Post results | 21 October 2026

Husqvarna

Weak earnings, but debt reduction supports the rating outlook

Husqvarna reported a weak Q3 26, with organic sales declining 5% y/y and adj. EBIT posting a SEK246m loss compared to SEK140m in Q3 25, as lower volumes, product mix and inflation outweighed cost savings. At the same time, working-capital release supported cash flow generation, lowering net debt to SEK9.4bn from SEK9.9bn a year earlier. We expect continued earnings pressure over the coming quarters, but our view remains that debt reduction should ultimately outweigh the deterioration in FFO, keeping estimated S&P FFO/debt around or above the important 30% level monitored by S&P. Inflation and intensifying competition in robotics nevertheless leave limited room for further significant operational setbacks. While some spread widening would be understandable following the earnings disappointment, with the bonds trading close to the 'BBB-' curve, we see limited scope for significant widening and maintain our Marketweight recommendation.

Financial performance

Net sales declined 2% y/y to SEK9.0bn, with a positive currency contribution partly offsetting the 5% organic decline. Reported EBIT was SEK-334m, including SEK88m of items affecting comparability, while EBIT excluding these items was SEK-246m, corresponding to a quarterly margin of -2.7%, against 1.5% last year. The adjusted result was substantially below the SEK+25m consensus cited ahead of the release.

Key figures

SEKm	Q3 25	Q2 26	Q3 26	y/y	q/q
Total sales	9,204	14,383	9,012	-2.1%	-37.3%
EBITDA (rep.)	882	2,402	426	-51.7%	-82.3%
EBITDA (adj.)	882	2,402	426	-51.7%	-82.3%
Net income	-10	1,030	-404	3940.0%	-139.2%
FFO (rep.)	558	2,278	117	-79.0%	-94.9%
FFO (adj.)	558	2,278	117	-79.0%	-94.9%
Equity	24,644	25,767	25,930	5.2%	0.6%
Net debt	6,604	7,663	5,752	-12.9%	-24.9%
Net debt (adj.)	13,503	15,769	13,608	0.8%	-13.7%
Ratios	**Q3 25**	**Q2 26**	**Q3 26**	**y/y**	**q/q**
EBITDA margin	10%	17%	5%	-5pp	-12pp
Net debt/EBITDA (x)	1.2	1.4	1.1	-0.1	-0.2
Adj. net debt/adj. EBITDA (x)	2.5	2.8	2.6	0.1	-0.2
FFO/net debt	61%	59%	71%	10pp	12pp
Adj. FFO/adj. net debt	30%	29%	30%	0pp	1pp
Adj. total debt/total capital	41%	43%	42%	1pp	0pp
Net debt/total capital	19%	21%	16%	-3pp	-5pp

Source: Company data, Danske Bank Credit Research

Marketweight

Industrials

Corporate ticker: HUSQB

Equity ticker: HUSQB SS

Market cap (SEKm): 14,786

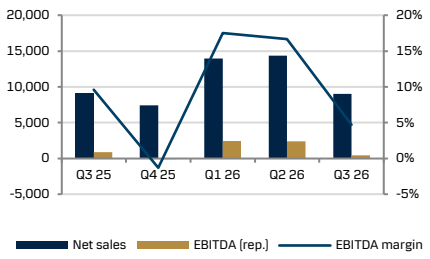
Ratings:
S&P: BBB- / S
Moody's: NR / NR
Fitch: NR / NR

ESG rating:
Sustainalytics ESG Risk Rating: 29.7

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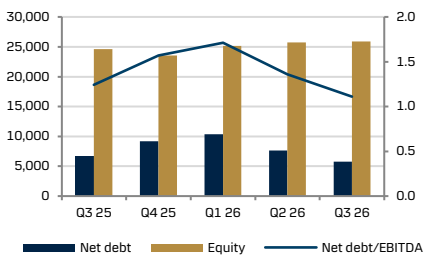
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Profitability (SEKm)



Source: Company data, Danske Bank Credit Research

Financial metrics (SEKm)



Source: Company data, Danske Bank Credit Research

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Forest & Garden was the main source of weakness, with organic sales declining 10% and adj. EBIT falling to SEK-181m from SEK222m in Q3 25, reflecting weak European lawn-care demand, lower production and an adverse product mix. Gardena benefited from strong watering demand and delivered 8% organic growth, although adj. EBIT remained negative at SEK-88m. Construction recorded flat organic sales but a 35% decline in adjusted EBIT to SEK133m.

According to the company, the group delivered SEK305m of quarterly savings and SEK125m of pricing benefits, but these were overwhelmed by a total of SEK470m of adverse volume/mix and SEK315m of cost inflation and other effects. Husqvarna stresses that the savings programme is delivering, which leads us towards the conclusion that pressure is on pricing and that the company is currently finding it hard to adjust pricing in the face of increasing costs and is therefore leaning in favour of volumes.

Cash flow and credit rating

A SEK2.6bn working-capital release supported operating cash flow of SEK2.8bn, while reported net debt declined to SEK9.4bn from SEK9.9bn a year earlier. Although recurring cash earnings weakened, the debt reduction protects S&P FFO/debt in our estimation. We expect the ratio to remain close to the 30% level over the coming quarters but ultimately see deleveraging outweighing earnings pressure and supporting the 'BBB-' rating. This depends on continued capital discipline, as the potential for benefiting from working-capital releases should gradually diminish, in our view.

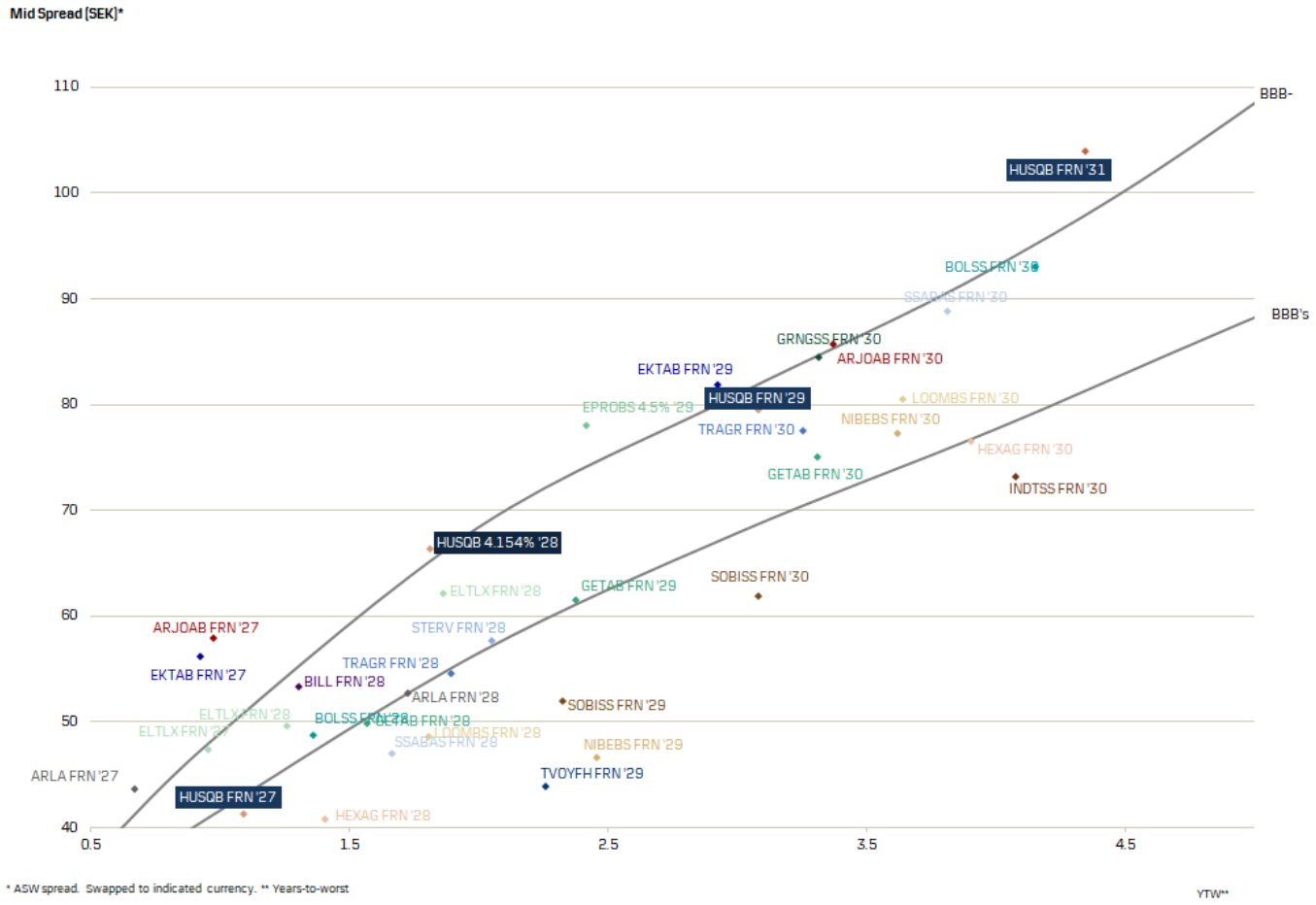
Outlook

On the earnings call, management indicated that they believe that headwinds will persist, with some SEK250m of Middle East-related cost carryover into H1 27, against approximately SEK1bn of targeted savings in 2027. Management also acknowledged market-share losses in robotics and elevated channel inventories. We will particularly monitor whether pricing and savings can offset inflation, and whether robotics growth can recover without sacrificing margins.

Recommendation

The quarter displayed several negative developments, but we do not view the earnings disappointment alone as sufficient to overturn the rating-supportive effect of debt reduction. Our base case remains one of weak near-term profitability and limited FFO/debt headroom, followed by gradual improvement as deleveraging and cost measures gain traction. Persistent inflation, further robotics share losses or a renewed working-capital build and a commensurate sales decline due to higher dealer inventories would challenge that view. Some spread widening may be warranted at this point, but as we see the bonds trading around the 'BBB-' curve, we consider there to be limited widening potential unless the evidence points towards a sustained deterioration and impacts S&P's credit metrics. We therefore maintain our Marketweight recommendation.

Relative valuation



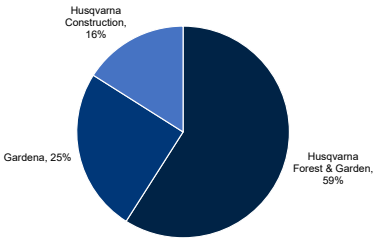
Source: Bloomberg, Danske Bank Credit Research

Company summary

Company description

Husqvarna was founded in 1689 and is based in Jonsered, Sweden. Today, Husqvarna Group is the global leader in robotic lawn mowers, number two in professional chainsaws and number one in Europe in consumer watering systems. The company is also the global leader in cutting equipment and diamond tools for the construction and stone industries. The Group's 14,000 employees serve consumers and professional users in more than 100 countries.

EBITDA breakdown, segments



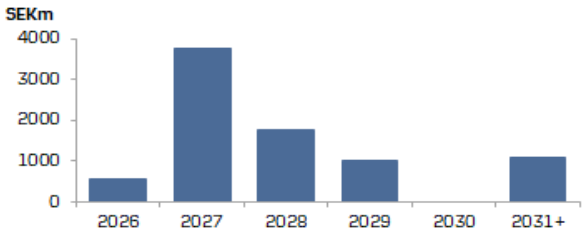
Key credit strengths

- Portfolio with leading market position within garden equipment.
- Good long-term growth prospects in the market for garden equipment for consumers and professional use.
- Strong balance sheet, stable financial history.

Key credit challenges

- Cyclicality in demand, which usually follows the general economic development and consumer confidence.
- Competitive market environment.
- The company is in a transition phase.

Debt maturity profile



Main shareholders

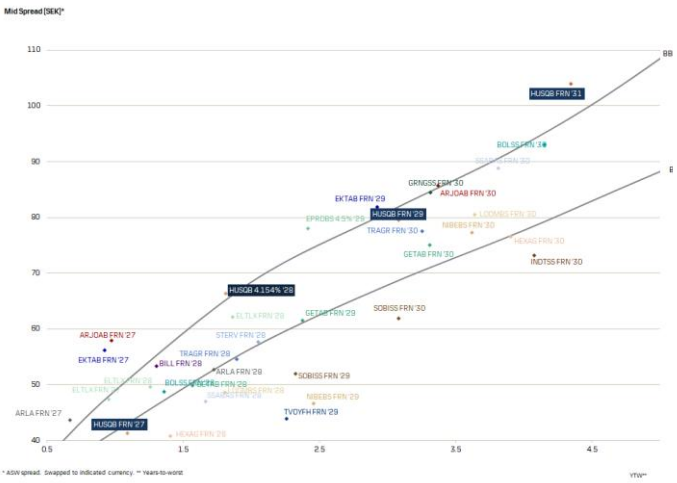
Name	Votes (%)	Capital (%)
Investor	33.9%	16.8%
Robert Bosch	4.5%	12.0%
Lundbergföretagen	25.8%	7.7%
Silchester International Investors	1.9%	5.0%
Magallanes Value Investors SGIIC	1.0%	2.8%

Selected outstanding bonds

Isin	Coupon	Currency	Maturity /Call	Seniority	Rating*
SE0013885381	FRN	SEK	11/12/2026	Sr Unsecured	NR/NR
SE0013105236	4.718%	SEK	23/11/2027	Sr Unsecured	NR/NR
SE0017071632	FRN	SEK	14/08/2028	Sr Unsecured	NR/NR
SE0013106424	FRN	SEK	19/11/2029	Sr Unsecured	NR/NR

*Moodys/S&P

Relative valuation



Source: Company data, Bloomberg, Danske Bank Credit Research [all charts and tables]

Summary table

Income statement (SEKm)	2023	2024	2025	2026E	2027E
Total sales	53,261	48,352	48,352	44,231	44,151
Operating expenses	-39,424	-39,424	-39,424	0	0
EBITDA	6,985	5,505	5,505	5,350	5,892
EBITDA adjusted	6,985	5,505	5,505	5,350	5,892
Non-recurring items	0	0	0	0	0
Depreciation and amortisation	-3,105	-2,908	-2,908	-2,920	-2,882
EBIT	3,880	2,597	2,597	2,430	3,009
EBIT adjusted	3,880	2,597	2,597	2,430	3,009
Net interest	-1,002	-863	-863	-749	-632
Other financial items (net)	0	0	0	0	0
Pre-tax profit	2,878	1,733	1,733	1,681	2,378
Tax	-701	-407	-407	-461	-476
Net income	2,177	1,326	1,326	1,220	1,902
Balance sheet (SEKm)	**2023**	**2024**	**2025**	**2026E**	**2027E**
Fixed assets	7,205	7,221	7,221	6,340	5,331
Goodwill	9,920	10,521	10,521	9,954	9,954
Associates	14	34	34	2	2
Other non-current assets	13,453	14,166	14,166	13,176	13,150
Working capital assets	22,473	19,380	19,380	15,616	15,853
Cash and cash equivalents	1,527	1,527	1,527	5,404	5,146
of which restricted cash	0	0	0	0	0
Other current assets	3,018	3,954	3,954	2,480	2,517
Total assets	57,610	56,803	56,803	52,973	51,953
Total assets (adj.)	57,610	56,803	56,803	52,973	51,953
Total interest-bearing debt	14,587	12,519	12,519	11,152	8,652
Total interest-bearing debt adjusted	20,964	18,579	18,579	17,036	14,536
Net interest-bearing debt	13,060	10,992	10,992	5,748	3,506
Net interest-bearing debt adjusted	19,437	17,052	17,052	11,632	9,390
Working capital liabilities	5,487	5,896	5,896	5,018	5,094
Other current liabilities	6,517	6,646	6,646	4,874	4,948
Other non-current liabilities	2,954	3,063	3,063	2,923	2,923
Total equity	23,772	24,622	24,622	25,065	26,395
Total equity and liabilities	57,610	56,804	56,804	51,001	49,981
Total equity and liabilities (adj.)	63,987	62,864	62,864	56,885	55,865
Cash flow statement (SEKm)	**2023**	**2024**	**2025**	**2026E**	**2027E**
EBITDA	6,985	5,505	5,505	5,350	5,892
Tax paid	0	0	0	145	-476
Other cash flow from operations	-1,439	-1,677	-1,677	-772	-632
Funds from operations (FFO)	5,546	3,828	3,828	4,723	4,785
FFO (adjusted)	5,546	3,828	3,828	4,723	4,785
Change in working capital	1,521	3,239	3,239	1,675	-124
Operating cashflow (CFO)	7,067	7,067	7,067	6,397	4,660
CFO (adjusted)	7,067	7,067	7,067	6,397	4,660
Capex	-2,627	-2,603	-2,603	-1,824	-1,873
Divestments/acquisitions of businesses	-4	107	107	-58	0
Free operating cashflow (FOCF)	4,436	4,571	4,571	4,515	2,787
FOCF (adjusted)	4,436	4,571	4,571	4,515	2,787
Dividend paid	-1,714	-1,715	-1,715	-570	-572
Share buyback	0	0	0	0	0
Free cashflow (FCF)	2,700	2,888	2,888	3,969	2,242
Other investing activities	-22	32	32	24	26
Debt repayment	0	0	0	0	-2,500
Funding shortfall	2,678	2,920	2,920	3,993	-232
New debt	0	0	0	0	0
New equity	0	0	0	0	0
Other financing activities	-2,678	-2,920	-2,920	-24	-26
Change in cash	0	0	0	3,969	-258

Source: Company data, Danske Bank Credit Research estimates

Summary table

Adjusted ratios (SEKm)	2023	2024	2025	2026E	2027E
Sales growth	-1%	-9%	0%	-9%	-0%
EBITDA margin	13.1%	11.4%	11.4%	12.1%	13.3%
Adj. EBITDA margin	13.1%	11.4%	11.4%	12.1%	13.3%
EBIT margin	7.3%	5.4%	5.4%	5.5%	6.8%
Adj. EBIT margin	7.3%	5.4%	5.4%	5.5%	6.8%
EBITDA interest coverage (x)	8.1	7.4	7.4	30.0	9.3
Adj. EBITDA interest coverage (x)	8.1	7.4	7.4	30.0	9.3
EBIT interest coverage (x)	4.5	3.5	3.5	13.6	4.8
Adj. EBIT interest coverage (x)	4.5	3.5	3.5	13.6	4.8
FFO interest coverage (x)	6.4	5.1	5.1	26.5	7.6
Adj. FFO interest coverage (x)	6.4	5.1	5.1	26.5	7.6
CFO interest coverage (x)	8.2	9.5	9.5	35.9	7.4
Adj. CFO interest coverage (x)	8.2	9.5	9.5	35.9	7.4
Net debt/EBITDA (reported) (x)	1.9	2.0	2.0	1.1	0.6
Net debt/EBITDA (x)	1.9	2.0	2.0	1.1	0.6
Adj. net debt/adj. EBITDA (x)	2.8	3.1	3.1	2.2	1.6
Debt/EBITDA (x)	2.1	2.3	2.3	2.1	1.5
Adj. debt/adj. EBITDA (x)	3.0	3.4	3.4	3.2	2.5
Debt/EBITDA (reported) (x)	2.1	2.3	2.3	2.1	1.5
FFO/net debt	42.5%	34.8%	34.8%	82.2%	136.5%
Adj. FFO/adj. debt	26.5%	20.6%	20.6%	27.7%	32.9%
Adj. FFO/adj. net debt	28.5%	22.4%	22.4%	40.6%	51.0%
FFO/debt	38.0%	30.6%	30.6%	42.3%	55.3%
Adj. total debt/total capital	48.5%	44.6%	44.6%	46.4%	40.6%
Net debt/total capital	34.0%	29.6%	29.6%	15.9%	10.0%
Adj. net debt/adj. total capital	45.0%	40.9%	40.9%	31.7%	26.2%
Quarterly overview (SEKm)	**Q3 25**	**Q4 25**	**Q1 26**	**Q2 26**	**Q3 26**
Net sales	9,204	7,429	13,962	14,383	9,012
EBITDA	882	-97	2,449	2,402	426
Adj. EBITDA	882	-97	2,449	2,402	426
EBIT	141	-837	1,710	1,600	-334
Net income	-10	-770	1,173	1,030	-404
Capex	-491	-631	-384	-489	-460
FFO	558	-609	2,288	2,278	117
Total debt	10,499	10,916	12,077	11,120	11,152
Net debt	6,604	9,209	10,369	7,663	5,752
Adjusted net debt	13,503	16,479	17,909	15,769	13,608
Equity (incl. minorities)	24,644	23,540	25,161	25,767	25,930
Ratios					
Net debt/EBITDA (x)	1.2	1.6	1.7	1.4	1.1
Adj. net debt/EBITDA (x)	2.5	2.8	3.0	2.8	2.6
FFO/net debt	61%	47%	46%	59%	71%
Adj. FFO/net debt	30%	27%	27%	29%	30%

Source: Company data, Danske Bank Credit Research estimates

Danske Bank – Credit research platform

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We base our bond valuation conclusion on an estimation of a fair business and financial risk profile of the issuing entity. By combining these risk profiles with market technical and bond-specific issues such as documentation and structuring, we arrive at an overall bond risk profile. We compare the bond spread to those of peers with similar risk profiles and against this background we estimate whether the bond is attractively priced in the market. We express this view with either an Overweight, Marketweight or Underweight recommendation. This signals our opinion of the bond's performance potential compared with relevant peers in the coming six months.

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Investment recommendations are based on the expected development in the credit profile as well as relative value compared with the sector and peers.

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Rating	Anticipated performance	Time horizon	Distribution of recommendations	Investment banking relationships
Overweight	Outperformance relative to peer group	6 months	31%	53%
Marketweight	Performance in line with peer group	6 months	58%	60%
Underweight	Underperformance relative to peer group	6 months	12%	41%

No changes in recommendation in the past 12 months

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