

# Full Regular Transcription

## Heimstaden Bostad

### Q3 2025 Results

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#### COMPANY REPRESENTATIVES

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## PRESENTATION

### **Krogsbøl Helge**

Welcome, everyone, and thank you for joining us for the presentation of Heimstaden Bostad's Q3 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 open for questions. 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.

Before we begin, I would like to acknowledge the announcement and publication from S&P this morning for Heimstaden Bostad. The affirmation of our investment-grade rating and outlook reversion to stable is great news, and it's predicated upon an array of factors Christian will discuss in greater detail later in the presentation.

Heimstaden Bostad continue to deliver strong operational results. The Q3 results underscore the strength of our portfolio and the quality of our tenant base. We see this in our last 12 months NOI margin of 72.1%, and the Q3 margin, isolated, of 75.4%, both of which are all-time highs for Heimstaden Bostad. The margin development is supported by a 4.5% like-for-like rental income growth, and further reductions to our property expenses of 7.2% for the year.

Our privatisation programme delivered a very strong result for Q3, with record-high quarterly sales of SEK 2.9 billion, achieved at 28.2 premium-to-book value. During the quarter, we also passed SEK 1 billion in monthly sales for the month of September isolated. Looking ahead to Q4, we expect to see our guidance range between 72 to 72.5 as we close fiscal year 2025. With that, I hand it over to Thomas Hansen, who will cover the operational results in further detail.

### **Hansen Thomas Alexander**

Thank you, Helge. Real economic occupancy declined slightly to 98.6%, from 98.7% in Q3 last year. Compared to the previous quarter, real economic occupancy improved by ten basis points. The main driver stems from the UK portfolio and its continued stabilisation of the 464 units that were delivered in Q4 last year, a delivery that grew the portfolio by 50%. Like-for-like rental income increased to 4.5%. The rental income included in the calculation now accounts for 97.4% of total rental income.

When we break down the 4.5% figure for Q3, we saw that indexation effects contributed 3.1%, occupancy gains added 0.6%, tenant improvement investments delivered 0.5%, and the rent reversion accounted for the remaining 0.3%. Our blended core CPI benchmark increased to 2.7% from 2.5%. The change is largely attributed to increases in Sweden and Denmark, countries that represents above 50% of the weighted CPI.

NOI margins again reached new highs in Q3, delivering 72.1% on an LTM basis, and 75.4% on a quarterly basis, further evidence of our ability to combine sustained income growth with disciplined cost control. Property expenses, net of service income, declined 7% on a year-to-date basis, supported by ongoing efficiency measures present in the figure. The Q3 results remain in line with our full year NOI margin guidance at 71.5% to 72.5%, and we now see us finishing the year on the upper end of the guidance range. With that, I pass it on to Christian.

### **Fladeland Christian**

Thank you, Thomas. During Q3, we saw a decline in our investment property portfolio of SEK 2.2 billion. We had a positive fair value change of SEK 700 million for the quarter, and we invested SEK 922 million in our standing assets as part of our CapEx and tenancy improvement programme. And then we had still smaller CapEx related to new-builds under construction of SEK 61 million.

Privatisation sales amounted to 2.2 billion of book value during the quarter. We did other sales in a smaller portfolio in the Czech Republic of SEK 91 million. And then, given the strengthening SEK over the quarter, we had a negative FX effect of SEK 1.6 billion over the quarter, ending the quarter with an investment property portfolio of SEK 327.5 billion.

Looking into the individual markets, we saw stable yields across the majority of the markets. We continued to see the ownership housing market showing strong momentum, and underlying market rent was also positive. Sweden and Germany was flat. Denmark was down slightly, which is a bit counterintuitive compared to how strong the privatisation is performing. But there were some investment transaction comparables where we saw that there was a slightly higher discount to ownership housing values in those transactions than was reflected before. So that's why there was a smaller decline here.

In the Czech Republic, we continue to see underlying market rental growth trend well above 5%. So we are keeping flat yields and still a quarterly increase of 2%. The Netherlands, it is mainly driven by the strong ownership housing market, which continue to feed through to the strong performance in our privatisation programme done there.

Norway had a fairly silent Q2, given the significant supply that we have seen coming to the ownership housing market there, following a strong Q1. And we do see that Q3 is still marked by a fairly high supply and with are still fairly slow pace in the Norwegian interest rate cutting cycle, that has definitely calmed down a bit. That is also reflected in our privatisation programme, where we continue to maintain discipline and make sure that we don't increase supply in a way where we cannibalise the long-term prospects that we still see for value growth in that market.

In the UK, we saw a continued volatility among the fiscal budget there, which had quite volatile gilt and sterling rates over the quarter. So there has been a moderate yield expansion observed. If you look NOI yield, we continue to see that is trending materially up, which is reflecting the stabilisation of our Edinburgh development. So we would assume that NOI yield to continue to increase towards a stabilised yield for the portfolio, which is closer to the 5% mark.

Poland, the privatisation programme continued to ramp up according to plan. We also see there has become a renewed momentum in ownership housing values after our first half that was a bit more [unclear 00:07:40] as there was some subsidies for first-time buyers that expired at the turn of the year, 1st January this year.

In Finland, we still see that the occupancy is struggling a bit, as Thomas also went through, reflecting the quite significant supply in that market. There are still signs that there is becoming more balance across the market, given that new completions are levelling off and nearly nothing new is being built. But it is a market where we will anticipate to continue to see some stabilisation period before we would actually see underlying rental growth. And until that will happen, we would anticipate yields to remain flat at these levels, and the underlying value growth to reflect how NOI potential will continue to develop.

If we look at destabilisation from the S&P, it's fair to say that we had anticipated this for some time. Our credit metrics have been strengthening over time, in particular on our net-debt-to-cap ratio, but we have also seen that the ICR has a clear trajectory which is upward from here. We are fully committed to restore the compliance with our financial policy, which is set according to the triple-B-flat criteria from S&P, with an ICR of 1.8 and a net-debt-to-cap below 60%.

With the current interest rate curve, we will definitely have a materially lower LTV than 60% if we are to fulfil the S&P ICR of 1.8. So we will continue the deleveraging effort in order to restore these levels, which we anticipate to reach by the end of 2026.

On the Fitch metrics, we also see that we are getting close if not already in compliance with the triple-B-flat threshold. So there, we definitely also have our clear visibility to reinstate the long-term ambitions of triple-B-flat.

The privatisation programme is still the key feature that we are focusing on in order to support the deleveraging, but also to support the shareholder returns, where we are seeing that the strong ownership housing momentum makes sense to continue to capitalise on. So even though we will be more selective, as we also discussed in the last quarter, we will continue to run with these large sales volumes as long as we see the market to be strong.

And then, we would also see how we could potentially reallocate some of this capital also into more organic growth within the portfolio, utilising the value-add projects that we have in recent years postponed because we didn't feel it gave us sufficient yield on costs to be ICR-supported. We will provide more details on how we see the privatisation forecast for the coming years when we released our Q4 figures, together with the annual report in February next year. So with that, I will hand it over to Q&A.

## QUESTION & ANSWER

### **Operator**

Thank you. 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 their touchtone 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 then two. Participants are requested to use only handsets while asking a question. Anyone who has a question may press star and one at this time. The first question is from Florent Egonneau, Citi. Please, go ahead.

### **Egonneau Florent**

Hi, good morning. Thank you for the presentation, and congratulations on another strong quarter. Quick one on my side regarding the upcoming call on your hybrids. Do you expect to change your plan, or can you please reiterate what you want to do over the coming weeks or months? Thank you.

### **Fladeland Christian**

So, we have the upcoming call day coming here in the mid of January 2, with the reset date set for April 26. We will handle this in line with our previous communication, meaning that we want to

sit with the low rate/coupon on the existing coupon for as long as we find it responsible, viable to do so, support the ICR. That being said, now, with a stronger trajectory on the ICR recovery, the stable outlook, we feel we have more flexibility to also look at it a bit more opportunistically when we look at how the market timing might play in.

And given how strong we have seen the hybrid market being recently, it might also be that we would look to do something this year. But you should anticipate that our ambition is still to get as much benefit from the current coupon as possible. But of course, the date is closing in, so you should anticipate something to happen within the next two to three months.

**Egonneau Florent**

Okay, thank you. And would you use the allowance of 10% in the S&P methodology to manage the ICR?

**Fladeland Christian**

So, we have communicated that we have our long-term ambition of reducing our hybrid stack. That being said, we also need to factor this in with the phasing of the resetting and the call dates. And given that we are very close to the €300 million sizing of outstanding, when we take the one that we have on our own books, we are right now contemplating whether we should go with a small benchmark, or below benchmark you could also say, at call 300, or whether we should look at something more of a benchmark sizing and then look to downscale some of the later hybrid refinancings. So that remains to be seen.

**Egonneau Florent**

Okay, thank you very much. That was my only question.

**Operator**

The next question, from Neeraj Kumar, Barclays. Please, go ahead.

**Kumar Neeraj**

Morning, everyone, and congratulations on stable outlook. So, if I may ask, what sort of timelines are you targeting to get your policy target of triple-B rating?

**Fladeland Christian**

So, it's important to emphasise that our policy target is to fulfil this triple-B-flat criteria, so having an ICR of above 1.8, and then also fulfil the net-debt-to-cap, which we don't see as a practical

restriction. We assume to hit the 1.8 by the second half of 26. How quickly we will continue to progress from there and when S&P will make any action based on that, we, of course, it's very difficult to foresee. But the 1.8 we would assume to hit by the second half of 26, and then, of course, continue to improve from there.

**Kumar Neeraj**

Got it. Can you provide any colour on the transaction market? And do you see any possibility of large transaction to get your triple-B rating sooner than later?

**Fladeland Christian**

So, the transaction markets are, in general, still recovering, but I would say that there are still quite varying strength if we look across the individual countries. So where the ownership housing markets are developing fairly strong on a homogeneous basis, we still see that some transaction markets are going a bit slower. And it's still the more lower yielding markets with maybe a lot of rent reversion from regulatory active business plans. But new-builds, for example, in Denmark, has become probably the most liquid residential asset that we have seen across our market. So there, we're seeing an increased number of transactions, and we also start to see them at larger sizing, call it also €200 million, €300 million, €400 million portfolio transactions.

That being said, we still feel that the underlying fundamental tailwinds that residential have experienced in recent years, in terms of inherent rent reversion, is still not probably factored in, and there is still so much focus on what do you get in the direct, day-one NOI yield that I don't think that we will, right now, go out and pursue to do something in larger scale, to potentially advance our be triple-B-flat recovery with two or three quarters. For that, we are simply too focused on also making sure that we maintain our shareholder interest. That being said, we will continue to monitor the transaction market and look at it opportunistically, whether there is any basis, in a shareholder-friendly manner, to advance the deleveraging pace further.

**Kumar Neeraj**

Got it. And probably the last one, you talk about increased flexibility to pursue opportunities, are you looking to acquire things here?

**Fladeland Christian**

You probably should not see it as acquire things, but you should definitely see it as if we look at, for example, our CapEx programme, where we have increased the yield-on-cost threshold to something that is at much higher yields than the valuation yields, there is a lot of equity accretive

transactions you could do at, let's call it, 7% yield on cost. And that is something that would that would make sense to look at.

So the fact that we now know that there is a positive trajectory on the ICR, S&P acknowledge that, we will, of course in a very disciplined manner, continue to maintain that trust. But if we see that there is a potential to do something that is supportive for the overall business performance, also from an equity perspective, then whether we will be at our triple-B-flat in Q2 27 or Q4 27, that would probably be given less weight.

**Kumar Neeraj**

Got it. Thank you very much.

**Operator**

As a reminder, if you wish to register for questions, please press star and one on your telephone. The next question, from Mary Pollock, CreditSights. Please, go ahead.

**Pollock Mary**

Good morning. Thanks for taking the questions. A couple from me. You didn't mention the 2025 guidance that you published last quarter. I just want to make sure that that's reaffirmed.

**Fladeland Christian**

That is reaffirmed. So no changes to that. Of course, we are now posting last-12-months NOI margin of 72.1%, so trending up in the upper end of the revised guidance range, but it's not like we have found any reason to change that guidance.

**Pollock Mary**

Great, thanks. And in terms of restarting your dividend, is that similar to the financial policy in that you want your target metrics back in line, not necessarily to have the S&P rating?

**Fladeland Christian**

There is no doubt that our clear basis is that we should be back in compliance with our financial policy, and we will not, per say, await any action from S&P in that respect. Of course, if S&P went out and made a complete change in their criteria for the whole sector, which means that our financial policies should be overlooked, then that might, of course, change things. But as of now, as long as we get back in compliance with the financial policy, it's not like it needs to be a triple-B upgrading triggering event before we would reinstate the dividends.

However, making our assumption on dividends and financial forecasting of that basis will, of course, take into impact the potential impact on the ICR of making such dividends. So, of course, it will be correlated or connected back to our financial policy, but not the triggering event of S&P making a decision to do an upgrade to triple-B-flat. That is not the criteria of our financial policy.

**Pollock Mary**

Thanks, that's very clear. And I just want to make sure I'm understanding this correctly. FX was a headwind for the LTV in the quarter, do I have that right? Debt would have been up more and valuation would have been down because of a stronger krona.

**Fladeland Christian**

So, those two aspects, the quarter ended with a stronger SEK, essentially, against most of our currencies, but the average SEK rate was actually weaker in the quarter. So if you look at the P&L effect on the NOI set [?], that was [?] actually a part of FX. If you look at the balance sheet effect, a stronger SEK actually has a positive impact on our LTV. And that's because we have a marginally higher LTV in foreign currencies than we have in SEK.

We do, in general, match funding, so we don't do a lot of euro debt funding for funding our SEK asset base, for example, but it's not like it's equal LTV across all currencies. So there is actually a moderately positive effect on the LTV from the strengthened SEK, because we have slightly higher LTV in foreign currencies than we haven't SEK. I don't know whether that makes sense. If not, then we can...

**Pollock Mary**

Thanks, that helps, because I was looking at the income statement and just not totally following. And another one, your financial income really fell in the quarter, is that due to FX, or what else is the driver there in terms of your interest received?

**Fladeland Christian**

Maybe, Thomas, you could get that, because I had the same question, and I got the answer, but I simply can't recall it.

**Hansen Thomas Alexander**

This is a combination of two effects. We're carrying a lower cash balance, and it's also an adjustment of a previous quarter of a smaller amount.

**Pollock Mary**

Great. Thanks so much. Congrats on the upgrade, guys.

**Fladeland Christian**

Thank you very much, Mary. We only had one web question, and that essentially completely replicated what Mary just asked on the dividend, and when we would see it being brought back and how the ICR qualify us [?]. So I would anticipate that to have been answered. So if there are no more questions via the phone, then I will close down this call and wish everybody a great day. And please feel free to reach out, bilateral, to Cody and Investor Relations team if you have any follow up questions. Thank you.

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