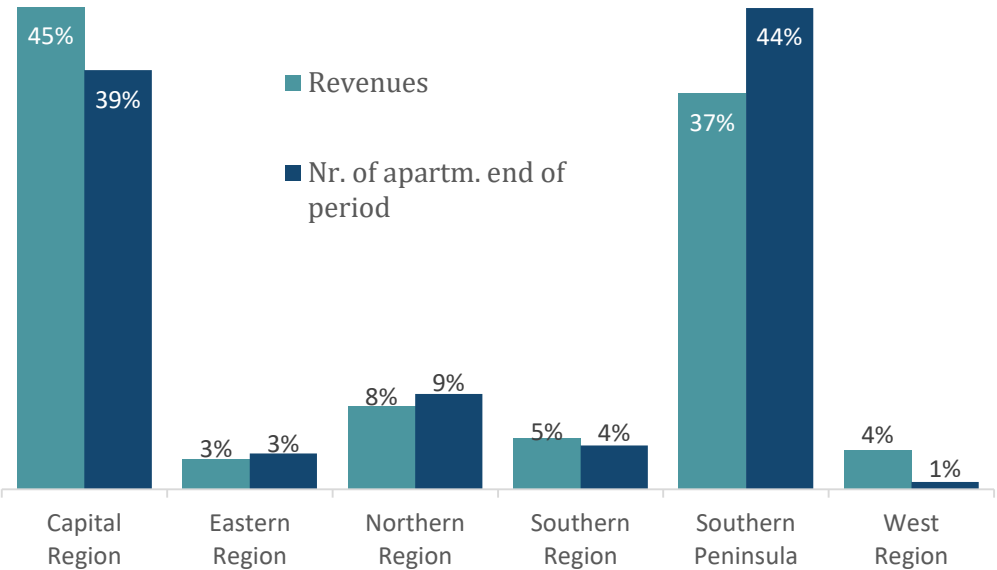
## Rental Revenue per Quarter (ISK m.)



\*Adjusted for non-recurring expenses

# Rental Revenue by Region

Geographical distribution of revenues and apartm.



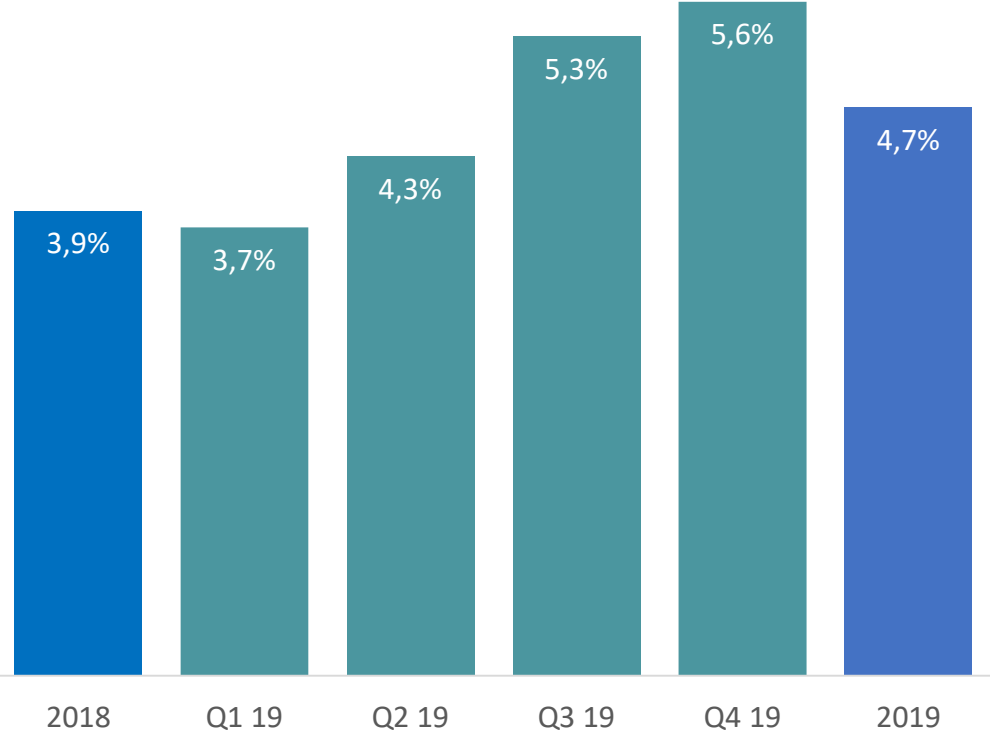
Distribution of Rental Revenue in Dec. 2019



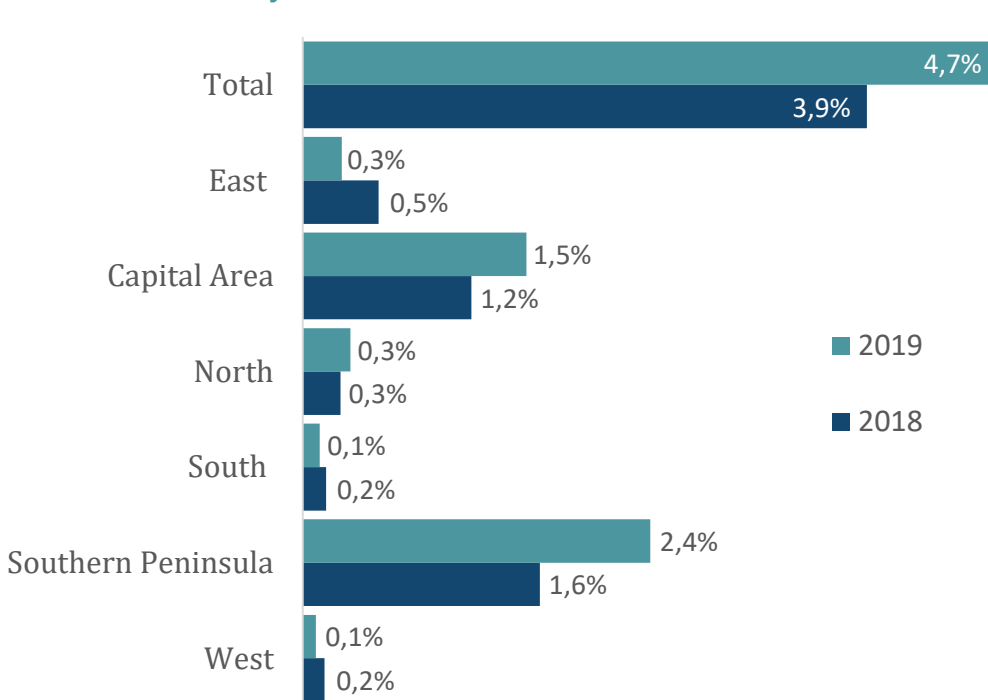


# Underutilization Rate

Under-utilization Rate Based on Income



Underutilization by Area 2019 and 2018

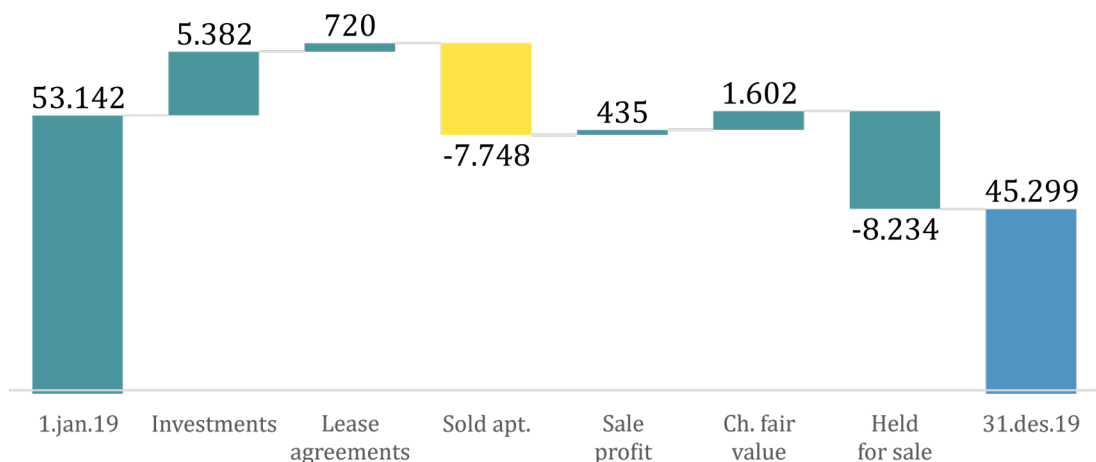


# Balance Sheet - December 31<sup>st</sup>, 2019

	31.12.2019	31.12.2018	% ch.
<b>Noncurrent Assets</b>			
Investment properties	45.299.393	53.142.221	-15%
Inv. properties under construction	370.211	1.232.941	-70%
Other assets	70.523	54.290	
	45.740.127	54.429.452	-16%
<b>Current Assets</b>			
Inv. properties for sale	4.613.531	0	
Other receivables	1.856.378	1.225.520	51%
Cash and cash equivalents	1.740.164	1.171.714	49%
	8.210.073	2.397.234	242%
<b>Assets</b>	<b>53.950.200</b>	<b>56.826.686</b>	
<b>Equity</b>			
Share capital	11.163.998	11.251.398	
Share premium	543.655	1.155.558	
Statutory reserve	6.324	6.324	
Restricted share reserve	8.341.609	6.383.004	
<b>Equity</b>	<b>20.055.586</b>	<b>18.796.284</b>	
<b>Non-current liabilities</b>			
Def. income-tax liab. and lease liability	3.653.244	2.596.437	
Loans and borrowings	28.607.088	33.431.652	-14%
	32.260.332	36.028.089	
<b>Current liabilities</b>			
Loans and borrowings	387.590	1.269.989	-69%
Trade and other payables	1.246.692	732.324	70%
	1.634.282	2.002.313	
<b>Liabilities</b>	<b>33.894.614</b>	<b>38.030.402</b>	-11%
<b>Equity and liabilities</b>	<b>53.950.200</b>	<b>56.826.686</b>	

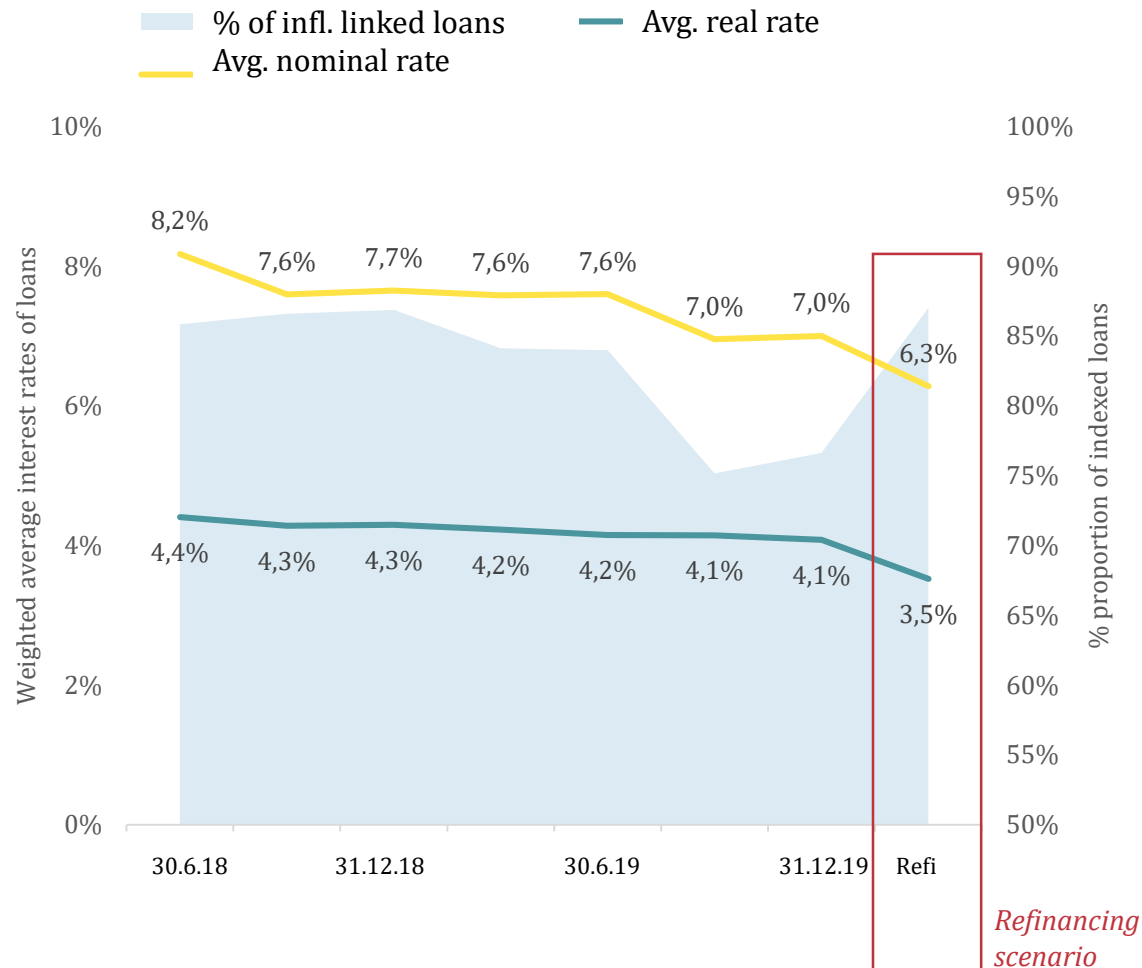
- Investment property assets decreased due to property sales.
- Investment properties under construction are due to capital contributions for apartments in Hlíðarendi that will be delivered in 2020.
- Other current receivables are mostly made of up unpaid sales prices of properties.
- Current loans and borrowings are next years payment of non-current loans and borrowings.
- Current trade and other payables are unpaid interest, guarantees and prepaid lease payments as well as unpaid purchase agreement payments

Change in Investment Property Assets 2019 (ISK m.)





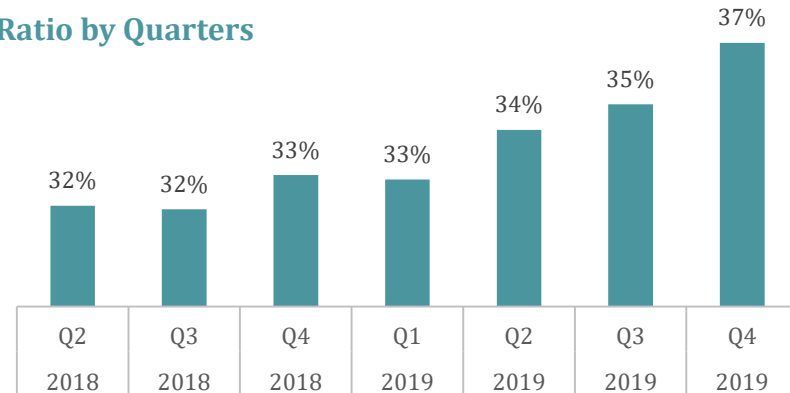
# Continued Refinancing of Liabilities



- Interest-bearing liabilities amount to ISK 29 b. at 31.12.2019.
- The Group's weighted average interest rates have decrease alongside lower interest rates;
  - Indexed interest rates decreased by 20bp in 12 months
  - Non-indexed interest rates decreased by 70bp in 12 months
- Last autumn, the Group refinanced its lease-apt. loans from Íbúðalánasjóður with settlement payments and and a non-indexed loan, lowering the index-proportion to 75%
- The Group has sought financing by issuing listed bonds twice in the recent past
  - Nov. 2019 HEIMA 071225 ISK 200 m. at 2,80% yield
  - Jan. 2020 HEIMA 071225 ISK 2.000 m. at 3,07% (3% if YTC) yield
- If the Group refinanced ISK 8,5 b. of its most unfavorable loans (indexed and non-indexed) with an indexed bond issue at 3% yield, then the average indexed interest rate would decrease to 3,5% and the average non-indexed rate would decrease to 6,3%
- Such refinancing would, if all other constants remain unchanged, decrease financial expenses by ISK 250 m. per year.

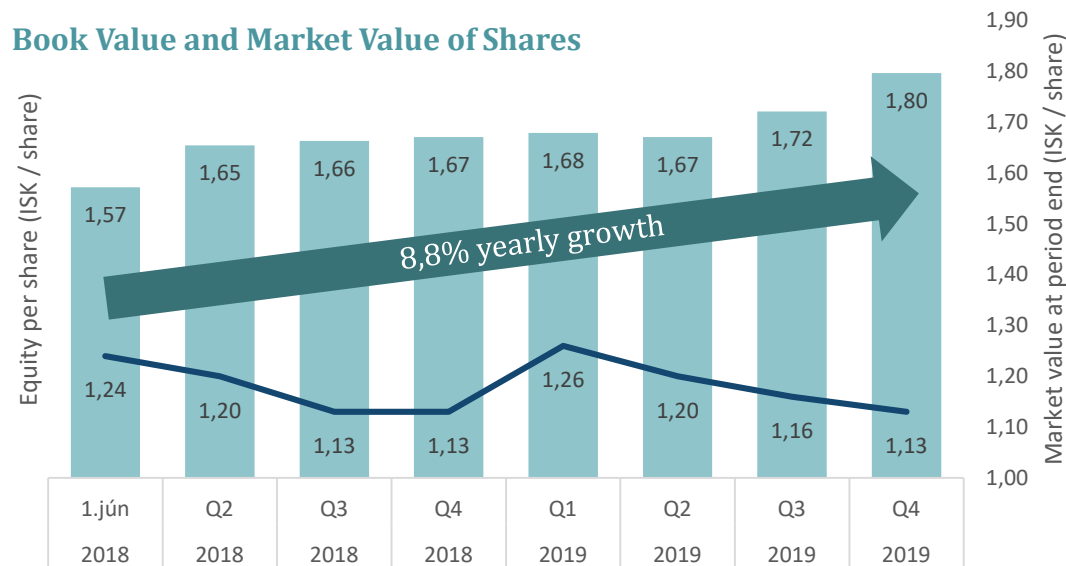
# Equity Ratio and Book Value of Shares Increased

## Equity Ratio by Quarters



- The Group's equity ratio has never been higher and stands at 37% at the end of 2019.
- The book value of the Group's shares has increased from ISK 1,57 per share to ISK 1,80 per share from June 1st 2018 to December 31st 2019, or by 8,8% yearly
- Meanwhile, the Group's market share value in the Icelandic Stock Exchange has decreased from ISK 1,24 per share to ISK 1,13 per share, a decrease of 9%. At closing of February 12<sup>th</sup> the share price was ISK 1,38 per share.

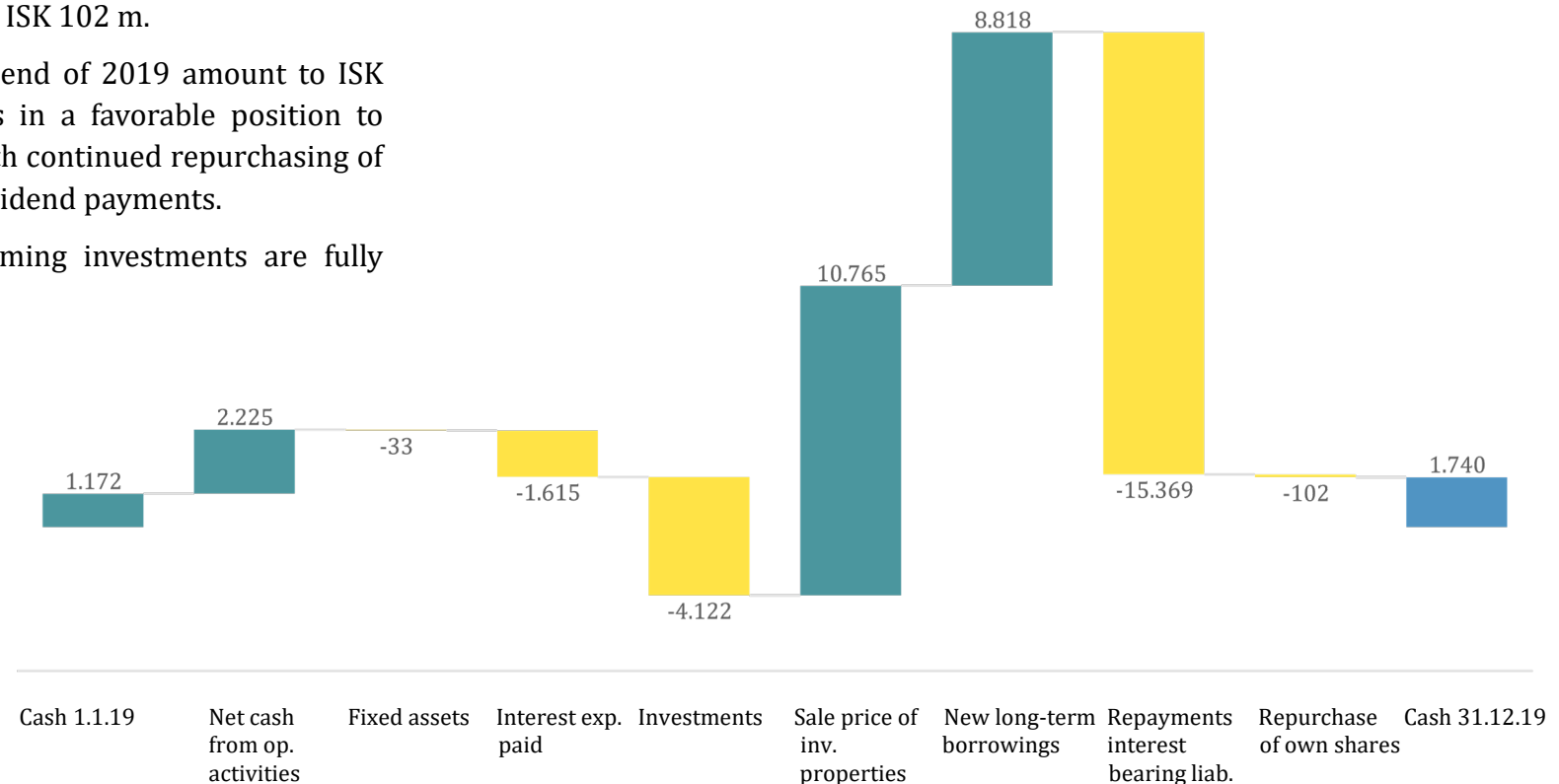
## Book Value and Market Value of Shares





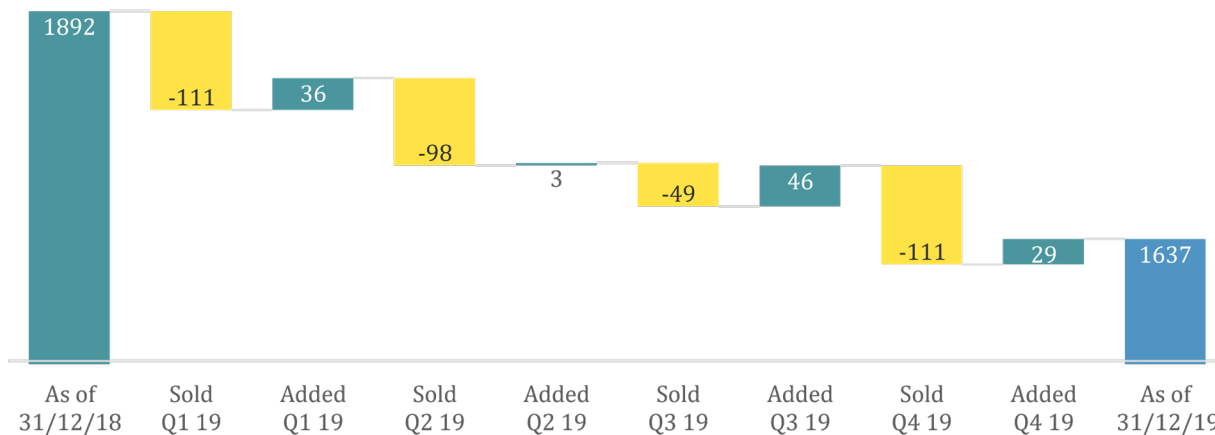
# Strong Cash Flow

- Net cash provided by operating activities is ISK 616 m. and increased by ISK 213 m. from year to year.
- Property sales have lowered the Grup's financial expenses and increased its equity ratio.
- The Group purchased own shares for ISK 102 m.
- Cash and a cash equivalents at the end of 2019 amount to ISK 1.740 m and as such, the Group is in a favorable position to return capital to its shareholders with continued repurchasing of own shares, lowering of equity or dividend payments.
- All contractual obligations of upcoming investments are fully financed.



# Development of the Asset Portfolio

## Change in Number of Apartments in Asset Portfolio



- In 2019, the Group sold 369 apartments for ISK 11.468 m. A portion of them were bought during the year, a total of 114 apartments.
- The apartments were sold at 3,7% over book value.
- Planned additions to the asset portfolio in 2020 are 122 new apartments in Hlíðarendi.

## Sales price (ISK m.) and number of apartments sold

Quarter	Apts. purchased	Apts. sold	Size (m2)	Sales price	Book value	Diff. between sales price and book value
Q1 19	36	111	10.380	3.195	3.072	4,0%
Q2 19	3	98	10.178	2.819	2.764	2,0%
Q3 19	46	49	4.628	1.982	1.850	7,1%
Q4 19	29	111	10.314	3.456	3.354	3,1%
<b>Total:</b>	<b>114</b>	<b>369</b>	<b>35.500</b>	<b>11.452</b>	<b>11.040</b>	<b>3,7%</b>





*2019 January - December*

# Operations



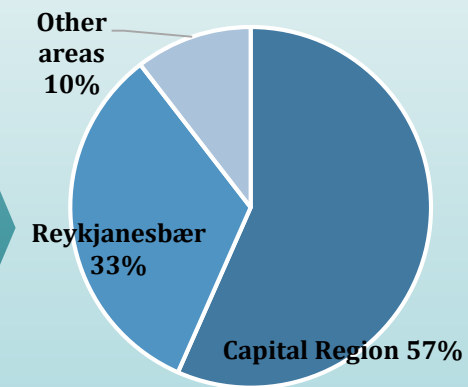
# Portfolio Restructuring on Track

## Restructure

- Current plan aims to reduce the number of apartments from 1.637 to 1.500, thereof are 130 apartments allocated for sale.
- Asset sales program expected to be completed by within a year.
- The objective of the asset sales is to improve operations and reduce the need for refinancing.
- The asset sales and improved operations will increase the Group's ability to repurchase own shares and pay dividends in the coming years.

## Heimavellir's core areas

- The Group's core areas will first and foremost be in the Capital Region and Reykjanesbær on the Southern Peninsula.



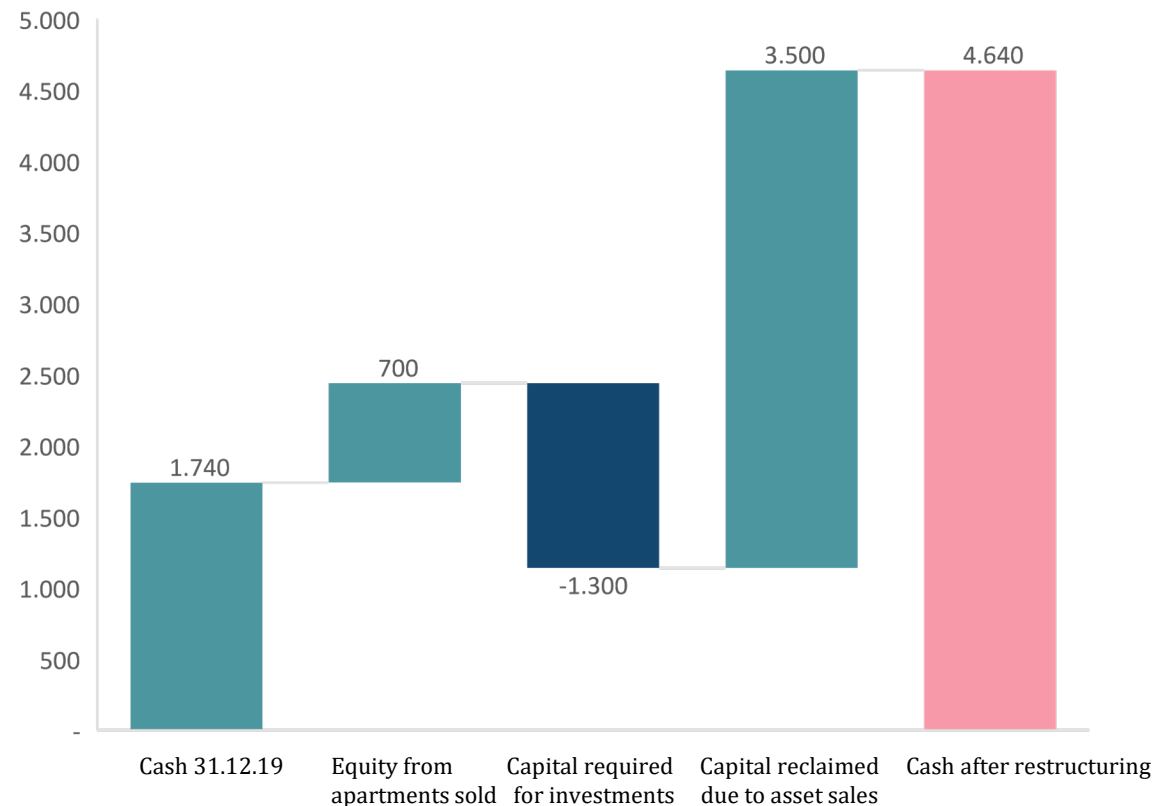
- The book value of assets (based off 31.12.19) that the Group will own after the restructuring of the portfolio will amount to ca. ISK 42 b.

# Increased Cash and Cash Equivalents

## Potential development of cash and cash equivalents

- Cash and cash equivalents at the end of 2019 are ISK 1.740 m. and the equity ratio 37%
- The Group's current receivables amount to ISK 1.700 m., thereof, ISK 700 m. in recovered equity from apartments sold.
- The Group's capital requirements for investments amount to ISK 1.300 m.
- Capital reclaimed due to asset sales, including sales of apts. in Hlíðarendi, amount to ISK 3.500 m.kr.
- Cash and cash equivalents upon completion of the restructuring of the asset portfolio, without regard to repurchasing of own shares or dividend payments, could potentially amount to ISK 4.640 m.
- The aforementioned amounts do not account for operational effects on cash and cash equivalents in the period.

Estimated Development of Cash and Cash Equivalents, without consideration to repurchasing of own shares, decreased equity and/or dividend payments.

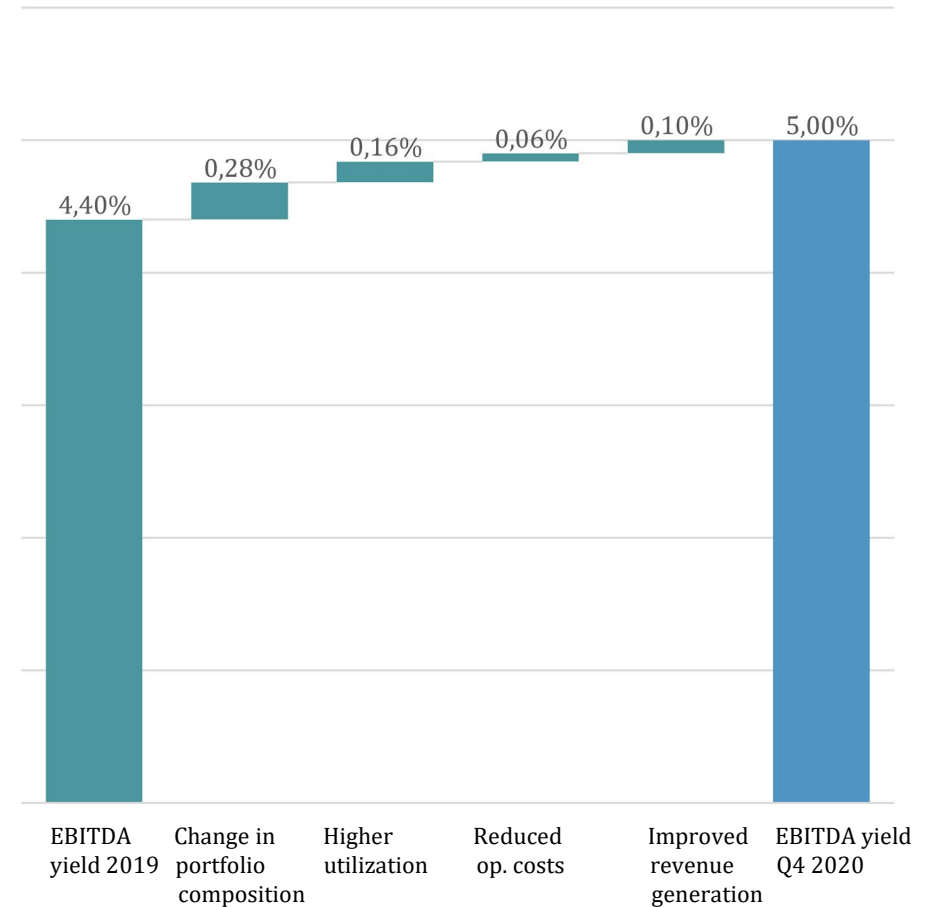


# Operational Prospects in 2020

## Prospects 2020

- Rental revenue 2020 estimated ISK 3.000 – 3.100 m.
- Estimated EBIT margin 2020 is 62,5% - 63,5%.
- Objective of 5% EBITDA yield on the asset portfolio in Q4 of 2020.
- Number of apartments in 2020 estimated at 1.500

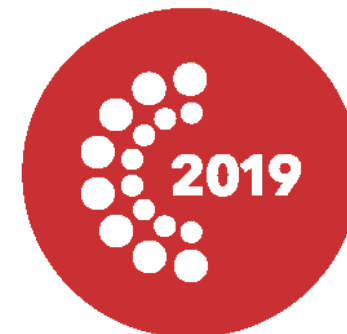
EBITDA bridge from 2019 to Q4 in 2020 (est.)





# Shareholders – February 12<sup>th</sup> 2020

	Shareholder	% of shares	Cumulative
1	Fredensborg ICE ehf.	10,2%	10,2%
2	Birta lífeyrissjóður	9,7%	20,0%
3	Stálskip ehf.	8,6%	28,5%
4	Snæból ehf.	7,5%	36,0%
5	Gani ehf	7,5%	43,5%
6	Arion banki hf.	6,3%	49,7%
7	Sjóvá-Almennar tryggingar hf.	4,8%	54,5%
8	Kvika banki hf.	3,9%	58,4%
9	M75 ehf	3,8%	62,2%
10	Vátryggingafélag Íslands hf.	2,7%	64,9%
11	Landsbankinn hf.	2,4%	67,3%
12	IS Hlutabréfasjóðurinn	2,2%	69,5%
13	Eignarhaldsfélagið VGJ ehf.	2,0%	71,4%
14	TM fé ehf.	1,9%	73,4%
15	Söfnunarsjóður lífeyrisréttinda	1,9%	75,2%
16	Efniviður ehf.	1,6%	76,9%
17	Brimgarðar ehf.	1,2%	78,1%
18	Stefnir - Samval	1,0%	79,1%
19	Heimavellir hf.	1,0%	80,1%
20	Holt og hæðir ehf.	1,0%	81,1%
	Other shareholders (393)	18,9%	100,0%



**Strongest in  
Iceland**

**Heimavellir hf.**

is amongst **2%** of Icelandic companies that  
have met the requirements set by Creditinfo  
for being the Strongest in Iceland 2019.

Yours Sincerely



Brynja Baldursdóttir, CEO  
Reykjavík 23.10.2019

# Asset portfolio by Region

## Investment Properties

	Capital Region	Southern Peninsula	South Region	West Region	North Region	East Region	Total
Number of apartments	579	700	43	10	126	49	<b>1.507</b>
Total square meters	48.072	71.159	3.898	798	9.972	4.427	<b>138.325</b>
Average size of apartm. (m2)	83	102	91	80	79	90	<b>92</b>
Average age of apartm. (years)	9	29	16	14	10	12	<b>19</b>
Rental revenue (% of total)	44,5%	36,6%	4,7%	3,6%	7,7%	2,7%	<b>100%</b>
Official assessment value 2020 (ISK m.)	21.770	18.397	1.307	328	3.967	1.033	<b>46.803</b>
Assessed fire insurance value (ISK m.)	18.509	22.253	1.318	282	3.709	1.494	<b>47.566</b>
Book value (ISK m.)**	24.259	14.826	1.113	256	3.394	731	<b>44.579</b>
- pr. m2 (ISK thous.)	505	208	286	321	340	165	<b>322,3</b>
- % of inv. properties	54,4%	33,3%	2,5%	0,6%	7,6%	1,6%	<b>100%</b>

## Investment Properties for sale\*

	Capital Region	Southern Peninsula	South Region	West Region	North Region	East Region	Total
Number of apartments	55	28	23	1	18	5	<b>130</b>
Total square meters	4.606	4.571	2.161	106	1.529	413	<b>13.386</b>
Average size of apartm. (m2)	84	163	94	106	85	83	<b>103</b>
Average age of apartm. (years)	6	43	14	47	13	15	<b>17</b>
Official assessment value 2020 (ISK m.)	2.463	981	729	23	615	101	<b>4.911</b>
Book value (ISK m.)	2.676	750	595	20	489	83	<b>4.614</b>
- Book value pr. m2 (ISK thous.)	581	164	275	189	320	202	<b>344,7</b>

Investment properties for sale is comprised of apartments that the Group owns and are ready for sale. Most of them are vacant and currently advertised by real estate agencies.

\*\* Investment properties amount to ISK 45.299 m., lease assets included.

# Heimavellir Real Estate



Einivellir 1, Hafnarfjörður



Eskivellir 13, Hafnarfjörður



Lindargata 28, Reykjavík



Tangabryggja 10, Reykjavík



Vefarastræti 28, Mosfellsbær



Skógarbraut 1102, Reykjanesbær



Fjörubraut 1224, Reykjanesbær



Fossvegur 8, Selfoss





*Further information provided by*

**Arnar Gauti Reynisson**  
CEO of Heimavellir

[gauti@heimavellir.is](mailto:gauti@heimavellir.is)  
Tel: +354 8605300

Gerplustræti