Heimstaden
BOSTAD

Press Release

27 February 2024

Heimstaden Bostad: 2023 Annual, Governance, and Sustainability Report

Highlights (figures in brackets: previous quarter):

- The residential operating environment remains strong. Like-for-like rental growth increased to 5.6% (4.2%) and real economic occupancy increased to 98.4% (98.1%)
- The NOI margin grew to 66.0% when compared to 60.8% a year ago and the FY NOI margin was 67.4% (66.2%)
- Investment properties was valued at SEK 319 billion (332) and comprised 161,553 homes (161,532)
- Fair value change before currency effects was -1.6% (-1.5%) primarily driven by continued yield expansion in Sweden and Germany, while valuations were stabilising in most other markets
- Continued to obtain asset-backed financing amounting to SEK 33 billion during 2023. Outstanding senior unsecured obligations were reduced by SEK 17 billion in the same period
- S&P lowered Investment Grade rating to BBB- (negative outlook)
- Net LTV of 56.3% (55.1%) and ICR of 2.0x (2.1x). S&P-defined ICR of 1.7x (1.8x) and S&P LTV of 58.6% (57.2%)
- Increased hedge ratio to 86% at the end of 2023 taking advantage of the reduced rates by late Q4 to improve predictability of the ICR
- The privatisation plan announced in Q3 has showed initial strong results with sold units of SEK 1.2 billion in 2023, realising a 32% gross premium and is ramping up according to plan
- The Board has proposed that no dividend shall be paid to any of the Share Classes
- ESG targets on track with reduced absolute greenhouse gas emissions by 10%[1], reduction in weather corrected energy intensity by 8%, and signed 4,767 inclusive housing contracts
- Morningstar Sustainalytics ESG Risk Rating upgraded Heimstaden Bostad to ‘Negligible Risk’ (‘Low Risk’)

[1] Covering Scope 1-3 (downstream leased assets (base year recalculated).

CEO Helge Krogsbøl comments:
"Underneath the headlines through 2023, Heimstaden Bostad delivered stronger than ever operational results supported by low vacancy, high rental growth, industry leading ESG performance, and customer satisfaction figures that we are proud of. We are strategically positioned to capitalise on the tailwinds guiding the strong outlook for residential real estate, considering the persistent supply/demand imbalances that are set to increase, given the decade-low new developments."

Deputy CEO Christian Fladeland comments:
"Starting 2024 with a robust liquidity of over SEK 30 billion in cash and unused facilities, we reinforce our focus on maintaining a strong liquidity position and continue to prove access to funding. The Board's decision to forego dividends shows our firm commitment to support our credit profile and dedication to our Investment Grade rating. We are committed to take measures to preserve an ICR well within the thresholds of an Investment Grade rating and are pleased with our privatisation plan's progress to support such, as ongoing alignment with our base case forecast is key for achieving our rating goals and resolving the negative outlook."

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Heimstaden Bostad is a leading European residential real estate company with around 162,000 homes across nine countries with a property value of SEK 319 billion. We acquire, develop, and manage properties with an evergreen perspective. Guided by our Scandinavian heritage and values Care, Dare and Share – our about 2,100 colleagues fulfil our mission to enrich and simplify our customers' lives through Friendly Homes. Read more at www.heimstadenbostad.com.