

Heimstaden: 2023 Annual, Governance, and Sustainability Report, SEK Hybrid Bond Interest Payments Deferral, and No-Dividend proposal on any share classes

Heimstaden AB publishes the 2023 Annual, Governance, and Sustainability Report and has decided to defer interest payments on SEK hybrid bonds and proposes to the AGM that no dividend on any share classes is paid.

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 61.8% a year ago and the FY NOI margin was 67.4% (66.4%)
- Investment properties was valued at SEK 321 billion (339) and comprised 161,553 homes (163,157)
- Fair value change before currency effects was -1.6% (-1.4%) primarily driven by continued yield expansion in Sweden and Germany, while valuations were stabilising in most other markets
- Heimstaden Bostad 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
- Fitch lowered standalone rating to BB (Rating Watch negative)
- Net LTV of 58.9% (57.9%) and ICR of 1.8x (1.9x)
- Heimstaden Bostad 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 Heimstaden Bostad 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
- Heimstaden Bostad's 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)).

Deferral of Interest Payments on SEK Hybrid Bonds

In 2019, Heimstaden AB issued a subordinated SEK hybrid bond with an outstanding principal amount of SEK 4,500 million. According to the terms and conditions of the SEK hybrid bonds, Heimstaden AB may, at its sole discretion, elect to defer quarterly interest payments. The next quarterly interest payment is due on 11 April 2024 and the Board has decided to defer said interest payment, as well as future quarterly interest payments, until further notice, to support Heimstaden AB's liability management and to improve its credit profile.

No Dividend proposed on any share classes

The Board proposes to the AGM that no dividend on the ordinary shares or the preference shares are paid.

CEO Helge Krogsbøl comments:

"2023 was another year with stellar operational performance and robust residential fundamentals across Heimstaden Bostad's markets. However, the year was also characterised by heightened uncertainty due to macroeconomic and geopolitical challenges, leading to increased yield requirements and impacting real estate values. Despite the operational tailwinds, real estate capital markets remained practically closed throughout the year. As we enter 2024, we are seeing stabilisation and real estate value recovery in most markets, but we remain cautious about liability management."

Deputy CEO Christian Fladeland comments:

"We endorse Heimstaden Bostad's decision to forgo dividend pay-outs and remove any doubt around its commitment to an Investment Grade rating. In 2023, we divested shares in Heimstaden Bostad and sold our Icelandic portfolio as part of our deleveraging strategy. Heimstaden will continue with similar measures as the right opportunities arise."

The unprecedented focus on our Group during 2023, driven by external factors, has put pressure on the trading levels of our capital market instruments. These levels misrepresent the risk profile compared to our robust balance sheet. To demonstrate our commitment to supporting our capital structure and prioritising long-term liability management, the Board has decided to defer interest payments on the SEK hybrid bonds and recommend to the AGM the suspension of dividend payments."

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Heimstaden is a leading European residential real estate manager and investor with around 162,000 homes across nine countries with a property value of SEK 321 billion. We acquire, develop, and manage properties with an evergreen perspective. Guided by our Scandinavian heritage and values Care, Dare and Share – we fulfil our mission to enrich and simplify our customers' lives through Friendly Homes. Heimstaden is listed on Nasdaq First North Growth Market. Read more at www.heimstaden.com. Certified Adviser is Carnegie Investment Bank AB (publ).

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