

Karnov Group (KAR)

Sweden | Main Market | Mid-Cap | Industry

[2026-03-22]

Rating:

Buy

12 M Target price: 91,71 SEK
Current price: 69,40 SEK
Difference: 32% Upside

Premium Legal Tech Compounder at an Unjustified Discount

We initiate coverage of Karnov Group with a Buy rating and a target price of 89.62 SEK, representing a 32% upside. Karnov is successfully transitioning from a regional Nordic yield play into a scalable European growth compounder. The recent market selloff, driven by unwarranted fears of AI displacement within the broader SaaS sector, has created a rare and highly attractive entry point. Armed with an insurmountable proprietary data moat and a sharpened focus following the recent EHS divestment, Karnov is perfectly positioned to drive aggressive margin expansion in Continental Europe while deploying substantial capital into shareholder returns.

Key insights

Tangible Margin Expansion While the underlying data moat protects the top line, the primary earnings driver is structural margin improvement. Following the integration of the French and Spanish acquisitions, Karnov is successfully realizing over 200 MSEK in operational synergies. As these cost savings fully materialize alongside highly scalable digital subscription revenues, we project EBITDA margins to expand from current levels of 25% towards a steady state of over 30%.

Aggressive Capital Return Program The substantial cash proceeds from the EHS divestment have created an immediate and tangible catalyst for shareholder returns. Leveraging its significantly strengthened balance sheet, Karnov is currently executing an aggressive share buyback program capped at 500 MSEK. This highly accretive capital allocation strategy directly accelerates earnings per share growth, providing a strong floor for the stock price while the broader market narrative around AI normalizes.

Disconnected Valuation Multiples The current share price completely fails to reflect the defensive nature of Karnov's recurring revenue streams and its high cash conversion. Trading at an implied 2026E EV/EBITDA of 11.8x, the market is mispricing the company as a shrinking legacy asset rather than a highly cash generating tech compounder. Our fundamentally driven DCF valuation yields a target price of 91,71 SEK, highlighting a significant margin of safety for investors.

Analyst

Oscar Haevaker Fund Analyst

Market Data

Exchange	Nasdaq Stockholm Mid Cap
Trading Currency	SEK
Shares OS ('000)	108 102
Market Cap ('000)	7 502 000 SEK
EV ('000)	8 550 000 SEK

Metrics & Drivers

	2025	2026E	2027E
EV/EBITDA	13,4x	11,8x	10,8x
EV/S	3,3x	3,2x	3,0x
P/E*	33,2x	30,3x	25,8x
EPS*	2,09	2,29	2,69
EBITDA Margin	25%	27%	28%

*Adjusted for non-recurring items (EHS divestment).

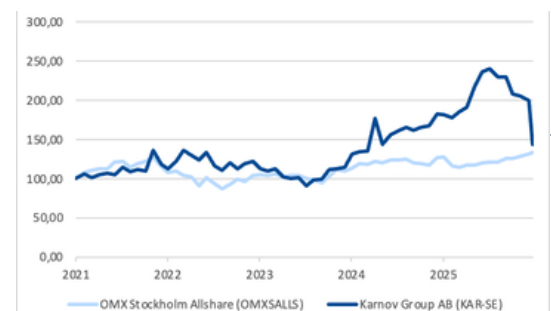
Management

Pontus Bodelsson	President and CEO
Magnus Hansson	CFO
Mariano Blanchard	Group CTO
Alexandra Åquist	CEO Region North
Anne Nørvang Hansen	Chief Product Officer
Charlotte Arup	Group Chief Human Resources Officer
Niels Munk Hansen	Chief Strategic Development Officer
Jonathan Minzari	Chief Emerging Ventures and M&A Officer

Major Shareholders (Equity, (votes))

Long Path Partners LP	13.78% (13,81%)
Anabranche Capital Management LP	8.21% (8,22%)
Vor Capital LLP	7.70% (7,71%)
Greenoaks Capital Partners Llc	7.08% (7,09%)
Carnegie Fonder AB	5.99% (6,00%)
Swedbank Robur Fonder AB	5.86% (5,87%)

Karnov Group stock movement compared to OMXSAS (Index 2021 = 100)

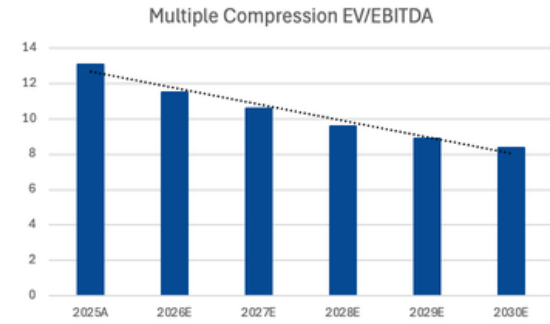


Investment Thesis Overview

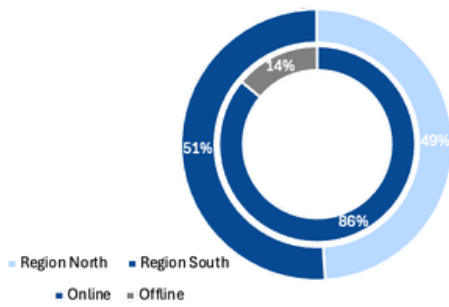
Realizing M&A Synergies Driving Significant Margin Expansion



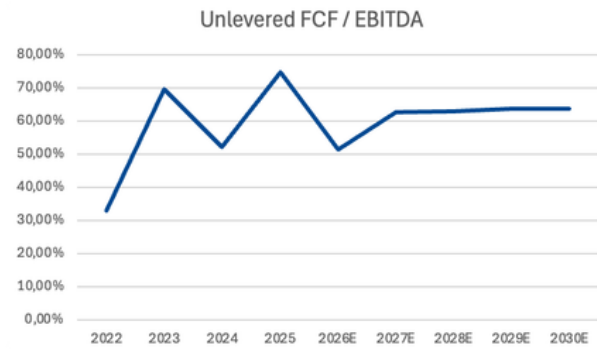
Strong Earnings Growth Driving Rapid Multiple Compression



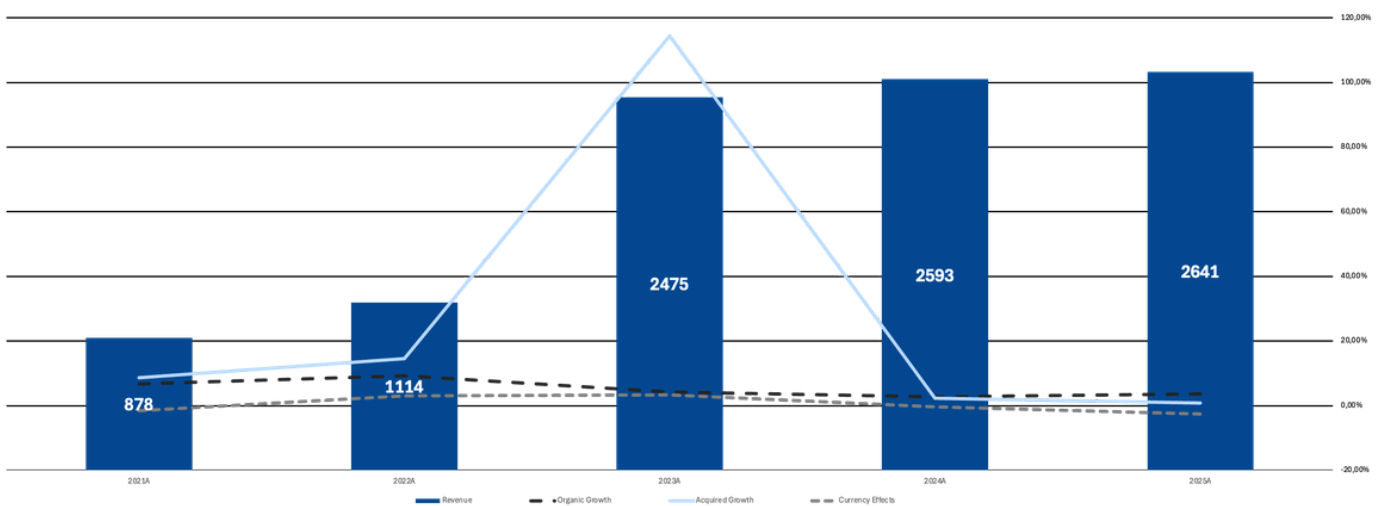
Technological Catch-Up in Region South Unlocking Organic Upside



Strong Cash Conversion Fueling Shareholder Returns



Stable Organic Growth Following Transformative Acquisitions





Investment Thesis

Expansion in Europe to counter northern market saturation:

While Karnov's Nordic dominance offers exceptional defensive qualities and predictable cash flows, the region operates as a mature duopoly with limited organic volume growth. Consequently, the primary investment driver is the effective redeployment of this Nordic capital into Continental Europe to counter local saturation. Markets like Spain and France (Region South) remain fragmented and trail the Nordics in digitalization, presenting a clear arbitrage opportunity. By exporting its proven "Nordic Playbook" - migrating print-heavy legacies to high-margin digital subscriptions and leveraging scalable AI tools like KAILA - Karnov can systematically lift acquired margins toward group averages. Recent strategic streamlining, including the EHS divestment, confirms a sharpened focus on this legal core. Successfully executing this strategy unlocks a vastly larger Total Addressable Market (TAM), transforming the equity story from a regional yield play into a scalable European growth compounder.

Market wide SaaS selloff despite lack of fundamental business risks:

Recent volatility in the broader SaaS sector, triggered by fears that Anthropic's latest agentic AI release will cause "seat compression" and reduce software licensing, has unfairly dragged down Karnov's valuation. The market mistakenly categorizes Karnov as a generic workflow tool, ignoring its distinct "Content Moat." Unlike generalist SaaS platforms vulnerable to AI displacement, Karnov owns the proprietary legal data and commentaries required to make any AI useful in a professional context. General-purpose LLMs cannot replicate this copyrighted, jurisdiction-specific content without inducing critical hallucination risks. Consequently, Karnov is not the victim of AI, but the infrastructure provider for it. The current sell-off offers a rare entry point to acquire a resilient, data-rich compounder at a multiple that implies a terminal decline risk, despite unchanged fundamental demand for legal certainty.

Monopolistic industry presence giving a indisputable data moat to enable AI-driven growth:

In a legal context where accuracy is binary and "hallucinations" are unacceptable, the underlying data estate is the only competitive advantage that matters. Karnov possesses a quasi-monopolistic archive of proprietary case law, deep commentaries, and authored interpretations accumulated over decades - data that is not available on the open web for training generic LLMs. This creates an insurmountable barrier to entry for tech giants and startups alike. By anchoring its AI models (KAILA) in this curated, closed-loop ecosystem, Karnov transforms from a content aggregator into a premium legal-tech platform. This "Golden Source" status allows Karnov to capture the full value of AI efficiency, justifying premium pricing power and cementing its role as the indispensable operating system for European law firms.



Company Overview

Karnov Group is a leading provider of mission-critical legal, tax, and accounting information solutions in Europe. Founded in Scandinavia, the company has successfully transitioned from a traditional publisher into a digital-first, subscription-based workflow platform. Following the recent strategic divestment of its EHS division, Karnov operates as a highly focused legal tech pure-play. The core offering revolves around proprietary databases containing annotated legislation, case law, and expert commentaries, which are deeply embedded in the daily operations of legal professionals across its target markets.

Subscription-Based Revenue and Regional Expansion

The company operates a highly resilient business model characterized by a significant proportion of recurring subscription revenues. Historically dominant in its home markets of Sweden and Denmark, Karnov has strategically expanded its footprint into Continental Europe through the acquisitions of legal information businesses in France and Spain, collectively referred to as Region South. This expansion not only significantly increases the total addressable market but also provides a vast runway for margin expansion as the company migrates these new markets toward its highly profitable, digital-first Nordic playbook.

Technological Infrastructure and AI Integration

Karnov is actively transitioning from a mere content aggregator to a comprehensive operating system for legal workflows. The proprietary nature of its data estate forms an insurmountable barrier to entry, ensuring that its content cannot be easily replicated by generic tech giants. By leveraging this exclusive data, Karnov is currently rolling out sophisticated AI solutions, such as its generative AI platform KAILA. These tools are designed to drastically enhance search capabilities and automate routine tasks, thereby increasing customer stickiness and justifying premium pricing.

Market Overview

The European legal tech and information services market is characterized by high barriers to entry, extreme customer loyalty, and robust defensive qualities. Legal professionals require absolute accuracy and authoritative interpretations to navigate an increasingly complex regulatory landscape. Consequently, legal information platforms are viewed as mission-critical infrastructure rather than discretionary software. This dynamic results in exceptionally low churn rates and highly predictable cash flows, even during periods of broader macroeconomic uncertainty.

While the Nordic markets exhibit high levels of digital maturity, regions in Continental Europe still offer a significant digitalization arbitrage. Many legal practices in France and Spain are currently transitioning from legacy print materials to comprehensive digital workflow solutions. Furthermore, the advent of generative AI acts as a powerful catalyst for the entire industry. Rather than facing disruption, established data owners like Karnov are uniquely positioned to capture the value of this technological shift. Law firms are increasingly willing to pay a premium for AI tools that are securely anchored in verified, jurisdiction-specific legal data.

The competitive landscape operates largely as an oligopoly in most local markets, primarily due to the decades required to build a comprehensive and authoritative database of annotated case law. Global players exist, but local legal frameworks necessitate hyper-localized content. Karnov competes effectively by leveraging its unparalleled local expertise combined with a scalable, pan-European technological platform. As the industry consolidates and smaller players struggle to keep pace with necessary AI investments, Karnov is well-positioned to continue taking market share and driving organic growth.



Valuation

Valuation Methodology Our valuation of Karnov Group is derived exclusively from a Discounted Cash Flow (DCF) model. We have adopted a highly conservative approach to our forecasting, ensuring that the target price is anchored in the company's fundamental cash-generation capabilities rather than speculative market sentiment.

Exclusion of Comparable Company Analysis (CCA) We have deliberately excluded a peer valuation methodology from our analysis. While the broader Software as a Service (SaaS) sector has experienced severe multiple compression, we argue that Karnov's corresponding share price decline is fundamentally unjustified. The recent SaaS sell-off is largely rational, as many generic software products face legitimate existential threats from the rapid advancement of generative AI models that can easily replicate their core functionalities.

However, grouping Karnov with these vulnerable peers is a mischaracterization. Karnov operates within the highly regulated and precision-dependent legal sector. Their Legal-AI is built upon proprietary, localized legal databases and decades of expert commentary, creating a massive barrier to entry. Generalist AI models cannot reliably replicate this without hallucinating. Therefore, Karnov's moat is structurally protected and even strengthened by AI, not threatened by it. By relying solely on a DCF, we isolate Karnov's true intrinsic value from the irrational market dynamics currently penalizing the broader tech sector.

Appendix

DCF

	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Revenue	878,1	1113,5	2474,6	2592,7	2640,9	2746,5	2883,9	3028,1	3149,2	3275,1
% growth		26,81%	122,24%	4,77%	1,86%	4,00%	5,00%	5,00%	4,00%	4,00%
EBITDA	324,9	312,6	524,0	531,5	652,8	741,6	807,5	893,3	960,5	1015,3
% sales	37,00%	28,07%	21,18%	20,50%	24,72%	27,00%	28,00%	29,50%	30,50%	31,00%
D&A	208,6	233,8	363,1	385,5	413,1	425,0	435,0	445,0	450,0	455,0
EBIT	116,3	78,8	160,9	146,0	239,7	316,6	372,5	448,3	510,5	560,3
% sales	13,24%	7,08%	6,50%	5,63%	9,08%	11,53%	12,92%	14,80%	16,21%	17,11%
D&A	208,6	233,8	363,1	385,5	413,1	413,7	434,3	456,1	474,3	493,3
Unlevered FCF		103,2	364,4	277,6	488,6	380,8	505,7	563,6	613,4	647,7
DCF		103,2	364,4	277,6	488,6	355,3	440,1	457,5	464,5	457,5

WACC	
Market Cap	7502,3
% of Equity	0,8
Risk Free Rate	2,86%
Beta	0,8
Market Risk Premium	6,50%
Cost of Equity	8,06%
<hr/>	
Debt	2167,8
% of Debt	22,42%
Cost of Debt	5,45%
Tax Rate	22,50%
<hr/>	
Total	9670,1
WACC	7,20%

DCF Valuation Breakdown		
Sum of FCF	19,5%	2174,8
Terminal Value	80,5%	8974,9
Enterprise Value		11149,7
(-) Debt		-2167,8
(+) Cash		931,8
Equity Value		9913,7
Share outstanding		108,1
Equity Value per Share		91,7

Sensitivity Analysis

		TARGET GROWTH RATE						
		1,4%	1,6%	1,8%	2,0%	2,2%	2,4%	2,6%
WACC	6,6%	93,9	97,5	101,4	105,6	110,1	115,2	120,7
	6,8%	89,9	93,2	96,7	100,6	104,7	109,3	114,3
	7,0%	86,2	89,2	92,4	96,0	99,8	103,9	108,4
	7,2%	82,7	85,5	88,5	91,7	95,2	99,0	103,1
	7,4%	79,4	82,0	84,8	87,8	91,0	94,4	98,2
	7,6%	76,4	78,8	81,4	84,1	87,1	90,3	93,7
	7,8%	73,6	75,8	78,2	80,7	83,5	86,4	89,6

Data sources: Fast Balder AB Quarter & Annual Reports, BörsData, Nasdaq.



Disclaimer

DISCLAIMER:

KTH Finance Society ("KTHFS") provides the following analyses, documents, and information solely for informational and educational purposes and general distribution. It is not intended to be treated as financial advice in any manner. The content presented in these analyses is based on sources, data, and individuals that KTHFS deems reliable. However, KTHFS cannot assure the accuracy or completeness of such information. Predictions and forward-looking statements included in this analysis are speculative and inherently uncertain. Users should exercise caution when basing decisions on this information. Any investment decisions influenced by the information provided by KTHFS, its employees, or affiliates should be considered the sole responsibility of the investor. The materials offered by KTHFS are meant to complement, not replace, other resources in the decision-making process for various investment types. Investors are encouraged to seek additional data and consult with a professional financial advisor before making any investment decisions. KTHFS expressly disclaims any liability for losses or damages of any kind arising from the use of its analyses, documents, and any other provided information. This research paper may also contain inaccuracies due to incorrect data sources or human error.

CONFLICTS OF INTEREST AND IMPARTIALITY:

To maintain its independence and integrity, KTHFS has implemented strict compliance guidelines for its analysts. Furthermore, all analysts are bound by an agreement that mandates the disclosure of any potential conflicts of interest. These measures are in place to align with COMMISSION DELEGATED REGULATION (EU) 2016/958 of 9 March 2016, which supplements Regulation (EU) No 596/2014 of the European Parliament and of the Council. This regulation pertains to the regulatory technical standards for the objective presentation of investment recommendations or other information suggesting an investment strategy, as well as for the disclosure of specific interests or potential conflicts of interest. The author of this paper may hold an open position in the underlying instrument, but have no intentions to gain leverage of this papers potential perception by the markets by trading the instruments in a way thats aligned with any potential profitable outcomes.