Post results | 27 October 2026

Heimstaden Bostad AB

Q3 26: Robust operations; hybrid exchange offers likely

Heimstaden Bostad's operations continue to prove robust. Like-for-like rental growth is healthy, NOI margins are improving, and occupancy is strong. S&P-adjusted leverage improved slightly q/q as the negative impact from property revaluation losses (-0.3% of values) was more than offset by privatisation gains. The S&P-adjusted ICR was flat q/q at 1.8x with steady headroom to the 1.5x downgrade threshold. In terms of Heimstaden Bostad's short-to-call hybrids, management did not want to comment on refinancing options but reiterated that it wants to wait to as close as possible to the first reset date to benefit from the low coupons. While we find the recent senior spread widening excessive, we do not see any clear triggers for tightening in the near term and therefore remain Marketweight.

Heimstaden Bostad's like-for-like rental income grew by +4.0% y/y in Q3 26. Adjusted occupancy remains strong at 99.3%, up from 98.8% in Q2 26, while the NOI margin improved to 77.2% from 75.4% in the previous year. Looking at the LTM period, the reported NOI margin was 73.6%, up from 72.1% a year earlier.

The privatisation programme continues according to plan. During the quarter, 563 apartments were divested with a total sales value of SEK2.1bn, representing a premium to book value of 24.3%. Since the start of the year, disposal proceeds amount to SEK6.9bn, well in line with the SEK8-12bn full-year target. In the report, the company gave no guidance in terms of 2027 privatisations, but management emphasised on the earnings call that it remains fully committed to privatisations. We expect privatisations to continue in 2027, although volumes might be lower than in 2026.

S&P-adjusted leverage amounted to 52.8% at quarter-end, down from 53.2% in Q2 26, despite a SEK1.1bn property revaluation loss (-0.3% of values) resulting from a 4bp widening of the average valuation yield to 3.82%. The company guides for a 52-54% S&P-adjusted metric by end-2026 vs 50-52% previously, with the change reflecting potential yield expansion due to the

Key figures

SEKm	Q3 25	Q2 26	Q3 26	y/y	q/q
Rental income	4 415	4 470	4 479	1.45%	0.20%
EBITDA (rep.)	2 662	-699	2 787	4.70%	-498.71%
Net income	3 702	-2 417	-415	-111.21%	-82.83%
Investment properties	329 752	333 468	338 099	2.53%	1.39%
Total debt	183 423	176 636	177 812	-3.06%	0.67%
Ratios	**Q3 25**	**Q2 26**	**Q3 26**	**y/y**	**q/q**
Gross LTV	51.6%	48.5%	48.1%	-3.5pp	-0.4pp
LTM NOI margin	68.0%	67.5%	69.5%	1.6pp	2.0pp
LTM EBITDA interest coverage (x)	1.7	1.8	1.9	0.2pp	0.1pp
Net debt/LTM EBITDA (x)	16.8	16.2	16.1	-0.7pp	-0.1pp
Total debt/total capital	52.6%	51.5%	51.1%	-1.6pp	-0.4pp

Source: Company data, Danske Bank Credit Research

Marketweight

Real estate

Corporate ticker: BF255064

Equity ticker: 1546973D SS

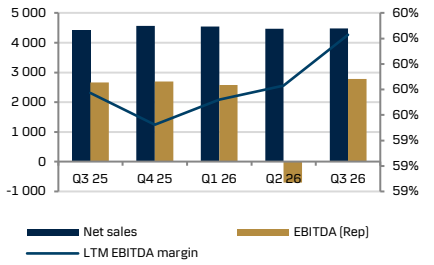
Ratings:
S&P: BBB- / S
Moody's: NR / NR
Fitch: BBB- / S

ESG rating:
Sustainalytics ESG Risk Rating: 8.2

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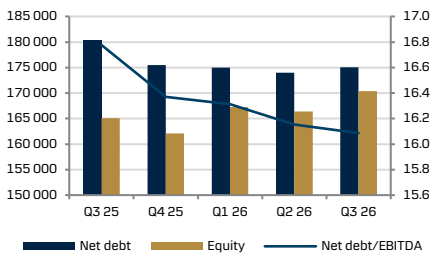
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Profitability (SEKm)



Source: Company data, Danske Bank Credit Research

Financial metrics (SEKm)



Source: Company data, Danske Bank Credit Research

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Important disclosures and certifications are contained from page 9 of this report.

recent interest rate volatility. Our adjusted net LTV was 51.8% at the end of the quarter, down slightly from 52.2% in Q2 26. In our forecast, we anticipate leverage to remain largely unchanged in 2026-28E, factoring in yield expansion of 5bp per quarter in Q4 26-Q2 27E, largely offset by privatisation gains.

The S&P-adjusted ICR was unchanged q/q at 1.8x (1.80x with two decimals, up from 1.76x), with steady headroom to S&P's 1.5x downgrade trigger. We expect the metric to remain at about current levels in 2026-28E, as a reduced debt load mitigates the higher funding costs associated with debt and hybrid refinancings.

In conjunction with the report, the company announced that co-CEO Helge Krogsbøl will step down from his role, leaving Christian Fladeland as the sole CEO (previously co-CEO). We do not expect any meaningful credit impact as a result.

Key takeaways from earnings call

- **EUR700m March 2027 maturity:** Heimstaden Bostad has bank commitments in place to refinance the bond maturity. Currently, bank financing is more competitive than unsecured bonds. Considering the low coupon, an early refinancing should not be expected.
- **Short-to-call hybrids:** Management did not want to speculate on refinancing possibilities considering the currently volatile market. Given the low coupons, they would ideally wait with the refinancing until as close as possible to the first reset date, but they are continuously monitoring the market for refinancing opportunities. Protecting the ICR is a key consideration.
- **Berlin housing situation:** Management sees an actual expropriation as very unlikely considering legal hurdles. In the unlikely event where 10,600 of the company's 20,600 Berlin units are transferred to public ownership (leaving 10,000 units which are exempt from expropriation) at a 40% discount to fair value, the company expects a c.EUR1bn loss as a result. Management does not expect the IG rating to be at risk in such a scenario.
- **Alecta exit plans:** Alecta has been outspoken in its wish to amend the existing shareholder agreement and reduce its exposure to Heimstaden Bostad. For an exit to materialise, however, the remaining shareholders need to approve on a deal with Alecta. This would only happen if the overall credit impact on Heimstaden Bostad is neutral or positive.
- **Valuations:** Management expects property values to be flat to moderately down in Q4 26 but does not rule out larger corrections considering the interest rate volatility.
- **Dividends:** No dividends are to be paid in 2027. The headroom to financial policy targets should increase before 2028 dividends are on the table.

Outlook stable with both S&P and Fitch

Heimstaden Bostad is rated 'BBB-' by both S&P and Fitch. Since Q4 25, both ratings have had stable outlooks.

For a potential upgrade, S&P would like to see the S&P-adjusted ICR improving well above 1.8x and the debt/debt+equity ratio remaining well below 60%.

The rating could be lowered if ICR decreases below 1.5x or if debt/debt+equity increases well above 60%. Currently, we see no material likelihood of a rating change considering Heimstaden Bostad's strong leverage relative to the threshold (52.8% at Q3 26), while we do not expect the ICR metric to vastly exceed 1.8x any time soon.

Regarding the Fitch rating, we do not expect any near-term rating action but believe that the Fitch rating is closer to an upward revision than the S&P rating.

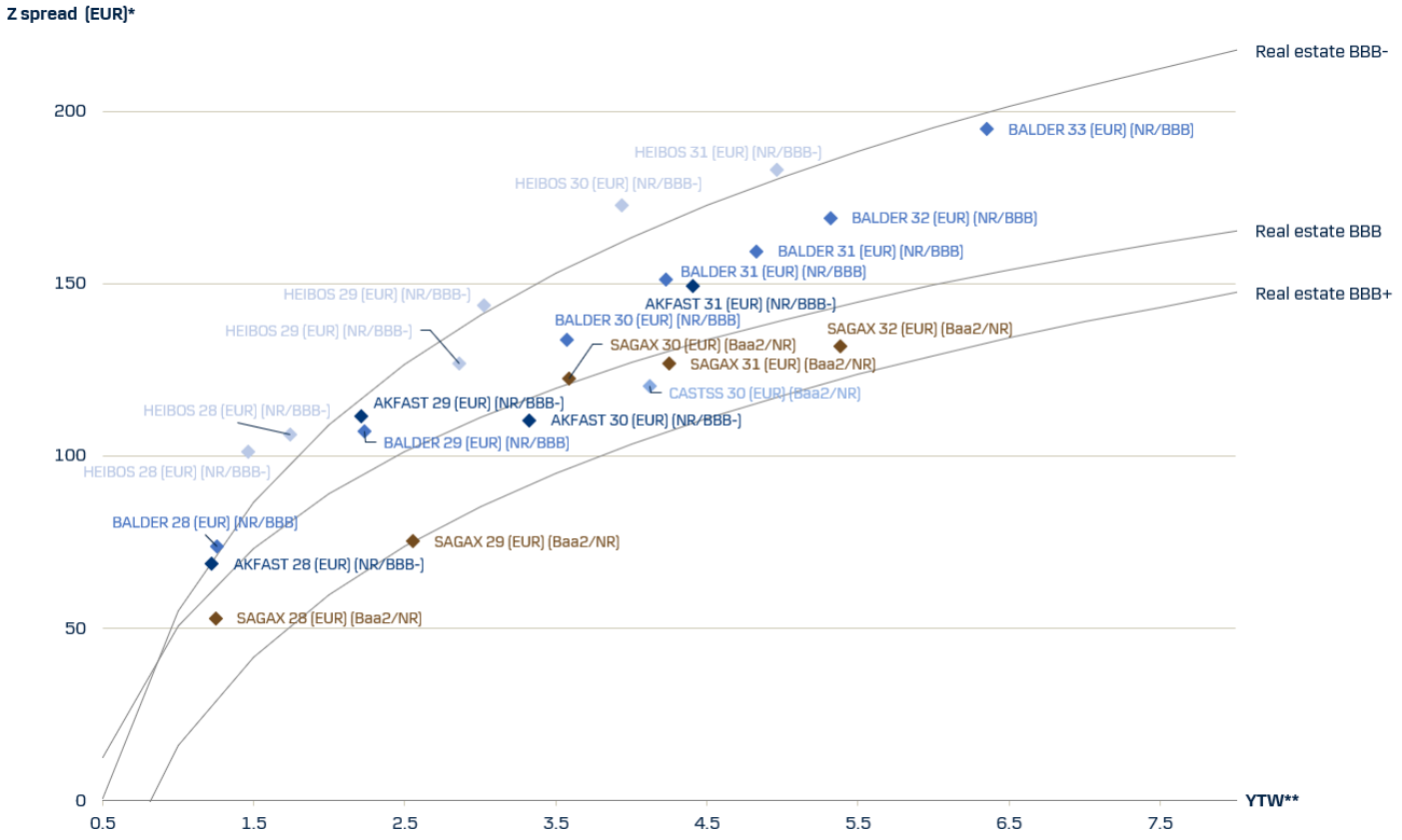
Recommendation

We continue to favour Heimstaden Bostad's low-risk property portfolio characterised by stable demand and limited vacancies. The recent interest rate volatility is, however, likely to delay improvements in the S&P-adjusted ICR metric from 1.8x at Q3 26. We see a rating uplift as unlikely currently.

Heimstaden Bostad's senior spreads have widened significantly in recent weeks, driven by headlines around a potential Alecta exit and the risk of expropriation of residential properties in Berlin (see our recent comments here: *https://danske.link/hjuc* and *https://danske.link/0itg*). We find the widening excessive but do not see any clear triggers for spread tightening in the near term. We maintain Marketweight.

In terms of Heimstaden Bostad's hybrids, we see the long-dated hybrids as attractive considering the recent widening. We would, however, refrain from buying into the short-to-call hybrids as we believe that exchange offers are likely because of high hybrid yields in the long-end of the curve.

Relative value (EUR)



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

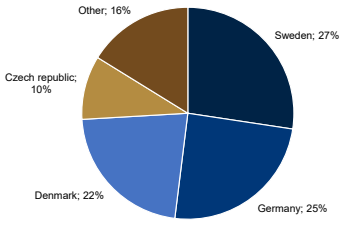
Source: Bloomberg, Danske Bank Credit Research

Company summary

Company description

Heimstaden Bostad is one of the largest residential real estate companies in Northern Europe. The company owns properties in Sweden, Denmark, Norway, Germany, Finland, the Netherlands, the UK, the Czech Republic and Poland.

Sales breakdown, segments



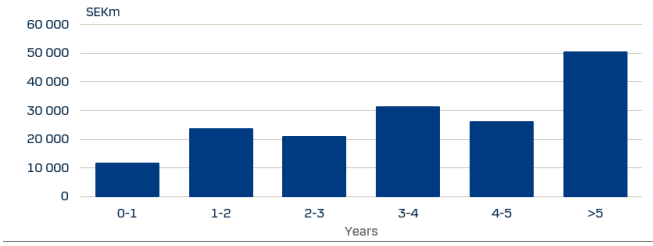
Key credit strengths

- Focus on residential properties implies stable cash flows and limited cyclicality
- Large and geographically diversified portfolio
- Limited vacancy risk
- Strong institutional owners that have contributed new equity in the past

Key credit challenges

- Limited cash-flow generation and weak ICR
- Uncertain ownership outlook considering differing views on shareholder agreement
- Sensitive to changes in interest rates and yield requirements

Debt maturity profile



Main shareholders

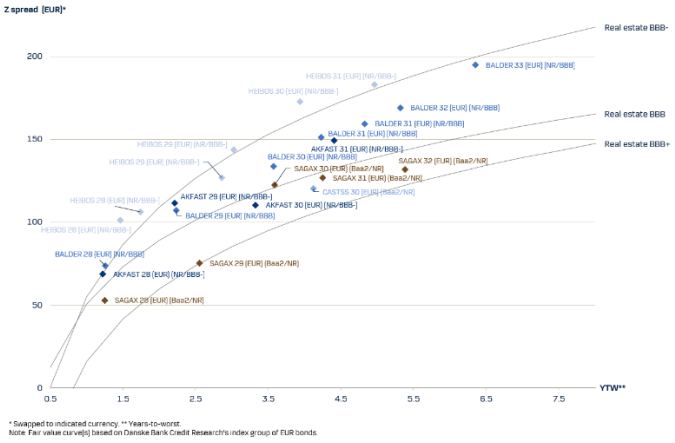
Name	Votes (%)	Capital (%)
Heimstaden AB	50.1%	36.2%
Alecta	30.4%	38.7%
Folksam	14.5%	18.9%
Swedish Pensions Agency	1.6%	2.1%
Others	3.4%	4.1%

Selected outstanding bonds

Isin	Coupon	Currency	Maturity /Call	Seniority	Rating*
XS2397252102	1%	EUR	2028-04-13	Sr Unsecured	NR/BBB-
XS2384269366	0.75%	EUR	2029-09-06	Sr Unsecured	NR/BBB-
XS2397252011	1.625%	EUR	2031-10-13	Sr Unsecured	NR/BBB-
XS2397251807	3.625%	EUR	2026-11-26	Jr Subordinated	NR/BB
XS3227944959	5%	EUR	2031-01-19	Jr Subordinated	NR/BB

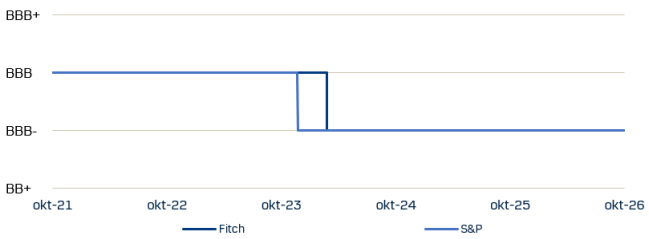
*Moodys/S&P

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
Rental income	17 609	18 010	17 997	18 508	18 932
Other operating income	0	0	0	0	0
Total revenue	17 609	18 010	17 997	18 508	18 932
Total property related costs	6 422	6 542	6 309	6 598	6 691
Net operating income (NOI)	11 187	11 468	11 689	11 911	12 242
EBITDA	10 312	10 720	10 887	11 109	11 440
Net interest expenses	5 816	5 703	5 388	5 538	5 704
Profit from property management	1 990	7 870	-892	5 571	5 735
Change in property values	7 932	9 222	-1 864	-7 268	0
Change in financial derivatives	-615	69	813	0	0
Other	-542	-245	-3 634	0	0
Pre-tax profit	10 989	15 672	-1 815	-1 697	5 735
Current tax	-2 790	-2 828	-1 780	34	-115
Deferred tax	0	0	211	145	0
Net income	8 199	12 844	-3 384	-1 518	5 621
Balance sheet (SEKm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Market value properties	336 787	325 654	333 662	325 504	325 754
Other fixed assests	1 302	849	5 308	5 308	5 308
Intangible assets	19 002	14 803	13 929	13 929	13 929
Deffered tax assets	819	339	395	395	395
Investments in associated companies	8 847	8 360	500	500	500
Cash and cash equivalents	3 647	2 679	3 034	2 713	3 455
Total assets	373 107	354 720	358 869	350 390	351 382
Equity	159 485	162 090	167 771	164 777	165 769
Shareholder loans	0	0	0	0	0
Deferred taxes	20 668	21 080	22 143	21 998	21 998
Total debt	197 946	178 162	176 468	171 128	171 128
Other liabilities	7 304	5 760	6 385	6 385	6 385
Total equity and liabilities	373 104	354 720	358 869	350 390	351 382
Cash flow statement (SEKm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
FFO (adjusted)	2 892	3 148	4 156	4 867	4 806
Cash flow from operations (FFO)	2 821	2 457	4 113	4 867	4 806
Investment (properties)	-539	0	-31	0	0
Disposals (properties)	8 103	13 996	8 987	6 000	4 000
Investments other (net)	103	15	39	0	0
Capex	-5 182	-4 327	-4 775	-5 110	-4 250
Free operating cash flow	5 203	12 126	8 294	5 757	4 556
Dividends and share repurchased	-1 003	-741	-971	-1 476	-4 629
Debt financing (net)	-12 502	-11 492	-9 839	-5 340	0
Change in cash	-7 551	-756	-51	-322	742

Source: Company data, Danske Bank Credit Research estimates

Summary table

Adjusted ratios (SEKm)	2024	2025	2026E	2027E	2028E
Sales growth	5.3%	2.3%	-0.1%	2.8%	2.3%
EBITDA margin	58.6%	59.5%	60.5%	60.0%	60.4%
NOI margin	63.5%	63.7%	64.9%	64.4%	64.7%
EBITDA interest coverage (x)	1.8	1.9	2.0	2.0	2.0
FFO/interest coverage (x)	1.5	1.6	1.8	1.9	1.8
FFO/debt (x)	1.5%	1.8%	2.4%	2.8%	2.8%
Net debt/EBITDA (x)	19.9	16.8	23.9	15.2	14.7
Gross LTV	58.8%	54.7%	52.9%	52.6%	52.5%
Net LTV	57.7%	53.9%	52.0%	51.7%	51.5%
Equity ratio	42.7%	45.7%	46.7%	47.0%	47.2%
Total debt/total capital	55.4%	52.4%	51.3%	50.9%	50.8%

Quarterly overview (SEKm)	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26
Rental income	4 415	4 569	4 550	4 470	4 479
EBITDA	2 662	2 700	2 581	-699	2 787
Net interest expenses	1 456	1 359	1 334	1 351	1 351
Net income	3 702	322	2 069	-2 417	-415
CFO	875	887	390	814	1 528
Investment properties	329 752	325 654	330 728	333 468	338 099
Total debt	183 423	178 162	177 716	176 636	177 812
Net debt	180 371	175 483	174 975	173 996	175 039
Equity	165 108	162 090	167 240	166 367	170 392
Ratios					
LTM NOI margin	68.0%	60.6%	61.0%	67.5%	69.5%
LTM EBITDA margin	59.8%	59.5%	59.7%	59.8%	60.2%
Direct yield	3.5%	3.5%	3.5%	3.5%	3.5%
Gross LTV	55.6%	54.7%	53.7%	53.0%	52.6%
LTM EBITDA interest coverage (x)	1.7	1.8	1.8	1.8	1.9
Net debt/LTM EBITDA (x)	16.8	16.4	16.3	16.2	16.1
Total debt/total capital	52.6%	52.4%	51.5%	51.5%	51.1%
FFO/debt	0.4%	0.5%	0.3%	0.4%	0.8%

Source: Company data, Danske Bank Credit Research estimates

Danske Bank – Credit research platform

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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.

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

Changes to recommendation in the past 12 months:

Date	Old rec.	New rec.
30 Mar 2026	Overweight	Marketweight
27 Feb 2026	No recommendation	Overweight
13 Jan 2026	Overweight	No recommendation

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