Credit Update | 23 October 2026

SKF

Focus on continuing business

SKF reported a Q3 26 report much in line with expectations with reported adjusted leverage at 1.1x for the continuing business. We expect SKF to maintain adjusted leverage around 1x in the coming years, which we expect will be commensurate with the current BBB+ rating. The 3.125% EUR 2028 bond is trading in line with the Industrial BBB+ curve, which is fair, in our view. The two low-coupon bonds (2029 and 2031) are trading around 96 and 94.5, respectively, with negative spreads reflecting investors speculating that SKF could eventually redeem these bonds at par. SKF did not get consent for these two bonds, which poses some legal risk following the separation. However, SKF has been clear that it does not believe the separation constitutes an event of default. We note that it would be relatively expensive to refinance those two bonds and hence we believe that most likely SKF will leave them outstanding until maturity. Taking this into account, we maintain our Underweight recommendation.

Automotive to be listed 1 December – leverage to remain low

The Automotive segment will be listed separately as of 1 December 2026 with the continuing business mainly comprising the Bearing Solutions segment (78% of Adjusted EBITDA LTM) as well as the Specialized Industrial Solutions (22% of Adjusted EBITDA LTM). In Q3 26, SKF (continuing business) reported EBITDA of SEK3.6bn – up from SEK3.2 bn in Q3 25. Cash flow from operations was SEK2.1bn – up from SEK1.8bn in Q3 25. Adj. net debt-to-EBITDA for the continuing business was 1.1x as of Q3 26, which compares with SKF's target to maintain leverage below 2.0x. Overall, a credit neutral quarter.

Key figures (2026-28 estimates reflect continuing business)

SEKm	2024	2025	2026E	2027E	2028E
Total sales	98,722	91,583	68,687	73,495	76,435
EBITDA (rep.)	14,771	15,749	14,081	14,699	15,287
EBITDA (adj.)	14,771	15,749	14,081	14,699	15,287
Net income	6,887	4,249	7,000	7,524	8,040
FFO (rep.)	11,596	13,010	10,200	10,674	11,218
FFO (adj.)	11,596	13,010	10,200	10,674	11,218
Equity	61,969	55,668	62,000	66,524	70,564
Net debt	9,399	5,874	10,000	6,926	4,208
Net debt (adj.)	17,128	12,878	16,500	13,426	10,708
Ratios	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA margin	15.0%	17.2%	20.5%	20.0%	20.0%
Net debt/EBITDA (x)	0.6	0.4	0.7	0.5	0.3
Adj. net debt/adj. EBITDA (x)	1.2	0.8	1.2	0.9	0.7
FFO/net debt	123%	221%	102%	154%	267%
Adj. FFO/adj. net debt	68%	101%	62%	80%	105%
Adj. total debt/total capital	36%	33%	32%	29%	25%
Net debt/total capital	11%	8%	12%	8%	5%

Source: Company data, Danske Bank Credit Research estimates

Underweight

Industrials

Corporate ticker: SKFBSS

Equity ticker: SKFB SS

Market cap (SEKm): 120,776

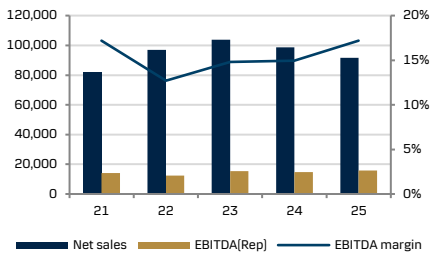
Ratings:
S&P: NR / NR
Moody's: Baa1 / S
Fitch: BBB+ / S

ESG rating:
Sustainalytics ESG Risk Rating: 23

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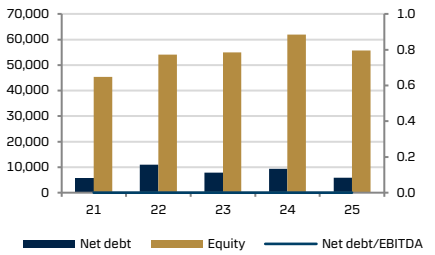
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Profitability (SEKm)



Source: Company data, Danske Bank Credit Research

Financial metrics (SKFm)



Source: Company data, Danske Bank Credit Research

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Important disclosures and certifications are contained from page 8 of this report.

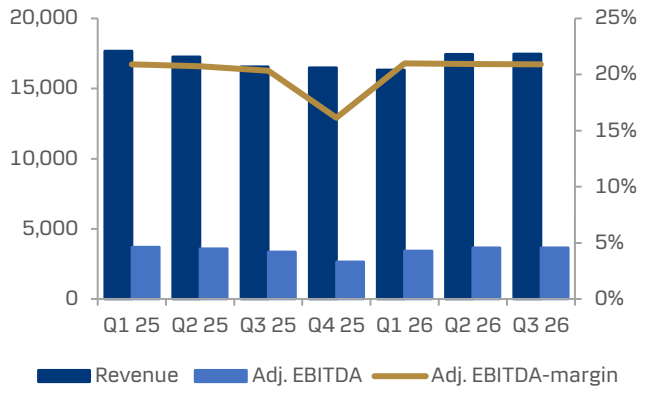
Focus on continuing business

The Automotive segment has been reclassified as a discontinued activity. The entity will be renamed SKF Vertevo and listed on 1 December 2026. Historically, the remaining SKF has generated adjusted EBITDA of around SEK3.3bn on average per quarter with a relatively stable EBITDA margin development. In the last 12 months, the bearing segment has accounted for c.78% of combined adjusted EBITDA.

Bearing Solutions: SKF's core industrial-bearing business - designing and manufacturing bearings that reduce friction and support rotating machinery across a wide range of industries. It also provides condition monitoring, predictive maintenance and remanufacturing, helping customers maintain equipment and extend its useful life.

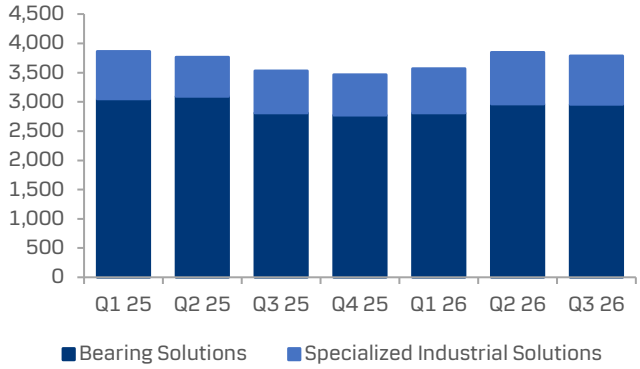
Specialized Industrial Solutions: Groups four specialist businesses: Aerospace, Lubrication Lifetime Solutions, Sealing Solutions and Magnetic Solutions. Its focus is therefore application-specific aerospace products, lubrication systems, sealing and magnetic-bearing technologies, rather than the broad industrial-bearing portfolio

Continuing business revenue and EBITDA, SEKm



Source: SKF, Danske Bank Credit Research

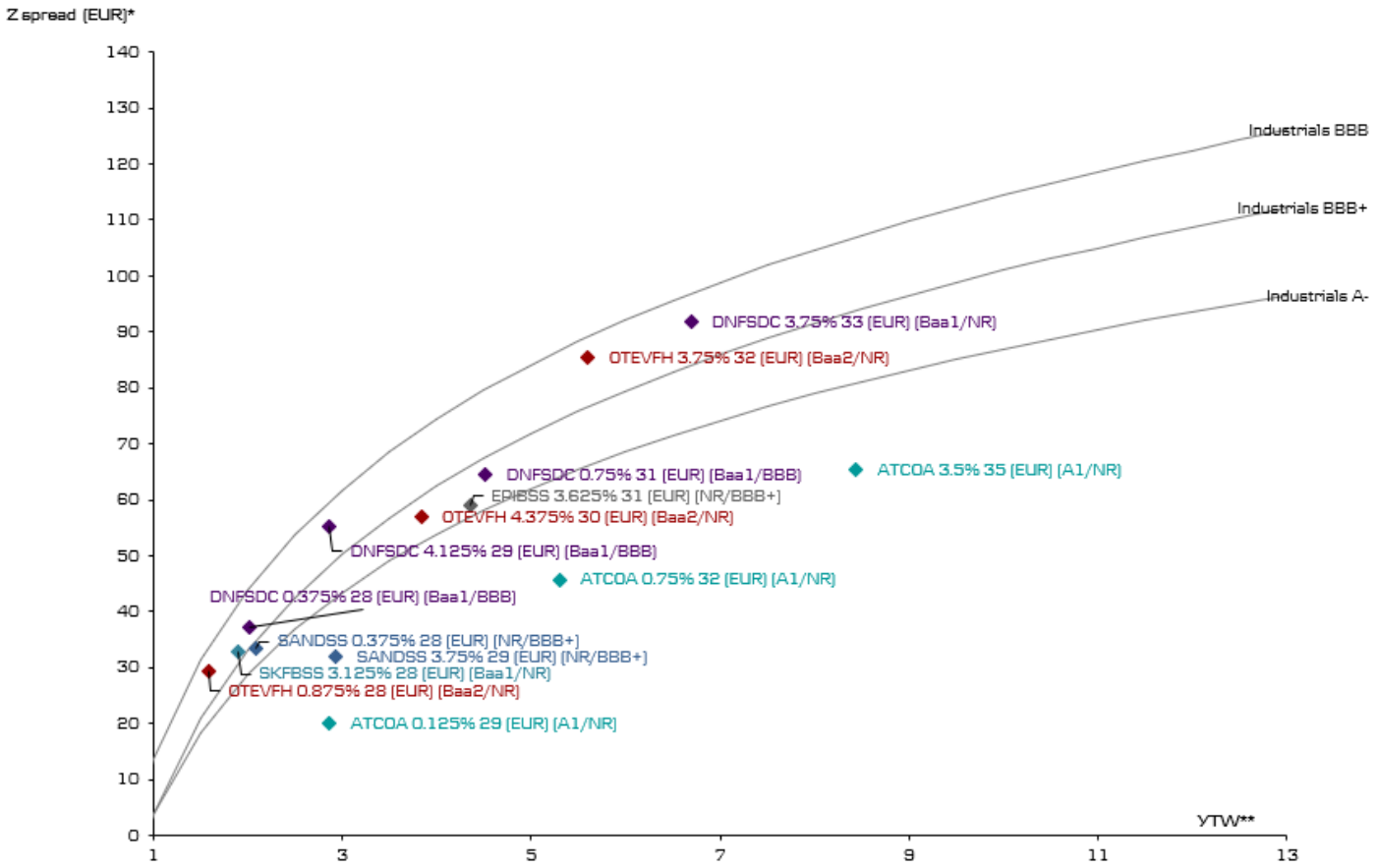
Continuing business EBITDA split, SEKm



Source: SKF, Danske Bank Credit Research

SKF's longer-dated bonds – the 2029 and 2031 – are trading below par at around 96 and 94.5, respectively. Hence, a par acceleration event would benefit these bonds significantly.

Valuation



* Swapped to indicated currency. ** Years-to-worst.
Note: Fair value curve(s) based on Danske Bank Credit Research's index group of EUR bonds.

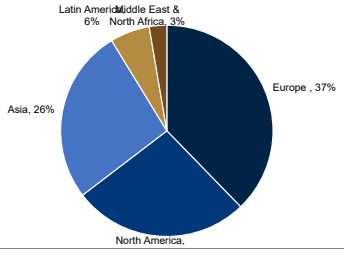
Source: Bloomberg

Company summary

Company description

SKF is the world's leading bearing company. It ranks number one in Europe, number two in North America and number one in Asia (excluding Japan). It was founded in 1907 and since then has led the bearing industry in innovation.

EBITDA breakdown, segments



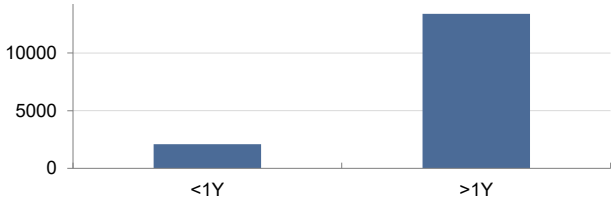
Key credit strengths

- Leading global position in the bearings industry
- Broad customer base
- High level of geographical diversification
- Cost restructuring has supported margins

Key credit challenges

- Exposure to cyclical and competitive markets
- Exposure to volatile commodity markets for raw material inputs
- Customers' bargaining power
- Exposure to mature markets

Debt maturity profile, SEKm Q1 26



Main shareholders

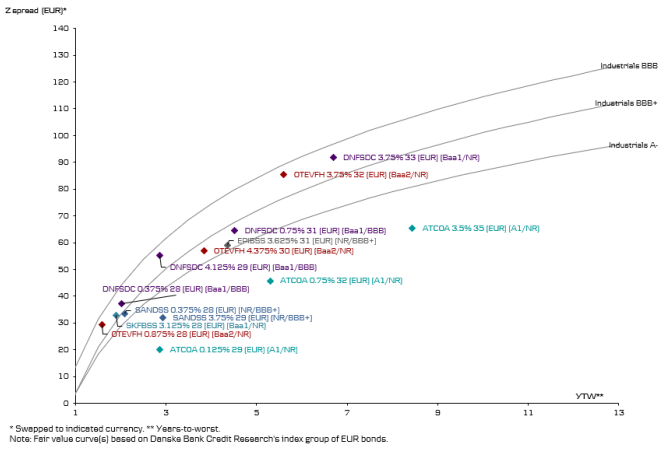
Name	Votes (%)	Capital (%)
FAM AB	29.0%	13.3%
Alecta	3.6%	1.8%
Harris Associates L.P.	3.1%	5.3%
Skandia Liv	2.6%	1.1%
AFA Insurance	2.6%	1.3%

Selected outstanding bonds

Isin	Cupon	Currency	Maturity /Call	Seniority	Rating*
XS2532247892	3.125%	EUR	14/06/2028	Sr Unsecured	Baa1/NR
XS2079107830	0.875%	EUR	15/11/2029	Sr Unsecured	Baa1/NR
XS2297204815	0.25%	EUR	15/02/2031	Sr Unsecured	Baa1/NR

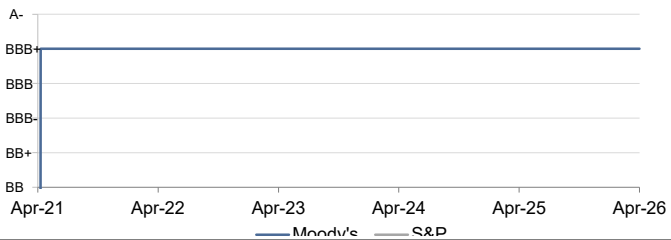
*Moodys/S&P

Relative valuation



* Swapped to indicated currency. ** Years-to-worst.
Note: Fair value curve(s) based on Danske Bank Credit Research's index group of EUR bonds.

Rating migration



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

Summary table*

Income statement (SEKm)	2024	2025	2026E	2027E	2028E
Total sales	98,722	91,583	68,687	73,495	76,435
Operating expenses	0	0	0	0	0
EBITDA	14,771	15,749	14,081	14,699	15,287
EBITDA adjusted	14,771	15,749	14,081	14,699	15,287
Non-recurring items	0	0	0	0	0
Depreciation and amortisation	-4,432	-7,994	-3,200	-3,150	-3,178
EBIT	10,339	7,755	10,881	11,549	12,109
EBIT adjusted	10,339	7,755	10,881	11,549	12,109
Net interest	-1,250	-1,330	-881	-800	-623
Other financial items (net)	-2,479	-1,897	-1,962	-1,700	-1,297
Pre-tax profit	9,089	6,425	10,000	10,749	11,486
Tax	-2,202	-2,176	-3,000	-3,225	-3,446
Net income	6,887	4,249	7,000	7,524	8,040
Balance sheet (SEKm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Fixed assets	30,470	27,785	25,500	25,850	26,672
Goodwill	12,574	10,925	14,000	14,000	14,000
Associates	0	0	0	0	0
Other non-current assets	12,226	13,175	13,175	13,175	13,175
Working capital assets	57,619	51,885	52,675	53,025	53,847
Cash and cash equivalents	11,361	9,466	9,000	9,574	9,792
of which restricted cash	0	0	0	0	0
Other current assets	0	5,780	5,000	5,000	5,000
Total assets	109,413	106,422	100,075	102,099	103,639
Total assets (adj.)	117,142	113,426	106,575	108,599	110,139
Total interest-bearing debt	20,760	15,340	19,000	16,500	14,000
Total interest-bearing debt adjusted	28,489	22,344	25,500	23,000	20,500
Net interest-bearing debt	9,399	5,874	10,000	6,926	4,208
Net interest-bearing debt adjusted	17,128	12,878	16,500	13,426	10,708
Working capital liabilities	12,553	11,207	8,000	8,000	8,000
Other current liabilities	9,700	13,362	13,362	13,362	13,362
Other non-current liabilities	13,934	10,829	10,829	10,829	10,829
Total equity	61,969	55,668	62,000	66,524	70,564
Total equity and liabilities	109,413	106,422	100,075	102,099	103,639
Total equity and liabilities (adj.)	117,142	113,426	106,575	108,599	110,139
Cash flow statement (SEKm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	14,771	15,749	14,081	14,699	15,287
Tax paid	-2,357	-2,490	-3,000	-3,225	-3,446
Other cash flow from operations	-818	-249	-881	-800	-623
Funds from operations (FFO)	11,596	13,010	10,200	10,674	11,218
FFO (adjusted)	11,596	13,010	10,200	10,674	11,218
Change in working capital	-804	-895	-4,000	-1,100	-500
Operating cashflow (CFO)	10,792	8,392	6,200	9,574	10,718
CFO (adjusted)	10,792	8,392	6,200	9,574	10,718
Capex	-5,602	-1,500	-2,700	-3,500	-4,000
Divestments/acquisitions of businesses	0	0	0		
Free operating cashflow (FOCF)	5,190	6,892	3,500	6,074	6,718
FOCF (adjusted)	5,190	6,892	3,500	6,074	6,718
Dividend paid	0	0	0	0	0
Share buyback	0	0	0	0	0
Free cashflow (FCF)	1,358	3,279	1,600	3,074	2,718
Other investing activities	0	0	0	0	0
Debt repayment	-4,038	-3,729	-2,066	-2,500	-2,500
Funding shortfall	-2,680	-450	-466	574	218
New debt	464	0	0	0	0
New equity	0	0	0	0	0
Other financing activities	-476	-1,445	0	0	0
Change in cash	-2,692	-1,895	-466	574	218

*Source: Company data, Danske Bank Credit Research estimates *estimates for 2026-28 reflect the continuing business. Lease rent liabiltieis included in capex.*

Summary table

Adjusted ratios (SEKm)	2024	2025	2026E	2027E	2028E
Sales growth	-5%	-7%	-25%	7%	4%
EBITDA margin	15.0%	17.2%	20.5%	20.0%	20.0%
Adj. EBITDA margin	15.0%	17.2%	20.5%	20.0%	20.0%
EBIT margin	10.5%	8.5%	15.8%	15.7%	15.8%
Adj. EBIT margin	10.5%	8.5%	15.8%	15.7%	15.8%
EBITDA interest coverage (x)	19.4	27.8	13.0	16.3	22.7
Adj. EBITDA interest coverage (x)	19.4	27.8	13.0	16.3	22.7
EBIT interest coverage (x)	13.7	13.7	10.1	12.8	18.0
Adj. EBIT interest coverage (x)	13.7	13.7	10.1	12.8	18.0
FFO interest coverage (x)	15.3	22.9	9.4	11.9	16.7
Adj. FFO interest coverage (x)	15.3	22.9	9.4	11.9	16.7
CFO interest coverage (x)	14.3	14.8	5.7	10.6	15.9
Adj. CFO interest coverage (x)	14.3	14.8	5.7	10.6	15.9
Net debt/EBITDA (reported) (x)	0.6	0.4	0.7	0.5	0.3
Net debt/EBITDA (x)	0.6	0.4	0.7	0.5	0.3
Adj. net debt/adj. EBITDA (x)	1.2	0.8	1.2	0.9	0.7
Debt/EBITDA (x)	1.4	1.0	1.3	1.1	0.9
Adj. debt/adj. EBITDA (x)	1.9	1.4	1.8	1.6	1.3
Debt/EBITDA (reported) (x)	1.4	1.0	1.3	1.1	0.9
FFO/net debt	123.4%	221.5%	102.0%	154.1%	266.6%
Adj. FFO/adj. debt	40.7%	58.2%	40.0%	46.4%	54.7%
Adj. FFO/adj. net debt	67.7%	101.0%	61.8%	79.5%	104.8%
FFO/debt	55.9%	84.8%	53.7%	64.7%	80.1%
Adj. total debt/total capital	36.0%	32.6%	32.5%	28.8%	25.2%
Net debt/total capital	11.4%	8.3%	12.3%	8.3%	5.0%
Adj. net debt/adj. total capital	21.7%	18.8%	21.0%	16.8%	13.2%
Yearly overview (SEKm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Net Sales	98,722	91,583	68,687	73,495	76,435
EBITDA	14,771	15,749	14,081	14,699	15,287
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Total debt	20,760	15,340	19,000	16,500	14,000
Net debt	9,399	5,874	10,000	6,926	4,208
Adjusted net debt	17,128	12,878	16,500	13,426	10,708
Equity (incl. minorities)	61,969	55,668	62,000	66,524	70,564
Ratios:					
Net debt to EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.
Adj. net debt to EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.
FFO to net debt	0%	0%	0%	0%	0%
Adj. FFO to net debt	0%	0%	0%	0%	0%

Source: Company data, Danske Bank Credit Research estimates

Danske Bank – Credit research platform

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Major risks connected with recommendations or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

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Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the back page of this research report for the date and time of first dissemination.

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Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country.

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.

More information about the valuation and/or methodology and the underlying assumptions is accessible via *https://danskeci.com/ci/research/disclosures-and-disclaimers*. Select Credit Research Methodology.

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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.

As at 30 September 2026, Danske Bank Credit Research had investment recommendations on 191 corporate bond issuers. The distribution of recommendations is represented in the distribution of recommendations column below. The proportion of issuers corresponding to each of the recommendation categories above to which Danske Bank provided investment banking services in the previous 12 months ending 30 September 2026 is shown below.

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

Validity time period

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