

## Karnov Group AB (KAR)

Sweden | Legal-Tech | MCAP SEK 10,162m

01 June 2025

## Buy

Target price: SEK 132

Current price: SEK 94

Upside: 40%

## Core to Lawyers, Key to Returns

Karnov Group AB ("Karnov" or "the Company") is a high-quality SaaS company that provides a leading legal platform specializing in civil law. The platform offers a comprehensive database of legal information, including thousands of exclusive legal analyses and commentaries authored by Karnov's own 7,000 legal experts. Karnov operates in Scandinavia ("North") as well as in Spain, Portugal, and France ("South"), and has over 400,000 users across Europe. Karnov's product is a necessity for the daily work of lawyers, resulting in a 92% customer retention rate and 85% of revenue being recurring, a clear indicator of a sticky product. Karnov is at an inflection point for both profitability and growth. Driven by strong pricing power, margin expansion following the 2022 acquisitions in the South region, and the launch of an AI assistant offered as a profitable upsell with a 30% price increase. Moreover, Analysts estimate a top-line CAGR of 14% to 2027E and an EBITDA margin expansion from 21% in 2024A to 41% in 2027E. On the contrary, sell-side consensus expects a 5% revenue CAGR over the same period, effectively excluding the impact of AI or assuming an unprecedented level of customer churn going forward. Therefore, an equally weighted DCF and relative valuation indicate a 40% potential upside.

## Key Takeaways

- A Quality Company:** Karnov's legal database features thousands of exclusive analyses conducted by 7,000 experts, serving 400,000 users across Europe. The platform is deeply integrated into legal professionals' workflows, reflected in a 92% customer retention rate and 85% of revenue being recurring. Early career adoption and the complexity of switching systems create high entry barriers and higher stickiness, enabling pricing power with annual organic growth of approximately 5% between 2012A and 2024A. For law firms, the platform represents less than 1% of total costs, further supporting pricing power. Karnov's subscription model also allows for negative net working capital, amounting to approximately SEK 1 billion, or about 40% of net sales, providing efficient financing and supporting strong free cash flow dynamics.
- New AI-Tool:** Karnov recently launched an AI-tool, offering a profitable upsell opportunity, priced 30% higher than existing database packages. The product is expected to increase net sales by 15%, while improving EBITDA margin by 12 percentage points by 2027E. Despite this, the market underestimates its impact, highlighted by analyst consensus of a 5% revenue CAGR between 2024A and 2027E. Effectively excluding annual price hikes, the AI implementation or beliefs in unprecedented churn of customers, compared to Analysts' 14%. The tool enhances efficiency in legal workflows, and early adopters have responded positively. A lawyer from one of Denmark's largest law firms remarked: "Karnov's AI clearly stands out from the well-known chatbots," highlighting the tool's potential to differentiate and drive adoption.
- Completed Integration in South:** In 2022, Karnov acquired four companies in Southern Europe for MEUR 160, translating to 9.6x EV/EBITDA valuation. Margins were at a group level initially depressed due to integration efforts and a focus on market share, which kept prices low. The EBITDA margin in the South stands at 0.5% in 2024A, compared to 43% in the North. As integration now is complete, and Karnov holds over 50% market share in Spain, management is now shifting focus to sales growth and price increases, supported by its strong position and the new AI-tool. Analysts expect the EBITDA margin in the South to increase toward the North level and go from 0.5% to 24% by 2027E.

### Analysts

Elvira Husén	Equity Analyst
William Voldseth	Equity Analyst

### Market Data, SEK

Exchange	Nasdaq Stockholm Mid Cap
Shares (m)	108.1
MCAP (m)	10,162
EV (m)	12,270

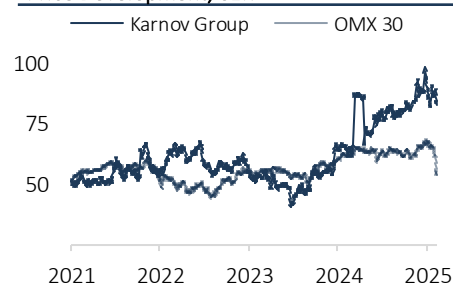
Metrics & Drivers	24A	25E	27E
EV/EBIT	80.0x	23.5x	12.0x
EV/EBITDA	21.7x	12.6x	7.7x
EV/S	4.5x	4.0x	3.1x
P/E	(281.5x)	32.8x	14.9x
ND/EBITDA	4.5x	2.5x	1.6x

Forecast, SEKm	24A	25E	27E
Total revenue	2,593	3,002	3,812
Rev. growth y/y	5%	16%	11%
Gross Profit	2,244	2,642	3,431
Gross Margin	87%	88%	90%
EBITDA	533	948	1,544
EBITDA Margin	21%	32%	41%
EBIT	146	508	997
EBIT Margin	6%	17%	26%

### Major Shareholders

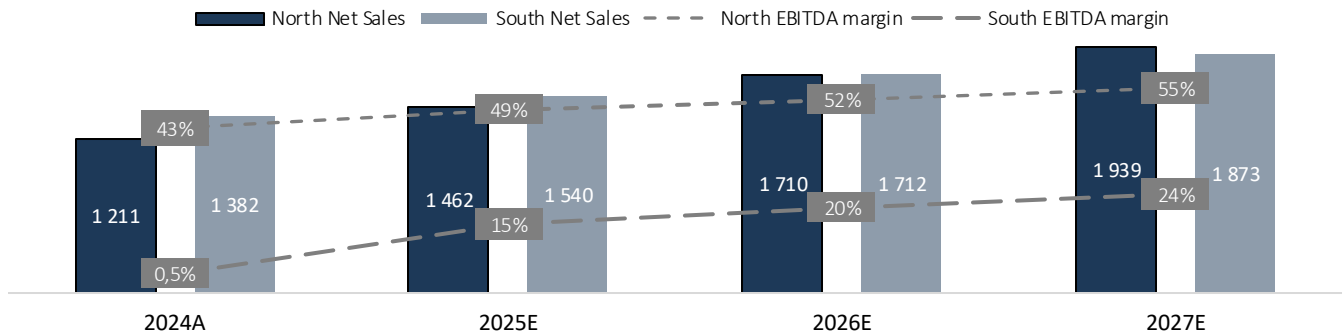
Long Path Partners	13.5%
Invesco	9.7%
Carnegie Fonder	9.2%
Anabran Capital Management	6.9%

### Price Development, SEK



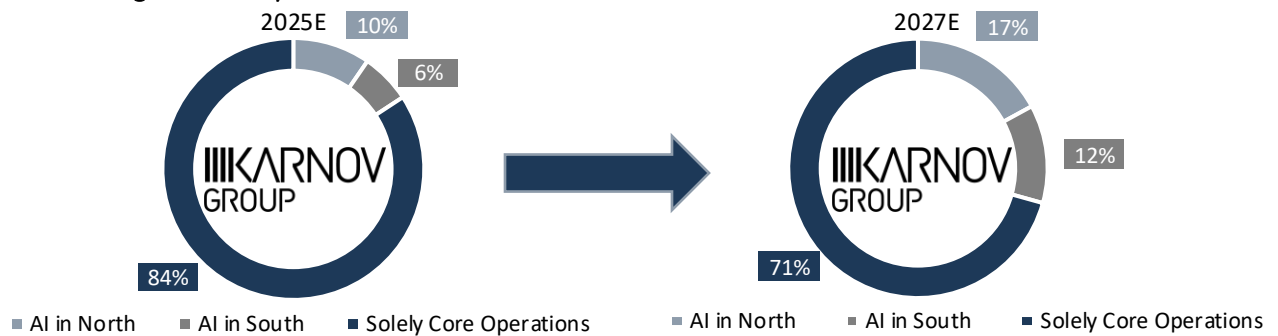
## Investment thesis in charts

### Margin Expansion in the Regions



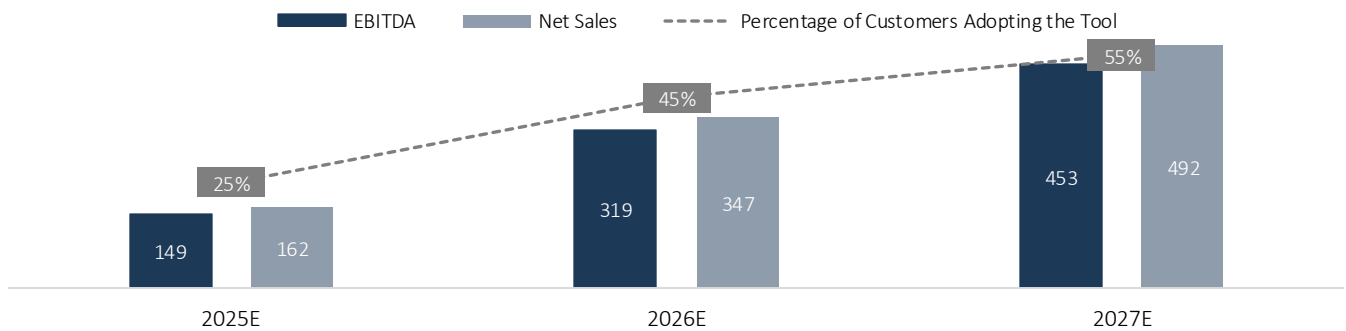
Source: Analyst estimates, the Company

### Share of EBITDA generated by the AI-tool



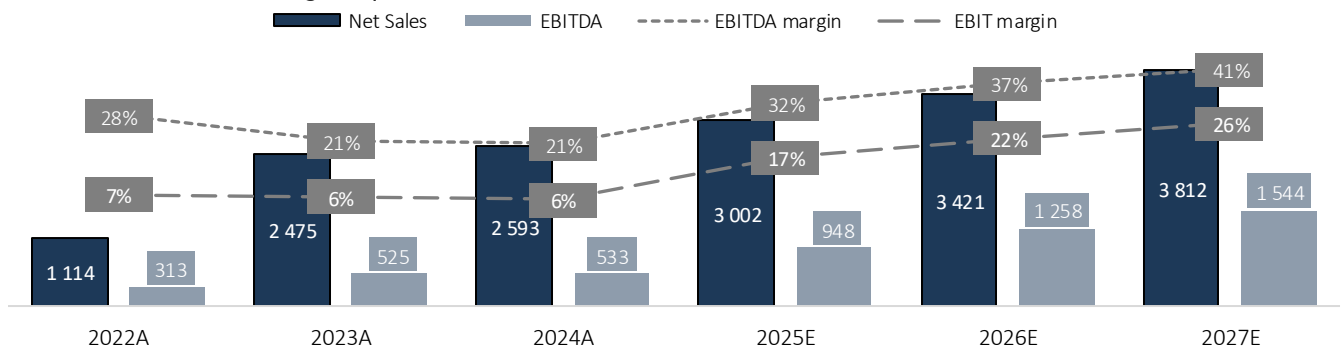
Source: Analyst estimates

### AI Contribution to Net Sales and EBITDA as Customers Adopt The Product



Source: Analyst estimates

### Revenue and EBITDA-Margin Expansion



Source: Analyst estimates, the Company

## Investment Thesis

### Comprehensive Database Creates Strong Moats

Karnov's extensive and competitive legal database contains legal material dating back several centuries, along with thousands of analyses produced by the Company's own 7,000 legal experts. Combined with a strong presence in academic institutions where students adopt Karnov as their preferred tool and continue using it in their professional careers. This contributes to long-term user loyalty and creates significant switching costs. Since employees are already trained on the platform, transitioning to a new system would result in inefficient time allocation and additional training expenses. Karnov's solutions have become an essential part of legal professionals' daily workflows by providing all necessary information in one place, making the product extremely sticky. Karnov's 20 largest customers have renewed their subscriptions for over 20 consecutive years, contributing to a 92% customer retention rate, 85% recurring revenue, and a user lifetime value of SEK 60,000. The total LTV of Karnov's existing customer base is 2.5 times the current market capitalization, indicating that even without acquiring any new customers, the Company could generate value equivalent to 2.5 times the Company's present market cap. Furthermore, the strong customer base enables pricing power, which has led to historical organic growth of approximately 5% annually between 2012A and 2024A. Pricing power is further reinforced by the fact that the cost for law firms using Karnov's platforms is less than 1% of their total annual expenses, while the product is absolutely essential for operation. Karnov's well-regarded products and the significant barriers to entry further strengthen the Company's competitive position and foster long-term customer loyalty.

### Southern Region Stands at a Significant Inflection-Point

Karnov expanded operations into Southern Europe (Portugal, Spain, and France) in 2022, doubling the Company's net sales. The South now has three times as many users as the North. The acquisitions were completed at a 9.6x EV/EBITDA multiple for a total consideration of EUR 160 million. Since then, Karnov has focused on integration, realizing MEUR 10 in annual cost synergies and gaining market share, now at above 50% in Spain. These efforts have temporarily depressed margins due to low pricing: the South's 2024A EBITDA margin is 0.5%, compared to 43% in the North. The annual average revenue per user is SEK 4,000 in the South versus SEK 11,000 in the North. However, the South is estimated to have now reached an inflection point. In an interview, management stated, "In France we will see top-line growth, and in Spain, margin expansion." Hence, analysts estimate a shift towards sales growth and price increases, supported by new commercial campaigns, AI implementations, a strengthened market position, and the product's inherent stickiness. Analysts project a 3% annual price increase and a 5% sales increase, with 55% of customers adopting the AI-tool by 2027E. This is expected to increase the South's EBITDA margin to 24% and drive a top-line CAGR of 11% over the period. As a result, the group's EBITDA margin is projected to reach 41% by 2027E, five percentage points higher than current consensus estimates.

### New AI-Tool Offers Profitable Upsell Opportunity to All Customers

In September 2024, Karnov launched an AI-tool that will be fully integrated into the Company's platform in the North and offered as an add-on feature in the South. The AI-tool distinguishes itself from other players in the market by being based on 200 years of legal data and thousands of analyses from Karnov's own experts, an area where peers historically have failed. This provides a strong foundation for the AI to deliver precise and efficient results. The tool is designed to streamline customers' workflows by enhancing efficiency in legal preparation through the automation of tasks such as legal research, law comparison, document generation, text refinement, and the identification of regulatory requirements. Analysts estimate that 55% of customers will adopt the tool by 2027E, as it was developed in close collaboration with lawyers and law firms to ensure the product meets both functional and pricing expectations. Additionally, a survey conducted by Karnov showed that 9 out of 10 customers expressed strong interest in the new AI-tool. Several of the largest law firms in Sweden and Denmark have already adopted it. A lawyer from one of the largest law firms in Denmark stated: "Karnov's AI clearly stands out from the well-known chatbots." Customers who adopt the AI-tool will face a 30% price increase, according to management. However, Karnov will still represent only a small cost for law firms and, after the AI implementation, will still account for barely 1% of a medium-sized firm's total expenses. The AI contribution is expected to drive a 15% increase in net sales by 2027E. Also supports a top-line CAGR of 14% over the same period, while increasing the EBITDA margin by 12 percentage points, compared to a scenario without the AI-tool. Meanwhile, sell-side consensus estimates only a 5% CAGR 2024A-2027E. Moreover, adding the fact that the 30% price increase with the AI-tool was only discovered during proprietary due diligence, it is fair to say that current analyst estimates either exclude this price hike, are unaware of it, or assume an unprecedented level of customer churn going forward.

## Company Overview

### Founded on Legal Clarity - Built for Those Who Uphold It

Karnov was founded in 1823 to improve access to reliable legal information. Today, the Company is a leading provider of digital legal, tax, and regulatory content, serving over 400,000 users across Sweden, Denmark, Norway, France, Spain, and Portugal. The core of Karnov's business lies in the Company's digital platforms, which account for 83% of revenue. These platforms provide direct access to legislation, case law, expert commentary, and legal news, tools that help legal professionals work faster and more accurately. The remaining 17% of revenue comes from the sale of printed legal publications. Although general publishing is in decline, the publication of school textbooks remains a cash cow, generating steady revenue. Karnov's operations are split between two key regions: South (France, Spain, and Portugal), which contributes 53% of revenue, and North (Sweden, Denmark, and Norway), accounting for the remaining 47%. The Company has built a strong position through continuous platform development and strategic acquisitions. A notable example is the 2018 acquisition of the cash cow, Norstedts Juridik, in Sweden, now one of Karnov's most profitable business units.

## Business Model

### High Share of Recurring Revenue Through Digital Subscription Services

Karnov provides digital subscription services for legal, tax, regulatory information, and printed legal publications. The subscription-based service contributes to 85% of the revenue being recurring and a negative net working capital since the fee for using the platforms is paid annually in advance. The database is sold in various packages with different prices, and the average annual revenue per user is SEK 5,510. The products are developed in close collaboration with legal professionals to ensure they address real-world needs. Karnov's network of 7,000 experts provides exclusive analysis that reinforces Karnov's unique selling point. Growth is driven by continuous improvements to the core platform, technical enhancements, and acquisitions, such as the 2024 purchase of Schultz, which opened up the Danish municipal market.

## Market Overview

### Customer Demand

Karnov's platform is an absolutely essential tool for legal professionals, particularly for law firms, where access to accurate and up-to-date legal information is critical to daily operations. The service is deeply integrated from the stage of lawyers being educated in school to when they operate as legal professionals at the highest level, making it difficult to substitute. Demand is highly resilient and largely unaffected by economic cycles. Most customers such as law firms in Sweden, which typically maintain profit margins of 30–40%, have strong financial capacity, and Karnov's services represent only a small portion of their total cost base. Moreover, the market is characterized by limited competition, with only a few credible providers capable of offering comprehensive, yet sub-par to Karnov, legal databases.

### High Loyalty Market

Legal professionals build habits around specific platforms due to the complexity and frequency of use, creating significant switching costs. In this context, Karnov stands out with especially high user loyalty. The Company's solutions are deeply integrated into the daily workflows of legal professionals, making the product difficult to replace. For example, Karnov's 20 largest customers have renewed their subscriptions each year for over two decades, highlighting both the platform's value and the market's low churn dynamics. This level of customer retention is not only a competitive advantage but also reflects the broader market's reliance on trusted and established tools. Moreover, students are introduced to Karnov during their legal education, reinforcing early brand familiarity and strengthening long-term user loyalty throughout their careers.

### Regional Growth Opportunities in a Diversified Legal Tech Market

Karnov operates in the European legal tech market, which is characterized by clear regional differences, as a natural consequence of the differences in national law. Moreover, the southern region market is more fragmented, characterized by a higher number of smaller law firms and intensified competition from a few local players, including LexisNexis and Lefebvre. However, Karnov is the market leader in Spain and the second-largest player in France after LexisNexis. In the North, Karnov is a clear market leader, with analysts estimating a market share of 70–80%. The main competitor in the Northern region is JP Infonet, which focuses more on the municipal market. A key characteristic of this sector is the need for country-specific data, creating high barriers to entry in each market. The Southern region is currently undergoing a digital transformation and is expected to grow rapidly, with a projected CAGR of 15%, while in comparison, the Northern market is more mature and estimated to grow at a CAGR of 9% until 2030E.

## Valuation

### Undervalued Compared to Peers

Karnov is currently trading at a discount relative to the peer group, with a 2027E EV/EBIT multiple of 12x compared to a peer median of 18x. The peer group consists of companies with comparable business models and offerings. The most relevant peer is Thomson Reuters, as they target similar customers, offer comparable products, and have a customer retention rate of 91%. However, Thomson Reuters operates in different markets and is significantly larger than Karnov. Analysts suggest that this discrepancy in valuation could be a consequence of the market underestimating Karnov's potential for margin expansion and top-line growth, particularly driven by the recently launched AI assistant and the estimated inflection point in the Southern region. Analysts believe that the market fails to realize the extent of these factors.

While Karnov performs broadly in line with or above peers across several key metrics, the Company still trades at a significantly lower 2027E EV/EBIT multiple. Karnov is currently trading at an EV/EBIT multiple of 67x, which may appear elevated at first glance. However, this figure is inflated by temporarily depressed EBIT in the southern region. Furthermore, in May 2024, Karnov received a public takeover offer from the Company's largest shareholder, Long Path Partners, and the sixth-largest, Greenoaks Capital Partners, at a 30% premium, implying an EV/EBIT multiple of 78x. Only the bidders voted in favor of the offer, while the remaining 74% voted against, further reinforcing the narrative that Karnov would be undervalued. Applying the peer median EV/EBIT multiple of 18x to Karnov's 2027E earnings suggests a potential upside of 60%.

Peer Table	MCAP	EV	Gross margin	Revenue Growth	EBIT margin	EBIT margin	EV/EBIT	EV/EBIT
SEKm	SEKm	SEKm	LTM	2024A-2027E	LTM	2027E	Current	2027E
Enento	4,195	5,553	82%	10%	20%	25%	20x	12x
Lime Technology	4,529	4,732	97%	19%	19%	23%	35x	20x
Dye & Durham	5,350	17,786	85%	18%	26%	26%	45x	15x
Addnode	13,406	14,458	76%	(16)%	7%	12%	21x	15x
Vitec Software	20,383	22,684	95%	41%	22%	23%	32x	21x
Wolter Kluwer	369,603	405,279	72%	19%	25%	27%	26x	18x
Thomson Reuter	778,796	792,301	75%	21%	26%	30%	37x	29x
<b>Average</b>	<b>170,895</b>	<b>180,399</b>	<b>83%</b>	<b>16%</b>	<b>21%</b>	<b>24%</b>	<b>31x</b>	<b>18x</b>
<b>Median</b>	<b>13,406</b>	<b>17,786</b>	<b>82%</b>	<b>19%</b>	<b>22%</b>	<b>25%</b>	<b>32x</b>	<b>18x</b>
Karnov Group	10,162	12,270	87%	47%	6%	26%	67x	12x

Sources: The Company, Bloomberg, Analyst Estimates

### DCF and Peer Valuation Implies a Target Price of 132 SEK

The DCF valuation is based on forecasted free cash flow to firm over a 10-year period, with a terminal growth rate of 2.5%, a 10% WACC and a 26% terminal EBIT margin. This results in an implied target share price of SEK 121. By equally weighting the DCF- and peer valuations the analysts see a target price of SEK 132, supporting a potential upside of 40%.

SEK	Terminal Growth Rate					
	121	1.5%	2.0%	2.5%	3.0%	3.5%
WACC	9.0%	130	137	144	152	162
	9.5%	121	126	132	138	146
	10.0%	112	116	121	127	133
	10.5%	104	108	112	117	122
	11.0%	97	100	104	108	112

DCF Valuation Breakdown, SEKm	
Undiscounted Terminal Value & FCF	33,002
Present Value of Terminal Value & FCF	15,509
<b>Enterprise Value</b>	<b>15,509</b>
Net debt	2,415
<b>Market Cap</b>	<b>13,094</b>
NOSH (in million)	108.1
<b>Implied Share Price</b>	<b>121</b>
Implied Upside	29%

Sources: The Company, Bloomberg, Analyst Estimates

## Appendix: Income Statement

Income Statement, Msek	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
<b>Net Sales</b>	<b>1,114</b>	<b>2,475</b>	<b>2,593</b>	<b>3,002</b>	<b>3,421</b>	<b>3,812</b>	<b>4,058</b>	<b>4,315</b>	<b>4,583</b>
Y-O-Y%		122%	5%	16%	14%	11%	6%	6%	6%
COGS	(158)	(365)	(349)	(360)	(376)	(381)	(406)	(431)	(458)
<b>Gross profit</b>	<b>956</b>	<b>2,110</b>	<b>2,244</b>	<b>2,642</b>	<b>3,045</b>	<b>3,431</b>	<b>3,652</b>	<b>3,883</b>	<b>4,125</b>
Gross margin	86%	85%	87%	88%	89%	90%	90%	90%	90%
Employee Expenses	(400)	(1,131)	(1,156)	(1,135)	(1,166)	(1,213)	(1,291)	(1,373)	(1,458)
Other OPEX	(243)	(454)	(555)	(558)	(621)	(674)	(717)	(762)	(810)
<b>EBITDA</b>	<b>313</b>	<b>525</b>	<b>533</b>	<b>948</b>	<b>1,258</b>	<b>1,544</b>	<b>1,644</b>	<b>1,748</b>	<b>1,857</b>
EBITDA margin	28%	21%	21%	32%	37%	41%	41%	41%	41%
D&A	(234)	(368)	(386)	(440)	(496)	(548)	(581)	(615)	(652)
<b>EBIT</b>	<b>79</b>	<b>156</b>	<b>146</b>	<b>508</b>	<b>762</b>	<b>997</b>	<b>1,063</b>	<b>1,132</b>	<b>1,205</b>
EBIT margin	7%	6%	6%	17%	22%	26%	26%	26%	26%
Net financials	(17)	(116)	(181)	(135)	(154)	(172)	(183)	(194)	(206)
<b>EBT</b>	<b>62</b>	<b>40</b>	<b>(35)</b>	<b>373</b>	<b>608</b>	<b>825</b>	<b>880</b>	<b>938</b>	<b>999</b>
EBT margin	6%	2%	-1%	12%	18%	22%	22%	22%	22%
Tax expenses	(13)	(8)	0	(77)	(125)	(170)	(181)	(193)	(206)
<b>Net Income</b>	<b>49</b>	<b>32</b>	<b>(35)</b>	<b>296</b>	<b>483</b>	<b>655</b>	<b>699</b>	<b>745</b>	<b>793</b>
Net margin	4%	1%	-1%	10%	14%	17%	17%	17%	17%

## Appendix: Discounted Cash Flow Analysis

Msek	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
EBIT	508	762	997	1,063	1,132	1,205	1,281	1,366	1,454	1,548	1,644
Taxes	(105)	(157)	(205)	(219)	(233)	(248)	(264)	(281)	(300)	(319)	(339)
NOPAT	403	605	791	844	899	957	1,017	1,084	1,155	1,229	1,306
D&A	440	496	548	581	615	652	689	731	775	821	871
CapEx	(405)	(462)	(515)	(548)	(582)	(619)	(657)	(699)	(743)	(789)	(838)
Changes in NWC	267	189	174	115	120	126	131	146	153	161	168
FCFF	705	828	998	992	1,052	1,115	1,182	1,263	1,340	1,421	1,507
Discounted Cash flow	705	753	825	745	719	693	667	648	625	603	581
Terminal Value											20,599
Present Value of TV											7,944
PV of TV and FCF											15,509

Valuation & Target Price	
DCF Share Price	121
Peer Valuation Share Price	144
Equally Weighted	132
Current Share Price	94
<b>Implied Upside</b>	<b>40%</b>

## Disclaimer

### Disclaimer

These analyses, documents and any other information originating from LINC Research & Analysis (Henceforth "LINC R&A") are created for information purposes only, for general dissipation and are not intended to be advisory. The information in the analysis is based on sources, data and persons which LINC R&A believes to be reliable. LINC R&A can never guarantee the accuracy of the information. The forward-looking information found in this analysis are based on assumptions about the future, and are therefore uncertain by nature and using information found in the analysis should therefore be done with care. Furthermore, LINC R&A can never guarantee that the projections and forward-looking statements will be fulfilled to any extent. This means that any investment decisions based on information from LINC R&A, any employee or person related to LINC R&A are to be regarded to be made independently by the investor. These analyses, documents and any other information derived from LINC R&A is intended to be one of several tools involved in investment decisions regarding all forms of investments regardless of the type of investment involved. Investors are urged to supplement with additional relevant data and information, as well as consulting a financial adviser prior to any investment decision. LINC R&A disclaims all liability for any loss or damage of any kind that may be based on the use of analyzes, documents and any other information derived from LINC R&A.

### Conflicts of interest and impartiality

To ensure LINC R&A's independence, LINC R&A has established compliance rules for analysts. In addition, all analysts have signed an agreement in which they are required to report any and all conflicts of interest. These terms have been designed to ensure that *COMMISSION DELEGATED REGULATION (EU) 2016/958 of 9 March 2016, supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest.*

### Other

This analysis is copyright protected by law © BÖRSGRUPPEN VID LUNDS UNIVERSITET (1991-2025). Sharing, dissemination or equivalent action to a third party is permitted provided that the analysis is shared unchanged.