

Balder

Getting back to growth

- ~10% above cons. on rec. PTP for '25e-'26e
- Low operational risk at a discount to sector valuation
- BUY reiterated, TP SEK 95 (90)

Above cons. on both rec. PTP and NAV

Balder delivered recurring PTP 2% ahead of Infront consensus (0% vs ABGSCe), while minorities and current tax were higher than we expected. The earnings capacity (recurring PTP after minorities) increased by 0.9% q-o-q to SEK 5,900m, while we expect SEK 6,092m for '24e, i.e. ~3% below. The main deviations are due to: 1) the fact that Balder is usually cautious in terms of financial income and 2) our estimates include rate cuts. We lower CEPS by 1.5-1.9% for '24e-'26e on slightly higher tax and minorities. Our estimates are ~10% ahead of cons. on recurring PTP for '25e-'26e. Moreover, we are 15% and 18% above on EPRA NRV for '25e-'26e, despite our modelling flat valuation yields and limited project gains. From the next quarter, Balder is meeting easier comps, and we argue that expectations into next year are low.

Stable occupancy while peers are struggling

The combination of Balder's high residential exposure and competent property management organisation continue to deliver. While peers such as Castellum deliver declining occupancy rates (-2.4pp since the peak with more to come, in our view), Balder's figures are extremely stable (-0.7pp since the peak). The focus for Balder remains its balance sheet for the time being, with investments and net debt moving in the communicated direction. However, it was open for growth-oriented activities in the next year, while we think it could turn to growth already in 2024. Meanwhile, we only include ongoing projects in our estimates, and see 12% CEPS growth in 2025e with upside potential.

Trading at 14x CEPS vs sector avg. of 18x

The share and the sector are up 12% and 8%, respectively, since early July. With the share trading at 14x CEPS vs. the sector average of 18x, we see further upside. BUY, TP SEK 95 (90).

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SEKm	2022	2023	2024e	2025e	2026e
Sales	10,521	11,944	12,735	13,321	13,839
NOI	7,796	8,915	9,529	10,020	10,437
NOI margin (%)	74.1	74.6	74.8	75.2	75.4
CEPS	4.94	5.04	4.97	5.57	5.84
DPS	0.00	0.00	0.00	0.00	0.00
EPRA NRVPS	91.84	85.06	89.92	101.11	112.54
EPS	9.05	-7.02	3.94	8.76	8.95
Rental growth	17.47	13.53	6.63	4.60	3.89
CEPS growth	6.13	2.00	-1.36	12.08	4.83

Source: ABG Sundal Collier, Company Data

Reason: Post-results comment

BUY



HOLD



SELL



Constr. & Real Estate

Estimate changes (%)

	2024e	2025e	2026e
Sales	-0.5	-0.7	-0.6
NOI	-0.8	-0.8	-0.8
CEPS	-1.5	-1.8	-1.9
EPRA NRV per share	0.1	0.0	-0.1

Source: ABG Sundal Collier

BALD.B-SE/BALDB SS

Share price (SEK)	16/7/2024	82.20
Target price	(90.0)	95.0

MCap (SEKm)	96,338
MCap (EURm)	7,861
No. of shares (m)	1,104.6
Free float (%)	60.8
Av. daily volume (k)	2,174

Next event Q3 Report 25 October 2024

Performance



	2024e	2025e	2026e
P/CEPS	16.5	14.8	14.1
P/EPRA NRV	0.91	0.81	0.73
Implicit yield (%)	4.3	4.5	4.8
Dividend yield (%)	0.0	0.0	0.0
Net LTV (%)	58.68	55.16	51.36

Company description

Headquartered in Gothenburg, Balder is an asset allocator operating mainly in the real estate segment with a property value exceeding SEK 200bn. The portfolio consists of around 53% rental units, 16% offices, 10% retail, 6% logistics, 11% other and 5% projects. The properties are in Sweden, Denmark, Finland, Norway, Germany and the UK. With a strong belief in the compound interest effect, no dividends will be paid while earnings can be reinvested without diluting returns. The risk is mitigated by diversified income generation and a limited financial leverage. Balder has an Investment Grade rating from S&P (BBB). Erik Selin is the founder, main shareholder and CEO.

[Sustainability information](#)

Risks

We argue that the risk in Balder is relatively low. We believe that the operational risk is lower compared to the sector average, given the company's high share of rental apartments as well as diversified income generation from its commercial properties, located in attractive areas. Also, the strong capitalisation of Swedish banks reduces refinancing risk for Swedish real estate companies. For Balder, the risk is lower due to its attractive assets but also due to its size - as one of the largest listed companies it is more attractive in the credit market. The main risk is the macro developments in the markets in which Balder operates.

Income Statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Rental income	5,915	6,713	7,609	8,134	8,956	10,521	11,944	12,735	13,321	13,839
Other income	0	0	0	0	0	0	0	0	0	0
Operating costs	-1,696	-1,824	-1,966	-1,919	-2,211	-2,725	-3,029	-3,207	-3,301	-3,402
NOI	4,219	4,889	5,643	6,215	6,745	7,796	8,915	9,529	10,020	10,437
NOI margin (%)	71.3	72.8	74.2	76.4	75.3	74.1	74.6	74.8	75.2	75.4
Adm. costs	-543	-592	-664	-675	-817	-1,019	-1,081	-1,111	-1,123	-1,135
All other income & costs	1,018	878	883	1,269	4,075	984	-2,252	723	2,058	2,127
Recurring EBIT	4,267	4,952	5,774	6,113	7,197	8,690	9,735	10,408	10,955	11,429
Net financial items	-984	-1,075	-1,169	-1,212	-1,067	-2,032	-3,186	-3,864	-3,706	-3,842
Income from property management	3,283	3,877	4,605	4,901	6,130	6,658	6,549	6,544	7,249	7,586
Value chg. realized	184	86	110	197	345	221	529	170	0	0
Value chg. unrealized	5,115	7,914	9,563	3,430	12,991	5,418	-9,980	1,425	6,257	6,214
Value chg. derivatives	144	-35	-179	-142	510	1,619	-1,900	-232	0	0
Pretax profit	9,153	12,065	14,187	9,082	22,782	12,987	-8,955	6,639	13,506	13,801
Deferred tax	-1,151	-1,590	-2,399	-1,419	-2,859	-1,386	1,579	-1,315	-2,498	-2,544
Current tax	-235	-306	-259	-389	-339	-613	-324	-284	-284	-299
Net profit	7,767	10,169	11,529	7,274	19,584	10,988	-7,700	5,040	10,723	10,958
Minority interest	-650	-860	-2,567	-633	-1,076	-859	-406	-429	-461	-473
Div. Pref/D-shares and hybrids	-150	0	0	0	0	0	0	0	0	0
Net profit to shareholders	6,967	9,309	8,962	6,641	18,508	10,129	-8,106	4,611	10,262	10,485
Cash earnings	2,418	2,997	3,764	3,854	5,205	5,525	5,811	5,808	6,524	6,840
Other related information	-	-	-	-	-	-	-	-	-	-
Tax Rate (%)	15.1	15.7	18.7	19.9	14.0	15.4	14.0	24.1	20.6	20.6
Investments in developments	-3,718	-6,210	-8,133	-5,572	-7,420	-10,741	-7,516	-2,407	-2,304	-2,262
Acquisitions	-5,070	-3,862	-8,075	-3,490	-17,610	-5,159	-887	-1,427	0	0
Other investments	-391	-1,675	-1,096	-9,273	-7,852	71	1,513	1,241	-263	748
Divestments	2,964	311	1,437	1,343	3,005	2,913	681	249	0	0
EPS	6.45	8.62	8.30	6.13	16.54	9.05	-7.02	3.94	8.76	8.95
CEPS	2.24	2.78	3.49	3.56	4.65	4.94	5.04	4.97	5.57	5.84
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payout ratio of CEPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rental growth	10.09	13.49	13.35	6.90	10.11	17.47	13.53	6.63	4.60	3.89
NOI growth	14.68	15.88	15.42	10.14	8.53	15.58	14.35	6.88	5.16	4.16
CEPS growth	22.35	23.95	25.59	2.10	30.72	6.13	2.00	-1.36	12.08	4.83

Source: ABG Sundal Collier, Company Data

Balance Sheet (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Properties	98,360	116,542	141,392	149,179	189,138	213,932	209,000	216,274	224,835	233,310
Goodwill	0	0	0	0	0	0	0	0	0	0
Deferred tax asset	0	0	0	0	0	0	0	0	0	0
Ass. companies and JVs	6,707	6,682	7,749	15,593	28,824	31,620	28,288	29,461	31,540	33,692
Financial assets	305	770	1,523	2,659	2,831	2,576	3,047	3,702	3,702	3,702
Other assets	1,615	3,919	6,617	8,502	7,842	11,670	11,011	9,693	9,956	9,208
Cash and liquid assets	1,281	558	1,378	4,468	1,299	3,977	2,402	3,472	2,683	2,467
Total assets	108,268	128,471	158,659	180,401	229,934	263,775	253,748	262,602	272,716	282,379
Shareholders equity	33,303	40,609	49,742	58,209	77,606	90,194	82,313	88,581	99,199	110,052
Pref. and D shares + minorities	6,422	7,262	9,714	9,676	10,961	12,715	11,674	13,272	13,733	14,206
Hybrids	3,447	3,596	3,652	3,513	8,693	4,942	4,435	0	0	0
Deferred tax	7,041	8,857	11,285	12,497	15,642	17,769	16,272	17,643	20,140	22,684
Interest bearing debt	54,937	63,609	77,590	85,476	108,733	130,310	130,034	134,090	130,404	125,988
Other liabilities	3,118	4,538	6,676	11,030	8,299	7,845	9,020	9,016	9,240	9,448
Total liabilities and equity	108,268	128,471	158,659	180,401	229,934	263,775	253,748	262,602	272,716	282,379

Source: ABG Sundal Collier, Company Data

Other balance sheet related infor. (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net IB debt	55,075	64,079	76,515	80,106	108,950	126,228	126,803	126,916	124,019	119,819
Rental area m2 (000)	3,739	4,025	4,304	4,502	5,509	5,837	6,004	6,140	6,214	6,214
Equity ratio (%)	31	32	31	32	34	34	32	34	36	39
Net loan to value	55.99	54.98	54.12	53.70	57.60	59.00	60.67	58.68	55.16	51.36
ICR real estate	3.74	4.00	4.26	4.57	5.56	3.34	2.46	2.18	2.40	2.42
BVPS	30.84	37.60	46.06	53.74	69.35	80.59	71.33	75.75	84.64	93.90
EPRA NRV per share	38.21	46.70	57.63	64.56	83.96	91.84	85.06	89.92	101.11	112.54

Source: ABG Sundal Collier, Company Data

Valuation (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
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Balder

Valuation (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	1,080	1,080	1,080	1,119	1,119	1,154	1,154	1,172	1,172	1,172
Share price	82.20	82.20	82.20	82.20	82.20	82.20	82.20	82.20	82.20	82.20
Market cap. (m)	88,776	88,776	88,776	91,982	91,982	94,859	94,859	96,338	96,338	96,338
P/E (x)	12.7	9.5	9.9	13.4	5.0	9.1	-11.7	20.8	9.4	9.2
P/CEPS	36.7	29.6	23.6	23.1	17.7	16.7	16.3	16.5	14.8	14.1
Implicit yield (%)	2.7	3.0	3.1	3.4	3.3	3.6	4.0	4.3	4.5	4.8
Yield on BV (%)	4.3	4.2	4.0	4.2	3.6	3.6	4.3	4.4	4.5	4.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/EPRA NRV	2.15	1.76	1.43	1.27	0.98	0.90	0.97	0.91	0.81	0.73
P/BVPS (x)	2.67	2.19	1.78	1.53	1.19	1.02	1.15	1.09	0.97	0.88
EV/NOI (x)	21.79	19.01	16.73	14.41	12.28	10.38	9.27	8.41	7.84	7.36

Source: ABG Sundal Collier, Company Data

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HOLD	30.58%	4%	3.60%
SELL	4.68%	1%	5.88%

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Stock price, company ratings and target price history

Company: Balder

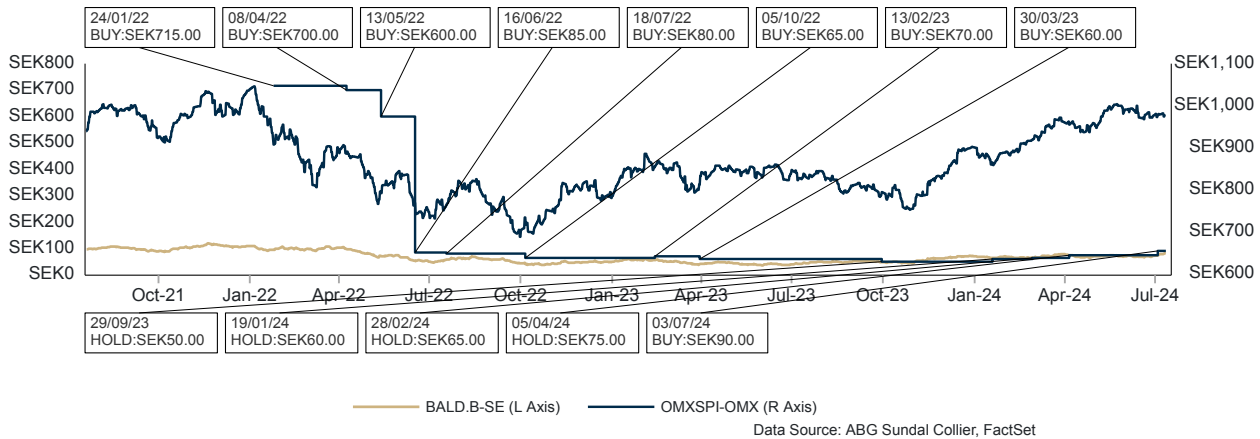
Currency: SEK

Current Recommendation: BUY

Date: 16/7/2024

Current Target price: 95.0

Current Share price: 82.20



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Production of recommendation: 7/17/2024 07:20.

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