2024-10-21

Gyldendal ASA

Market Leader Set to Capitalize on the Digitalization Trend

Gyldendal ASA ("Gyldendal" or "the Company") is a leading player in the Norwegian book market, with revenue derived from a publishing segment and a retail segment. With 20% of the Norwegian population as members and significant clients such as the Norwegian Curriculum, the Company is deeply engraved in the Norwegian literary world. Through investments in digital solutions and fruitful agreements with major players, Gyldendal is set to capitalize on the current digitalization of the book market, leading to a revenue CAGR of 4.0% 2023-2026. Additionally, a stronger emphasis on digital solutions combined with a cost-reduction program is estimated drive the EBIT margin from -0.5% to 4.9% 2023-2026. An equally weighted DCF and peer valuation, with a target multiple of 9.3x EV/EBIT, implies a potential share price of NOK 520.1.

Publishing Segment Set to Benefit from Fruitful Agreements

The Norwegian publishing market has grown at a CAGR of 5.3% over the past three years, reaching NOK 3,280m, while the submarket of school-literature has averaged a 8.0% yearly growth, due to the need of constant updates. As Gyldendal's publishing segment derives a majority of LTM revenue from Curriculum agreements, the high exposure to a faster growing submarket is set to drive growth. With over a decade as the largest curriculum supplier, schools have become accustomed to Gyldendal's learning material, leading to high switching costs, which creates a *stickiness.* This, combined with a portfolio of award-winning digital learning tools, positions Gyldendal well for the recent Curriculum-reform of "The Faculty Pledge", which emphasizes the need for digital solutions, which Gyldendal is set to capitalize on. Factoring in partnerships with streaming services Fabel Lyd and Storytel, the publishing segment is expected to reach a net revenue of NOK 960.1m by 2026, corresponding to a 4.5% CAGR.

Shift in Demand Set to Drive Growth and Margins for ARK

The demand on the book-retail market is changing towards digital solutions; 42% of all books sold in Norway 2023 were in digital format, compared to 25% in 2019. ARK, the Company's retail segment, has in order to adapt to the evolving consumer demand implemented an omnichannel solution that includes online sales and subscription services, with a large portfolio of audio books. With 1.2m Norwegian members, Gyldendal is set to leverage the strong customer base and convert them into consumers of higher-margin digital solutions. Therefore, out of estimated 10.1m sold publications 2026, equivalent to NOK 2,039.6m, 5.0m publications, or 49.5%, is estimated to be in digital format. Combined with the publishing segment, this results in a total CAGR of 4.0% from 2023 to 2026. The rise in digital literature sales across both segments is, due to less material requirements, projected to increase the gross margin from 59.2% to 62.6%, due to lower COGS from digital solutions.

Automated warehousing expected to free tied-up cash flow

In 2021, Gyldendal centralized warehousing by acquiring an automated inventory facility. Initial logistical issues increased *Days Inventory Outstanding* ("DIO") from 125 to 164 days 2020-2026, but the integration is now fully completed. Hence, DIO is expected to normalize, with an estimated improvement of the FCF margin from -2.1% to 4.0% 2023-2026.

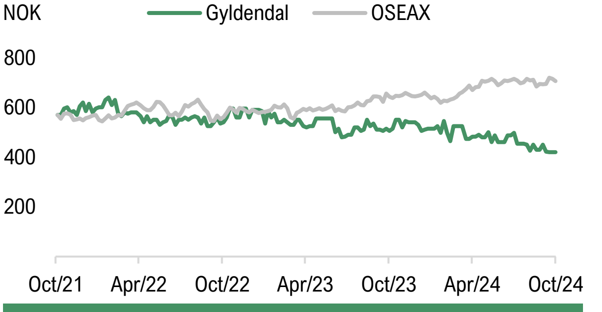
Valuation Range

Bear	Base	Bull
NOK 226.7	NOK 520.1	NOK 751.3

Key Information

Share Price (2024-10-18)	NOK 420
Shares Outstanding	2,352,240
Market Cap (NOKm)	969.0
Net cash(-)/debt(+) (NOKm)	753.7
Enterprise Value (NOKm)	1,722.7
List	Oslo Stock Exchange
Annual Report 2024	2025-03-12

Share Price Development



Owners (Source: Bloomberg)

Must Invest AS	85.9%
Falck Fras AS	4.3%
Gyldendal ASA	1.9%
Svanhild OG Arne Musts Fond	1.4%
Roed Gunvor Jorunn Hammersvik	1.2%

Estimates (NOKm)	2023A	2024E	2025E	2026E
Revenue	2,669.6	2,778.3	2,889.6	2,999.7
COGS	-1,090,2	-1,066.9	-1,100.9	-1,124.9
Gross Profit	**1,579.5**	**1,711.5**	**1,788.7**	**1,874.8**
Gross Margin	59.2%	61.6%	61.9%	62.6%
Operating Costs	-1,313.0	-1,325.8	-1,338.5	-1,121.9
EBITDA	**266.4**	**385.6**	**450.2**	**461.9**
EBITDA Margin	10.0%	13.9%	15.6%	15.4%
P/S	0.4x	0.4x	0.4x	0.4x
EV/S	0.7x	0.6x	0.6x	0.6x
EV/EBITDA	6.7X	4.7x	4.0x	3.9x
EV/EBIT	-85.9x	12.7x	8.1x	8.1x

Introduction

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About the Company

Gyldendal is a leading publisher and book retailer in Norway. The company operates in two segments: retail, publishing and services. The retail segment contributes to 68.5% of the revenue and is managed through the fully-owned subsidiary ARK. The publishing segment provides literature and educational materials and makes up 31.5% of total revenue. Gyldendal is one of the largest actors in Norwegian publishing, offering books and digital solutions. Digital revenues, from both segments, make up 28.2% of total LTM sales. Founded in 1925, Gyldendal remains a key player in Norway's literary scene, adapting to market trends and maintaining a strong position in both physical and digital markets. Gyldendal has since 1980 been listed on Oslo Stock Exchange.

CEO and Chairman

CEO: John Tørres Thuv

Chairman: Trine Must

Analyst

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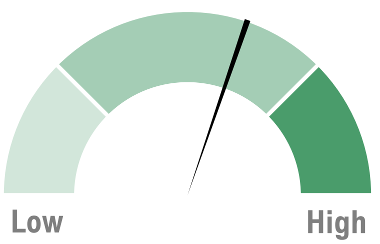
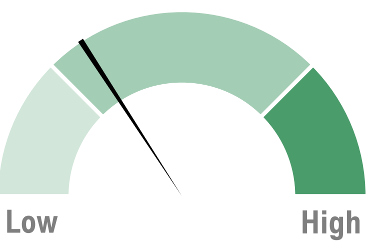
Value Drivers



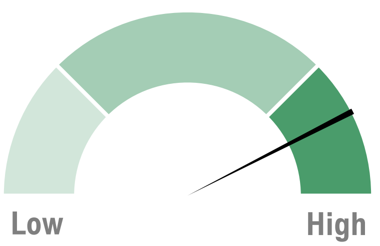
As Gyldendal places a stronger emphasis on higher-margin digital solutions, combined with a less personnel intense omnichannel-strategy, improved margins are expected to lead to a more positive market perception of Gyldendal. Moreover, the expected improvement of the FCF margin, with a higher amount of free cash flow available, may potentially result in resumed dividends, which can act as a catalyst for the share price.

Historical Profitability



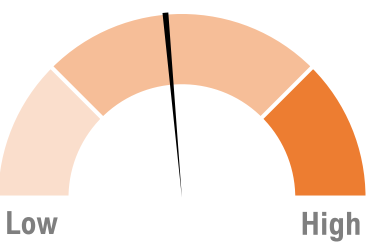
Gyldendal has an uneven historical profitability. While the gross margin has improved from 53.1% to 59.2% between 2020-2023, due to a more favorable product mix, the EBIT-margin has decreased from 4.6% to -0.5% during the same period. The contraction of the EBIT margin is primarily attributable to an overly aggressive hiring pace, which in 2023 resulted in a negative net profit. The rating is historically based and is not forward-looking.

Management & Board



The executive team possesses strong experience within the literature market. John Tørres Thuv has been CEO of Gyldendal since 2015, with experience of both executive and board roles in the fully owned subsidiary ARK dating back to 2001. Trine Must, the chairman of the board, has been member of the board for 14 years. Insider ownership accounts for 88.1% of the total shares, which instills confidence to create further shareholder value.

Risk Profile



The rapid digitalization of the market creates lower barriers to entry, which allows for increased competition going forward. However, the Company's strong market position, with a brand deeply engraved in the Norwegian literary world, mitigates the risk posed by new competitors. Moreover, the low free float of 12.3% poses a liquidity risk, with a 30-day average bid-ask spread of 7.2%.

Investment Thesis

Favorable Agreements With Major Players Set to Drive Growth for the Publishing Segment

AGREEMENTS WITH MAJOR PLAYERS REINFORCES STRONG MARKET POSITION

The Norwegian publishing market, valued at NOK 3,280m, has grown at a CAGR of 2.9% over the past three years[1]. Despite this modest market growth, Gyldendal's publishing segment, which constitutes 31.5% of the Company's total sales 2023, has achieved a CAGR of 9.0%, with a corresponding increase in market share from 26.5% to 29.0% 2020-2023. This growth is largely due to high exposure to the Norwegian Curriculum, which implemented the literary reform of "The Faculty Pledge" in 2020, which stated a gradual renewal of school literature[2]. Hence, the mentioned submarket has averaged a yearly growth rate of ~10% over the last 4 years, and since the majority of LTM revenue from the publishing segment is derived through agreements with the Curriculum, Gyldendal has been able to outgrow the market.

While this one-customer concentration may seem risky, the Norwegian Curriculum is owned by the public sector, which prefers proven suppliers. As Gyldendal has been the largest supplier of literature to the Curriculum for the last decade, the required proof of concept is well established, which makes it hard for new actors, without proof of concept, to compete. Going forward, the renewal of the content in school literature is expected to have reached an end until the next reform, which is anticipated to take place in 2028. Hence, as Gyldendal has secured agreements with the Curriculum until next reform, a recurring revenue is secured. Moreover, as mentioned reform is proclaiming a gradually increasing emphasis digital solutions, COGS in relation to sales is expected to decrease further, as digital solutions require less material needs. Gyldendal's proof of concept with the Curriculum, in combination with award winning digital learning tools specially designed for the Curriculum, has made Gyldendal the natural choice to support this digital transformation. Consequently, sales of digital solutions within the publishing segment grew at a CAGR of 27.5% from 2020 to 2023. As school staff and pupils become accustomed to Gyldendal's digital learning material, the switching cost increases, which creates a *stickiness*, allowing Gyldendal to keep capitalizing on the evolving school literature-market.

Lastly, as Gyldendal has signed agreements with major players such as Adlibris and Norli, allowing mentioned companies to sell literature published by Gyldendal, Adlibris and Norli are able to meet the growing demand for audiobooks, since Gyldendal, through the publishing segment, holds among the largest portfolios of audio book-rights in Norway. Simultaneously, Gyldendal can leverage the established customer bases of these companies, leading to higher exposure and boosted sales. Summed up, Gyldendal is estimated to sell 5.2m publications and licenses through the publishing segment by 2026, compared to 3.8m in 2023. Of these, 3.2 million are expected to be digital solutions[3] such as audiobooks, primarily due to the partnerships with Fabel Lyd and Storytel, and licenses, primarily due to the digitalization of the curriculum. This growth in publications is projected to generate revenue of NOK 960.1m by 2026, representing a CAGR of 4.5% for the publishing segment.

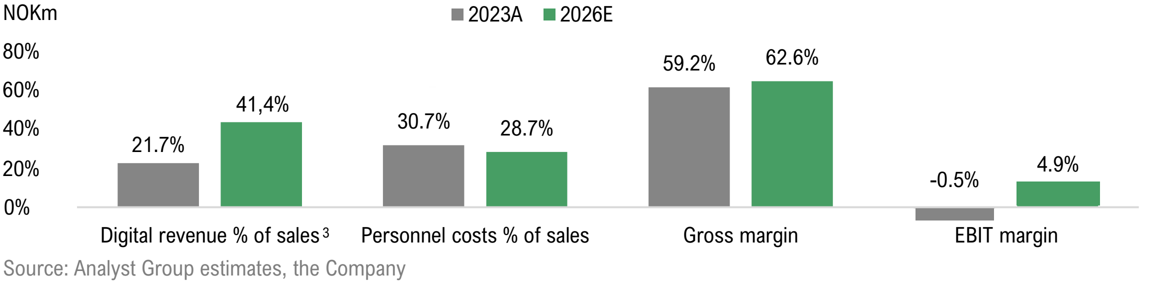
Shift in Consumer Behavior Set to Drive Sales of Digital Solutions through the Retail Segment

10.1 MILLION PUBLICATIONS SOLD 2026

Gyldendal's retail segment, managed by the subsidiary ARK, constituted 68.5% of Gyldendal's total sales 2023. Recent years, consumer purchasing behavior in the book retail market has shifted towards online channels, driven by the increased demand for digital literature. Historically, ARK has concentrated on physical retail. However, to adapt to evolving consumer preferences, ARK has implemented an omnichannel solution that includes online sales and subscription services. As ARK is the largest book retailer in Norway, the Company is estimated to leverage the strong customer base and convert them to the digital platforms. Additionally, Analyst Group estimates ARK to attract new members due to the already reputable name combined with the in-demand digital propositions. Hence, ARK is estimated to have 1.3m total members, compared to 1.2m members 2023, and sell 10.1m publications 2026, where 50% of sales is derived from online channels. This is equivalent to a revenue of NOK 2,039.6m 2026, which, combined with the revenue from the publishing segment (NOK 960.1m) corresponds to a total CAGR of 4.0% 2023-2026. During the same period, revenue of digital literature is expected to increase from constituting 21.7% to 41.3%, attributable to both the publishing and the retail segment. Hence, the gross margin is estimated to increase from 59.2% 2023 to 62.6% 2026 as digital solutions incur lower COGS due to lower material requirements. Furthermore, in line with the strategy of emphasizing higher profitability, the Company has guided for a reduction of the personnel base by 5% from 2024 to 2026. This reduction is expected to lower personnel expenses from 30.7% in 2023 to 28.7% of Sales in 2026, leading to an estimated EBIT margin expansion from -0.5% to 4.9% during the same period.

Reduced Cost Base Due to More Favourable Product Mix and Recently Implemented Cost Reduction Program.

Product mix, Personnel costs % of sales, Gross margin and EBIT margin 2023A-2026E



Source: Analyst Group estimates, the Company

[1] Norwegian Publishers' Association
[2] Ministry of Education and Research
[3] "Digital revenue" is defined as sales of a digital *product*

Investment Thesis

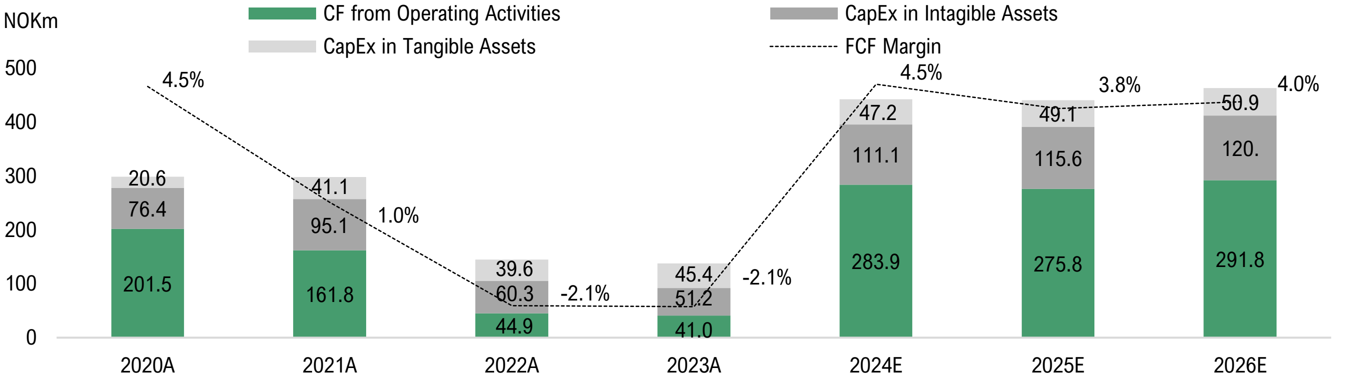
INTEGRATION OF AUTOMATED INVENTORY-STORAGE COMPLETED

Integration of Automated Inventory-Storage Expected to Free Tied-Up Cash Flow

In 2021, Gyldendal centralized warehousing through the acquisition of an automated inventory storage facility, in order to minimize need of manual labor, and to streamline inventory management. However, initial logistical challenges, such as transport between new and old inventory storage locations, caused *Days Inventory Outstanding* ("DIO") to rise from 125 days to 164 days between 2020 and 2023. However, as the Company announced the completion of this integration in 2024, DIO is expected to normalize to 125 days. This, combined with the previously mentioned EBIT improvement, is anticipated to boost operating cash flow from NOK 41.0m in 2023 to NOK 281.3m in 2026. This increase in cash flow will enable the Company to increase CapEx on intangible assets, which primarly consists of software development, from the three year average of 2.7% of sales to 4.0% of sales 2024-2026, while still improving the FCF[1] margin from -2.1% in 2023 to 4.0% in 2026. The Company has emphasized the importance of software investments to enhance the digital proposition of the retail segment and improve the quality of digital learning tools intended for the Curriculum. Thus, increased investments in software are expected to enhance Gyldendal's competitive edge in the digitalization of the book market, enabling the Company to continue supplying curriculum materials while remaining relevant to retail customers. Lastly, in 2023, the Company fully repaid all long-term interest-bearing debt (ex. leasing). Consequently, the increase in free cash flow may potentially result in resumed dividend payments.

Expected Normalization in DIO Set to Increase Operating Cash Flow, Allowing Increased CapEx-Spending and improved FCF-margin.

Prognostized FCF-affecting cash outflows



Source: Analyst Group's estimates, the Company

SWITCHING COSTS, PROOF OF CONCEPT AND HIGH CUSTOMER SATISFACTION

Size, Brand and Proof of Concept Creates a *Moat*

Gyldendal has existed for nearly a decade, and has since built up a position deeply engraved in the Norwegian literary world. This has resulted Gyldendal being the largest supplier to the Norwegian curriculum, which accounts for 27.6% of total revenue LTM. Firstly, as Gyldendal has been the largest supplier of literature to the curriculum for such an extended period of time, the proof of concept is well established, which makes it hard for new actors, without proof of concept, to get exposure to the faster growing submarket of school literature. Moreover, as both school staff and pupils now are getting used to the digital learning material of Gyldendal, the cost of switching to other suppliers increases, leading to even higher barriers of entry for new actors. Hence, Gyldendal has secured stable revenue streams from the submarket of school literature until the next reform, anticipated to come into force 2028.

Furthermore, Gyldendal's market share of ~30% in the publishing market, combined with the strong brand, makes it attractive for popular authors to publish their work trough Gyldendal. Gyldendal demonstrates this with exclusive rights to publish over half of this millennium's Nobel Prize winners and other popular authors. As smaller publishers cannot achieve the same reach for their published works, they fail to be attractive choices for popular authors. Hence, competitors find it harder to compete, showcased by the yearly 2% decrease in the number of Norwegian publishing enterprises from 2020-2023, while Gyldendal's market share increased from 26.5% to 29.0%. Furthermore, the large portfolio of publishing rights has forced actors such as Norli and Adlibris to cooperate with Gyldendal, which in turn improves the Company's reach, making the Company even more attractive for popular authors. Lastly, 1/5 of the Norwegian population are members of the retail segment ARK, and a study by Norsk Kundebarometer has concluded that customers of ARK are the most loyal within the overall Norwegian retail-market, which is a testament to Gyldendal's strong brand.

Digitalization Creates Low Barriers to Entry

The rapid digitalization of the book and publishing market creates lower barriers to entry, and could therefore pose a risk against future revenues and margins. However, Gyldendal's large portfolio of audio-books, capacity of increased investments in their digital proposition, and strong brand, combined with further barriers mentioned above, mitigates this risk. However, a more hard-mitigated risk is the low free float of 12.3%, which implies liquidity concerns, showcased by the 30-day average bid-ask spread of 7.2%.

[1]Adjusted for IFRS 16. Hence, leasing is fully deducted from CF from operating activities.

Financial Forecast

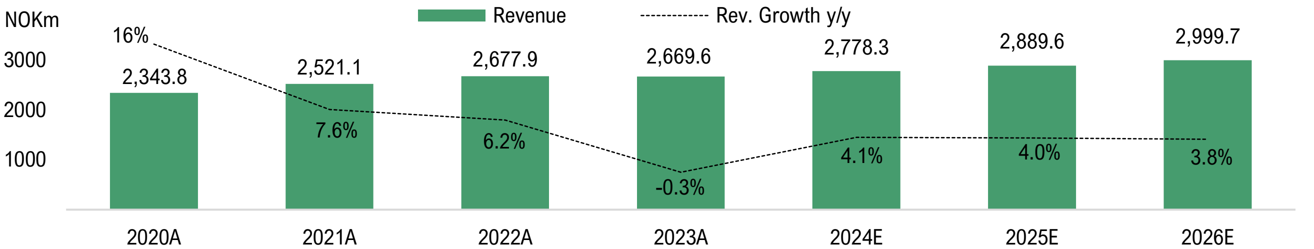
Revenue Forecast

Total revenue of NOK 2,999.7 2026E

Gyldendal's revenue is primarily derived from two segments: Publishing & Content Production, and Retail. Retail, driven by the wholly-owned subsidiary ARK, makes up 68.5% of LTM sales, while Publishing & Content Production accounts for 31.5%. In 2023, ARK sold 7.9 million publications, averaging 7 units per member, with 25.3% of total units being digital. Due to the lower average revenue per digital books of NOK 145, compared to NOK 260 for physical books, digital sales contributed 16.5% to ARK's total revenue. Since the omnichannel launch, units sold per member has increased from from 6 to 7. By 2026, the number of total members is estimated to increase from 1.2m to 1.3m, due to the already reputable name combined with the in-demand digital propositions, and sales per member is estimated to rise to 7.5 units due to recently expanded accessibility of the Omnichannel, which entails sales via a phone application. Hence, total publications sold by ARK are projected to reach 10.1m, of which 5.0m is estimated to be digital due to the growing demand for digital literature. Analyst Group has not estimated price increases, since literature prices has not correlated with inflation over the last 3 years. Given the average price per unit, NOK 260 for physical units and NOK 145 for digital units, a revenue of NOK 2,039.6m is estimated for the retail segment. The publishing segment is forecasted to sell 5.2m licenses and publications in 2026, up from 3.8m in 2023, with 3.5m estimated to be digital. This growth is driven by partnerships with Fabel Lyd, Storytel, and the Norwegian Curriculum, leading to an estimated revenue of NOK 960.1m. Combined, these segments are projected to sell 15.3m publications and licenses by 2026, leading to a a revenue CAGR of 4.0% from 2023 to 2026.

Revenue CAGR of 4.0% 2023A-2026E Corresponds to Estimated Revenue of NOK 2,999.7m in 2026E

Prognostized Revenue CAGR



Source: Analyst Group estimates, the Company

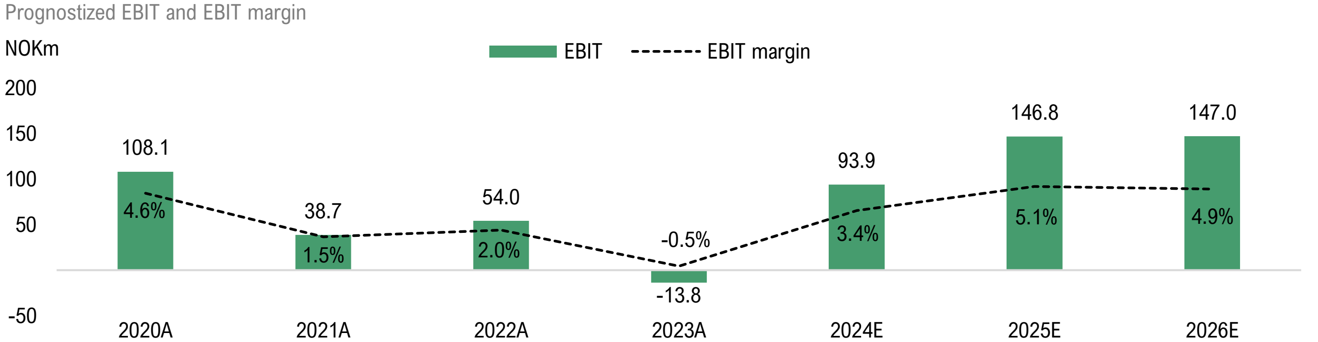
Cost Base Forecast

EBIT MARGIN OF 4.9% 2026E

Revenue from digital solutions, such as audiobooks, are projected to increase from 28.2% of revenue in 2023 to 41.4% in 2026. Consequently, the gross margin, which came in at 59.2% 2023, is estimated to rise to 62.6% due to reduced material requirements compared to physical books. Moreover, Gyldendal has announced a cost-saving program, consisting of a reduction of the workforce by 50 employees. Analyst Group anticipates half of this reduction to occur in 2024, with the remainder in 2025, resulting in an estimated decrease in Gyldendal's personnel from 880 in 2023 to 830 in 2025. With an average cost per employee of 0.93 MNOK in 2023, estimated to increase by 2% annually, personnel costs is estimated to decline from 30.7% of sales in 2023 to 27.8% in 2025. Gyldendal is estimated to resume hiring in 2026, expanding the workforce by 4.5% to support physical retail and administrative tasks which follows from growth, resulting in personnel costs corresponding to 28.7% of total revenue 2026. Other operating expenses, e.g marketing and administrative costs are projected to remain at historical levels of 18.5% of sales until 2026. Analyst Group estimates Gyldendal to increase CapEx on intangible assets, such as software, from the three-year average of 2.8% to 4.0% of sales over 2024-2026, to enhance the digital proposition. Therefore, D&A for intangible assets will rise from 2.2% to 3.1% of sales. In summary, estimated revenue growth combined with total operating costs in 2026 are expected to result in an EBIT growth from NOK -13.8m in 2023 to NOK 147.0m in 2026, expanding the EBIT margin from -0.5% to 4.9%.

Revenue EBIT Margin of 4.9% 2026E Corresponds to Estimated EBIT of NOK 147.0m in 2026E

Prognostized EBIT and EBIT margin



Source: Analyst Group estimates, the Company

Valuation

PEER AVERAGE OF 9.3X EV/EBIT

Peer Valuation

Given the absence of listed companies that combine publishing with retail, a group of North European peers has been selected to collectively represent the spectrum of book retail, publishing, and the intersection of physical and digital literature. Sanoma, a Finnish media company, provides both printed and digital educational content to Finnish schools, thereby reflecting Gyldendal's exposure to the Norwegian school market. Bastei Lübbe is a pure publishing house, while the Bokusgruppen is a specialized book retailer, offering both digital and physical books. Scandbook, a book manufacturer, is used to address the general physical book market, whereas Storytel has been chosen to reflect Gyldendal's digital offerings.

Peers	MCAP	EV[1]	EBIT-margin	CAGR	EV/EBITDA[2]	EV/EBIT[1]
Company Name	**NOKm**	**NOKm**	**2025E**	**2023A-2025E**	**2025E**	**2025E**
Storytel	4,450.1	4,850.3	8.4%	10.7%	7.5	13.6
Bastei Lubbe	1,314.4	1,196.5	12.2%	14.2%	6.2	7.2
Bokusgruppen	762.3	846.4	4.4%	5.2%	4.2	9.1
Sanoma	13,082.5	21,481.0	11.0%	0.6%	5.37	12.1
Scandbook	140.4	125.9	6.2%	6.0%	2.7	4.6
Average	3,949.9	5,700.0	8.4%	7.3%	5.2	9.3
Median	1,314.4	1,196.5	8.4%	6.0%	5.4	9.1
Gyldendal	1,038.2	1,189.0	5.1%	4.0%	3.8	7.6

Source: Analyst Group estimates, Bloomberg

DCF IMPLIES SHARE PRICE OF NOK 524.0

Discounted Cash Flow Analysis

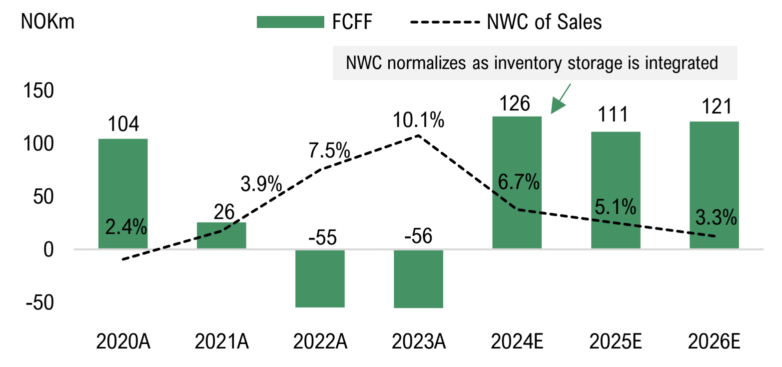
The peer valuation is complemented by a discounted cash flow analysis ("DCF"). The DCF consists of an explicit forecast period until 2026, a normalized period between 2026-2034, and a terminal period. During the explicit forecast period, Gyldendal is expected to grow net sales at a CAGR of 4.0%. Furthermore, the EBIT margin is estimated to expand from -0.5% in 2023 to 4.9% in 2026. In the normalization period from 2026-2034, the Company is expected to show an EBIT margin of 5.2%, as D&A ex. IFRS 16 is estimated to decrease from 5.0% of sales 2026 to 4.4% of sales at the end of the normalization period. Analyst Group also estimates that ongoing investments will be required to strengthen the digital proposition. Hence, CapEx is expected to be 5.7% of sales during the explicit forecast period, and is estimated to gradually revert to D&A-rate over the normalized period. Moreover, FCFF-margin (ex. IFRS 16) is expected to increase from -2.1% 2023 to 4.3% in 2034. Lastly, the terminal growth rate is expected to be 2.0%.

Expected Decrease of Temporarily High DIO After Recent Integration of Automated Inventory Storage is Expected to Normalize NWC-Levels.

Sensitivity Table and prognostized FCFF 2020A-2026E

Perpetual Growth Rate

WACC	0.5%	1.5%	2.0%	2.5%	3.5%
9.8%	583.5	622.4	645.6	672.0	737.2
10.8%	530.9	559.6	576.5	595.3	640.8
11.8%	489.7	511.4	524.0	537.9	570.7
12.8%	456.9	473.7	483.2	493.7	518.0
13.8%	430.5	443.6	451.0	459.1	477.5



NOK 520.1 BASE SCENARIO

Valuation: Base scenario

To account for the differences in capital structure of the peer companies, a forward 2025 EV/EBIT multiple has been utilized, where effects from IFRS 16 regarding operational and financial leasing is deducted from the EV. Based on the estimated 2025 EBIT of NOK 146.8m, an EV[1] of NOK 1,365.1m is implied, equivalent to a potential share price of NOK 516.2. Furthermore, a DCF model, based on a WACC of 11.8% and variables mentioned above, implies an intrinsic value of NOK 524.0 per share. When equally weighting the peer valuation and the DCF, a share price of NOK 520.1 is derived.

[1]EV adjusted for leasing effects from IFRS 16, as leasing is deducted in EBIT

[2]EV is *not* adjusted for leasing effects from IFRS 16, as leasing is not deducted in EBITDA

Bull & Bear

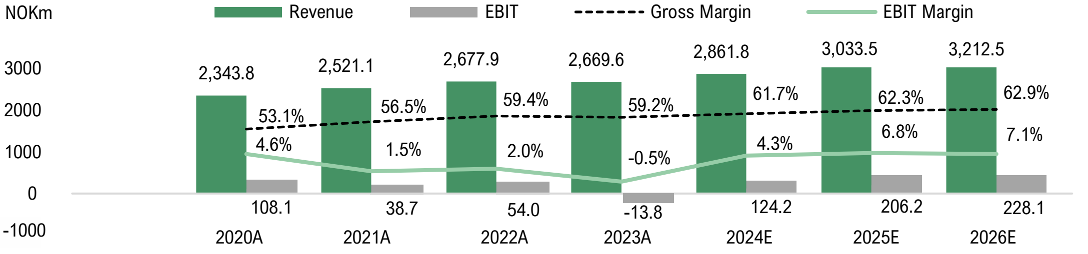
Bull Scenario

NOK 751.3
BULL SCENARIO

The implementation of an omnichannel strategy is, apart from being in line with the changing customer behavior, expected to attract new, younger target groups, thus cementing Gyldendal even deeper in the Norwegian literary world. Consequently, the number of ARK members is expected to increase from 1.2m in 2023 to 1.4m in 2026, where sales through online channels are estimated to constitute ~50% of revenue in 2026. Thus, the need for reemployment to support growth in a Bull scenario is, in absolute numbers, identical to the Base scenario, as sales through online channels are less personnel-intensive. Therefore, the number of employees is estimated to be 867 in 2026. Moreover, extended contracts regarding digital literature with the Norwegian curriculum, in combination with agreements with Storytel and Fabel Lyd, are expected to act as a catalyst for further cooperations with private actors in the digital literature market. The scenario of cooperation with private actors is further reinforced by Gyldendal's large portfolio of audiobook rights, combined with the strengthened digital proposition realized by the estimated increase in CapEx attributable to the development of software. Consequently, the total number of sold media publications is estimated to be 16.1m, equivalent to a revenue CAGR of 6.4%, where 9.1m consist of digital solutions, such as audiobooks (primarily attributable to the increased number of ARK members) and licenses for the right of using them (primarily attributable to cooperation with the Norwegian curriculum and private companies). The more favorable product mix is estimated to result in a gross margin expansion from 59.1% in 2023 to 62.9% in 2026. Furthermore, the estimated number of employees of 867 in 2026 is expected to correspond to NOK 860.1m in personnel expenses, leading to personnel expenses in relation to revenue decreasing from 30.7% in 2023 to 26.8% in 2026. This corresponds to an estimated EBIT of NOK 206.2m in 2025, to which a target multiple of 9.3x EV/EBIT is applied, implying a potential share price of NOK 751.3.

The Company is Estimated to Reach an EBIT margin of 7.1% 2026E in a Bull Scenario.

Prognostized Revenue, EBIT, Gross Margin and EBIT Margin 2020A-2026E



Source: Analyst Group's estimates, the Company

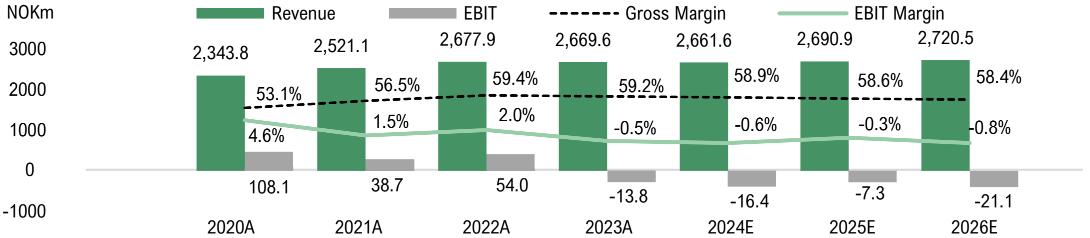
Bear Scenario

NOK 226.7
BEAR SCENARIO

The digitalization of the market creates lower barriers to entry, allowing new competitors to enter the market. Hence, Gyldendal's historical advantage of being able to outcompete smaller publishing enterprises due to economies of scale is put out of play, leading to an increasing number of small publishing enterprises. As more competitors enter the market, potential customers receive more choices, which results in stagnation in number of sold media publications 2023-2026, with a flat revenue growth as a result. Consequently, market share will decrease from 28.2% to 25.8%. Moreover, the Company's revenue from the Norwegian curriculum decreases, as new entrants with innovative solutions becomes more attractive, which aggravates the possibility of initiating agreements with private actors. Consequently, the previous power of Gyldendal's brand decreases. The remaining customers are therefore estimated to be previously won long-term customers, who prefers physical books, leading to digital solutions as a percentage of sales decreasing from 28.2% 2023 23.5% 2026, which is estimated to result in a gross margin contraction of 0.8 percentage units 2023-2026. Summed up, Gyldendal is estimated to generate an EBIT of NOK -7.3m 2025, and an EBITDA of NOK 275.2m. Based on today´s EV (inc. IFRS 16), Gyldendal is currently trading at 6.3x 2025 EBITDA. However, Analyst Group judge that a fair forward target multiple is derived from a 10% discount to the peer average, as Gyldendal, unlike chosen peers, is estimated to have a negative EBIT margin 2025. Hence, given a target multiple of 4.7x EV/EBITDA, a share price of NOK 226.7 is derived.

The Company is Estimated to Reach an EBIT Margin of -0.8% 2026E in a Bear Scenario.

Prognostized Revenue, EBIT, Gross Margin and EBIT Margin 2020A-2026E



Source: Analyst Group's estimates, the Company

Appendix – Base Scenario

Base Scenario	2020A	2021A	2022A	2023A	2024E	2025E	2026E
Net Sales	2,343.8	2,521.1	2,677.9	2,669.6	2,778.3	2,889.6	2,999.7
Other income	0	0	0	0	0	0	0
Total Income	**2,344**	**2,521**	**2,678**	**2,670**	**2,778**	**2,890**	**3,000**
COGS	-1,099.5	-1,095.8	-1,086.3	-1,090.2	-1,066.9	-1,100.9	-1,121.9
Gross profit	**1,244.4**	**1,425.3**	**1,591.6**	**1,579.5**	**1,711.5**	**1,788.7**	**1,877.8**
Gross margin	53.1%	56.5%	59.4%	59.2%	61.6%	61.9%	62.6%
Personnel expenses	-572.	-665.9	-763.0	-818.3	-810.95	-802.98	-860.
Other operating expenses	-342.1	-467.1	-500.9	-494.7	-514.9	-535.5	-555.9
EBITDA	**330.3**	**292.4**	**327.8**	**266.4**	**385.6**	**450.2**	**461.9**
EBITDA margin	*14.1%*	*11.6%*	*12.2%*	*10.0%*	*13.9%*	*15.6%*	*15.4%*
D&A	-222.2	-253.6	-273.7	-280.3	-291.7	-303.4	-315.
EBIT	**108.1**	**38.7**	**54.0**	**-13.8**	**93.9**	**146.8**	**146.96**
EBIT margin	*4.6%*	*1.5%*	*2.0%*	*-0.5%*	*3.4%*	*5.1%*	*4.9%*
Financial net	-7.7	13.1	-25.1	-35.1	-31.6	-34.6	-37.6
EBT	**100.4**	**51.8**	**28.9**	**-48.9**	**62.3**	**112.1**	**109.3**
Tax	-19.6	-9.1	-8.5	4.1	0	-27.6	-24.1
Net Profit	**80.7**	**42.8**	**20.4**	**-44.8**	**62.3**	**112.1**	**109.3**
Profit margin	*3.4%*	*1.7%*	*0.8%*	*-1.7%*	*2.2%*	*3.9%*	*3.6%*

Key metrics - Base Scenario	2020A	2021A	2022A	2023A	2024E	2025E	2026E
EV/EBIT	10.4x	28.9x	20.7x	-80.9x	11.9x	7.6x	7.6x
P/E	12.0x	22.6x	47.5x	-21.6x	15.6x	8.6x	8.9x

Appendix – Bull Scenario

Bull Scenario	2020A	2021A	2022A	2023A	2024E	2025E	2026E
Net Sales	2,343.8	2,521.1	2,677.9	2,669.6	2,861.8	3,033.5	3,212.5
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Income	**2,343.8**	**2,521.1**	**2,677.9**	**2,669.6**	**2,861.8**	**3,033.5**	**3,212.5**
COGS	-1,099.5	-1,095.8	-1,086.3	-1,090.2	-1,096.1	-1,143.6	-1,191.8
Gross profit	**1,244.4**	**1,425.3**	**1,591.6**	**1,579.5**	**1,765.7**	**1,889.9**	**2,020.7**
Gross margin	*53.1%*	*56.5%*	*59.4%*	*59.2%*	*61.7%*	*62.3%*	*62.9%*
Personnel expenses	-572.1	-665.9	-763.0	-818.3	-810.95	-803.	-860.1
Other operating expenses	-342.1	-467.1	-500.9	-494.7	-530.3	-562.2	-595.3
EBITDA	**330.3**	**292.4**	**327.8**	**266.4**	**424.5**	**524.7**	**565.3**
EBITDA margin	*14.1%*	*11.6%*	*12.2%*	*10.0%*	*14.8%*	*17.3%*	*17.6%*
D&A	-222.2	-253.6	-273.7	-280.3	-300.5	-318.5	-337.3
EBIT	**108.1**	**38.7**	**54.0**	**-13.8**	**124.2**	**206.2**	**228.1**
EBIT margin	*4.6%*	*1.5%*	*2.0%*	*-0.5%*	*4.3%*	*6.8%*	*7.1%*
Financial net	-7.7	13.1	-25.1	-35.1	-31.6	-34.6	-37.6
EBT	**100.4**	**51.8**	**28.9**	**-48.9**	**92.3**	**171.6**	**190.4**
Tax	-19.6	-9.1	-8.5	4.1	0.0	-47.3	-41.9
Net Profit	**80.7**	**42.8**	**20.4**	**-44.8**	**92.3**	**124.3**	**148.5**
Profit margin	*3.5%*	*1.7%*	*0.8%*	*-1.7%*	*3.2%*	*4.1%*	*4.6%*

Key metrics - Bull Scenario	2020A	2021A	2022A	2023A	2024E	2025E	2026E
EV/EBIT	10.4x	28.9x	20.7x	-80.9x	9.0x	5.4x	4.9x
P/E	12.0x	22.6x	47.5x	-21.6x	10.5x	7.8x	6.5x

Appendix – Bear Scenario

Bear Scenario	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net Sales	2,343.8	2,521.1	2,677.9	2,669.6	2,661.6	2,690.9	2,720.5
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Income	**2,343.8**	**2,521.1**	**2,677.9**	**2,669.6**	**2,661.6**	**2,690.9**	**2,720.5**
COGS	-1,099.5	-1,095.8	-1,086.3	-1,090.2	-1,093.9	-1,114.0	-1,131.7
Gross profit	**1,244.4**	**1,425.3**	**1,591.6**	**1,579.5**	**1,567.7**	**1,576.9**	**1,588.8**
Gross margin	53.1%	56.5%	59.4%	59.2%	58.9%	58.6%	58.4%
Personnel expenses	-572.1	-665.9	-763.0	-818.3	-810.95	-802.98	-820.
Other operating expenses	-342.1	-467.1	-500.9	-494.7	-493.2	-498.7	-504.1
EBITDA	**330.3**	**292.4**	**327.8**	**266.4**	**263.5**	**275.2**	**264.6**
EBITDA margin	*14.1%*	*11.6%*	*12.2%*	*10.0%*	*9.9%*	*10.2%*	*9.7%*
D&A	-222.2	-253.6	-273.7	-280.3	-279.5	-282.5	-285.7
EBIT	**108.1**	**38.7**	**54.0**	**-13.8**	**-16.**	**-7.3**	**-21.**
EBIT margin	*4.6%*	*1.5%*	*2.0%*	*-0.5%*	*-0.6%*	*-0.3%*	*-0.8%*
Financial net	-7.7	13.1	-25.1	-35.1	-31.6	-31.9	-33.9
EBT	**100.4**	**51.8**	**28.9**	**-48.9**	**-47.6**	**-39.2**	**-54.9**
Tax	-19.6	-9.1	-8.5	4.1	0	0	0
Net Profit	**80.7**	**42.8**	**20.4**	**-44.8**	**-47.6**	**-39.2**	**-54.9**
Profit margin	*3.44%*	*1.7%*	*0.8%*	*-1.7%*	*-1.8%*	*-1.5%*	*-2.0%*

Key metrics - Bear Scenario	**2020A**	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EV/EBIT	10.4x	28.9x	20.7x	-80.9x	-70.1x	-152.8x	-53.2x
P/E	12.0x	22.6x	47.5x	-21.6x	-20.4x	-24.7x	-17.6x

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Other
The Principal, **Gyldendal ASA** (furthermore" the Company") has had no opportunity to influence the parts where Analyst Group has had opinions about the Company's future valuation or anything that could constitute an objective assessment.

The analyst does not own shares in the Company.