

# Full Regular Transcription

## Heimstaden Bostad

### Q2 2025 Results

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#### COMPANY REPRESENTATIVES

Helge Krogsbøl, Co-CEO  
Christian Fladeland, Co-CEO  
Thomas Alexander Hansen, CFO  
Paul Spina, Chief Mgmt & Sustainability Officer

## PRESENTATION

### **Krogsbøl Helge**

Welcome, everyone, and thank you for joining us for the presentation of Heimstaden Bostad's Q2 2025 results. I am Helge Krogsbøl, co-CEO of Heimstaden. I would like to inform all participants that this presentation is intended only for investors and other financial stakeholders. After the presentation, we will be open for questions, and questions can be asked on the phone or in writing via the webcast. We will only address questions on Heimstaden Bostad. If you have additional questions after the call, especially if your inquiry is modelling-related, please reach out to our investor relations team after the call.

Heimstaden Bostad delivered strong operational results in the first half of 2025, underscoring the resilience of our portfolio and the quality of our tenant base. Rental income growth maintained solid momentum despite a lower CPI contribution, driven by reversionary uplift and value-enhancing tenant investments. Occupancy remained near-full, with like-for-like rental income growth exceeding 5% in both quarters, which is well above the blended KPI of 2.5% for the group portfolio.

Disciplined cost management, with property expenses reduced by 6.7% year on year, together with stable rental income growth, our NOI margin improved to 71.6 on a last-12-months basis, above initial guidance. In light of this development, full year NOI margin guidance has been revised upwards. Valuations also remain supported, with portfolio values increased by 1.2% quarter over quarter, compared to 1% growth in the previous quarter, reflecting strong underlying fundamentals. With that, I'll hand it over to the rest of the team. So, please, go ahead, Thomas.

### **Hansen Thomas Alexander**

Thank you, Helge. Real economic occupancy strengthened to 98.5%, up from the same period last year. Compared to previous quarters, real economic occupancy also improved from 98.3%. The positive quarter-over-quarter development stems from the UK portfolio, which is entering its stabilisation period of a new asset delivery of 464 units. Outside the UK, performance remains strong as our top four markets, representing 82% of total portfolio value, achieved 99.6% real economic occupancy.

Further diving into the countries, this is the ninth consecutive quarter of occupancy improvement in Denmark, from 96.6% in Q1 23 to now, 99.4% for Q2. This improvement is supported by our focus on regions experiencing household growth and housing shortage, which are set to intensify further

due to the limited new supply pipeline. Germany's occupancy improved from 99.7% to 99.9%, by strong letting performance.

Like-for-like rental income increased 5.2% year over year across a comparable portfolio, which accounts for 97.8% of total rental income. Our blended core CPI benchmark stabilised at 2.5%. The consistent spread over CPI highlights the structural ability of our portfolios to deliver rental growth in excess of inflation over the long term. On a gross basis, like-for-like increased by 4.4% in Q2, up from 4.3% in Q1 25 and 4.2% in Q4 24, showing a stable and strong price effect significantly above the blended CPI. The vacancy effect [?] went down to 0.8%, from 1.1%, as we're closer to reaching full capacity in most markets.

Finally, when we break down the 5.2% figure for Q2, we saw indexation effects contributed 3.4%, occupancy gains added 0.8%, tenant improvement investments delivered 0.6%, and rent reversion accounted for the remaining 0.4%.

NOI margins reached new heights in Q2, delivering 71.6% on an LTM basis, and 74.1% on a quarterly basis, further evidence of our ability to combine sustained income growth with disciplined cost control. In addition to strong rental income developments, property expenses net of service income declined 6.7% year on year, supported by ongoing efficiency measures and the milder winter. Given the outperformance in H1, we have raised our full year NOI margin guidance from 71.5% to 72.5%, reflecting the positive trajectory and underlying strength of our platform. And I'll now hand it over to Paul.

### **Spina Paul**

Thanks, Thomas. When it comes to our privatisation business unit, the exceptional home ownership demand and strong achieved premiums-to-book value have strengthened our position, enabling us to capture greater value from each transaction. This has allowed us to continually prioritise profitability above sales volumes, which has been supported by increased portfolio sales and reduced funding costs in the capital markets, so we can continue benefiting from the rising market conditions we expect to see going forward.

Given that we can only sell each unit once, this discipline is very important for us as a business, and we continue to feel incredibly satisfied with the performance of our team in launching and managing this plan. While forecasting is not an exact science, micro-timing can affect when deals close, we can also share that, post-close in July, we achieved our second-highest sales month to

date, and remain on track to be in the range of our original guidance, albeit with significantly higher premiums.

Largest privatisation markets, Denmark, Netherlands and Norway, are well proven, with gross premiums exceeding the plan across all markets, achieving a weighted average of 26.9% year to date, and a record 29.9% in Q2, well above our 20% target at the outset of the programme.

In Q2, we also launched privatisations in Poland, whereby, the close of the quarter, we sold units only in one asset, but where we are active across the portfolio already now in Q3. We expect to follow a similar ramp-up plan in Poland as the previous market launches, where we carefully optimise for price over pace and expect that to be stabilised by year-end.

Turning to CapEx on standing assets, we executed roughly one-third of the full year budget in the first half. We continue to expect full year spend to be in line with our annual forecast previously presented, with about two-thirds landing in the second half. The skew is entirely about project timing and our heavy summer investment period.

We remain disciplined but agile in capital deployment. Reflecting the quality of our pipeline, we've lowered the yield hurdle on tenant improvements and other value-add projects to 7% from 10%. This aligns with our ICR-accretive investments that also deliver attractive returns for shareholders. Given approval and execution timing, the impact of this change will be minimal for the remainder of 2025, while we expect a progressive increase in tenant improvement and broader value-add activity through 2026, with no change to our full year CapEx outlook.

Stepping back, our agile operating model has pivoted decisively towards cash generation to support deleveraging. The first driver is our upgraded NOI guidance, underpinned by outperformance in both letting and expense control. And just to reiterate our confidence in the raised margin guidance moving forward, what's particularly interesting is that we see positive effects from both sides of the equation, strong yet sticky rental growth across the markets, as well as operational efficiency on the expense side, where our units per FTE count grows and continues to grow on targeted efficiency programmes and both direct cost savings on property expenses, all of which are multi-year programmes we expect to benefit from, also for years to come.

In addition, the previously detailed strength of the homeowner market in privatisations, our disciplined approach to CapEx, and essentially completed development pipeline are all lifting cash conversions. As a result, our operational business generated 122% more cash in Q2 25 than the

same period in 2024, leaving more cash available to service both debt and potential equity, and further strengthen the balance sheet. With that, I can hand it to Christian.

### **Fladeland Christian**

Thank you, Paul. Looking at Q2 value development, we saw 1.2% growth across the portfolio, corresponding to SEK 3.8 billion. In addition to that, we invested almost SEK 1 billion in our portfolio, with the vast majority being in standing assets and also still having a few outstanding commitments related to the investment properties under construction.

Total sales amounted to around SEK 4 billion, with just less of SEK 1.8 billion relating to the privatisation portfolio and 2.2 billion in the portfolio block [?] sales executed during the quarter. We had a positive FX impact of almost SEK 5.6 billion due to the weakening of the SEK over the quarter. By the quarter-end, we had an investment property portfolio of almost SEK 330 billion.

Looking into the main market drivers, we saw that Denmark, the Netherlands and the Czech Republic was showing very strong value growth momentum. Denmark and the Netherlands were in particular once again supported by the strong ownership housing market, which is also very well reflected in the performance of our privatisation programme in these markets. In the Czech Republic, yields are stable, while rental growth continues to be very strong, which supported our value growth of almost 3% over the course of the quarter.

The remainder of the markets was overall stable, showing continued increase in NOI, but also still some slight yield expansion, in particular in the lowest-yielding regulated markets like Sweden and Germany. Worth noting is also the UK yield development. We had a fairly flat value development, but a quite significant yield expansion. And again, the yield is still not stabilised here. We went from 2.55% in Q1 25 to 3% in Q2 25, and this yield will trend towards the 4.5% to 4.75% mark as we stabilise our Edinburgh assets, which we still assume to be the case by year-end.

So if we are to summarise where we stand by Q2 2025, we have upgraded our operational guidance, as Thomas also went through, meaning we have lifted that NOI margin range to 71.5% to 72.5% for the full year of 2025. Supported by this strong operational performance, as well as lower marginal funding cost, we also see that our financial targets are well on track to be reached, and we see a clear path to recover our 1.8 ICR ambition by the end of 2026.

By year-end 2025, we also see that we now are closing into the 1.7, and we feel very comfortable about the momentum, also supported by the additional deleveraging impact from the additional disposals that we have carried out, in addition to the privatisation programme.

Also, a brief market commentary. It's not only in the ownership housing market that we see momentum is strong. When we had the last earnings calls, right after the Liberation Day in the US, we have seen that there was some short-term uncertainty, but that has really changed by the end of Q2, where we saw a significant amount of transaction announced across several of our markets.

This also means that the value growth that we have now seen here in Q2 has been supported by even more transaction evidence, and several of the transactions that we are carrying out is still being done at very decent premiums-to-book values, even outside of the privatisation programme.

When we look at the very moderate investment supply coming to the market within residential assets, we believe that competition will be to the benefit of the supply side going forward, and that we are also now looking into a period where there might very well be yield compression on the table. With that as backdrop, we will open up for Q&A.

## QUESTION & ANSWER

### **Operator**

We will now begin the question-and-answer session. Anyone who wishes to ask a question or make a comment may press star and one on the telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to disable the loudspeaker mode while asking a question. Anyone with a question may press star and one at this time. Our first question comes from Kumar Neeraj [?] from Barclays. Please, go ahead.

### **Kumar Neeraj**

Morning, everyone. So, my first question is in regards to the Polish assets. So, we saw that TAG acquired a decent-sized portfolio in Poland, so I wanted to see your thought process around the valuations of your own portfolio in light of that transaction, and if you're looking to sell your portfolio as well, and if you [unclear 00:13:46] or something around that?

**Fladeland Christian**

Yes, I can start with comment on that, and then Paul might have something to add. So the resi-for-rent portfolio that TAG acquired we know fairly well, it's a good quality portfolio of newly-builds. The key differentiator in terms of our portfolio is that our portfolio is actually on residential zoning, meaning that we definitely see that our portfolio has a different potential in the privatisation market.

And given the underlying market trends that we see in Poland, where we see prime residential yields trending around 5.75%, or 5.5% to 5.75%, we still believe that our portfolio has the highest and best use as a privatisation case. So I would find it quite unlikely that we would pursue any block sales there, in particular now that we're gaining momentum on the privatisation part. Do we have anything to add to that, Paul?

**Spina Paul**

No, I think given that we've been in the market only for a month and a half on the privatisation side, what we've seen is encouraging looking forward, and that's a plan we're excited to continue executing on throughout the rest of the year and into 2016.

**Kumar Neeraj**

Got it. That makes sense. My second question is in regards to the Kojamo stake. I see that the company is announcing a share buyback programme, so wanted to check if it would be participating in that, or would you be happy to increase your stake in the company by not participating? Or, more broadly, how you're thinking about the entire stake in the company.

**Fladeland Christian**

We supported the company's ambitions to do share buybacks on the most recent AGM, and we are definitely happy to indirectly increase our holdings by not participating in sales as a base case.

**Kumar Neeraj**

Got it. And on your Denmark asset, I see that there is a significant valuation increase during the quarter, can you talk more about that?

**Fladeland Christian**

It refers a bit back to my comment on the increased transaction activity. We see that there is quite a number of transactions that have been executed in Denmark throughout Q2. And on top of that,

we see a very good joint ownership housing market, so the combination of that means that the rental properties with the highest and best used rental properties are seeing slight yield compression, and we have seen the privatisation cases also being supported by stronger ownership housing values.

**Kumar Neeraj**

Got it. And lastly, I wanted to check your thoughts around S&P and how the conversations are, ongoing. It's encouraging to see the deleveraging efforts, but looks like interest rates are not helping your [unclear 00:16:22] here. Given S&P is assuming a refinancing rate of 3% to 3.5% for your next year's debt maturities, which is lower than your five-year bond yields currently, do you think there's a scope for negative surprise, and how are you positioned to handle it?

**Fladeland Christian**

We feel very comfortable that we are on the trajectory back to where we should be, ICR-wise, which is, in the first instance, to get to the 1.8. We will be flat-compliant [?] by end of 2026. And that is, of course, a combination of both the operational performance and NOI growth support that we see.

But also, when we look at the marginal funding costs that we are refinancing and resetting our current debt, as you might see, we had average funding costs going down by four basis points over the quarter, so we just shy of 3.2%. We do have marginal funding costs, which is in that rate bracket, depending on which country you look at. And then you, of course, know the capital markets on a five-year benchmark is still slightly higher than that. But even if we factor in a slightly higher resetting rate, in accordance with the current forward curve, we feel that we have a very resilient trajectory, at least back to the 1.8 by the end of 2026, when we take into account the deleveraging path from privatisation.

**Kumar Neeraj**

Thank you. That's all from my side. And all the best.

**Fladeland Christian**

Thank you, Neeraj.

**Operator**

As a reminder, if you wish to register for a question, please press star followed by one. The next question comes from Mary Pollock from CreditSights. Please, go ahead.

**Pollock Mary**

Good morning, thanks for taking the questions. I just wanted to ask if you have any updated view on plans for your upcoming hybrid first call refinancing. Particularly, my understanding is that Heimstaden already owns a bunch of that note, there's actually not very much outstanding. Would you consider upsizing it beyond, I think ,the 385 that's still not owned by the company?

**Fladeland Christian**

So, first and foremost, we are definitely looking to do an ordinary handling of that refinancing, as we did with our most recent hybrid in [unclear 00:18:37]. Now, it's only in April 2026, so we still have some time to go. As a general consideration, we don't have any ambitions to upsize our hybrid stack across our overall cap stack. But we are, of course, also keen that we make sure that we get the right benchmarking sizing when we do these refinancings.

We have had a clear ambition to protect the ICR for, call it, any cost, meaning that we would postpone our refinancing as close to the reset date as possible to benefit from the lower coupon to date. However, as we build headroom in terms of ICR trajectory, it could maybe make sense to start to look at two hybrids in combination when we get there. And then, it might be that it would be a bit more easy to make something of benchmark sizing while not increasing the hybrid stack, and maybe also decreasing it slightly, of course, within the S&P criteria of the 10%.

But it's still a bit too early, so the main takeaway should be that you should assume it be handled on a refinancing basis. We don't have an ambition of increasing our hybrid stack, but we are, of course, keen to make sure we do it in a way where it is also reaching a benchmark sizing when we are to do a refinancing.

**Pollock Mary**

Great, thanks. And on the ICR outlook, before you've talked about how you're hedging both limits downside but potentially could cap upside, is that that's still the case? Because you sound pretty confident on the trajectory now.

**Fladeland Christian**

Yes. If you look at our interest rate duration on the hedging portfolio, you will see that is reducing slowly, meaning that we are implicitly taking a bit more interest rate risk and benefiting from now an upward-sloping interest rate curve, having more on the short end.

We definitely feel that we are in a trajectory now where we will benefit increasingly from that we didn't take on that long hedges, but we still feel that we have enough certainty in the next two to three years in order to have the comfort that we will get back in balance. I would not rule out that we will take on more duration if we find it beneficial in term structure [unclear 00:20:51], but right now we are with the with the trajectory of that.

**Pollock Mary**

Thanks, that's helpful. And I just want to make sure I understood correctly, when you were talking about the privatisation strategy, you do expect to still hit your guidance for year-end 25, even though you're slightly behind through 1H?

**Spina Paul**

Sure. We definitely expect to be in the range of that guidance. I think we're, as of today, 4% behind the straight lined path to 20 billion. We had a monster month in July when it comes to sales value. I think what's most interesting to us here is the significant outperformance on premiums at 26%, 27% versus a target of 20. We can only sell each unit one time, so if that ended up at mid-19s and we caught 20 into Q1 of next year, while we were able to maintain or grow our premiums, this would also be something that we would not be disappointed with at all.

So we intend to be right around that target and optimising for profits from here on out. That's, of course, supported by the ability to make some of those portfolio sales we've seen earlier in the year, with a bit less pressure on liquidity. But we certainly will be right around the target by year-end.

**Pollock Mary**

Great, thank you, guys.

**Operator**

So far, there are no further questions from the phone. I'll hand back over to Paul for the written questions.

**Spina Paul**

Super. I see two here from Michael Oakland. The first one is in regards to our plans for privatisation into 26-27. The simple answer there is the programme will continue. As we get past Q4 of this year, our intention is to continually push on price there. We're not ready to offer firm

guidance on where we are for 26-27, but it will certainly continue to be a robust platform and piece of our business.

And once we've started selling in assets, we would prefer to continue to sell as long as the pricing remains where it is today. So that will be a significant part of the business moving forward, essentially in perpetuity. We plan to announce some guidance in the coming quarters on that.

And then, the second question was should we be worried about 4% below target on sales? I guess we answered this for Mary, but just to reiterate, we're not worried at all about the privatisation programme. We're incredibly happy with its results and would be very happy to continue on its current path.

### **Fladeland Christian**

And maybe just also to recap the basis for launching the privatisation programme, back in Q3 23, we set our ambitious target of SEK 20 billion that we were comfortable with was achievable but ambitious, and we set a basis of realising gross premia of 20%. And the basis was, of course, supporting our rating recovery, our credit metrics, while also doing it in an accretive manner for the shareholders.

Now, we feel that we have bought ourselves additional headroom by adding to the disposal bucket through block [?] and portfolio sales. We've had much stronger ownership housing market development than we had anticipated, and we are very cautious that we need to get the most out of this programme. So even though we believe that there will be mature volume sold in 26 and 27, you should expect that we will probably only provide a guidance in order to create enough flexibility to be focused on getting the absolute highest premiums and also balance the momentum in the market, as the margin will benefit for us of having liquidity a bit earlier. It's not as high as it was when we look back when we launched the initial programme in Q3 23.

### **Spina Paul**

I think that was all from the written questions.

### **Fladeland Christian**

Thank you very much, everybody, and have a great day. And don't hesitate to reach out to the IR team afterwards if you have any follow-up questions.

- END -