

# Heba

## All pain no gain

- Funding costs set to continue to rise
- Valuation not reflective of risks
- Up to HOLD (Sell); UNDERPERFORM, target price of SEK 35 intact

## Irrational dividend proposal

Heba's Q4 results were well ahead of our expectations, driven by a stronger-than-expected rental income contribution from projects, and the net operating income margin in the quarter. Surprisingly, the board proposed a dividend of SEK 0.45 (0.80) per share. We had expected the dividend to be cut, given the company's financial standing and the current interest rate environment.

## The game has changed

The average paid interest rate rose by 22% or 41bp in the quarter to 2.26%, set to continue the trend of rapid increases over the coming quarters, on our estimates pushing the interest coverage ratio below 2.0x by the end of 2023. This has resulted in the company deciding to halt essentially all plans for future project development for the time being. In the current interest rate environment, this puts cash flow in an unwelcome squeeze in our outlook, where a drastically lower interest rate environment seems to be the only potential trigger. On top of this, we continue to see a risk of further value deterioration in the near term, although we argue that most of this is reflected in the current valuation.

## Risk without the reward

We have had a negative stance on the share since mid-April last year, and the share is now down by 45% since then. While we argue that the major revaluation is now complete, we still struggle to see long-term potential. Hence, we upgrade our three-month recommendation to HOLD, while we reiterate our three-year recommendation UNDERPERFORM and target price of SEK 35.

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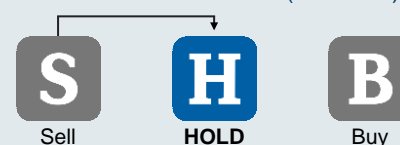
Company page on Handelsbanken's REON

SEKm	2020	2021	2022	2023e	2024e	2025e
Rental income	394	450	510	577	595	613
EBITDA adj	240	276	323	370	386	399
margin (%)	60.9	61.3	63.4	64.1	64.9	65.2
Op. net (NOIRE)	274	313	362	407	422	435
margin (%)	69.5	69.6	70.9	70.6	70.9	71.0
Income fr property mgmt	192	229	238	253	175	165
EPS rep (SEK)	4.35	8.9	-0.82	1.22	0.84	0.79
EPS adj (SEK)	1.13	1.38	1.45	1.23	1.07	1.01
Y-o-y growth (%)	6	22	5	-15	-13	-6
<b>EPS adj revisions (%)</b>	<b>n.m</b>	<b>n.m</b>	<b>n.m</b>	<b>-7</b>	<b>-7</b>	<b>17</b>
P/E adj (x)	50.4	56.9	24.2	28.6	32.7	34.6
P/NAV (x)	1.2	1.4	0.67	0.65	0.64	0.63
NAV/share (SEK)	46.0	55.7	52.7	53.8	54.9	55.9
ROE adj (%)	3.2	3.4	3.3	2.8	2.4	2.2
EV/EBITDA (x)	58.1	66.8	39.5	35.0	34.0	33.3
EV/sales (x)	35.4	41.0	25.0	22.4	22.1	21.7
Tot DPS (SEK)	0.65	0.80	0.45	0.00	0.00	0.00
Totdiv yield (%)	1.1	1.0	1.3	0	0	0
Net debt/equity (%)	78.7	78.3	103	102	103	104

Source: Handelsbanken Capital Markets

## Recommendation change

### Short-term recommendation (3 months)



### Long-term recommendation (3 years)



Results Comment Q4 2022 February 14, 2023, 18:38 CET

<b>Share price (SEK) Feb 14, 17:29 CET</b>	<b>35.10</b>
Market cap (EURm)	521
Market cap (SEKm)	5,796
No of shares (m)	165
Free float (%)	31.2
Avg daily volume ('000)	240
Avg daily value (EURm)	0.7
Bloomberg	HEBAB.SS
Reuters	HEBA.ST
Web address:	<a href="#">Link to company website</a>
IR web address:	<a href="#">Link to IR website</a>

### 3-year target return

Target price incl. div (SEK)	35.0
Expected total return (%)	-0.28
Of which expected total dividend yield (%)	1.3

2023-02-14	Votes (%)	Capital (%)
SBB	11	20.6
Hämsblad, Birgitta Maria	19.6	12.4
Ericsson, Charlotte	9.1	6.4
Holmbergh, Christina	8.5	5.9
Eriksson, Anders	8.2	5.5
Total number of shares (m)		165.1
Free float (%)		100

## Absolute and relative performance



Share performance (%)	-1m	-3m	-12m
Absolute:	-12.0	4.2	-52.9
Absolute EUR:	-11.0	1.2	-55.2
Relative (OMXSPI (SE)):	-13.5	-1.5	-50.4
52w range (SEK):			78.80 / 29.10

Source: FactSet

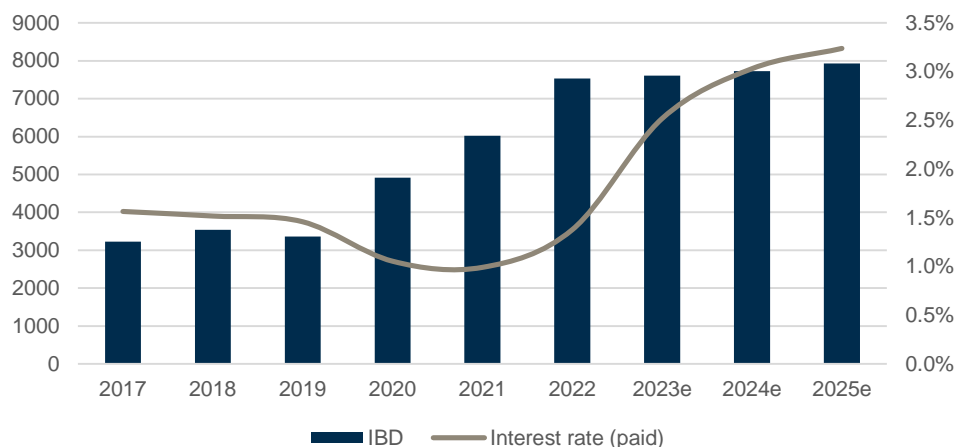
## Investment case

Our key concern with Heba is the high-quality yet low-yielding asset base. The property portfolio is yielding around 2.3%, while debt upon refinancing in the current interest rate environment is estimated at around 4.0-4.5%, we deem. While the full effect of this comes gradually, the company’s funding costs have increased by >140% to 2.26%, compared to the end of last year, which does not go unnoticed on the earnings profile when operating with a loan-to-value ratio of 48%. Unfortunately, it seems like the trend of increasing funding costs will persist for the time being. With limited cash on hand and strained cash flow, this leaves Heba fairly defenceless against this exogenous factor.

### Value at risk

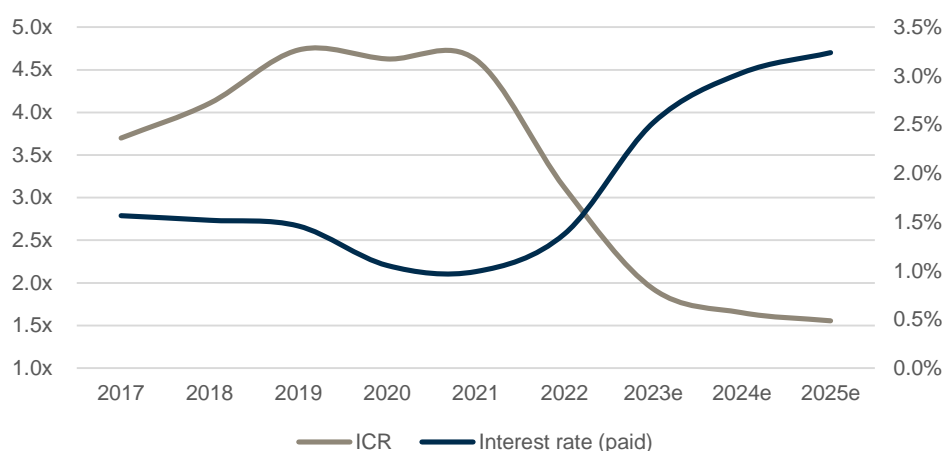
As well as putting pressure on earnings, we argue that interest rates pose a threat to property values. For 2022, yield expansion resulted in a decline in property values of 4.1%. We see material risk for further value deterioration in the coming quarters, which could put pressure on the balance sheet – Heba is currently operating with a loan-to-value ratio of 48%, compared to the financial target of <50%.

**Figure 1: Interest bearing debt (IBD) and paid interest rate (SEKm)**



Source: Handelsbanken Capital Markets

**Figure 2: Interest coverage ratio (ICR) and paid interest rate**



Source: Handelsbanken Capital Markets

**P&L outcome**

SEKm	Actual	Growth %		Deviation %	
		Y-o-y	Q-o-q	HCM	Cons
Rental inc	137.4	13.4	6.3	4.4	4.3
Op. net (NOIRE)	96.4	19.2	0.31	-63.8	25.2
Inc fr prop mgmt	49.4	-10.0	-23.8	-63.8	-37.4
EPS reported (SEK)	-1.17	n.m	n.m	n.m	n.m
EPS adj (SEK)	0.31	-8.4	-22.2	11.2	n.m

Source: Company data, Handelsbanken Capital Markets and FactSet

**Trend analysis**

%	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23e
Rental income y-o-y	18.0	10.0	14.4	15.7	13.4	19.7
EBITDA adj y-o-y	18.8	8.7	18.5	18.1	23.0	25.5
EBITDA adj margin	57.8	57.7	66.0	66.8	62.7	60.5
Op. net y-o-y	19.1	9.7	15.6	17.2	19.2	22.1
NOIRE margin	66.7	65.7	73.1	74.4	70.2	67.0
EPS adj (SEK)	0.33	0.35	0.41	0.39	0.31	0.36
EPS adj y-o-y	30.3	14.4	12.8	0.62	-8.4	2.7

Source: Company data, Handelsbanken Capital Markets

**Estimate changes**

SEKm	HCM	chg	HCM	chg	HCM	chg
	Q1 23e	(%)	2023e	(%)	2024e	(%)
Rental Income	140.4	4	576.7	0	594.9	-3
Op. net NOIRE	94.1	4	407.3	0	421.9	-5
margin (%)	67.0	0	70.6	-1	70.9	-1
Inc fr prop mgt	48.9	3.1	253.3	-66.2	175.0	-50.0
EPS (SEK)	0.30	-2	1.22	-73	0.84	-52
EPS adj (SEK)	0.36	-39	1.23	-7	1.07	-7

Source: Handelsbanken Capital Markets

**HCM vs. consensus**

SEKm	Cons	diff	Cons	diff	Cons	diff
	Q1 23e	(%)	2023e	(%)	2024e	(%)
Rental income	135.1	4	574.0	0	615.0	-3
Op. net (NOIRE)	80.6	16.8	364.0	11.9	399.0	5.7
margin (%)	59.7	7	63.4	7	64.9	6
Inc fr prop mgt	389.3	-87	-	n.m	-	n.m
NAV/Share	-	n.m	-	n.m	-	n.m
EPS (SEK)	0.30	-1	1.98	-38	0.75	12
EPS adj (SEK)	3.20	-89	1.30	-6	1.20	-11

Source: Handelsbanken Capital Markets and FactSet

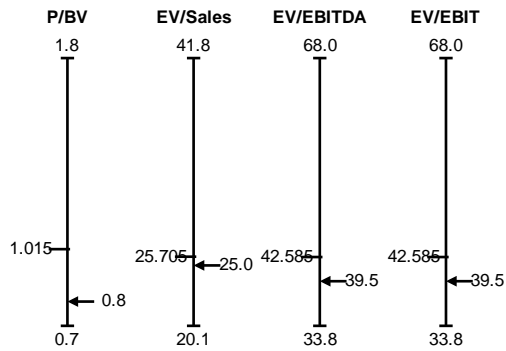
**Risks**

- Higher market interest rate poses a risk for all real estate companies.
- Sensitive to political decisions related to residential rent regulations.

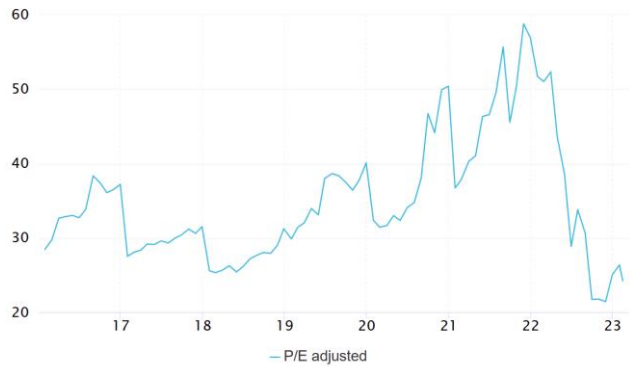
Source: Handelsbanken Capital Markets

## Valuation charts

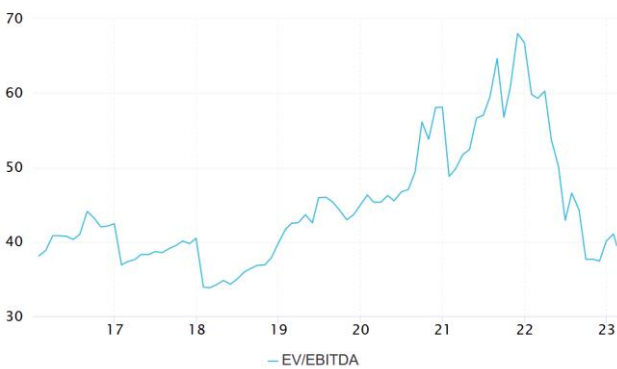
### Current vs. high/low/median, 10 years \*



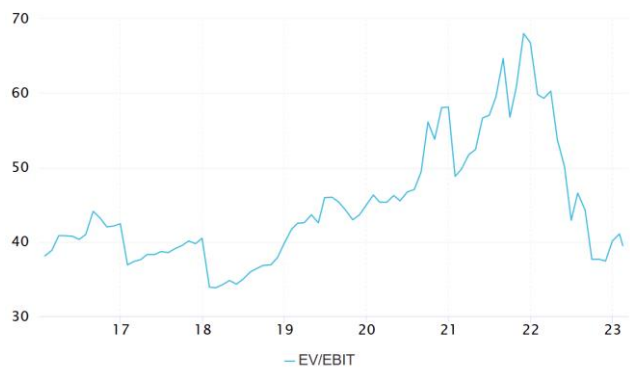
### P/E x



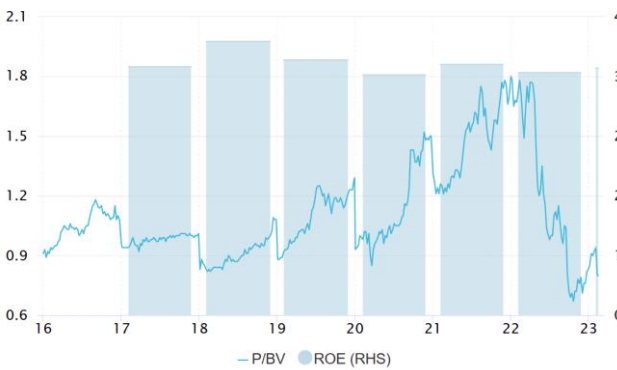
### EV/EBITDA x



### EV/EBIT x



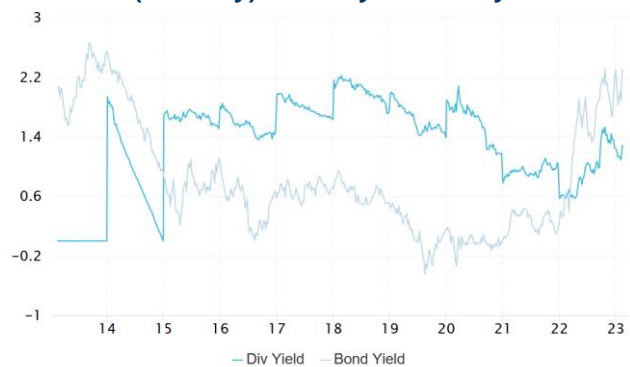
### P/BV x and ROE %



### EV/sales x and EBIT margin %



### Dividend (ordinary) and 10-year bond yield %

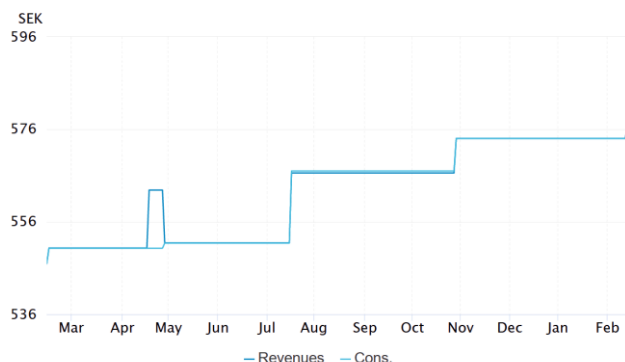


Source: Handelsbanken Capital Markets and company fundamentals

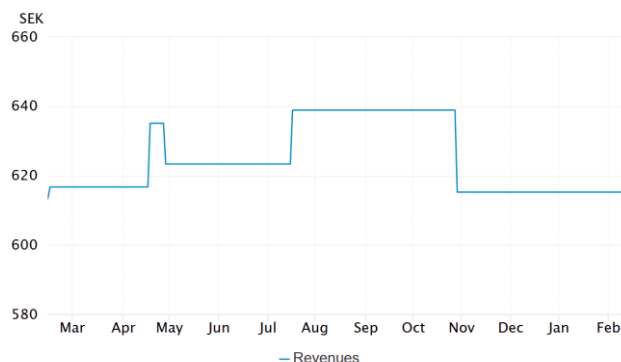
Note: The current value is the figure on the left-hand side and the median value is depicted by the arrow on the right-hand side.

## Momentum

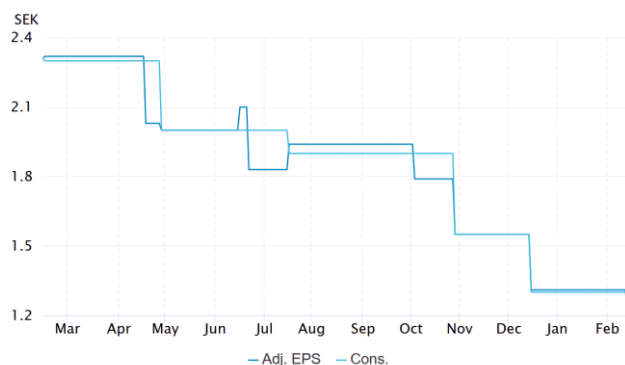
### Revenues 2023 estimate revisions



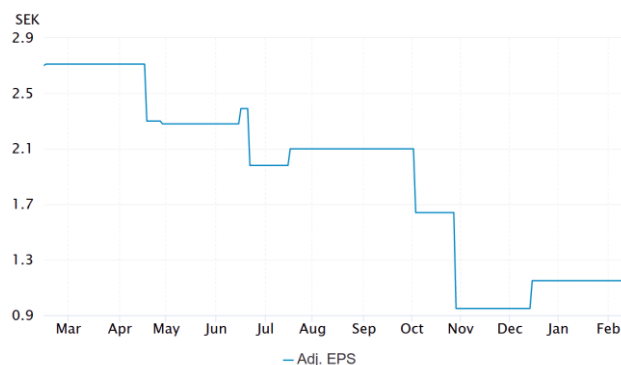
### Revenues 2024 estimate revisions



### EPS 2023 estimate revisions



### EPS 2024 estimate revisions



Source: Handelsbanken Capital Markets, FactSet

## Valuation data

SEK	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e
Share price year-end/current	16.9	15.0	15.9	18.8	24.3	24.9	28.4	27.7	31.9	43.1	57.3	78.8	35.1	35.1	35.1
Share price high	18.5	18.1	16.9	19.3	24.3	25.3	31.2	29.4	33.9	47.0	60.0	83.3	80.0	43.2	-
Share price low	13.0	12.8	14.3	16.0	18.8	21.3	24.3	26.2	26.3	31.5	32.9	51.5	28.6	34.4	-
Market cap (m)	0.0	0.0	0.0	0.0	0.0	0.0	4,468	4,351	5,263	7,117	9,453	13,011	5,796	5,796	5,796
Net debt (m)	-	-	-	-	-	-	2,399	3,221	3,532	3,334	4,818	5,866	7,434	7,531	7,708
MV associates (m)	-	-	-	-	-	-	-	-	29.5	34.4	334.4	458.7	457.6	388.1	386.1
EV (m)	n.m	n.m	n.m	n.m	n.m	n.m	6,867	7,572	8,766	10,416	13,937	18,419	12,772	12,938	13,116
P/E reported (x)	n.m	n.m	n.m	n.m	n.m	n.m	12.0	11.8	8.1	9.8	13.2	8.8	n.m	28.8	41.7
P/E adj (x)	n.m	n.m	n.m	n.m	n.m	n.m	37.2	31.5	31.3	40.1	50.4	56.9	24.2	28.6	32.7
P/BV (x)	n.m	n.m	n.m	n.m	n.m	n.m	1.12	1.01	1.08	1.29	1.54	1.74	0.80	0.79	0.77
P/NAV (x)	n.m	n.m	n.m	n.m	n.m	n.m	0.88	0.80	0.87	1.05	1.25	1.41	0.67	0.65	0.64
ROE adj (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	3.3	3.7	3.4	3.2	3.4	3.3	2.8	2.4
Pre-tax ROIC (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	2.7	2.8	2.7	2.4	2.3	2.3	2.5	2.6
EV/sales (x)	n.m	n.m	n.m	n.m	n.m	n.m	23.2	22.6	23.0	26.8	35.4	41.0	25.0	22.4	22.1
EV/EBITDA (x)	n.m	n.m	n.m	n.m	n.m	n.m	42.4	40.5	39.7	44.9	58.1	66.8	39.5	35.0	34.0
EBITDA adj margin (%)	n.m	n.m	n.m	n.m	n.m	n.m	54.8	55.8	58.0	59.7	60.9	61.3	63.4	64.1	64.9
FCF adj yield (%)	n.m	n.m	n.m	n.m	n.m	n.m	-15.9	-17.3	-3.0	-16.4	-11.5	-11.7	-25.0	-4.5	-3.1
Tot div yield (%)	0	0	0	0	0	1.5	1.4	1.6	1.7	1.4	1.1	1.0	1.3	0	0
Payout ratio (%)	n.m	n.m	n.m	n.m	n.m	n.m	16.9	19.2	13.9	13.7	14.9	9.0	-54.6	0	0
Earnings yield (x)	n.m	n.m	n.m	n.m	n.m	n.m	0.03	0.03	0.03	0.02	0.02	0.02	0.04	0.03	0.03

Source: Handelsbanken Capital Markets

**DCF model assumptions**

SEKm	2022	2023e	2024e	2025e	2026e	2027e	2032e	2037e	2042e
Rental income	510	577	595	613	631	644	822	1,049	1,338
Rental inc CAGR (%)	13.4	13.1	3.1	3.0	3.0	2.0	5.0	5.0	5.0
EBITDA growth (%)	17.3	14.3	4.5	3.4	4.1	2.0	7.9	5.0	5.0
EBITA growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	5.0	5.0
Capex/sales (%)	323	60.3	59.8	59.4	58.9	n.m	5.0	5.0	5.0
Networking cap/sales (%)	35.1	30.5	29.3	28.2	27.1	27.1	0	0	0

**WACC assumptions****Calculation of DCF****DCF checkpoints**

WACC assumptions (%)	Calculation of DCF (SEKm)	DCF checkpoints (%)
Risk-free interest rate	2.0	NPV FCFF
Equity market risk premium	4.5	21,517
Equity beta (x)	1.0	ND inc off-BS & Hybrids
Implicit asset beta (x)	0.74	7,434
Cost of equity	6.5	Market value Preferred stock
Pre-tax cost of debt	1.5	0.0
Equity weight	55.0	Market value Associates
WACC	4.1	388
		Market value Minorities
		0.0
		Surplus values
		0.0
		Other adjustments
		0.0
		DCF value
		14,471
		DCF value/share (SEK)
		87.6
		5y hist sales growth
		8.8
		5y exp sales growth
		4.8
		Sustainable growth
		2.0
		Sust EBITDA margin
		75.6
		Sust EBITA margin
		70.0
		Sust after-tax ROIC
		4.8
		Terminal value/DCF
		75.7
		Implicit equity weight
		74.3
		Share price potential to DCF value
		150

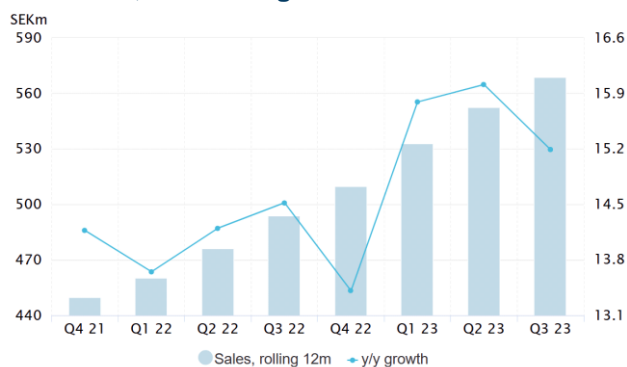
Source: Handelsbanken Capital Markets

**P&L accounts – quarterly data**

SEKm	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23e	Q2 23e	Q3 23e
<b>P&amp;L</b>								
Rental income	121.2	117.3	126.0	129.2	137.4	140.4	145.4	145.4
Total op expenses	-40.3	-40.2	-33.9	-33.1	-41.0	-46.3	-39.3	-37.0
Net operating income RE	80.9	77.1	92.1	96.1	96.4	94.1	106.1	108.5
Central admin	-10.8	-9.4	-8.9	-9.8	-10.2	-9.1	-9.3	-9.3
<b>EBIT</b>	<b>70.1</b>	<b>67.7</b>	<b>83.2</b>	<b>86.3</b>	<b>86.2</b>	<b>85.0</b>	<b>96.8</b>	<b>99.2</b>
Net financials	-15.0	-10.4	-16.1	-21.3	-36.2	-36.1	-39.1	-42.0
Associated income	-0.2	-0.2	-0.2	-0.2	-0.6	0.0	0.0	0.0
<b>Income fr property mgmt</b>	<b>54.9</b>	<b>57.1</b>	<b>66.9</b>	<b>64.8</b>	<b>49.4</b>	<b>48.9</b>	<b>57.7</b>	<b>57.2</b>
Ch in prop value & deriv	690.6	200.5	143.4	-445.6	-274.7	-	-	-
<b>EBT</b>	<b>745.5</b>	<b>257.6</b>	<b>210.3</b>	<b>-380.8</b>	<b>-225.3</b>	<b>48.9</b>	<b>57.7</b>	<b>57.2</b>
Reported tax	-133.6	-56.7	-45.3	72.6	31.6	0.0	0.0	0.0
tax rate (%)	17.9	22.0	21.5	19.1	14.0	0	0	0
<b>Net income</b>	<b>611.9</b>	<b>200.9</b>	<b>165.0</b>	<b>-308.2</b>	<b>-193.7</b>	<b>48.9</b>	<b>57.7</b>	<b>57.2</b>
EPS rep (SEK)	3.7	1.2	1.0	-1.9	-1.2	0.3	0.3	0.3
<b>Growth (%)</b>								
Rental income	18.0	10.0	14.4	15.7	13.4	19.7	15.4	12.6
Total expenses	15.8	10.7	11.5	11.4	1.7	15.1	16.0	11.8
EBITDA	18.8	8.7	18.5	18.1	23.0	25.5	16.3	14.9
EBT	33.1	92.7	-37.2	n.m	n.m	-81.0	-72.6	n.m
Net income	38.1	86.7	-37.9	n.m	n.m	-75.6	-65.0	n.m
EPS rep	38.1	86.7	-37.9	n.m	n.m	-75.6	-65.0	n.m
EPS adj	30.3	14.4	12.8	0.6	-8.4	2.7	8.9	11.5
<b>of sales (%)</b>								
EBITDA margin	57.8	57.7	66.0	66.8	62.7	60.5	66.5	68.2
EBT margin	>500	220	167	<200	-164	34.8	39.7	39.3
Net margin	>500	171	131	<200	-141	34.8	39.7	39.3
<b>Adjusted values</b>								
Total adjustments to net inc	556.9	143.8	98.1	-373.0	-244.1	-9.7	-15.1	-15.0
EBITDA	70.1	67.7	83.2	86.3	86.2	85.0	96.8	99.2
margin (%)	57.8	57.7	66.0	66.8	62.7	60.5	66.5	68.2
EBT	54.9	57.1	66.9	64.8	50.6	48.9	57.7	57.2
Net income	55.0	57.1	66.9	64.8	50.4	58.7	72.9	72.2
EPS adj (SEK)	0.3	0.3	0.4	0.4	0.3	0.4	0.4	0.4
<b>Property specific RC (SEK)</b>								
NAV/Share	55.7	56.6	56.6	54.0	52.7	53.0	53.0	53.5

Source: Handelsbanken Capital Markets

## Revenues, 12m rolling



Source: Handelsbanken Capital Markets

## EBIT, 12m rolling



Source: Handelsbanken Capital Markets

## P&amp;L accounts – annual data

SEKm	2018	2019	2020	2021	2022	2023e	2024e	2025e
<b>Income statement</b>								
Rental income	380.5	388.4	393.8	449.6	509.9	576.7	594.9	612.7
Total op expenses	-130.3	-127.3	-120.3	-136.7	-148.2	-169.4	-173.0	-177.5
Net operating income RE	250.2	261.1	273.5	312.9	361.7	407.3	421.9	435.2
Central admin	-29.6	-29.2	-33.8	-37.2	-38.3	-37.7	-35.6	-36.0
EBITDA	220.6	231.9	239.7	275.7	323.4	369.6	386.3	399.3
<b>EBIT</b>	<b>221</b>	<b>232</b>	<b>240</b>	<b>276</b>	<b>323</b>	<b>370</b>	<b>386</b>	<b>399</b>
Net interest expenses	-52.2	-47.6	-47.5	-46.0	-84.0	-166.8	-209.3	-232.0
Net financials	-52.2	-47.6	-47.5	-46.0	-84.0	-166.8	-209.3	-232.0
Associated income	-	-	-	-0.8	-1.2	50.5	-2.0	-2.0
Earnings bef value change	168.4	178.8	187.3	228.9	238.2	253.3	175.0	165.3
Ch in prop value & deriv	556.0	601.7	722.9	1,545	-376.4	-	-	-
Paid tax	-	-1.4	0.1	-0.3	-0.2	-	-	-
Reported tax	-70.8	-56.4	-192.0	-298.5	2.2	-52.2	-36.1	-34.0
tax rate (%)	9.8	7.2	21.1	16.8	1.6	20.6	20.6	20.6
<b>Net income</b>	<b>653.6</b>	<b>724.1</b>	<b>718.2</b>	<b>1,475</b>	<b>-136.0</b>	<b>201.1</b>	<b>139.0</b>	<b>131.2</b>
EPS rep (SEK)	3.96	4.39	4.35	8.9	-0.82	1.22	0.84	0.79
EPS adj (SEK)	1.0	1.1	1.1	1.4	1.4	1.2	1.1	1.0
<b>Growth (%)</b>								
Rental income	13.6	2.1	1.4	14.2	13.4	13.1	3.1	3.0
Total expenses	8.6	-2.3	-5.5	13.6	8.4	14.3	2.1	2.6
EBITDA	18.1	5.1	3.4	15.0	17.3	14.3	4.5	3.4
EBT	53.8	7.7	16.6	94.9	n.m	n.m	-30.9	-5.6
Net income	77.7	10.8	-0.8	105.4	n.m	n.m	-30.9	-5.6
EPS rep	69.1	10.8	-0.8	105.4	n.m	n.m	-30.9	-5.6
EPS adj	16.2	5.3	5.6	22.0	4.6	-15.2	-12.7	-5.5
<b>of sales (%)</b>								
EBITDA margin	58.0	59.7	60.9	61.3	63.4	64.1	64.9	65.2
EBT margin	190	201	231	394	-27.1	43.9	29.4	27.0
Net margin	172	186	182	328	-26.7	34.9	23.4	21.4
<b>Profitability (%)</b>								
ROE reported	14.3	14.0	12.4	21.7	-1.8	2.8	1.9	1.7
ROE adj	3.7	3.4	3.2	3.4	3.3	2.8	2.4	2.2
ROCE	2.8	2.7	2.4	2.2	2.3	2.5	2.6	2.6
Pre-tax ROIC	2.8	2.7	2.4	2.3	2.3	2.5	2.6	2.6
After tax ROIC	2.8	2.7	2.4	2.3	2.3	2.5	2.6	2.6
ROCE	2.8	2.7	2.4	2.2	2.3	2.5	2.6	2.6
Sales/capital invested (x)	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.04
Sales/total assets (x)	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.04
<b>Adjusted values</b>								
Total adjustments to net inc	485.2	546.7	530.8	1,247	-375.2	-1.7	-38.1	-36.0
EBITDA	220.6	231.9	239.7	275.7	323.4	369.6	386.3	399.3
margin (%)	58.0	59.7	60.9	61.3	63.4	64.1	64.9	65.2
EBT	168.4	178.8	187.3	228.9	239.4	202.8	177.0	167.3
<b>Net income</b>	<b>168.4</b>	<b>177.4</b>	<b>187.4</b>	<b>228.6</b>	<b>239.2</b>	<b>202.8</b>	<b>177.0</b>	<b>167.3</b>

Source: Handelsbanken Capital Markets



**Forecast balance sheet – annual data**

SEKm	2018	2019	2020	2021	2022	2023e	2024e	2025e
Accounts receivable	25	37	122	56	82	86	89	92
Other current assets	-	-	-	-	228	228	228	228
Cash & other interest-bearing	6	25	97	159	101	75	17	26
<b>Current assets</b>	<b>31</b>	<b>62</b>	<b>219</b>	<b>214</b>	<b>410</b>	<b>389</b>	<b>333</b>	<b>346</b>
Tangible assets	9,663	10,302	12,222	14,843	15,888	16,236	16,592	16,956
Shares associates	30	34	334	459	458	388	386	384
<b>Total assets</b>	<b>9,724</b>	<b>10,399</b>	<b>12,776</b>	<b>15,516</b>	<b>16,756</b>	<b>17,013</b>	<b>17,312</b>	<b>17,686</b>
Equity	4,873	5,506	6,125	7,493	7,225	7,351	7,490	7,622
Shareholder equity	4,873	5,506	6,125	7,493	7,225	7,351	7,490	7,622
Deferred tax liabilities	1,189	1,220	1,412	1,710	1,710	1,762	1,798	1,832
LT interest-bearing debt	2,101	1,747	2,294	4,290	5,803	5,835	5,915	6,080
ST interest-bearing debt	1,437	1,612	2,621	1,735	1,732	1,770	1,810	1,850
Provisions	12	192	222	158	157	157	157	157
Other current liabilities	112	123	102	130	130	138	142	147
<b>Current liabilities</b>	<b>1,550</b>	<b>1,735</b>	<b>2,723</b>	<b>1,865</b>	<b>1,862</b>	<b>1,908</b>	<b>1,952</b>	<b>1,996</b>
<b>Total equity &amp; liabilities</b>	<b>9,724</b>	<b>10,399</b>	<b>12,776</b>	<b>15,516</b>	<b>16,756</b>	<b>17,013</b>	<b>17,312</b>	<b>17,686</b>
Net interest bearing debt	3,532	3,334	4,818	5,866	7,434	7,531	7,708	7,903

Source: Handelsbanken Capital Markets

**Forecast cash flow**

SEKm	2018	2019	2020	2021	2022	2023e	2024e	2025e
<b>EBIT before associates</b>	<b>220.6</b>	<b>231.9</b>	<b>239.7</b>	<b>275.7</b>	<b>323.4</b>	<b>369.6</b>	<b>386.3</b>	<b>399.3</b>
+ Net financials	-52.2	-47.6	-47.5	-46.0	-84.0	-166.8	-209.3	-232.0
- Paid tax	-4.6	-0.7	0.4	-2.1	-0.1	-	-	-
- Change in NWC	6.9	2.3	0.6	11.5	-26.4	2.9	1.8	1.6
+ Other adjustment	-0.6	-13.3	-5.5	-6.4	-16.4	n.m	n.m	n.m
<b>Cash flow from operations (CFFO)</b>	<b>170.1</b>	<b>172.6</b>	<b>187.7</b>	<b>232.7</b>	<b>196.5</b>	<b>205.7</b>	<b>178.8</b>	<b>168.9</b>
- Net recurring capex	-327.3	-605.7	-1,270	-1,397	-1,648	-348.0	-356.0	-364.0
<b>FCF bef Acq. &amp; Div. (FCF)</b>	<b>-157.2</b>	<b>-433.1</b>	<b>-1,083</b>	<b>-1,165</b>	<b>-1,452</b>	<b>-142.3</b>	<b>-177.2</b>	<b>-195.1</b>
+ Divestments	-	730.5	-	354.3	-0.1	120.0	-	-
<b>FCF to equity (FCFE)</b>	<b>-157.2</b>	<b>297.4</b>	<b>-1,083</b>	<b>-810.3</b>	<b>-1,452</b>	<b>-22.3</b>	<b>-177.2</b>	<b>-195.1</b>
- Paid dividends to shareholders	-74.3	-90.8	-99.1	-107.3	-132.1	-74.3	n.m	n.m
+ Other adjustments	-79.3	-8.5	-302.2	-130.7	16.1	-	-	-
<b>NET cash flow/change in NIBD</b>	<b>-310.8</b>	<b>198.1</b>	<b>-1,484</b>	<b>-1,048</b>	<b>-1,568</b>	<b>-96.6</b>	<b>-177.2</b>	<b>-195.1</b>
Funds from operations (FFO)	163.2	170.3	187.1	221.2	222.9	202.8	177.0	167.3
Cash flow from operations (CFFO)	170.1	172.6	187.7	232.7	196.5	205.7	178.8	168.9
FCF bef Acquisitions & Divestments (FCF)	-157.2	-433.1	-1,083	-1,165	-1,452	-142.3	-177.2	-195.1
FCF to equity (FCFE)	-157.2	297.4	-1,083	-810.3	-1,452	-22.3	-177.2	-195.1

Source: Handelsbanken Capital Markets

**Financial ratios – annual data**

%	2018	2019	2020	2021	2022	2023e	2024e	2025e
Equity/total assets	50.1	52.9	47.9	48.3	43.1	43.2	43.3	43.1
Net debt/equity	72.5	60.6	78.7	78.3	103	102	103	104
Net debt/EBITDA (x)	16.0	14.4	20.1	21.3	23.0	20.4	20.0	19.8
EBITDA net interest cover (x)	4.2	4.9	5.0	6.0	3.9	2.2	1.8	1.7
FCFF/total debt	-3.0	-33.2	-21.1	-24.4	-18.2	-1.3	0.42	0.46
Total debt/capital	42.1	37.9	44.5	44.6	51.1	50.8	50.8	51.0
Short-term debt/capital	17.1	18.2	23.7	12.8	11.7	11.8	11.9	11.9
Long-term debt/capital	25.0	19.7	20.8	31.7	39.3	39.0	38.9	39.1

Source: Handelsbanken Capital Markets

**Per share data**

m	2018	2019	2020	2021	2022	2023e	2024e	2025e
Nr of shares, year-end	165.1	165.1	165.1	165.1	165.1	165.1	165.1	165.1
Nr of shares, average	165.1	165.1	165.1	165.1	165.1	165.1	165.1	165.1
EPS reported (SEK)	3.96	4.39	4.35	8.9	-0.82	1.22	0.84	0.79
Y-o-y growth (%)	69.1	10.8	-0.8	105.4	n.m	n.m	-30.9	-5.6
EPS adj (SEK)	1.02	1.07	1.13	1.38	1.45	1.23	1.07	1.01
Y-o-y growth (%)	16.2	5.3	5.6	22.0	4.6	-15.2	-12.7	-5.5
DPS - ordinary (SEK)	0.55	0.60	0.65	0.80	0.45	-	-	-
Payout ratio (%)	13.9	13.7	14.9	9.0	-54.6	0.0	0.0	0.0
Tot cash payout ratio (%)	11.4	12.5	13.8	7.3	-97.1	36.9	0.0	0.0
Book value (SEK)	29.5	33.3	37.1	45.4	43.8	44.5	45.4	46.2
Y-o-y growth (%)	8.0	13.0	11.2	22.3	-3.6	1.8	1.9	1.8
Net debt (SEK)	21.4	20.2	29.2	35.5	45.0	45.6	46.7	47.9
NAV (SEK)	36.8	40.9	46.0	55.7	52.7	53.8	54.9	55.9

Source: Handelsbanken Capital Markets



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Handelsbanken Capital Markets Equity Research (HCM) employs a three-graded short-term and long-term recommendation scale. The short-term recommendations reflect the analyst's assessment of how much the share price may appreciate or depreciate in absolute terms on a three-month time horizon and the long-term recommendations reflect the analyst's assessment of how much the share price may appreciate or depreciate in absolute terms on a three-year time horizon.

The analyst's assessment takes into account risks related to both fundamental expectations and share performance. This assessment is not based on a proprietary HCM model and the basis for the analyst's assessment is dependent on the characteristics of the sector and the company and a multitude of fundamental and timing factors are incorporated. For more detailed information about the recommendation structure please consult the Handelsbanken Capital Markets website:  
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### Ratings: definitions and allocations

HCM short-term rating (3 months)	Return expected to be <sup>1</sup>	HCM Universe <sup>2</sup>	IB services <sup>3</sup>
Buy	above 5%	30%	6%
Hold	between 0% and 5%	61%	18%
Sell	below 0%	9%	7%

<sup>1</sup> Return expected to be is defined as the expected share price appreciation or depreciation including dividends over the next three months

<sup>2</sup> Percentage of companies under coverage within each recommendation

<sup>3</sup> Percentage of companies within each recommendation for which investment banking services have been provided in the past 12 months

### Ratings: definitions and allocations

HCM long-term rating (3 years)	R <sub>TP</sub> is expected to be <sup>4</sup>	HCM Universe <sup>5</sup>	IB services <sup>6</sup>
Outperform	above 40%	46%	11%
Market Perform	between 20% and 40%	45%	16%
Underperform	below 20%	9%	13%

<sup>4</sup> R<sub>TP</sub> is defined as the expected share price appreciation or depreciation including dividends over the next three years

<sup>5</sup> Percentage of companies under coverage within each recommendation

<sup>6</sup> Percentage of companies within each recommendation for which investment banking services have been provided in the past 12 months

Source: Handelsbanken Capital Markets, as per 14/2 2023

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Feb 14, 2023:

Heba

- Handelsbanken's analysts Johan Edberg and Oscar Lindquist have no positions in Heba or a related instrument.

On 2023-02-14 the short-term recommendation Sell, which was set on 2022-10-04 at the share price of SEK 31.50, was changed to the current short-term recommendation Hold at a share price of SEK 35.10.

On 2022-10-04 the long-term recommendation Market Perform, which was set on 2022-06-22 at the share price of SEK 45.68, was changed to the current long-term recommendation Underperform at a share price of SEK 31.50.

Share prices mentioned in this report refer to the intraday price on 2023-02-14 at 17:29 CET.

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## Company overview

SEKm	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L</b>																			
Rental income	-	-	-	-	-	-	-	-	-	295	335	381	388	394	450	510	577	595	613
growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	13	14	2	1	14	13	13	3	3
EBITDA	-	-	-	-	-	-	-	-	-	162	187	221	232	240	276	323	370	386	396
margin (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	54.8	55.8	58.0	59.7	60.9	61.3	63.4	64.1	64.9	65.2
Inc.fr.prop.manag	-	-	-	-	-	-	-	-	-	121	138	168	184	192	229	238	253	175	166
Net income	-	-	-	-	-	-	-	-	-	373	368	654	724	718	1,475	-136	201	139	131
growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	-1.2	77.7	10.8	-0.81	105	n.m	n.m	-30.9	-5.6
Adj net income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	120	138	168	177	187	229	239	203	177	167
growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	14.9	22.1	5.3	5.6	22.0	4.6	-15.2	-12.7	-5.6
<b>Cash flow</b>																			
Capex	-	-	-	-	-	-	-	-	-	-717	-927	-327	-606	-1,270	-1,397	-1,648	-348	-356	-364
Free cash flow	-	-	-	-	-	-	-	-	-	-567	-755	-157	-433	-1,083	-1,165	-1,452	-142	-177	-196
Divestments	-	-	-	-	-	-	-	-	-	146	-	-	731	-	354	-0.1	120	-	-
FCF to equity	-	-	-	-	-	-	-	-	-	-421	-755	-157	297	-1,083	-810	-1,452	-22	-177	-196
Net CF	-	-	-	-	-	-	-	-	-	-2,399	-822	-311	198	-1,484	-1,048	-1,568	-97	-177	-196
<b>Ratios (%)</b>																			
Pre-tax ROIC	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	2.7	2.8	2.7	2.4	2.3	2.3	2.5	2.6	2.6
ROE adj	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	3.3	3.7	3.4	3.2	3.4	3.3	2.8	2.4	2.2
ROCE	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	2.7	2.8	2.7	2.4	2.2	2.3	2.5	2.6	2.6
Equity/total assets	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	52.6	48.8	50.1	52.9	48.3	43.1	43.2	43.3	43.1
Income cover (SEK)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	2.21	2.26	2.38	2.48	2.56	2.73	2.78	2.85	2.87
Interest cover (SEK)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	3.80	3.72	4.14	4.76	4.71	4.55	3.20	2.03	1.74
Dividend cover (SEK)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	5.9	5.2	7.2	7.3	6.7	11.2	-1.83	n.m	n.m
<b>Share data (SEK)</b>																			
Avg no shares (m)	-	-	-	-	-	-	-	-	-	157	157	165	165	165	165	165	165	165	166
change (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	0.0	5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Avg diluted shares (m)	-	-	-	-	-	-	-	-	-	157	157	165	165	165	165	165	165	165	166
change (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	0.0	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share price YE	14.6	12.3	13.8	16.9	15.0	15.9	18.8	24.3	24.9	28.4	27.7	31.9	43.1	57.3	78.8	35.1	35.1	35.1	35.1
Market cap (m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,468	4,351	5,263	7,117	9,453	13,011	5,796	5,796	5,796	5,796
EV (m)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	6,867	7,572	8,766	10,416	13,937	18,419	12,772	12,938	13,118
Net debt/share	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	15.3	20.5	21.4	20.2	29.2	35.5	45.0	46.7	47.9
EPS reported	-	-	-	-	-	-	-	-	-	2.37	2.34	3.96	4.39	4.35	8.9	-0.82	1.22	0.84	0.76
growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	-1	69	11	-0.8	105	n.m	n.m	-31	-6
EPS adj	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	0.76	0.88	1.07	1.13	1.38	1.45	1.23	1.07	1.01
growth (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	-	15	16	5	22	5	-15	-13	-6
BVPS	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	25.4	27.3	29.5	33.3	37.1	45.4	43.8	44.5	46.2
NAV	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	32.3	34.8	36.8	40.9	46.0	55.7	52.7	53.8	55.9
DPS - Ordinary	-	-	-	-	-	-	-	-	-	0.38	0.40	0.45	0.55	0.60	0.65	0.80	0.45	-	-
Total cash distr./share	11.0	4.00	2.00	2.00	3.00	0.00	0.00	0.00	0.00	0.38	0.40	0.45	0.55	0.60	0.65	0.80	0.45	0.00	0.00
<b>Valuation (x)</b>																			
P/E reported	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	12.0	11.8	8.1	9.8	13.2	8.8	n.m	28.8	41.7
P/E adjusted	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	37.2	31.5	31.3	40.1	50.4	56.9	24.2	28.6	32.7
EV/EBITDA	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	42.4	40.5	39.7	44.9	58.1	66.8	39.5	35.0	33.3
P/BV	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	1.1	1.0	1.1	1.3	1.5	1.7	0.8	0.8	0.6
P/NAV	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	0.88	0.80	0.87	1.1	1.2	1.4	0.67	0.65	0.64
FCF adj yield (%)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	-15.9	-17.3	-3.0	-16.4	-11.5	-11.7	-25.0	-4.5	-3.1
Tot div yield (%)	0	0	0	0	0	0	0	1.5	1.4	1.6	1.7	1.4	1.1	1.0	1.3	0	0	0	0
Earnings yield	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	0.03	0.03	0.03	0.02	0.02	0.02	0.04	0.03	0.03
Net CF yield	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	-0.54	-0.19	-0.06	0.03	-0.16	-0.08	-0.27	-0.02	-0.03
<b>Valuation</b>																			
<b>Prop. specific (%)</b>																			
Avg interest rate	4.3	3.3	2.5	3.2	3.8	3.9	3.6	3.1	2.7	2.5	2.1	-	-	-	-	-	-	-	-
Fixed rate ratio	40.0	40.0	40.0	46.8	75.0	81.0	67.0	60.0	43.0	63.0	54.0	-	-	-	-	-	-	-	-
Stated property yield	6.8	6.0	6.0	6.0	5.7	5.7	5.6	5.4	4.9	4.5	4.4	-	-	-	-	-	-	-	-
Implied property yield	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	2.3	2.5	2.7	2.9	2.7	2.8	2.8	3.1	3.3
Avg lease duration (yr) (x)	3.6	3.8	3.6	3.5	3.5	3.8	3.6	-	-	-	-	-	-	-	-	-	-	-	-
Vacancy rate	8.0	7.0	10.0	12.0	10.0	8.0	7.0	6.0	7.0	6.0	6.0	-	-	-	-	-	-	-	-
Implied prop value (SEKm)	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	8,002	8,828	10,046	11,746	15,374	20,192	14,289	14,511	14,728
Implied premium	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	n.m	6.3	0.65	4.0	15.9	27.6	37.6	-9.1	-9.7	-10.3

### Management

CEO	Patrik Emanuelsson
CFO	Hanna Franzén
IR	-
Phone number	-

### Company profile

Heba owns, develop and buys properties in the greater Stockholm area. The company operates in the rental residential and public property segments. The company was founded in 1952 and was listed on the Nasdaq Stockholm stock exchange in 1994.

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