



Karnov Group Interim Report Q3

Pontus Bodelsson, President and CEO
Magnus Hansson, CFO
November 8th, 2023

A portrait of Pontus Bodelsson, a man with short, light brown hair and a beard, wearing a dark suit jacket over a white shirt. He is smiling slightly and looking towards the camera. The background is a blurred office interior with large windows.

Q3 highlights and operational outlook

Pontus Bodelsson

Financial highlights Q3

AI driven innovation and strong integration progress

619

Net sales
(SEKm)

+8%

Organic growth
(adj. for one-off)

19%

Adjusted EBITA
margin

3.2x

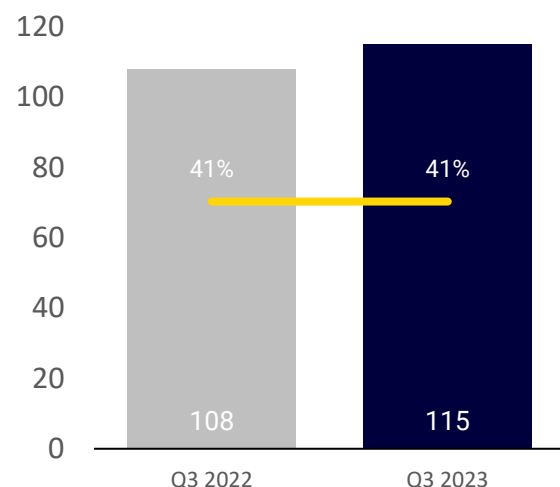
Leverage
(new definition)

Strong cost focus across the Group

Margin improvements due to harvesting of synergies as well as operational excellence

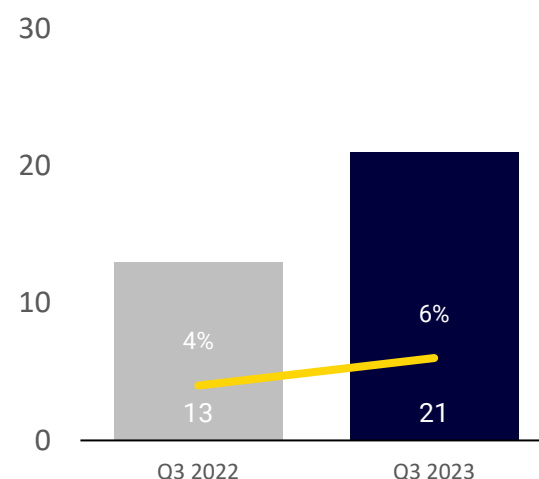
Region North

Adjusted EBITA, SEKm and margin %



Region South

Adjusted EBITA, SEKm and margin %

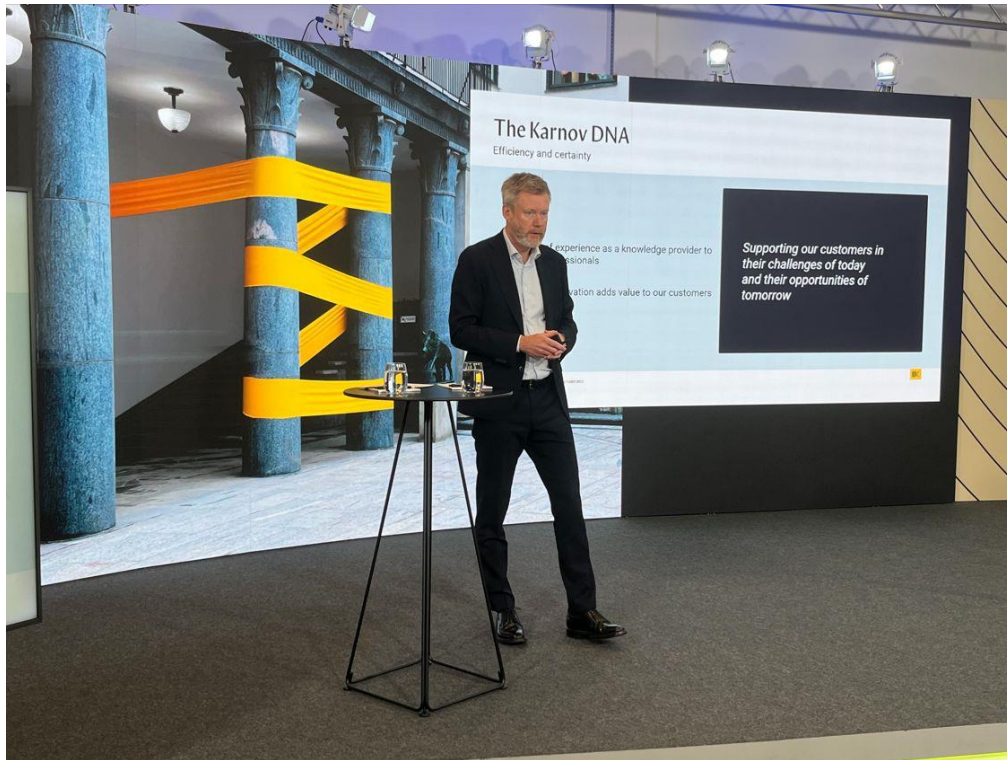


Key comments

- Initiatives launched to further improve profitability in Region North:
 - Common product organisation and optimisation of product portfolio
 - Divestment of legal training business in Sweden
- Integration ahead of plan in Region South, with synergies of EUR 1 m on annual run-rate basis realised by the end of Q3:
 - Mainly content synergies

2023 Capital Markets Day

European profitable growth strategy and updated financial targets



Key comments

- › Capital Markets Day in October
 - › European profitable growth strategy
 - › AI strategy
 - › Region South integration deep-dive
- › Updated financial targets
- › Local content, global platforms and common culture is the Karnov recipe for success in Europe
- › Generative AI solution for legal professionals
 - › Trained on our local content for absolute certainty
 - › Opportunity to monetise on enhanced customer value

AI adds more customer value

Great demand from legal professionals



Key comments

- AI an opportunity for improved profitability
 - New services making our customers more efficient
 - Increasing customer value - increasing prices
- New ways of working for legal professionals
 - 25 years after the internet revolution: Twice as many lawyers today. Four times as many legal assistants.
 - Today only 2 out of 10 lawyers have repetitive work tasks
 - Internet created new legal fields – AI will do the same. AI might change ways of working but not the need for lawyers

Larger addressable market with growing demand

Created by an increasing complexity in society



Key comments

- Growing demand due to increased burden on lawyers to understand legislation
 - Twice as many new laws were published in 2022 compared to 2012
- Market demand driven by increased complexity
 - 7 out of 10 lawyers predict that the need for legal services will grow
 - 8 out of 10 lawyers foresee more complexity due to globalization

Deep customer insights for future growth

Solving our customers challenges of today and presenting the opportunities of tomorrow



Key comments

- Karnov Group's industry reports for thought leadership and deep customer insights
 - Europe's largest database of user insights
 - Material for customer centric innovation
- Topics of this year:
 - AI – an opportunity or a threat for the legal industry?
 - Digitalisation and automation
 - Equal professional opportunities for lawyers

Profitable growth in Region North

Focus on operational excellence and increased customer value



Key comments

- › Growth mainly driven by online sales
 - › Signing agreements with two larger municipalities in Denmark
 - › Increasing number of users among existing customers and attracting new customers
 - › Growth opportunities within small law firms and corporate sector
- › Innovation and optimisation across Region North
 - › Common product organisation launched in Q3
 - › Divestment of legal training business in Sweden

Integration progress in Region South

Cross-selling solutions between our Spanish entities and launch of generative AI solution

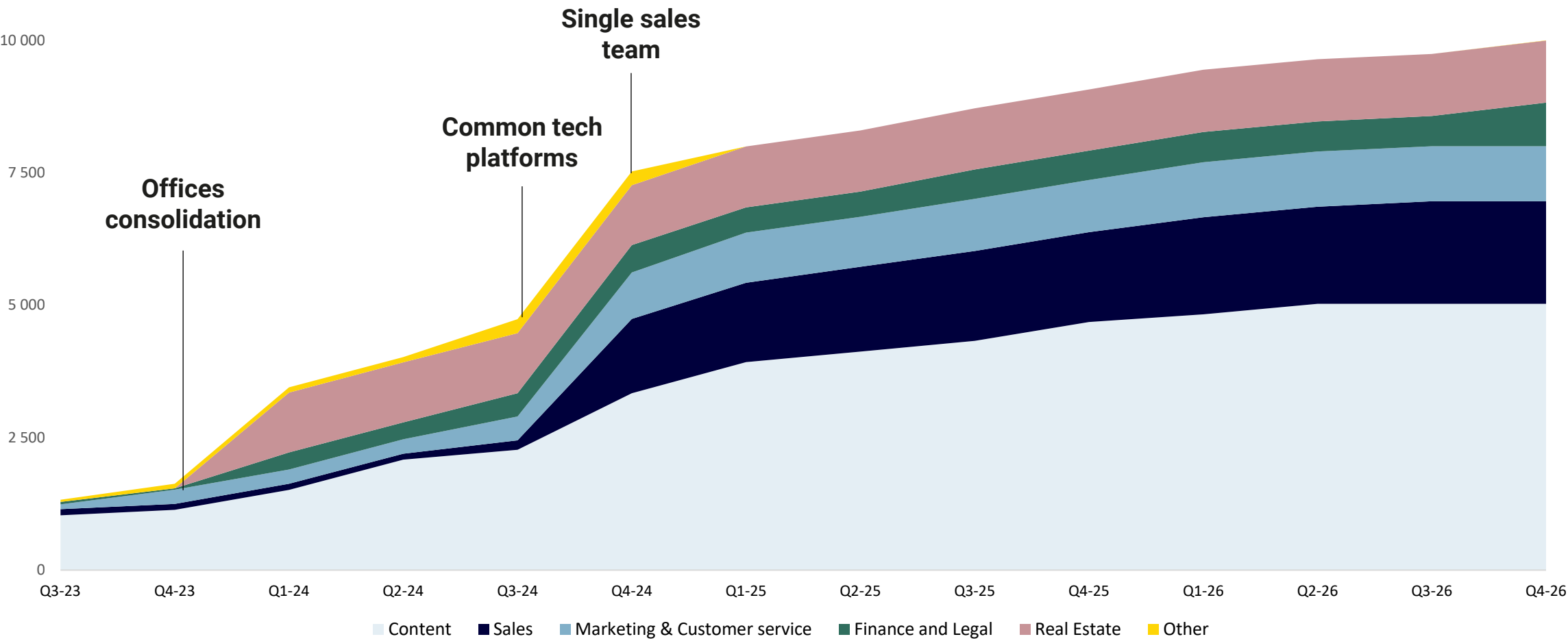


Key comments

- › Stable net sales and adjusted EBITA margin improved due to harvested cost-synergies
- › Launch of generative AI solution
- › Cross-selling of Aranzadi workflow and LA LEY content
- › Ahead of plan in the Spanish merger
 - › Both in terms of content migration and IT carve-outs
 - › We are finalising the migration to a common ERP system
- › Synergies of EUR 1 m harvested on an annual run-rate basis
 - › Ambition to harvest cost-synergies of EUR 7.5 m with full effect at the end of 2024 and an additional EUR 2.5 m with full effect at the end of 2026

Region South cost-synergies effects

Yearly run-rate by category



Investment case

Supporting legal professionals with **mission-critical** proprietary content that delivers efficiency and certainty

Strong positions in local markets with **stable number of customers**

Products with **significant value** while being a **small percentage of our customers' total operating cost**

Updated financial targets

Organic growth: **4-6%**
(medium term)

Adjusted EBITA margin: **≥25%**
(medium term)

≥30%
(long term)

Leverage **≤3.0x**

A portrait of Magnus Hansson, a middle-aged man with a balding head and light blue eyes, wearing a dark blue suit jacket over a light blue shirt. He is looking directly at the camera with a slight smile. The background is a blurred outdoor setting with a building and a tree.

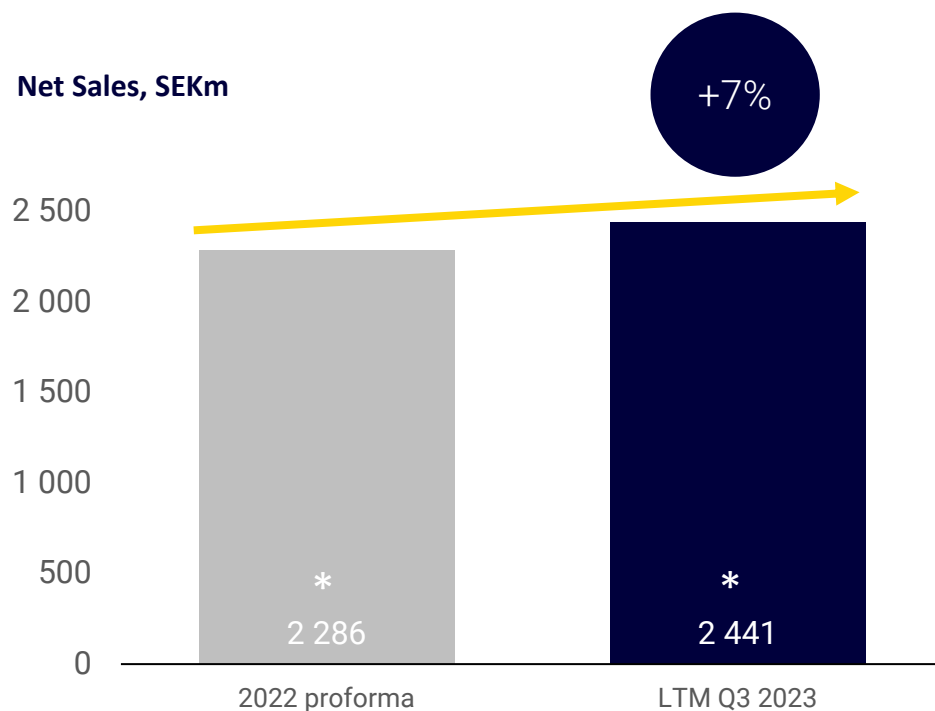
Financial development

Magnus Hansson

Net sales

The Group's net sales growth is driven by Region North

GROUP



Key comments

- Strong achieved net sales growth of 7% LTM Q3 2023 compared to proforma 2022 figures
 - Increased sales of online solutions across the Group
 - Growth driven by user increase and value enhancements
 - The weak SEK have a positive impact on net sales

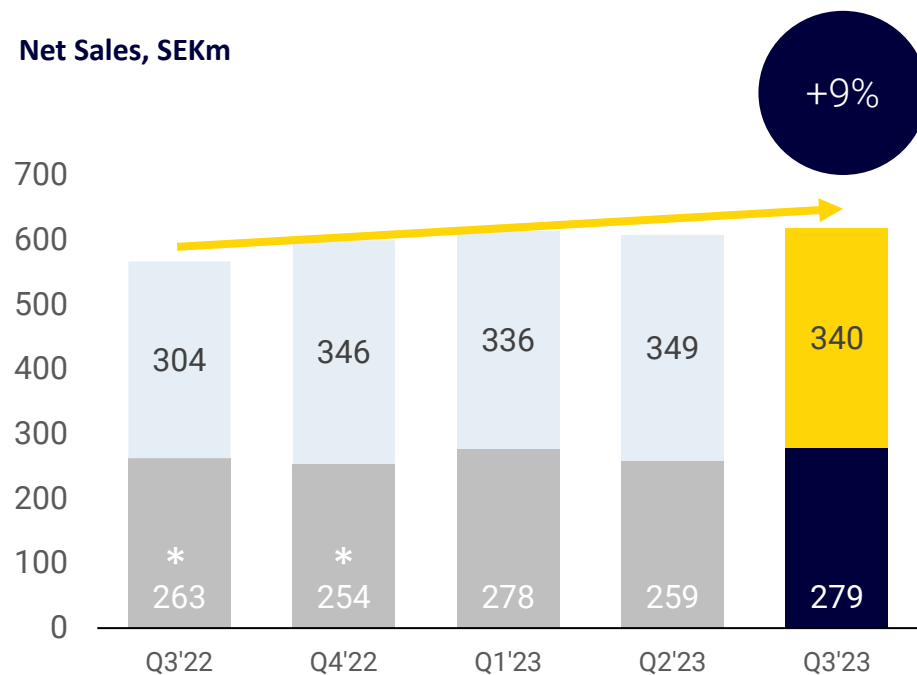
*Comparing figures include proforma numbers for Region South. These have not been audited by the company's auditor.

Net sales per segment

The Group's organic growth is driven by Region North

GROUP

Net Sales, SEKm



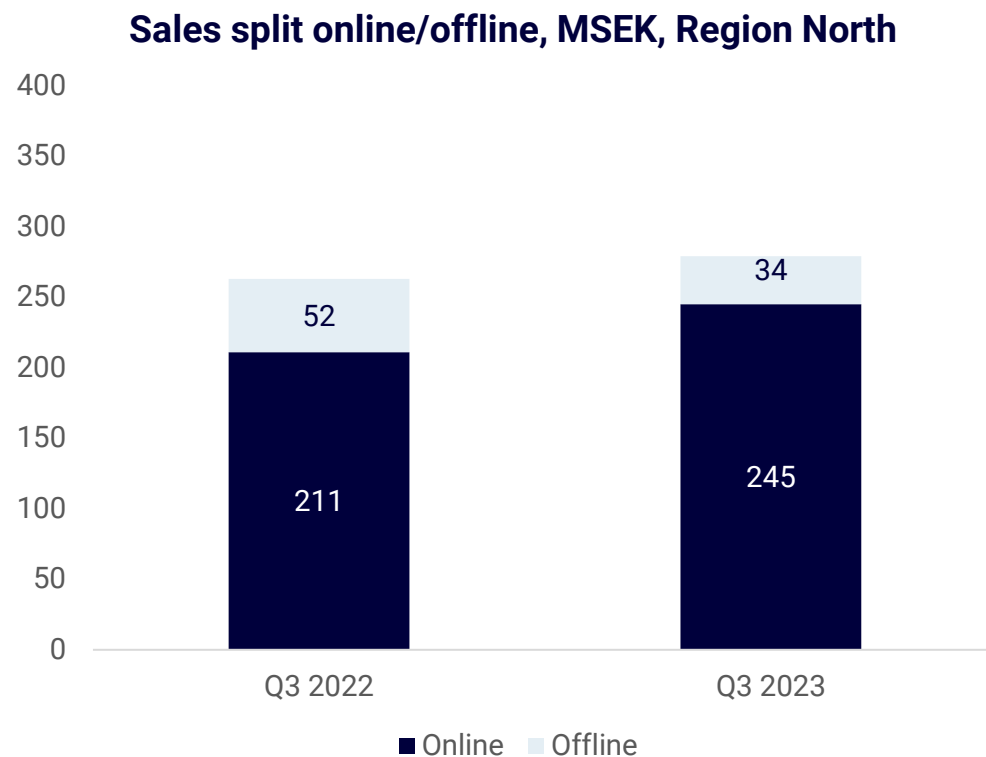
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Key comments

- Group net sales was SEK 619 m (567).
- Organic growth (constant currency) adjusted for significant one-off sales was 7.6%. Acquired growth was 129.7%. Currency effect was 5.2%
 - Comparing quarter includes significant one-off sales of school publications of SEK 18 m. Reported organic growth is thus 0.2%
- Organic growth is driven by online sales within public sector, supported by our emerging ventures in EHS and T&A

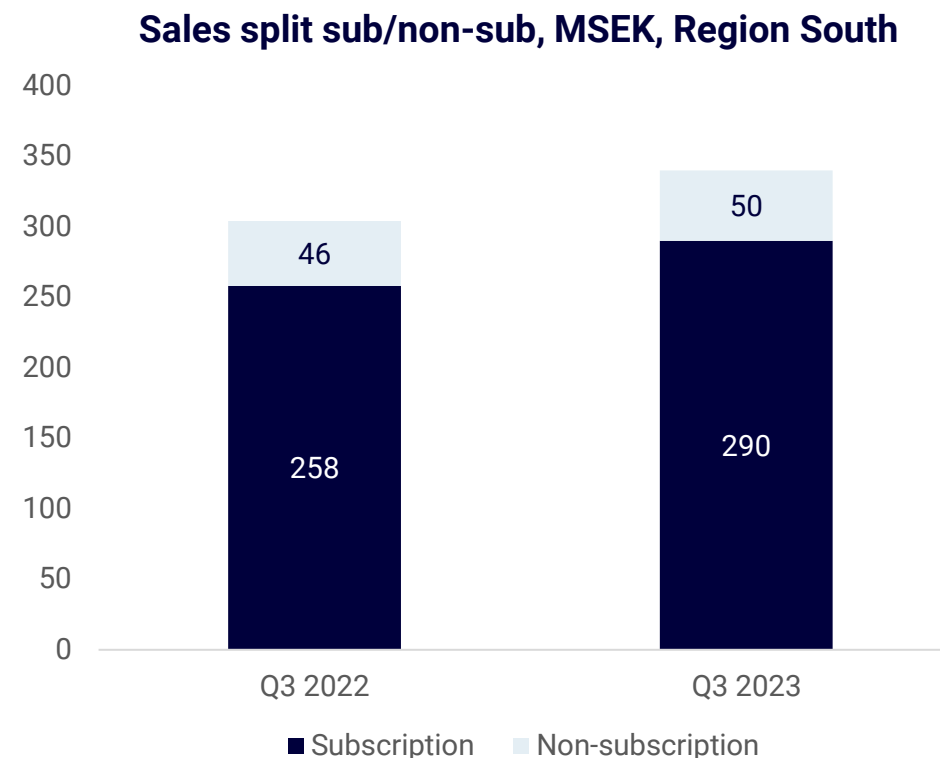
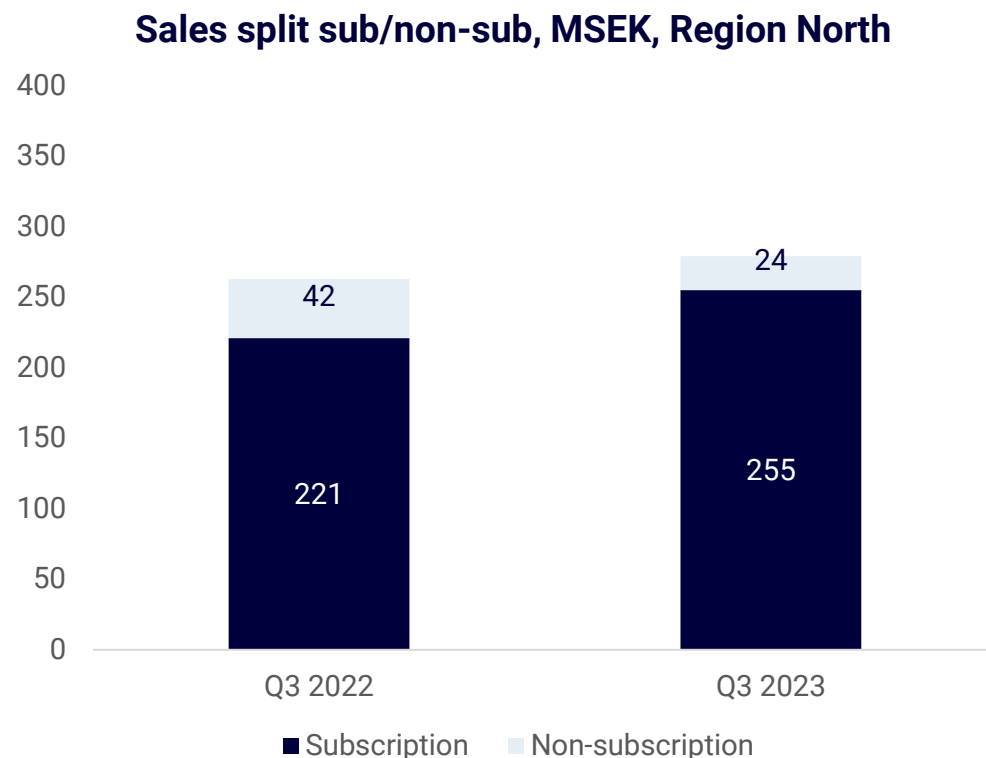
Strong development in online sales

One-off sales of offline products of SEK 18 m in Q3 2022



High portion of subscriptions paid in advance

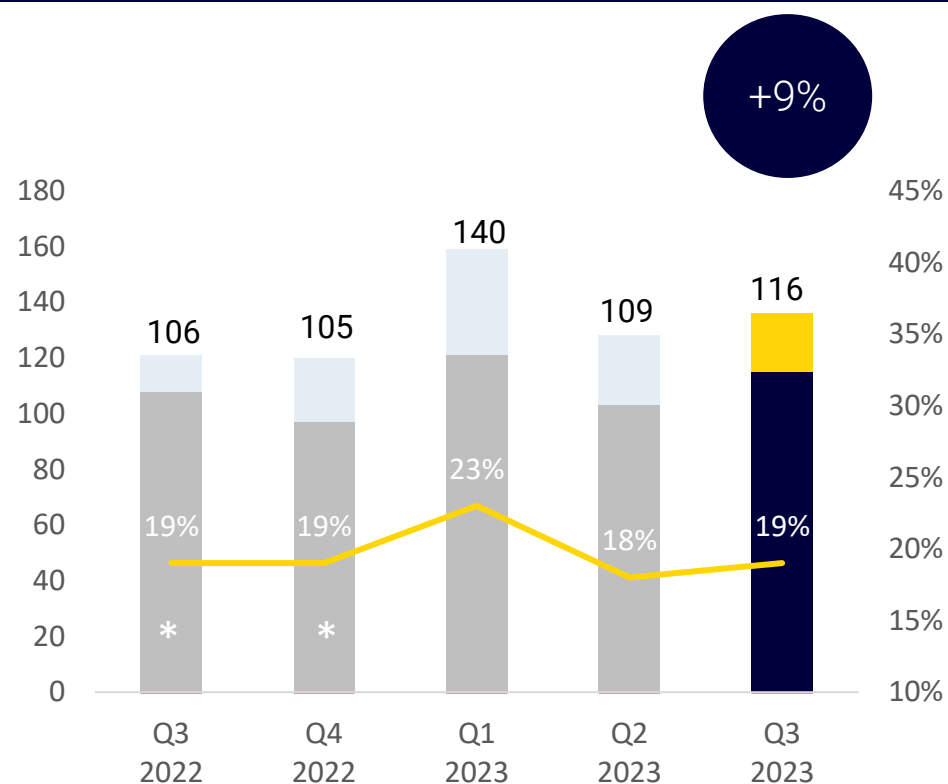
Similar recurring revenue in both segments



Adjusted EBITA

New base margin in 2023 due to the acquisition of Region South

GROUP



Key comments

- Adjusted EBITA amounted to SEK 116 m (proforma 106)
- Group adjusted EBITA margin was stable at 18.7% (proforma 18.7)
 - Investments in business system enhancements, AI projects and CMD during the quarter
 - Underlying operating expenses are unchanged
- Synergies of EUR 1 m on an annual run-rate basis harvested

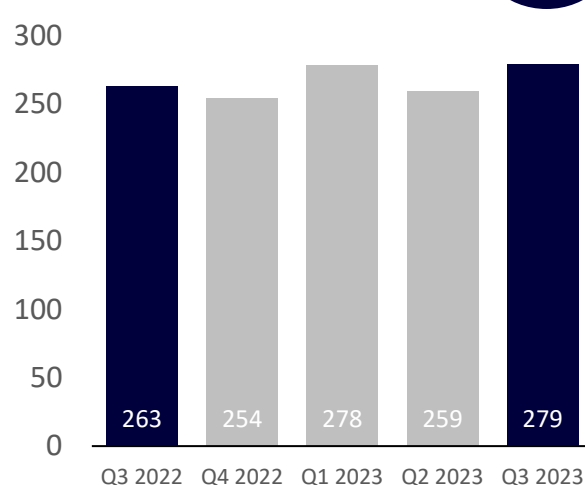
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Strong quarter in Region North

Strong organic growth and high-level margin

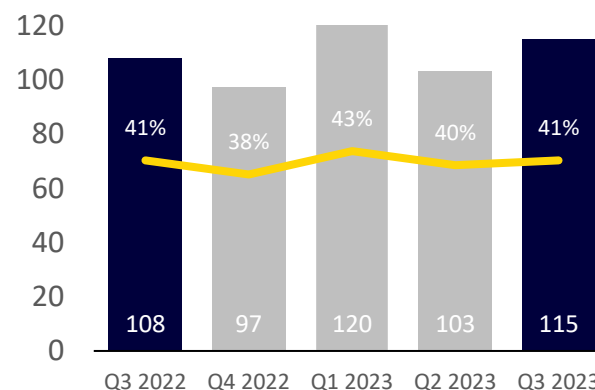
REGION NORTH

Net Sales, SEKm



+6%

Adjusted EBITA, SEKm and margin %



+6%

Key comments

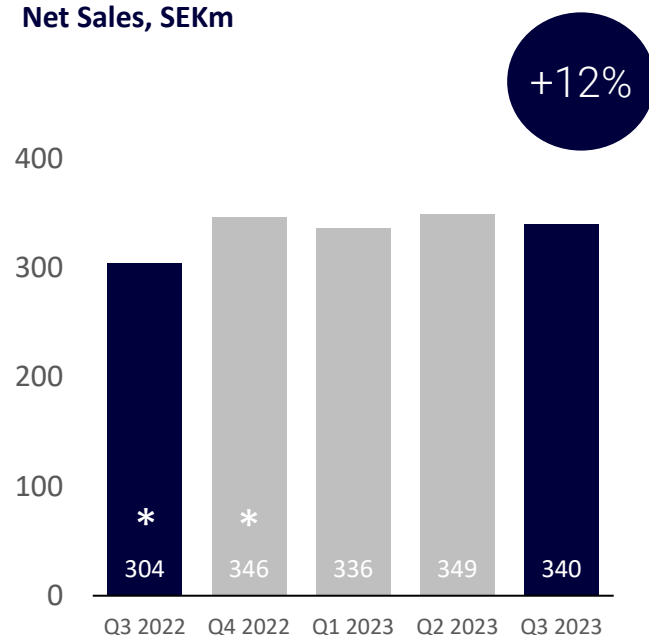
- Organic growth (constant currency) adjusted for significant one-off sales was 7.6%. Acquired growth was 0.5%. Currency effect was 5.2%
- Significant one-off sales of SEK 18 m in Q3 2022. Reported organic growth was 0.2%
- Growth driven by online sales
 - EHS and workflow businesses grow strongly
- Adjusted EBITA margin was 41.4%
 - Beneficial product mix with increasing online sales
 - Increased D&A of SEK 2 m from capitalised development

Integration progress in Region South

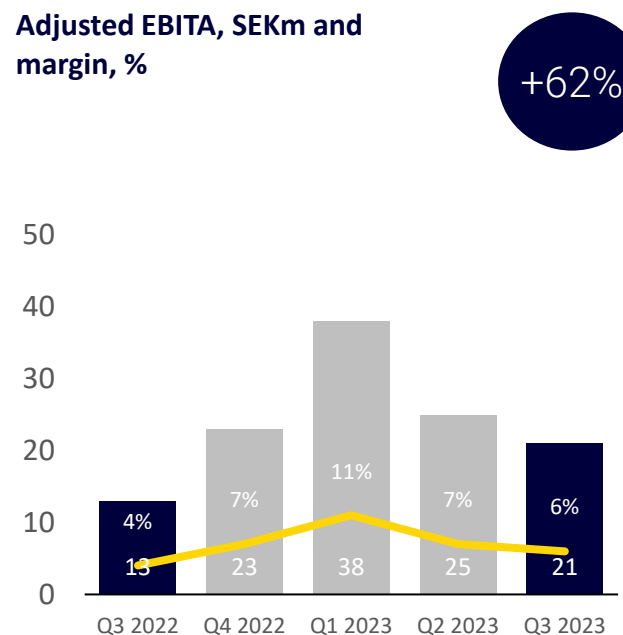
Synergies of EUR 1 m on annual run-rate basis harvested

REGION SOUTH

Net Sales, SEKm



Adjusted EBITA, SEKm and margin, %



Key comments

- Net sales increased by 12.2%
 - Increase in net sales compared to proforma is mainly explained by currency effects of 9.4%
 - Successful cross-selling in Spain and good traction in online sales in France
- Adjusted EBITA margin was 6.2% (proforma 4.3)
 - Approximately 1pp of the margin increase is due to harvested synergies

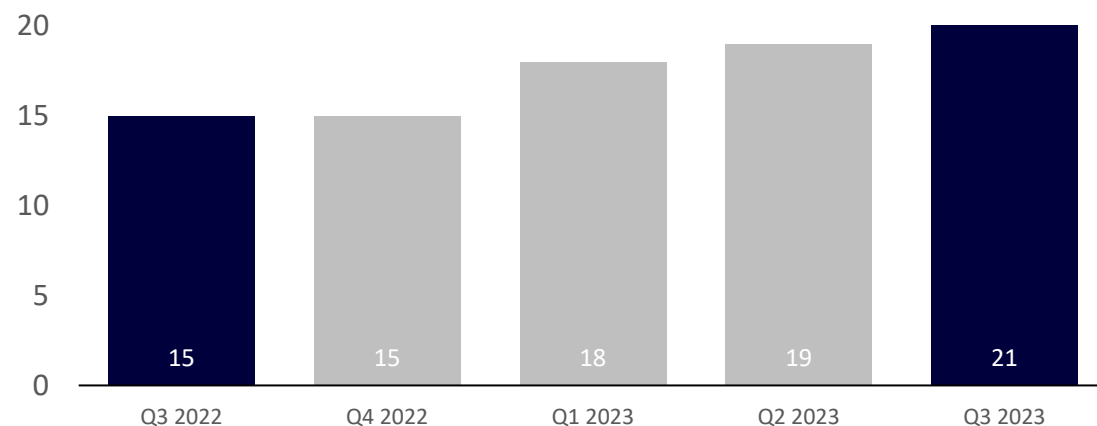
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Group functions

Increased costs due to European expansion and innovation

GROUP FUNCTIONS

Adjusted EBITA, SEKm and
margin, %



Key comments

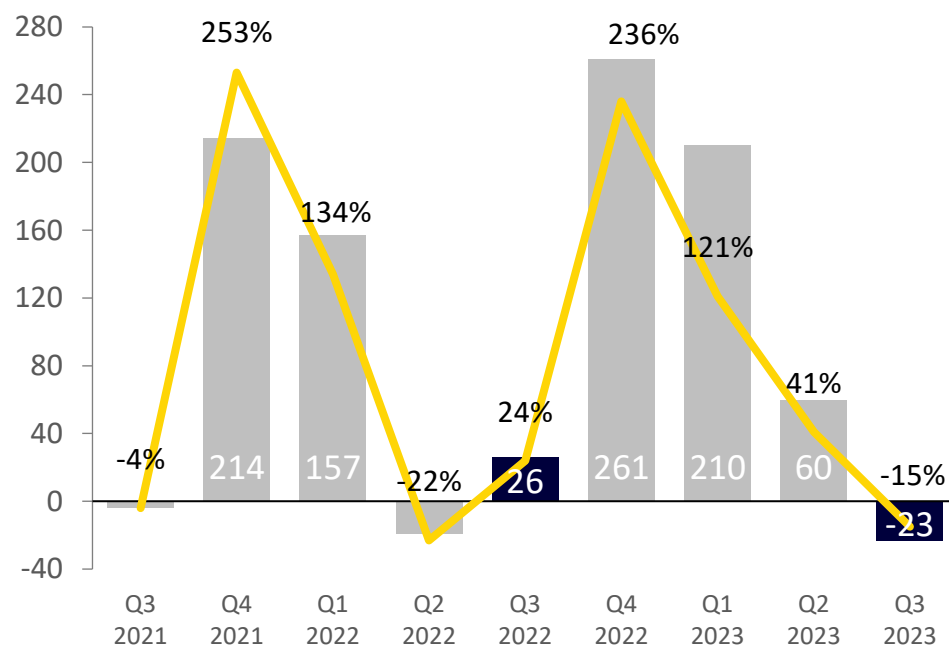
- Group Functions consists of the functions taking responsibility for Group wide tasks
 - Underlying cost base excluding ordinary D&A is unchanged in Region North and Group Functions
- In Q3, the operating expenses include Group wide business system enhancements and investments in AI projects as well as Group marketing costs (such as the CMD)

Leverage at 3.2x

We expect a strong operating cash flow in Q4 from renewed subscriptions

GROUP

Adj. operating cash flow, SEKm
and adj. cash conversion, %



Key comments

- › Adjusted operating cash flow amounted to SEK -23 m
 - › The negative cash flow is due to changes in working capital, increased interest costs and tax payment
- › Leverage of 3.2x
 - › Definition of leverage aligned with the updated financial target
 - › Focus on improving leverage below the financial target of 3.0x and invest in harvesting synergies

Delivering mission-critical solutions to legal professionals

1

Strong financial performance

- Growing addressable market and demand
- Organic growth 8% adjusted for one-off sales

2

Updated financial targets

- Organic growth 4-6% in the medium term
- Adjusted EBITA margin $\geq 25\%$ in the medium term and $\geq 30\%$ in the long term
 - Leverage $\leq 3.0x$ adj. EBITDA LTM

3

Integration progress Region South

- Content and IT carve-out
- Synergies of EUR 1 m harvested

Q&A

Better decisions, faster

Find what you need, trust what you find and
do it quickly.

For more information visit
www.karnovgroup.com



Appendix

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