Gabriel Holding A/S

Initiation of coverage

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HC ANDERSEN CAPITAL

Improving indicators suggest a return to growth

Our assessment indicates that the worst of the current downturn in the furniture and broader real estate market has passed. This is supported by leading indicators and a more optimistic outlook for the industry and Gabriel's international customers. Gabriel has recently upgraded its guidance for 2023/24, indicating a somewhat positive momentum compared to initial expectations. Margins and return on capital improvements are expected to materialize in a new growth cycle. We see returning growth in major markets, improving capacity utilization, and a lower inflationary outlook to drive profitability improvement. We initiate our coverage of Gabriel with an Accumulate recommendation and target price of DKK 295 per share with a fair value range of DKK 235-315.

Gabriel is a niche company within the global furniture fabrics industry

With roots back to 1851, Gabriel is today a niche company within the global furniture industry. Over the past decade, Gabriel has accelerated its growth through significant investments such as acquisitions and international expansion, opening showrooms across regions. In 2022/23, Gabriel's revenue split was ~75% Europe, ~20% North America, and ~5% Asia Pacific. Besides a potential better macro-outlook for investments in corporate spending across regions, furniture industry drivers include a return to offices post-COVID-19 and changing furniture needs from hybrid work as investments are made to modernize office spaces. Within its niche, Gabriel can accelerate growth by growing with its larger customers, broadening penetration of the furniture value chain, and expanding its international footprint.

We expect a return to growth – but below the company's target

Gabriel is currently focusing on profitability and cash flow in response to weak market conditions. However, the company maintains its 15/15/15 targets, aiming for >15% revenue growth, >15% EPS growth, and >15% ROIC (before tax), despite being far from these since 2022/23. Due to weaker earnings and a higher NIBD/EBITDA ratio of around 5.6x, Gabriel currently has less flexibility to invest in growth. Consequently, we estimate that revenue will grow to a top single-digit rate in the medium term before approaching a steady state. Unless market growth improves beyond our current expectations, we struggle to see that Gabriel can grow at historical levels (2014/15-2022/23 CAGR of 13.6%, including acquisitions), given the reduced ability to invest at the previous pace. We expect EBIT margin improvements from higher revenue levels and operational gearing towards its historical top of 10% in the medium term before reaching its historical average level of approx. 7.5% in the long term.

Revenue and earnings growth from 2024/25e and onwards drive expected return

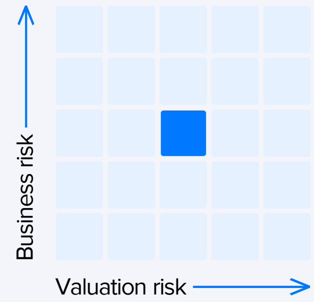
The short-term earnings multiples provide little valuation insights due to the current low cyclical earnings. Looking into 2024/25e, Gabriel trades at around 17x EV/EBIT, which is slightly below the median of our Danish-listed cyclical peers (Capital IQ estimates), and slightly below Gabriel's historical EV/EBIT of around 20x. In the following year, 2025/26e, we believe that earnings-based ratios of P/E 9.4x and EV/EBIT 9.7x look attractive. However, with no close listed peers and slower expected growth than historically, we focus more on our DCF valuation, which better values the long-term outlook. Our DCF model provides a value per share of DKK 307, suggesting a return above our required return. The recent upgrade in Gabriel's expectations and a more optimistic industry outlook, based on leading indicators, support our Accumulate recommendation. However, investors must be aware that macroeconomic drivers can change Gabriel's growth outlook and expected margin improvements quickly.

Recommendation

Accumulate

DKK 295

Share price:
DKK 260



Key figures

	2023	2024e	2025e	2026e
Revenue	931.2	911.2	973.7	1068.3
growth-%	-13%	-2%	7%	10%
EBIT adj.	15.9	12.9	45.1	75.2
EBIT-% adj.	1.7 %	1.4 %	4.6 %	7.0 %
Net Income	-4.3	-3.4	27.5	52.5
EPS (adj.)	-2.29	-1.78	14.53	27.76

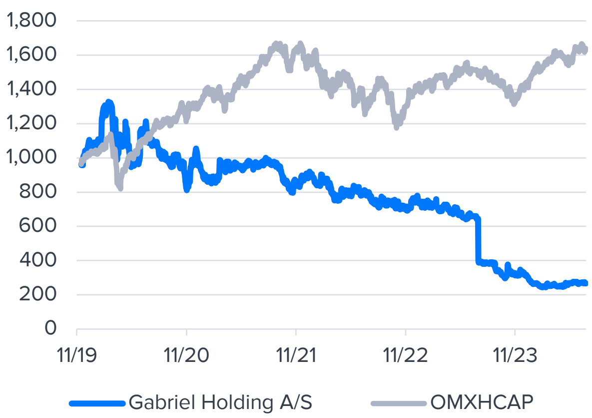
P/E (adj.)	neg.	neg.	17.9	9.4
P/B	1.8	1.5	1.4	1.2
Dividend yield-%	0.0 %	0.0 %	0.0 %	3.2 %
EV/EBIT (adj.)	59.0	61.1	16.9	9.7
EV/EBITDA	14.6	12.9	8.3	6.0
EV/S	1.0	0.9	0.8	0.7

Source: HC Andersen Capital

Guidance

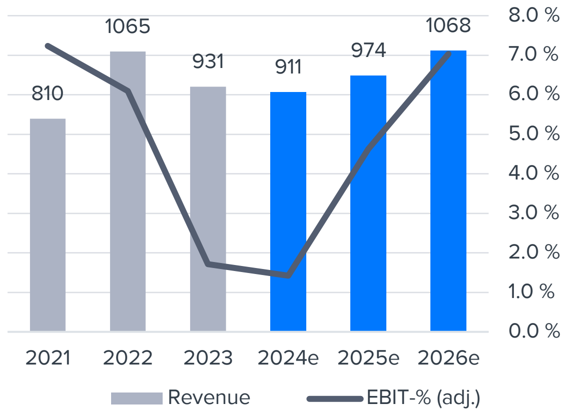
Gabriel's fiscal 2023/2024 revenue and EBIT guidance are slightly lower than realized results last accounting year. Following a guidance upgrade in April 2024, Gabriel now expects revenue in the range of DKKM 880-930 and EBIT in the range of DKKM 8-15.

Share price



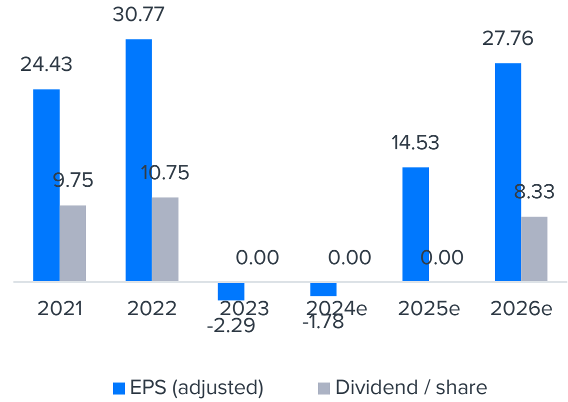
Source: Capital IQ

Revenue and EBIT-% (adj.)



Source: HC Andersen Capital

EPS and DPS



Source: HC Andersen Capital

Value drivers

- Return to revenue and margin growth supported by improving macro conditions
- Industry turnaround, return to the office, and modernize workspaces
- Solid market position with room to grow with market leading customers and further international expansion

Risk factors

- Highly cyclical business correlated with housing market conditions and interest rates
- Gabriel's debt is high relative to EBITDA, implying a significant risk if interest rates increase or earnings decline
- Low share liquidity

Valuation	2024e	2025e	2026e
Share price	260.0	260.0	260.0
Number of shares, millions	1.89	1.89	1.89
Market cap	491	491	491
EV	790	763	731
P/E (adj.)	neg.	17.9	9.4
P/E	neg.	17.9	9.4
P/FCF	10.3	13.9	12.5
P/B	1.5	1.4	1.2
P/S	0.5	0.5	0.5
EV/Sales	0.9	0.8	0.7
EV/EBITDA	12.9	8.3	6.0
EV/EBIT (adj.)	61.1	16.9	9.7
Payout ratio (%)	0.0 %	0.0 %	30.0 %
Dividend yield-%	0.0 %	0.0 %	3.2 %

Source: HC Andersen Capital

Note: Gabriel has skewed reporting periods. Fiscal year 2023/2024 is 1 Oct 2023 – 30 Sept 2024. In the above graphs and table to the right, 2024e reflects Gabriel's 2023/24 fiscal period. 2025e reflects fiscal period 2024/25 and 2026e reflects fiscal period 2025/26.

Contents

Gabriel in brief

Gabriel is a niche company within the global furniture industry, which throughout the value chain develops, manufactures, and sells furniture fabrics, components, upholstered surfaces, and related products and services.

1851
Established in Aalborg, Denmark

1984
Gabriel A/S was listed on the stock exchange

931.2 MDKK (-12.6% vs. 2021/22)
Net sales 2022/23

15.9 MDKK (1.7% of net sales)
EBIT 2022/2023

~1,200
Employees globally, as of Q2 2023/24

1851-1983: Textiles producer for clothing and upholstery

- Kjærs Mølle was founded in Aalborg in 1851 to produce woolen textiles for clothing and later upholstery
- Kjærs Mølle merged with Gabriel Boligtekstiller ApS in 1983 to form Gabriel A/S, focused on upholstery fabrics.

1984-2002: IPO and growing focus on exports in Europe

- Gabriel was listed on Copenhagen Stock Exchange in 1984.
- Jørgen Kjær Jacobsen (current Chairman) became CEO in 1985.
- A consortium of businessmen bought a majority in Gabriel Holding A/S in 1997.
- Outsourcing of spinning mill in 2000.

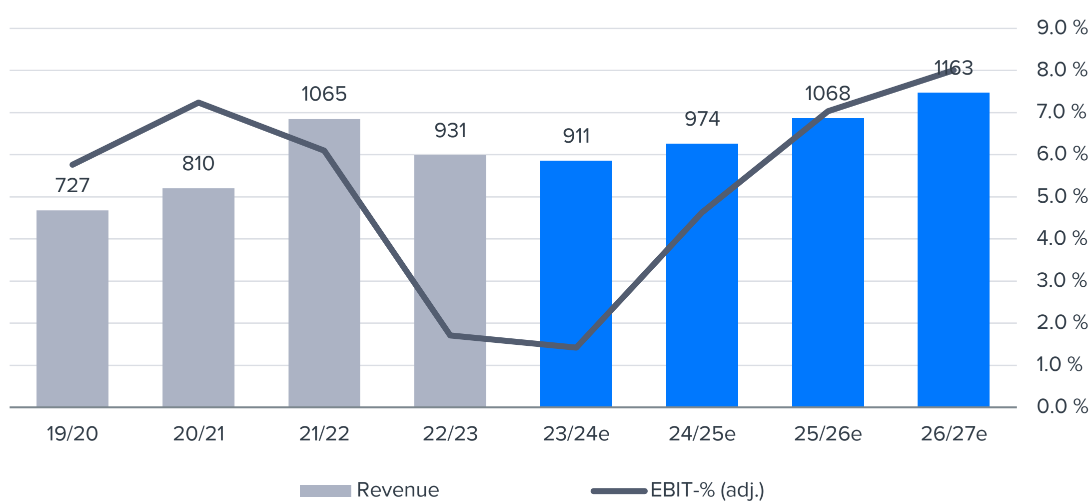
2003-2011: Expansion with acquisitions and outsourcing

- Gabriel Asia Pacific was established in China in 2003.
- Gabriel moved its looms and fabrics production to Lithuania and acquiring 40% of the dye works, UAB Scandye.
- Current CEO Anders Hedegaard Petersen was appointed CEO in 2011.

2012-now: Growing focus on the international and US markets

- Gabriel established further European and US subsidiaries.
- US FurnMaster unit established, and Screen Solutions acquired in 2016.
- Acquired BTC (LT), in 2018, then Grupo RYL (MX), and Visiotex (DE) in 2019.
- 20% of revenues were from the US in 2022/23.

Revenue and EBIT-% development



Source: Gabriel and HC Andersen Capital.

Company description and business model 1/9

Furniture fabrics company since 1851

With roots back to 1851, Gabriel is today a larger player in the premium furniture fabrics market. Gabriel specializes in high-performance upholstery fabrics and comprehensive furniture solutions operating as a partner across the full furniture value chain from conceptualization, design, production, and delivery of products, fabrics, and services across regions.

Gabriel sells B2B, providing fabric and product design, production, upholstery, delivery, promotion services, and more to large international customers. Gabriel's fabrics and industry expertise support its partner-based relationships with customers, who are typically furniture original equipment manufacturers (OEMs). Gabriel does not sell directly to end-user markets e.g. businesses, homeowners, and interior designers.

To offer a full-service solution, Gabriel has multiple business units, Fabrics, FurnMaster, SampleMaster, and Screen Solutions. Fabrics designs and produces high-performance upholstery fabrics for furniture OEMs globally. FurnMaster offers part/complete outsourced furniture design, production, and upholstery, from component sourcing to storage and distribution. SampleMaster provides a full suite of sample services, designing and developing sample packages for promotion activities across materials. Screen Solutions produces office partitions, acoustic booths, acoustic paneling, and sound masking solutions (via its Acoustic Comfort) for offices.

Gabriel retains upholstery fabrics development at its core, with its services extending across the full furniture development vertical, making it an ideal partner for designers/architects for companies across markets.

Global presence after several acquisitions

In the last decades, Gabriel has grown significantly and expanded its geographical presence, both organically and through acquisitions.

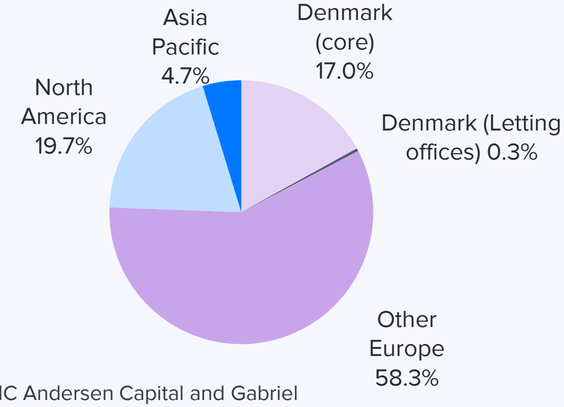
Since 2015, Gabriel Holding A/S has operated under three geographical subsidiaries, broadly covering Europe, North America, and Asia Pacific. Gabriel's headquarters in Aalborg, which is leased back to Gabriel and other external tenants, has been held in a separate subsidiary, Gabriel Ejendomme A/S, since 2011.

Gabriel employs approx. 1,200 employees globally with approx. 850 production employees (Q2 2023/24). Production facilities are located in Lithuania, Poland, Mexico, and the UK. Geographically, Gabriel's market position is strongest in Europe, as Gabriel's revenue exposure was 17% in Denmark, 58% in Europe ex. Denmark, 20% in North America, and 5% in Asia and other countries, based on the 2022/2023 fiscal year (1 October 2022 to 30 September 2023). This is generated from its sales offices globally, including large cities in Europe, USA, and Asia.

Headwinds after tailwinds from pandemic

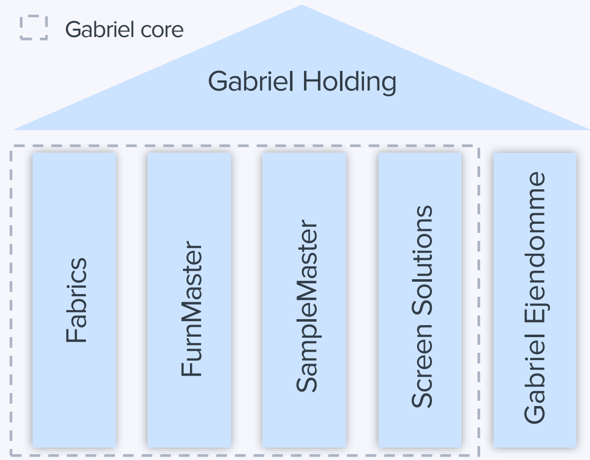
After a high double-digit topline growth rate in 2021/22 due to significant post-pandemic tailwinds, Gabriel has faced more challenging markets due to macroeconomic uncertainty. In 2022/23, Gabriel's sales were 931.2 MDKK (-12.6% vs. 2021/22) with an EBIT of 15.9 MDKK.

Net sales distribution, 2022/23



Source: HC Andersen Capital and Gabriel

Gabriel business structure



Source: HC Andersen Capital and Gabriel

Company description and business model 2/9

Premium fabrics and full value-chain offering

Gabriel's market is niche. Gabriel innovates and develops its fabrics in line with the needs of its customers with whom it has long-standing (multi-decade) relationships. Gabriel creates knowledge-based partnerships with clients based on its expertise across the value chain, adding value not only from its fabrics, but also its furniture design, production, sales, logistics, etc. Gabriel grows with its leading customers, both as they grow with the market and by servicing a greater share of its product lines and, hence increasing its share of their total fabric purchases.

Gabriel's additional business units service upstream and downstream segments of the upholstery and furniture value chain, supporting customers across the furniture vertical and broadening market access. Gabriel, therefore, works across the premium furniture value chain, from product idea to delivery, with a specialization in fabrics and upholstery, and a full suite of value-added services.

Fabrics - Established 1851

Fabrics remain at Gabriel's core, which are produced in Lithuania (including dyeing and finishing). The fabrics business is largely volume-driven, and therefore, Gabriel focuses on growing with its around 70 highest potential customers. Longstanding knowledge-based partnerships are formed with clients, and fabric agreements are commonly rolled over product life cycles. Notable clients include MillerKnoll and Steelcase, leading US producers of premium office and residential furniture, whom we assume are Gabriel's two largest accounts with a combined revenue of more than 20% in 2022/23. Demand visibility is somewhat limited at around 6-8 weeks as its B2B nature doesn't deal directly with end-user markets. Gabriel's fabrics are also sold via FurnMaster and SampleMaster, but not exclusively.

Gabriel develops its fabrics on a continuous basis, and recently acquired Visiotex (2019) to integrate its knitting technology as part of its continued product development.

FurnMaster – Established 2012

Initially cutting and upholstering its fabrics for some clients, FurnMaster now offers complete outsourced furniture production from its facilities in Lithuania, Poland, and Mexico and supports clients' product design. FurnMaster produces wooden and fabric components, cutting, upholstery, assembly, finishing, storage, and distribution services for Gabriel's fabrics and non-fabrics customers in Europe and the US.

SampleMaster – Established 2013

SampleMaster develops sample kits and promotion resources, supporting its clients' (including Gabriel) sales processes e.g. with designers/architects. SampleMaster also utilizes its furniture expertise to support clients' product conceptualization, design, prototyping, and promotion logistics.

Screen Solutions – Acquired 2016

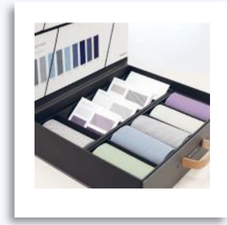
Screen Solutions specializes in acoustic solutions for offices, including screens, low- and high-level partitions, collaborative meeting booths, sofas, pod systems, acoustic wall, ceiling panelling, and sound masking for office and public spaces. It also supports customers with strong furniture design expertise.

Business unit overview

Fabrics

FurnMaster

SampleMaster



Screen Solutions

Source: HC Andersen Capital and Gabriel

Sales channels

Business unit	Sales channel
Fabrics	Furniture producers (per m^2)
	Upholstery via FurnMaster
	Material via SampleMaster
FurnMaster	Furniture producers
Sample Master	Furniture producers
Screen Solutions	Furniture producers

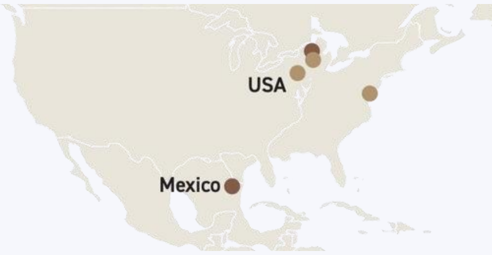
Source: HC Andersen Capital

Company description and business model 3/9

Geography	Development and strategy	% of revenue	3-yr sales CAGR (FY19/20 - FY22/23)	Selected customers
Europe	• Solid 5-yr growth in Denmark and moderate in Europe. • Strategy to grow with customers across business units and add new customers via sales efforts and new showrooms in Munich, Hamburg, London, Madrid, and Helsinki in 2023.	~75%	8.0%	KEILHAUER, Teknion, BERNHARDT, BEN SEN, HBF, bene
USA	• Double-digit 5-year topline growth in the US, following successful sales efforts, high investment, and local FurnMaster production capabilities. • A step back in 2023/2024, but showrooms in New York, Chicago, and Grand Rapids can drive growth with a focus on Fabrics and FurnMaster.	~20%	14.3%	EFG, viasit, MillerKnoll, Flokk, sedus, DESIGNTEX
Asia	• Roughly stable 5-year development as China's economy struggles to recover from its real estate crisis. • Continued opportunity in Asia, particularly when macro conditions improve as rising Asian incomes grow the premium fabrics market.	~5%	-0.8%	girsberger, Wilkhahn, Kinnarps, ahrend, EFG, Steelcase

Europe

Rest of the World



Product line brands

- **Gabriel** — **Head office:** Aalborg (Denmark). **Sales offices:** The Nordics, Germany, France, UK, Italy, Spain, Lithuania, USA, China, The Philippines, Thailand, Singapore. **Production**: Lithuania
- **FurnMaster** — **Head office:** Aalborg, Denmark. **Sales offices:** Grand Rapids (USA), Bingen (Germany). **Production:** Lithuania, Poland, Mexico, UK.
- **SampleMaster** — **Head office:** Aalborg (Denmark). **Sales offices:** Bingen (Germany). **Production:** Lithuania.

Source: Gabriel, FY 2022/2023 annual report

Company description and business model 4/9

Europe

Denmark, and Europe have been Gabriel's core markets since its inception in 1851 and remain its largest markets today, accounting for around 75% of sales in 2022/23 (down from around 85% in 2017/18) with 14 sales offices across Europe. Denmark is home to Gabriel's HQ in Aalborg.

Gabriel is among the market leaders in Denmark, where it has grown its market share in recent years, with a strong position in Germany and a growing presence throughout the continent, opening new showrooms in the UK, Spain, Italy, Germany, and Finland in recent years, with supporting sales offices.

The European market is fragmented with many suppliers both large and small, and Gabriel pursues continued growth in the region, with the opportunity to grow its share of key customer accounts, by servicing a greater share of its total fabrics needs and supported by investments in European showrooms.

Gabriel's full-suite production facilities in Eastern Europe can also support market share development as Gabriel's other business units service a greater part of the value chain. This can both grow existing client accounts (cross-selling) and broaden its market potential (new customers). FurnMaster and SampleMaster, have comparatively lower market shares, with stronger growth potential, particularly with SampleMaster addressing a largely unaddressed market. Denmark has outpaced growth in other European markets in recent years with total Europe growing at a 6.5% 5-yr CAGR.

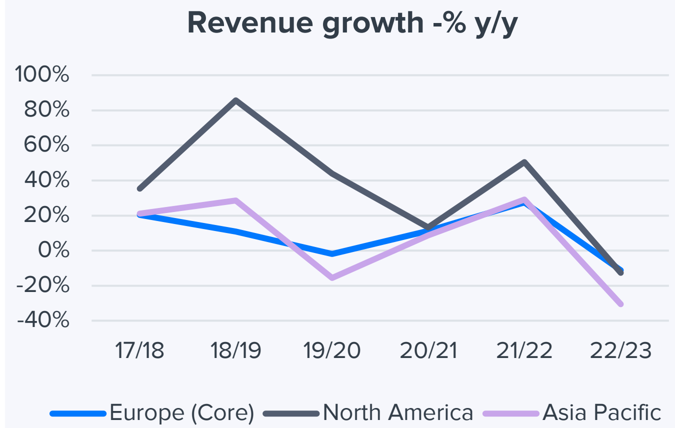
North America

Gabriel North America was established in 2015, followed by a FurnMaster unit in 2016, to better service US customers and expand Gabriel's global footprint. In 2019 Grupo RYL, Mexico, was acquired, expanding and housing all US FurnMaster activities. Three sales offices in the US (Grand Rapids, Chicago, and New York) support sales initiatives and North America has been Gabriel's fastest growing region over the past 5 years, with generally double-digit revenue growth, but declining -13% in 2022/23. Gabriel has ongoing potential to develop its US market with existing customers, FurnMaster production in Mexico, and key showrooms.

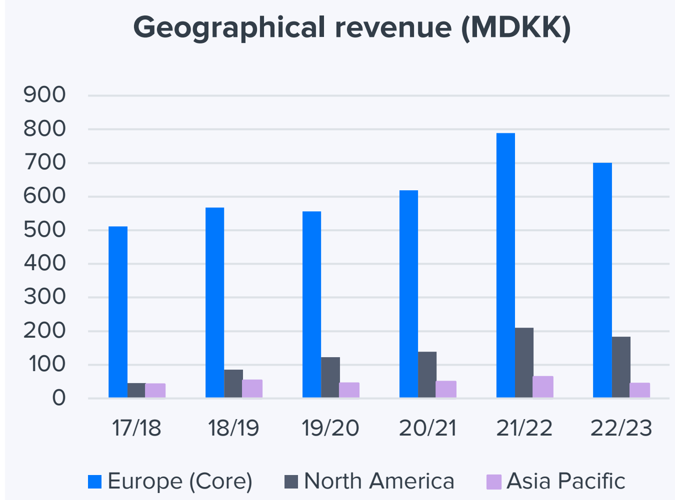
Asia Pacific

Gabriel Asia Pacific was established in 2003 as part of greater global ambitions, reflecting 5% of revenues in 2022/23 and generally maintaining ~5% share of revenue for the last 5 years. Gabriel Asia Pacific has found some momentum in the upper premium furniture segment, primarily in China. However, activities have been negatively impacted by recent economic weakness, and particularly as it relates to a real estate crisis in China, which has direct negative implications for furniture demand.

Despite recent lackluster growth, Asia's market potential remains significant, as growing incomes support premium furniture demand, and Gabriel added several customers in 2022/23. However, we assess that Asia is currently a lower priority market given greater investments in Europe and the US.



Source: HC Andersen Capital and Gabriel



Source: HC Andersen Capital and Gabriel

Company description and business model 5/9

Business cyclicality

Gabriel experiences high industry cyclicality, due to the durable goods nature of furniture and upholstery services. While industry-specific trends also affect demand, e.g. return to the office, Gabriel is also largely dependent on the business cycle, with strong markets, boosting office and home newbuilding activity, rising employment accelerating office upsizing/upgrades, and greater corporate and consumer budgets lifting investment in furniture. For example, during the 2008 financial crisis, revenues fell around -29% y/y, with EBIT margins falling to around 3%. High cyclicality was also observed during COVID-19 pandemic in both directions, see figure to the right.

Raw materials sourcing and input inflation

Costs of sales have been historically stable around 53-55% of revenue, jumping to 58.4% in 2021/22, part-normalizing to 56.6% in 2022/23. We expect easing inflationary pressures will enable cost of sales a return to its historic range. Production staff costs, a component of sales costs, have risen by around 2% of revenue since 2020/21 due to overtime and inflationary pressures, however, following staff reduction of around 17-18% from their peak as of Q2 2023/24 we expect production staff costs to fall quickly back to normalized levels with a positive gross margin effect.

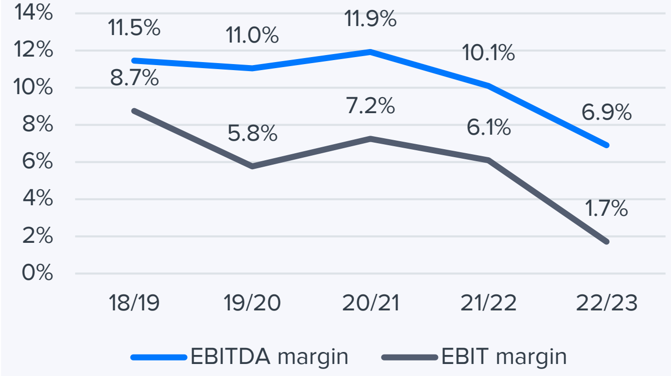
Operating efficiency during volatility

Operating efficiency (staff costs + other external expenses) has generally improved in recent years, falling as a share of revenue. Staff costs have been relatively stable as a share of revenue as Gabriel has grown white-collar employees alongside business growth, while other external costs have fallen as a share of revenue. We expect that Gabriel has some staff overcapacity anticipating a market rebound, which can drive further operating efficiency improvement if/when markets normalize.

Operating leverage – fixed/variable costs

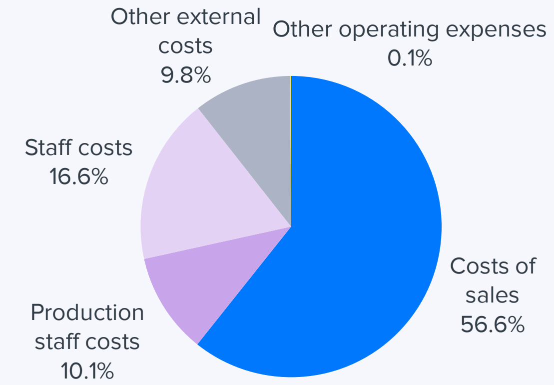
Gabriel has significant operating leverage resulting from its fixed asset base, which has grown in recent years following acquisitions to expand production capacity and global showroom openings. While labor remains a significant share of costs, which are somewhat more variable, the costs of servicing its asset base (D&A) have grown in recent years. This greater operating leverage increases EBIT volatility, which can be negative in weak markets, but positive in strong markets, contributing to greater cyclicality of earnings.

EBITDA & EBIT development -%



Source: HC Andersen Capital and Gabriel

Costs structure % sales 2022/23



Source: HC Andersen Capital and Gabriel

Company description and business model 6/9

Depreciation and amortization

D&A has increased as a share of revenue due to Gabriel expanding its fixed asset base, including the acquisition of Grupo RYL, Mexico in 2019, and investment in showrooms, capitalized product development, and other PP&E. This growth in D&A has negatively impacted net income in recent years. However, we expect that Gabriel will slow its CAPEX in 2023/24e and 2024/25e, given its high debt level. With limited new CAPEX, a roughly stable D&A level in the following years can support margin expansion if revenue returns to growth. This is also supported by our view that Gabriel currently experiences some underutilization.

Higher interest rates lifting interest expense

Gabriel's debt has grown significantly (around +MDKK 300) since 2016/17 to finance acquisitions, fixed asset growth, and significant increases in working capital. Gabriel has drawn on revolving credit facilities in a low interest rate environment with positive effects for shareholders; however, as interest rates have risen, so has Gabriel's interest expense. Its interest expense increase in 2023 reflected around 15% of the 5-year average EBIT. We anticipate that Gabriel will reduce its debt as a share of EBITDA (NIBD/EBITDA) over the coming years, and that interest expense will remain elevated. We therefore expect that Gabriel will prioritize cash flows near-term towards debt reduction vs M&A or shareholder returns. Longer-term we expect debt to remain a part of Gabriel's capital structure due to tax and cost of capital advantages.

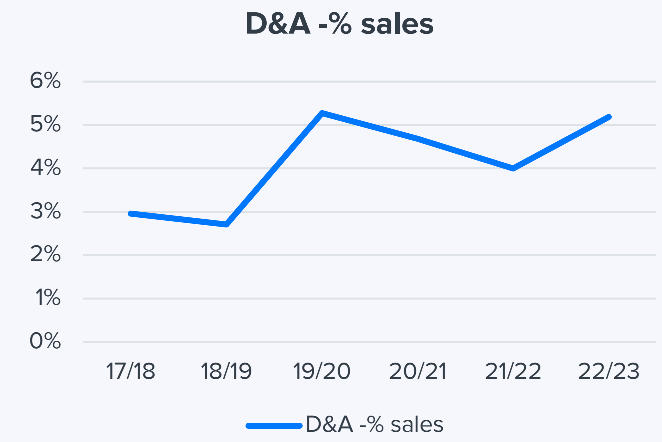
Strong operational cash flow, but NWC growing significantly

Gabriel has delivered consistent positive cash flows from operations used to historically support dividends and some reinvestments. However, net working capital (NWC) has grown disproportionately due to materials inflation, increased inventories, and rising receivables. Gabriel had a small positive NWC effect FY 2022/23, which can continue over the coming years as it focuses on restoring its working capital management towards normalized levels, which deteriorated during the post-pandemic demand surge.

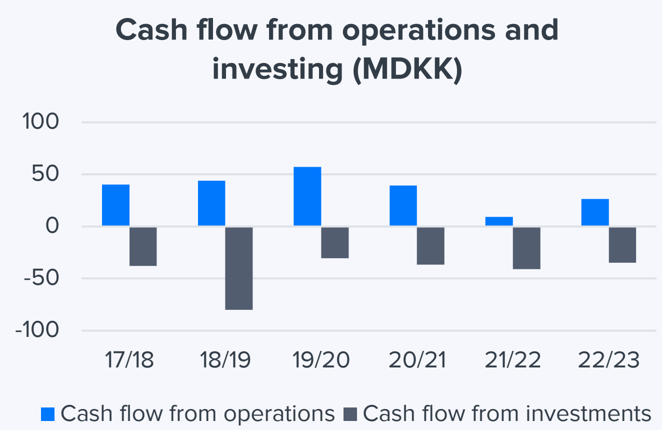
Medium and longer-term investment needs

In the near to medium term, we expect low investment needs. We deem the company's existing production assets and investments in showrooms can support revenues up to at least its high-water mark revenue from 2021/22 and, in turn, support greater returns on invested capital.

In the long term, we assess Gabriel's investment needs as moderate, given a relatively low D&A as a share of revenues historically, and Gabriel's greater share of labor costs relative to CAPEX. We expect investments to expand production capacity will be necessary once it grows beyond its current potential, but overall, these investment requirements will be moderate and support an improving ROIC due to scale benefits.



Source: HC Andersen Capital and Gabriel



Source: HC Andersen Capital and Gabriel

Company description and business model 7/9

ESG in an overall perspective

Gabriel and its leading competitors place great emphasis on the sustainability agenda. However, sustainability is not the key market driver in the furniture fabrics market, and the textiles industry has at times faced negative ESG perceptions, due to chemical dyes and waste. Gabriel focuses on sustainable materials sourcing, adhering to EU eco-standards, waste reduction, and more, and in 2023 introduced its recycled fabrics range and its near-zero waste ShapeKnit seamless upholstery solution.

Although we do not see sustainability as a competitive advantage over its main competitors, such as Danish-peer Kvadrat, we believe Gabriel's commitment to sustainability creates a significant barrier to smaller suppliers in the market, who may struggle to deliver on the ESG requirements of larger customers. Given that Gabriel's customers include leading, publicly traded furniture producers, who also support the sustainability agenda, strong ESG credentials are necessary for building long-term relationships. Gabriel's CEO sees the sustainability agenda as important in this industry; however, we do not isolate any ESG-related factors in our financial estimates.

Innovation & ESG

Gabriel has made significant investments in sustainability, achieving CO_2-neutrality since 2019 and works to reduce its emissions on internal and external products on a continuous basis. This includes investments in renewable energy production, and joining the UN's Science Based Targets initiative in 2023.

Gabriel also introduced its "Gabriel Loop" system in 2023, creating a new fabrics range based on waste textile materials in a fully circular and repeatable system with a strong value proposition. This innovation reduces waste, conserves resources, and lowers CO_2 emissions by using 100% recycled and recyclable textiles.

Environmental

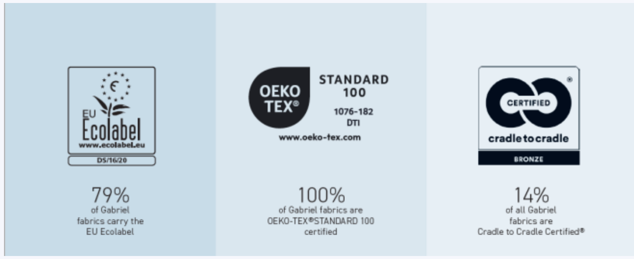
Gabriel has been CO_2-neutral based on scope 1 and 2 emissions since 2019 from solar energy and CO_2 offsets. From 2020-2024 Gabriel has expanded its solar panel system, now covering around 1/3 of its dye and textile production and over half of its HQ's energy consumption. Gabriel emphasizes sustainable raw materials sourcing, with 79% of its fabrics carrying EU Eco-label, among other certifications. After outsourcing its production to Lithuania in 2003, Gabriel dismantled its Aalborg production facility and conducted a comprehensive environmental assessment and review of the ground and property with overall positive results.

Social and Governance

Gabriel's sustainability report also highlights its efforts to increase diversity in recruitment. By 2024/25, Gabriel aims to increase the representation of the less-represented gender by at least 10% every two years in business units where this gender comprises less than 20% of the workforce. As a result, Gabriel will develop action plans for business units with less than 20% of one gender.

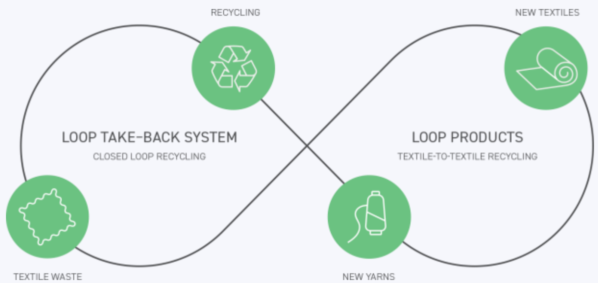
Referring to the company's corporate governance section in the annual report 2022/23, a key theme is diversity in boards. We currently see that Gabriel only has two women out of seven board members. The company's long-term goal is 50/50. Read more about the board and governance on page 13.

Product certifications and labels



Source: Gabriel Sustainability Report 2022-23

Gabriel loop



Source: Gabriel Sustainability Report 2022-23

Company description and business model 8/9

Executive Management

Anders Hedegaard Petersen joined Gabriel in 2004 and has been Gabriel's CEO since 2011. He has led alongside Claus Møller since 2016, who joined Gabriel in 2010, giving the management a combined over 20 years of leadership. Anders and Claus have overseen Gabriel's expansion including the outsourcing of production, establishment of FurnMaster, and development of the business in the US and Asia. The management team therefore has deep understanding of Gabriel's business market and business having also brought stability during the current cyclical downturn.

Anders and Claus also have significant share ownership in Gabriel, via personal holdings and joint holdings via GAB Invest. This can be seen to broadly align management's interests with shareholders. See page 14 for more detail.

The Board of Directors

The Board is composed of seven members, including the previous Gabriel CEO, Jørgen Kjær Jacobsen as Chairman of the Board, three independent board members, two employee-elected members and one additional dependent member. The Board generally has an acceptable balance of independent and dependent members with relevant persons in the respective Audit Committee, Governance, Remuneration & Nomination Committee, Acquisition & Strategy Committee, and Digitalisation and Cyber Security Committees.

The Chairman of the Board, Jørgen Kjær Jacobsen, has been in the position since 2010, after transitioning from the CEO role at Gabriel, which he previously held since 1989. Jørgen Kjær Jacobsen therefore has around 35 years management/board experience at Gabriel.

The Board overall has 3/7 independent members, as Søren Mygind Eskildsen, Hans Olesen Damgaard, and Randi Toftlund Pedersen are external board members, considered independent. Quinten Xerxes van Dalm, and Rikke Lyhne Jensen, are employee-elected board members, and hence bring key competencies relating to Gabriel's current opportunities and challenges. Board member Søren B. Lauritsen is a co-owner of the major shareholder company, GAB Invest, together with Gabriel's CEO and CCO. He also has large ownership of Gabriel shares and is the son of Poul H. Lauritsen, who through his company Poul H. Lauritsen Holding ApS is the largest shareholder in Gabriel. The ownership details of the top 10 shareholders are shown on the next page, page 14.

Management and Board of Directors

Anders Hedegaard Petersen
CEO

Claus Møller
CCO

Jørgen Kjær Jacobsen
Chair of the Board

Søren Mygind Eskildsen
Vice-chair of the Board

Hans Olesen Damgaard
Board member

Søren B. Lauritsen
Board member

Randi Toftlund Pedersen
Board member

Quinten Xerxes van Dalm
Board member

Rikke Lyhne Jensen
Board member

Source: HC Andersen Capital and Gabriel

Company description and business model 9/9

Several major shareholders

Gabriel has been listed on the Copenhagen Stock Exchange since 1984. Today, Gabriel has several major shareholders with five shareholders owning between 10-14.99%. The ownership structure stems from the Gabriel family selling its 60% to a pension fund in 1991, which then sold the 60% stake to a group of businessmen in 1997 giving them a controlling interest in the company.

At that time, Gabriel's Chairman was Poul H. Lauritsen. Today, he is not directly involved in the operations, however, he is the largest shareholder of the company with approx. 10% ownership today. Members of the Mathiesen family are also significant owners of approx. 10% each, including Marlin Holding, Matlau Holding, Katt Holding, and Fulden Holding. The Mathiesen family also owns BKI Foods (coffee production company) and has been a long-term investor in Gabriel.

Other major shareholders include well-known Danish institutional investors such as Chr. Augustinus Fabrikker and Kapitalforeningen Investering & Tryghed which have been investors for several years.

Large positions by management and board

We find it positive that current CEO Anders Hedegaard Petersen, CCO Claus Møller, and Board Member Søren B. Lauritsen, through GAB Invest, has a significant ownership in the 5.0-9.99% bracket according to public data. This position is built up over the years, and management and board members have aligned interests with shareholders. It is also worth mentioning that Anders Hedegaard Petersen, Claus Møller, and Søren B. Lauritsen, have increased their ownership in Gabriel via personal holdings or associated holding companies in the beginning of 2024. This supports the management's confidence in the company, despite the challenges in recent years.

Low free float comes with consequences

As the majority of the share capital is owned by Gabriel's largest shareholders, it can be more difficult for investors to trade shares daily without significantly impacting the share price. The ability to trade without moving the price is also negatively affected by a market cap, which has fallen along with the share price. Small cap shares typically have lower share liquidity, which is also true for Gabriel.

As a consequence of the low liquidity and relatively small market cap, Gabriel may attract less interest from new institutional investors, as sizable positions hardly can be established other than from sales by larger existing shareholders. Overall, a less concentrated ownership structure could be beneficial to improve liquidity.

Largest shareholders	24/06/2024
Poul H. Lauritsen Holding ApS	10-14.99%
Marlin Holding ApS	10-14.99%
Matlau Holding ApS	10-14.99%
Katt Holding ApS	10-14.99%
Fulden Holding ApS	10-14.99%
Kapitalforeningen Investering & Tryghed	5.0-9.99%
Chr. Augustinus Fabrikker ApS	5.0-9.99%
GAB Invest ApS	5.0-9.99%

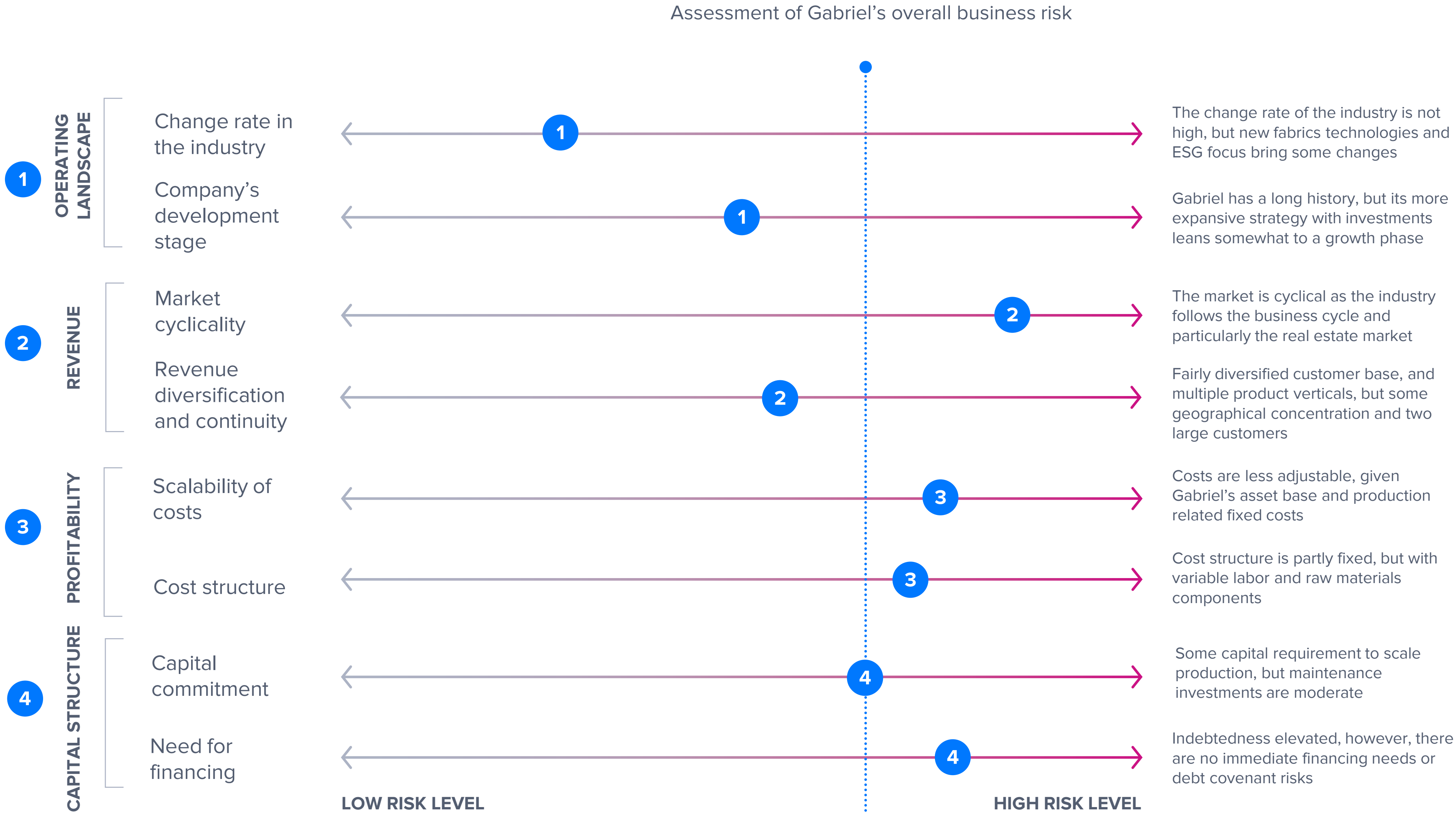
Source: Virk.dk (CVR)

Gabriel's latest acquisitions

	16/17 Screen Solutions	18/19 UAB Baltijos Tekstile (BTC)	18/19 Grupo RYL	19/20 Visiotex
Revenue	7.1 MGBP (2015)	3.9 MEUR (2017)	8 MUSD (2018)	1.6 MEUR (2018)
Profitability	EBT 0.5 MGBP (2015)	EBT 0.5 MEUR (2017)	Net income -1.2 MUSD (2018)	EBT ~0 MEUR (2018)
Deal price	4.5 MGBP ~39.9 MDKK	4.0 MEUR ~30.1 MDKK	3.8 MUSD ~26.6 MDKK	2.5MEUR (0.5 equity & 2.0 debt) ~16.4 MDKK
Share of ownership	100%	100%	100%	100%
Number of personnel	Around 70	117	170	Around 20
Core market	UK	Europe	North America	Germany
Product selection	Supplier of screens and office dividers	Weaving and promotion materials for SampleMaster	Furniture manufacturer and subcontractor for FurnMaster	Knitting technology for Gabriel's ShapeKnit products
Strategic rationale	Expand product portfolio by adding acoustic and panel solutions	Fabrics production capacity expansion by acquiring European production partner	Acquire base for FurnMaster US in low-income country and acquire US market share	Acquire Visiotex' knitting technology which underpins Gabriel's new Shapeknit product

Source: Gabriel and HC Andersen Capital

Risk profile of the business model



Source: HC Andersen Capital

Investment profile

1. Return to growth and margin normalization from improving macro- and industry outlook

2. Strong position with large leading customers and potential to grow internationally

3. Operating leverage leads to high EBIT margin volatility

4. Market challenges remain, particularly near-term, and a rebound is not guaranteed

5. High leverage ratio limits acquisitions possibilities and investment capacity

Potential

- Potential to return to growth from stronger markets driven by a better macro-outlook and changing office space needs.
- Grow with market-leading clients, capturing market growth with little/no excess capital investments.
- Strong international growth opportunity, particularly in the US, but also in Europe and Asia.

Risks

- The industry is cyclical and depends on the real estate market and in turn furniture demand, particularly in offices, but also residential.
- A corporate real estate crisis, due to e.g. higher interest rates, and lower office occupancy rates could create a demand shock.
- Elevated investments in sales activities may not develop as expected leaving Gabriel with a high leverage ratio.

Source: HC Andersen Capital

Market and competitive field 1/3

Economic growth leads the market

As a company in a cyclical industry, Gabriel's market growth is closely linked to economic cycles, with a historical correlation between real estate market activity and sales development. Positive economic conditions lead to increased employment, office upgrades, and generally higher levels of corporate and consumer investment and spending, boosting premium furniture demand. The reverse is true in weak markets, and thus, the real estate market and GDP growth in Gabriel's key markets are critical demand drivers. After a few years of challenging markets, real estate conditions appear to be stabilizing in 2024, and falling interest rates are expected to be a tailwind for the sector in H2 2024 and into 2025, according to the National Association of Realtors (NAR).

Overall, the global market size is difficult to assess due to the niche nature and integration across product lines as well as the fragmented nature across regions.

New office trends change the market

Changing work habits have affected office spaces, the sub-segment we deem Gabriel has the greatest exposure to. However, the company is also having exposure to related segments such as hospitality and conferences. Post-COVID-19 remote work has dampened office occupancy and office furniture demand post-pandemic. However, according to Steelcase research[1], around 70% of employees globally now work 3+ days in the office weekly.

This sustained office presence underscores the ongoing need for office spaces, while a shift towards greater collaboration in offices drives changing furniture needs. For example, employees want greater collaboration but also greater privacy for concentrated focus. Investments to modernize office spaces can give a medium-term boost to global furniture spending, with Steelcase estimating mid-term sales growth of 4-6% as a proxy for the market's potential. Additionally, work-from-home employees need to furnish their home offices with improved ergonomic equipment.

Gabriel's largest market is Europe, which has also faced greater economic headwinds lately with low consumer confidence and slow Euro area GDP growth of 0.7% in 2023. OECD forecasts of 1.5% GDP growth annually in the Euro Area towards 2026 also suggest weaker macro conditions in Europe than in the USA and China. Despite this, Gabriel has seen positive trends in its European fabrics and SampleMaster units as per its Q2 2023/24 report.

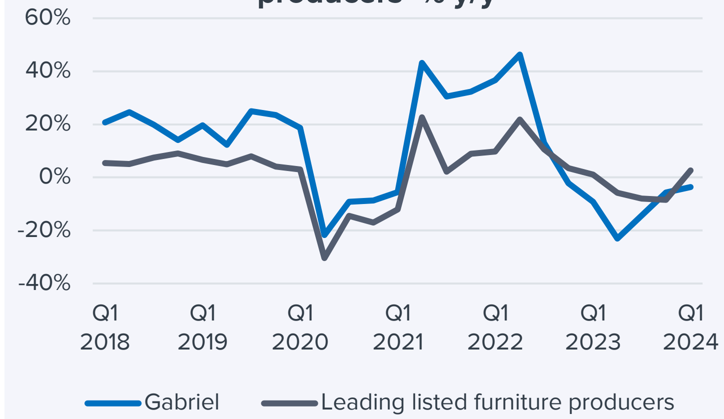
USA to lead growth in strong markets

In contrast to Europe, the US economy grew by 2.4% in 2023 (OECD). Although Gabriel's US revenues also declined in 2022/23, the region's 5-year CAGR has been above 30% (including Grupo RYL acquisition), and the North America now accounts for around 20% of total revenue.

Major industry players, presumably Gabriel's largest customers, such as Steelcase and MillerKnoll, have significant North American operations, highlighting the region's growth potential for Gabriel.

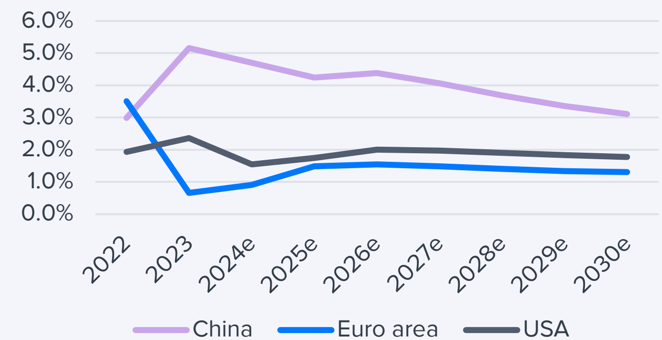
Source 1: Steelcase Research - new era of hybrid work

Gabriel and leading listed furniture producers -% y/y



Source: HC Andersen Capital and Gabriel.
Note: All numbers seasonally adjusted to fit the calendar year.
Furniture producer data from: MillerKnoll, Steelcase, and HNI Corp, adjusted for acquisitions

OECD GDP growth % forecasts



Source: OECD Economic Outlook: Statistics and Projections (database)

Market and competitive field 2/3

Uncertain future in Asia, but potential remains

Gabriel has previously seen high growth levels in Asia, particularly in China, with 12 showrooms in the Asia Pacific region. However, following difficulties in Asia, revenues have fallen -31% from the peak. Increasing incomes in China and Asia generally can lift premium furniture and, hence, premium furniture fabrics sales. However, the path to accelerated growth in Asia is uncertain as Gabriel's recent investments have focused on Europe and the US.

Main competitors in furniture fabrics

Analyzing comparable companies to Gabriel, we have identified two private companies in Kvadrat and Camira as close peers to Gabriel, and publicly listed US-based Culp, which also produces fabrics for upholstery, but focused on polyester over wool and with fewer supporting services. Many other private peers exist; however, the three selected share a similar size with Gabriel and with publicly available financial data.

Like Gabriel, Kvadrat is based in Denmark specializing in textiles for upholstery, curtains, and interior applications, offers value-added design expertise, and works closely with designers and architects. Its revenue is roughly 2x Gabriel's. Camira is based in the UK, with roughly half of Gabriel's revenue, specializing in textiles for upholstery, seating, and vertical surfaces. It also works with designers and architects with an array of value-added services.

Competitive situation in other units

Gabriel's FurnMaster business is part replicated by Camira, which also offers cut-and-sew services, but not full furniture production. Camira and Kvadrat both offer acoustic solutions, such as panel and screen solutions, which are comparable offerings to Gabriel's Screen Solutions. Gabriel's SampleMaster is understood to be a highly unique service, with little direct competition on the market. Culp focuses on producing polyester fabrics and mattress fabrics, with fewer value-added services, but is increasingly focused on developing its value-added business.

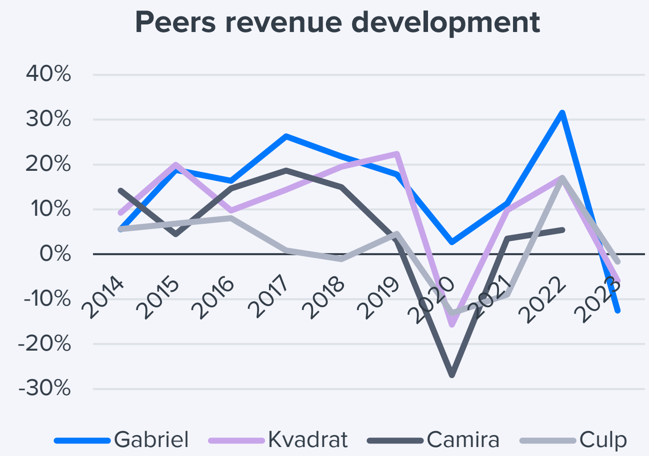
Overall, there is a strong overlap between Gabriel's business units and the offerings of its peers; however, Gabriel extends further into the complete product design support and outsourced production verticals.

Revenue volatility is cyclical across peers

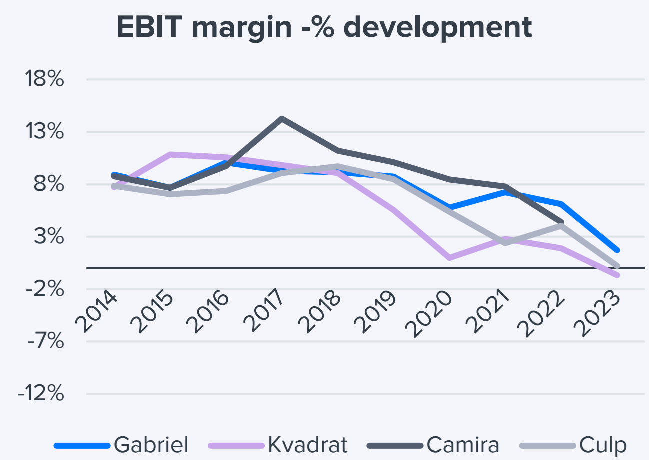
Looking at revenue performance across Gabriel's peers, we see a great similarity in the y/y revenue change, demonstrating that this market is, highly influenced by broader economic conditions. Gabriel has generally outpaced its peers' revenue growth suggesting that the company has gained market share despite a larger decline in 2022/23.

EBIT margin squeeze throughout industry

As seen in the figure to the bottom right, operating margins have come down across the industry as inflation, and a recent cyclical downturn have pressured margins. Overall, Gabriel's EBIT margin has fallen slightly less than its peers.



Source: HC Andersen Capital and annual reports from: Gabriel, Kvadrat, Camira, Culp. All numbers seasonally adjusted to fit the calendar year, including Gabriel.



Source: HC Andersen Capital and company annual reports. All numbers seasonally adjusted to fit the calendar year, including Gabriel.

Market and competitive field 3/3

Near-term market outlook

Near-term market conditions remain challenged due to higher global interest rates and continued macroeconomic uncertainty as described on page 18. However, leading and coincident indicators from the housing and furniture market suggest the outlook is improving, as shown by the graphs to the right.

Industry outlook and consensus estimates

Gabriel's Danish peer, Kvadrat, forecasts 2024 revenues at or above 2023 levels, as it sees improving macro conditions. However, as a private company its outlook is less scrutinized and Kvadrat had a similar outlook FY 2023 despite revenues falling -6%. Hence, we pay greater attention to the outlooks from Gabriel's key listed customers.

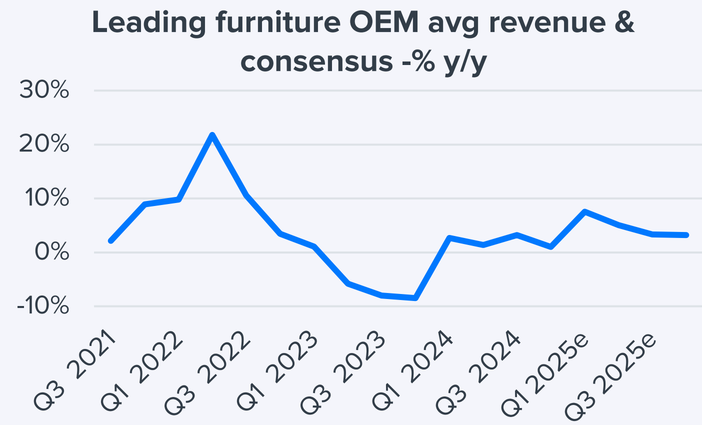
In June 2024, MillerKnoll (Gabriel customer) reported its Q4 2023/24 results beating consensus estimates and with an optimistic outlook for sales growth in 2025. Consensus analyst estimates for leading listed furniture producers, and also Gabriel customers MillerKnoll and Steelcase also show improving revenue growth. For MillerKnoll, revenue growth of 2% and 4% for 2024/25e and 2025/26e respectively is expected, while for Steelcase revenue growth of 3% and 6% for 2025/26e and 2026/27e. See top right graph for average estimates for MillerKnoll, Steelcase, and HNI Corp.

An improving outlook is also supported by macroeconomic and housing market data, which has historically been a strong leading indicator for furniture market conditions. The lower right graph shows that housing market momentum (expressed via home sales) leads Gabriel's revenue momentum by approx. 2-3 quarters. MillerKnoll also reported that "negative trends in home sales are beginning to ease" in its Fiscal 2025 Outlook. Conditions are improving, however, macro conditions remain uncertain, and this development is not guaranteed.

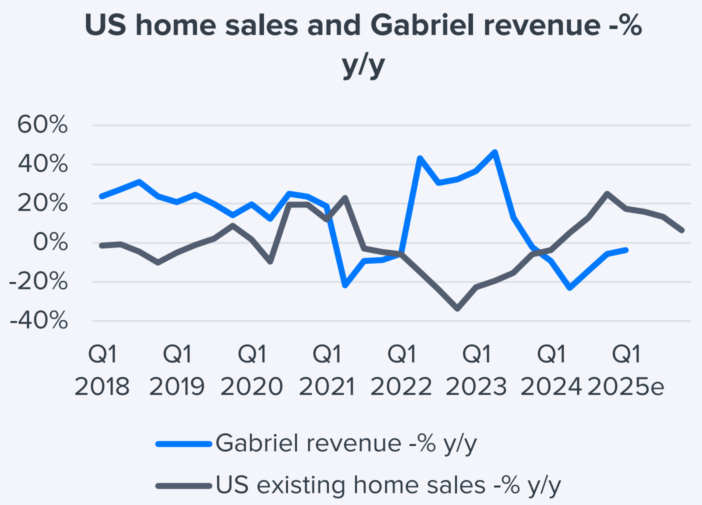
Medium to long-term outlook

Over the medium term, we believe the structural changes necessary to incentivize employees back to the office can support a solid growth outlook. This is driven by new office needs as hybrid work requires more private spaces for greater numbers of virtual calls, and for employees demands for zones for deep concentration, as per Steelcase research.

Steelcase also has medium term revenue growth targets of 4-6% for 3-4 years, as per its Q1 FY25 presentation, which supports the thesis of elevated market growth medium-term. Long-term we expect industry growth to converge towards GDP growth.



Source: HC Andersen Capital and company annual reports. Average consensus estimates from MillerKnoll, Steelcase, and HNI Corp



Source: HC Andersen Capital and company annual reports. US existing home sales forecasts from NAR Economic Housing Market Outlook as of April 2024

Strategy 1/2

Gabriel's strategy

Grow with market leading customers

- Gabriel's main focus is approx. 70 strategic customers where Gabriel grows with market-leading customers, both as the market grows organically, and by increasing the share of customers' fabrics that are from Gabriel.
- A closer relationship with large customers opens the possibility of increasing the share of the furniture vertical sold to customers by cross-selling FurnMaster/SampleMaster/Screen Solutions products and services.

International expansion (USA/Asia)

- Gabriel is expanding its global footprint outside Europe to service greater parts of existing accounts, offering a significant growth opportunity.
- The US market is home to some of Gabriel's largest customers, which opens for upsell and cross-sell potential as well as potential to win new customers.
- The premium furniture market in Asia is growing fast, which Gabriel will utilize.

Our comments on Gabriel's strategic objectives

- Gabriel has historically generated double-digit topline growth under strong market conditions, with a 5-year revenue CAGR of 9.1% 2017/18 to 2022/23, compared to 4.7% and -0.6% for its peers Kvadrat and Camira, respectively.
- We assess continued capacity for Gabriel to grow as a share of its customers' suppliers, particularly given a high degree of small players in the market and Gabriel's growing international footprint, increasing the company's attractiveness across markets. Cross-selling of its supporting business units, FurnMaster/SampleMaster/Screen Solutions, also bolsters the growth potential. Over the long run, we expect this strategy will struggle to beat the market growth but with capacity to increase market share over the medium term.
- There are reinforcing benefits from working with larger customers, from gaining access to top designers and architects, who also work with other large clients. Growing with large accounts can also facilitate new customer growth.
- The strategy depends on the sustained growth of the premium furniture market, which faces elevated near-term uncertainty due to higher interest rates, risks of recession, and reduced office occupancy rates.

- A land and expand strategy has improved servicing of existing US customers and driven high topline growth in recent years, suggesting some success in attracting new customers. High-profile existing US customers can support brand development; however, building from a low brand recognition may still present challenges.
- Gabriel pursues high growth in its international markets, making significant investments to expand its US production capacity (FurnMaster), and open showrooms to capture the sizeable market opportunity. However, thus far its US operations are loss-making, and it is not guaranteed that Gabriel US can achieve the same profitability as its European operations or how long it will take to reach consistent positive cash flows.
- Asia has been an export market for Gabriel fabrics remaining at roughly 5% of total sales over time. Asia may develop into a significant market for Gabriel, as greater regional incomes support demand for premium goods. However, revenues have declined -31% in 2022/23 under economic weakness and China's more protectionist trade policy stance may cloud Gabriel's ability to grow in Asia longer-term.

Source: HC Andersen Capital

Strategy 2/2

Vision to be preferred fabrics supplier

Gabriel's vision is to be the preferred development partner and supplier to selected leading international manufacturers and major users of upholstered furniture, seats, and surfaces.

The strategy is built on three pillars

- Design, develop, and manufacture high-performance furniture fabrics to serve global clients across markets.
- Grow its share of existing clients' accounts by supporting their needs as a development partner across global markets.
- Broaden market access in developed Europe, the US, and China with investments in sales and build out of its showroom network

While all of the above are interconnected we feel that the most important in the short-term is growing its existing customer accounts, as this will have a positive cash flow effect, which can support debt-repayment. Longer-term US growth will make or break its sustained double-digit revenue growth ambitions. Building a profitable US business is also necessary to expand margins back to historical levels.

From an efficiency perspective, Gabriel has trimmed its staff during the market slowdown, particularly its production staff (-17.6% from peak) to right-size its cost base. Staff numbers have bottomed out thus far in 2024 as Gabriel anticipates improving market conditions. We expect there is room for some improved capacity utilization and, as such, a cautious approach to adding production staff if revenues recover.

Acquisitions support production expansion

As highlighted on page 15, Gabriel has made several significant acquisitions, mostly of a strategic nature to expand production, expand international presence, acquire IP, and expand its product portfolio. While the acquisitions were strategic by nature, they also added around 75-100 MDKK in revenue at a cost of around 113 MDKK.

However, the current balance sheet situation does not allow the company to carry out significant acquisitions with debt, and we do not believe that the company, at the current share price level, is particularly willing to use its own shares to finance the transaction either. Thus, we believe that in 2024-25, Gabriel will focus more on streamlining operations to improve profitability and cash flow and to pay down debt, as has already been the case in H1 2023/24. The company's management has also commented that they are currently disciplined and cautious about further debt increases.

Looking at the historical acquisitions, it is impossible to assess the quality of these transactions comprehensively. For example, the Grupo RYL acquisition must be judged against the effectiveness of the overall US strategy. Establishing localized FurnMaster production in the US and moving it to a low-income production center in Mexico fits with the European strategy and enables Gabriel to service clients across markets. However, the effectiveness will depend on Gabriel's ability to drive profit from its US operation in the next 3-5 years (short-medium term). The acquisition of UAB Baltijos Tekstile expanded its European fabrics production capacity by wholly acquiring its long-term production partner, which Gabriel had previously moved its looms to in 2003. The Screen Solutions acquisition expanded Gabriel's product offering to include acoustic and panel solutions, while Visiotex and its knitting-technology, also expanded the product portfolio, underpinning the ShapeKnit product line.

In the short-term further production capacity expansion is unnecessary, given the decline from record volumes in 2021/22, however, longer-term production acquisitions are likely expected.

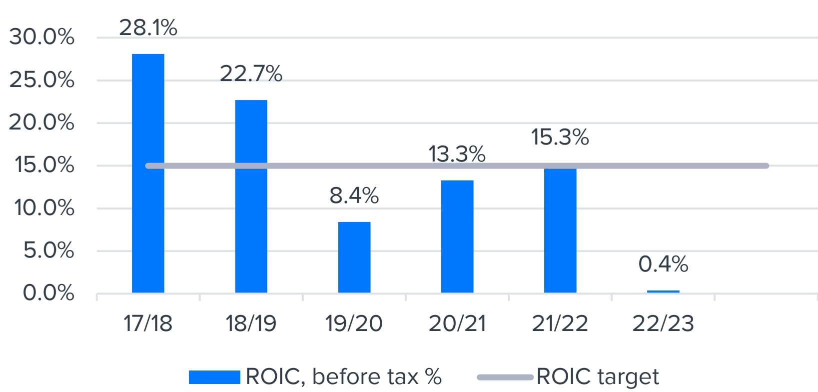
Financial objectives

Financial objectives (15/15/15)

An average 15% ROIC (Return on invested capital before tax)	An average 15% revenue increase annually	An increasing average EBIT margin and an average of 15% EPS growth annually
• Gabriel has historically sustained a ROIC, before tax >15%. However, that has fallen below the target range as invested capital has grown, and EBIT has declined in 2022/23. • Sustaining a ROIC before tax >15% should be possible again in the future, assuming Gabriel can improve its working capital management, and lift its capacity utilization, which we estimate is currently below its full potential.	• 15% topline growth may be difficult against industry projected growth of ~4-6% according to Steelcase[1]. • In the short-term we expect Gabriel has some underutilized production capacity, which can support accelerated growth if market conditions normalize. • Over the medium-term sustaining 15% growth will require market share gains, which may be possible with sustained investment spending given the fragmented market composition and international expansion. However, investment spending is somewhat constrained by high debt levels.	• We also deem it generally difficult to achieve double-digit topline growth and significant margin expansion at the same time, due to investment requirements necessary to achieve topline growth. • We expect that EBIT margins can rebound substantially if markets normalize, given Gabriel's operating leverage, production capacity underutilization, and falling inflation. • Achieving greater scale and profitability in the US market which is currently loss-making, can boost group margins.

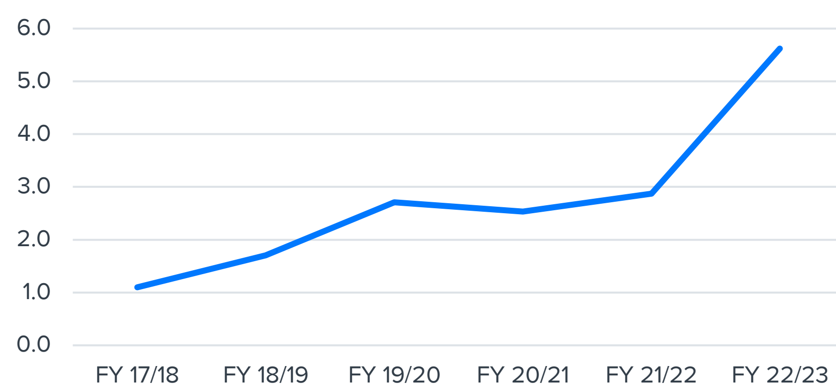
Source[1]: Steelcase Q1 FY25 investor presentation

ROIC before tax -%



Note: ROIC, before tax reported by Gabriel. Calculated as EBIT/invested capital defined by Gabriel. Source: HC Andersen Capital and Gabriel.

NIBD/EBITDA (x)



Source: HC Andersen Capital and company annual reports. Note: Net debt includes short term debt, long term debt, lease liabilities, minus cash.

Past development

Growth historically strong with some recent cyclical challenges

Gabriel has a long history dating back to 1851, with a focus on high-performance furniture fabrics since around 1983 following the merger of Kjærs Mølle with Gabriel. Boligtekstiller ApS. Gabriel has been listed on the Copenhagen Stock Exchange since 1984, and hence there is a long history of publicly available financials for the company.

Over the last 20 years, Gabriel has grown revenues at a 6.9% CAGR, with a clear acceleration since 2013/14, where CEO Anders Hedegaard Petersen has directed the company towards a more aggressive growth strategy. Since 2014/15 Gabriel's revenue CAGR is around 13.6%.

Over the company's history, revenues have remained cyclical around key economic downturns, such as in 2008/09, when revenues and EBIT declined significantly due to the global financial crisis. This cyclicality has also been seen around the volatile COVID-19 period, which followed an extended period of double-digit revenue growth and stable EBIT margins around 8-10%.

Summary of recent profitability trends

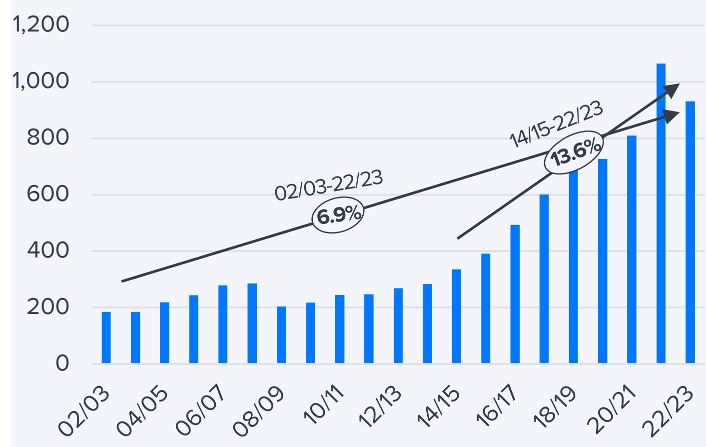
In more detail, the COVID-19 pandemic induced a short-lived recession in 2019-20 where demand fell and Gabriel's production capacity was limited by global lockdown, leading to negative y/y revenue development from Q3 2019/20 to Q2 2020/21. However, demand then surged as government stimulus programs, alongside lockdown limits to services drove a surge in demand for durable goods and positive economic conditions, leading to 32% y/y revenue growth and a record. Gross margins were squeezed during this period due to inflation and supply chain issues.

Since 2022 rising interest rates to squash inflation have reduced investment spending, while re-opening of services diverted consumer spending away from goods and towards services, reversing the positive pandemic effects. During 2022/23 revenue fell -13% y/y while operating costs rose as a share of sales leading to further EBIT margin contraction. We therefore assess that recent margin contraction is primarily due to inflation, and operating leverage during a cyclical downturn, and not structural shifts in the industry.

Outsourced production and longer-term margin outlook

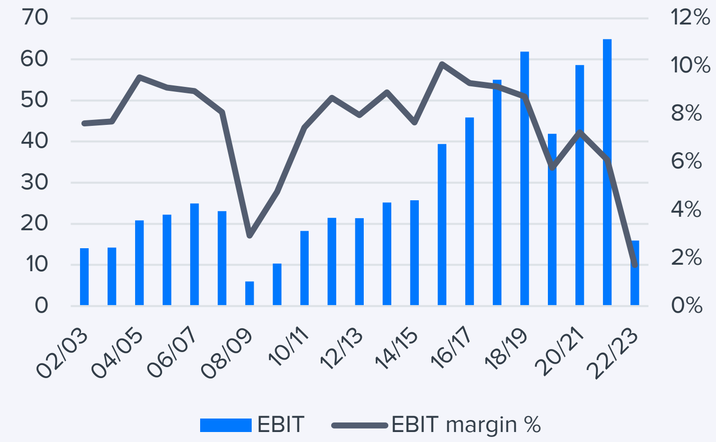
Gabriel began outsourcing its production in the early 2000s, outsourcing its fabrics weaving to Lithuania in 2003. European production across business units is now concentrated in Eastern Europe, while US production (exclusively FurnMaster), is now based in Mexico. Gabriel's production centers are in lower-income regions, and the strategy has been effective at holding Gabriel's costs per production employee mostly stable, despite broader inflation. We, therefore, consider this strategy effective and do not anticipate further outsourcing. Overall, we assess that Gabriel can return to historical EBIT margin levels of around 9-10%, however, we assume that further gains will be limited, despite improved staffing efficiencies, due to FurnMaster growing as a share of the business, which we assess to be lower margin due to its greater labour components.

Gabriel revenue MDKK



Source: HC Andersen Capital and Gabriel

Gabriel EBIT & EBIT-% MDKK



Source: HC Andersen Capital and Gabriel

Financial position

Leveraged position with less flexibility

After a slight decrease in the equity ratio in recent years, Gabriel's equity ratio is around 40% by the end of 2022/23, implying that Gabriel is considered leveraged.

Concerning the debt level, we would expect a relatively high level of debt in a production company such as Gabriel, especially following an era of exceptionally low rates where low-interest debt has supported growth. However, following higher interest rates and lower EBIT, the debt is now exceeding normal levels and having a material impact on earnings. A greater part of Gabriel's debt is short-term and, therefore, also has greater rate sensitivity. Gabriel's long-term debt mostly relates to a mortgage loan on its office building, and hence, is slowly being repaid in line with the mortgage agreement.

Gabriel's debt is not approaching the limits of covenants, and hence, we currently don't see the debt structure increasing risk beyond the greater interest repayment burden. However, it is clear that with a declining EBIT, the interest expense has a significant effect on net income. FY 2022/23, net debt / EBITDA was 5.6x, which can also prohibit greater debt accumulation for investments and growth.

Overall, we see the debt level adding risk to the case and weighing negatively on Gabriel's valuation, and thus debt management in the near term will be important for Gabriel.

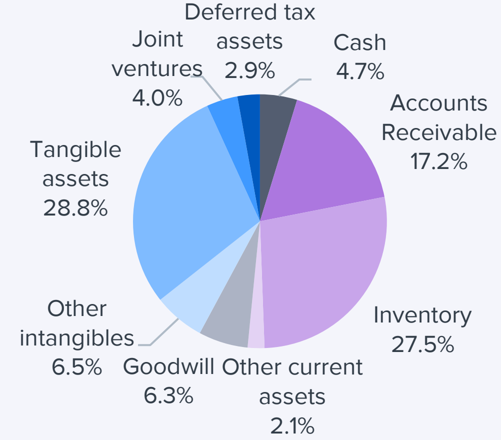
High capital requirements demonstrated by its working capital and tangible assets

Working capital in the form of cash, accounts receivable, and inventories are responsible for around 50% of Gabriel's asset base.

While this can be positive, as it shows Gabriel is not incredibly capital intensive, reflecting positively on reinvestment requirements and lower D&A, it also reflects the need for working capital to grow as the business grows. Working capital cannot be leveraged with scale in the same way production assets can, and therefore, continual investment to grow working capital as Gabriel's business expands has a negative cash flow effect during higher growth periods. The working capital position FY 2022/23 has also grown as a share of assets as working capital management has generally deteriorated since the pandemic, with inventory days and days receivable increasing, while days payable have decreased. Gabriel could increase its return on assets and return on equity by bringing down its working capital and using the positive cash flows to pay down debt.

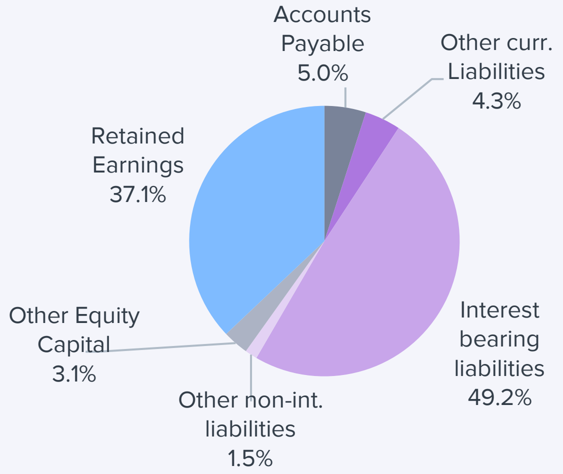
Otherwise, Gabriel's balance sheet is typical of a company with production facilities with a good degree of tangible assets (29%), and some intangible assets mostly related to capitalization of product development costs. Goodwill is also relatively low as a share of its assets despite several acquisitions, suggesting there is limited scope for impairments/write-downs.

Balance sheet assets



Source: HC Andersen Capital and Gabriel

Balance sheet liabilities



Source: HC Andersen Capital and Gabriel

Estimates 1/3

Estimates start with the geographies

We do not have revenue and earnings breakdowns for the individual business units, as Gabriel reports at the group level. However, Gabriel reports revenues across its different territories and we model across the three major markets, Europe, North America, and Asia and others, reflecting the different growth/development strategies in each region.

We consider revenue from letting offices separately as they pertain solely to rents from Gabriel's office building in Aalborg. In the income statement, we estimate the company's gross margin-%, SG&A-%, and other operating and financial expenses at a group level on a quarterly and annual basis. We do not consider potential M&A in our estimates.

Guidance indicates improving momentum, but still with a slide in revenue and EBIT for 2023/24

Gabriel's revenue guidance for 2023/24 is for a similar to slightly lower level, expecting -5.5% to -0.1% y/y or around MDKK 880-930. At the EBIT level, Gabriel guides for MDKK 8-15 for 2023/24, a decrease against MDKK 15.9 for 2022/23.

The latest guidance reflects an upgrade in connection with Gabriel's Q2 2023/24 accounts, which cited better-than-feared development, particularly in Europe. Initial guidance was for revenue development of -9% to -3%, and an EBIT range of MDKK 0–10.

We anticipate the EBIT decrease will be driven by an improving gross margin but increasing SG&A-% and D&A-% as those items remain largely stable in absolute terms, against a slightly lower overall revenue.

We expect results towards the top end of 2023/24 guidance

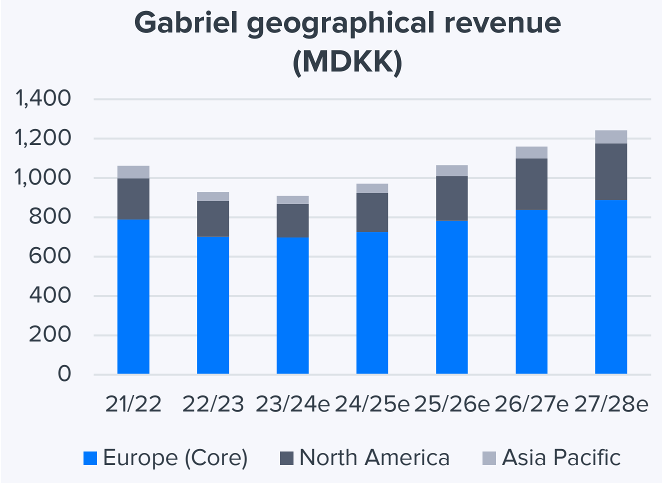
Following H1 2023/24 Gabriel realized around 50-53% of its revenue guidance range, and around 70-130% of its EBIT guidance range. In Gabriel's history, seasonality has been limited; however, in the years since the pandemic H2, and particularly Q3, has shown weakness. We see a generally improving y/y rate of change given recent improvements from historically low levels in the broader real estate market.

Some positive gross margin effect, but still pressure on the EBIT margin

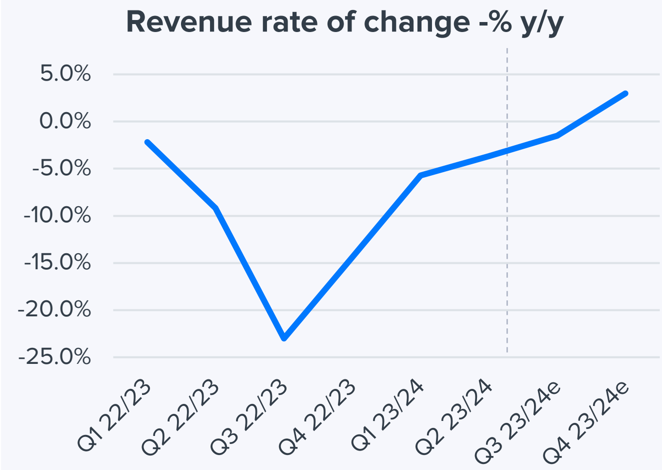
We have seen a slight improvement in gross margin H1 2023/24 y/y, as expected, as production staff cuts in 9M 2022/23, and lower cost inflation take effect. We expect the gross margin improvement of 0.5-1.0% y/y to hold in H2, primarily due to lower cost inflation. Operating expenses are expected to decrease slightly in H2 compared to H1 2023/24 from lower restructuring costs, yet it is a small increase y/y.

We expect financial expenses to remain significant in H2 as the interest rate remains elevated. We model mostly stable financial expenses for H2 compared to H1, reflecting a full-year interest expense of around 3.6% of interest-bearing debt. We model taxes around zero given expectations for negative earnings before tax.

We forecast stable D&A given the similar asset base FY 2023/24e compared to 2022/23, while we expect CAPEX to be below D&A as Gabriel's dials down investments during this cyclical downturn.



Source: HC Andersen Capital



Source: HC Andersen Capital

Estimates 2/3

We expect no dividends in 2023/24e

Despite positive operational profitability (EBIT) in line with Gabriel's guidance, we expect a small negative net income for 2023/24e due to its high interest rate costs. Given the negative result and high debt level, we also expect that no dividend will be paid FY 2023/24e similar to last year's pause to the dividend.

Net sales growth estimates 2024/25e

We model revenue development across Gabriel's three regions. For 2024/25e, we expect a general rebound in market conditions driven by improvement in macro conditions and specifically relating to real estate markets. This should help support activity in corporate and residential real estate markets. This is in line with forecasts from the NAR which expect activity levels will improve from 30-year lows driven by high rates locking up markets.

We expect that the US market can grow the fastest, supported by Gabriel's investments in sales efforts, spare FurnMaster production capacity from its facility in Mexico, and OECD forecasts that suggest the greatest growth rate for the US.

We expect that Europe will also grow in 2024/25e driven by similarly improving macro conditions from a low level and a production capacity which is substantially below its peak of 2021/22 and thus does not require investment to service demand.

Following new customer agreements in Asia in H2 2022/23 and a rebound from low levels, we expect this region can return to a double-digit growth rate of 20% in 2024/25e.

Our growth projections are supported by its customers such as MillerKnoll and Steelcase.

Analysts forecast a return to growth in 2025, a solid benchmark that the industry conditions are expected to improve. Overall, we feel there will still be some challenges in the market in 2024/25e, and therefore full normalization shouldn't be expected.

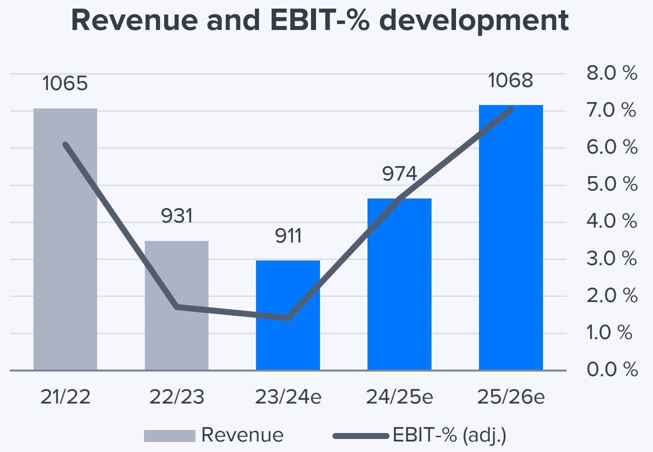
Investing in growth and a return to dividends in the medium-term

In the medium-term (2025/26e-2028/29e), we forecast Gabriel can return to high single-digit revenue growth (CAGR 7.0%), supported by Gabriel's strategy to go with its largest clients, while also expanding internationally, in a market which also undergoes structural transformation of office spaces.

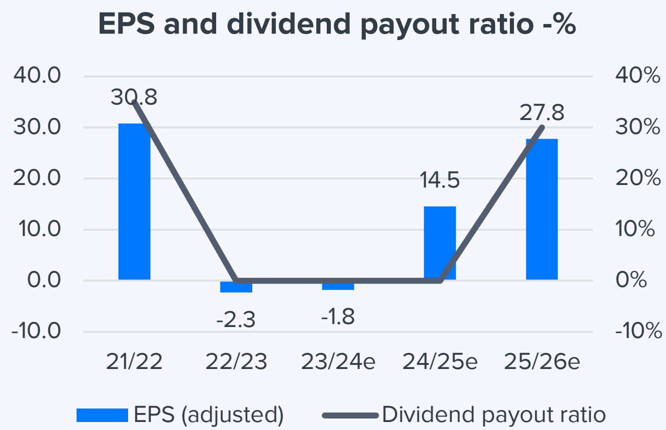
We expect that the North America will return as the fastest growing region as its investments in sales efforts take full effect. However, we do expect that revenue growth will fall short of Gabriel's own ambitions for around 20% topline growth per year in the US, as we feel its ability to invest in working capital and fixed assets will be more constrained due to its stretched balance sheet.

We expect that the European market can also return to consistent growth, however, also believe revenue growth of around 15% as per Gabriel's 15/15/15 ambitions will be unattainable due to somewhat limited investment capabilities. Thus, we are more conservative in our estimates.

Overall, with the EBITDA/EBIT growth and gradually decreasing financing costs, EPS will increase strongly and can continue to do so over the coming years. This will support a return to dividends and the company's historical payout ratio of around 35-40%.



Source: HC Andersen Capital



Source: HC Andersen Capital and Gabriel

Estimates 3/3

Cash flow and investments

We estimate that working capital will continue decreasing in H2 2023/24e and into 2024/25e after an increase in recent years. This supports that Gabriel can reach positive free cash flow in 2023/24e despite our estimate of a negative net income of around MDKK -3.4 for the full year 2023/24e.

In 2023/24e, we expect a significant positive cash flow effect from reductions in working capital of around MDKK 27, driven primarily by declining inventory levels and a small decline in receivables. A focus on working capital management is expected to continue for the long term to bring inventory days down. We also assume that normalizing receivable and payable days will positively impact NWC in the medium and longer term.

As we mentioned earlier, Gabriel has invested a lot in its production facilities, implying that we do not see large investment needs (CAPEX) over the coming years that substantially exceed the D&A level. This is supported by Gabriel's revenue of DKKM 1,065 in 2021/2022, which we estimate will be reached again in 2025/2026e with somewhat the same production set-up. After this, we estimate CAPEX to exceed D&A, as Gabriel will invest more in tangible assets to grow before a more steady-state level is reached, and CAPEX equals the D&A level.

The balance sheet strengthens in our estimates

Through positive cash flow and improving earnings, we estimate that Gabriel will be able to reduce its debt and gearing ratio significantly from its current high level. In 2025/2026e, we estimate that Gabriel's NIBD/EBITDA will decline to around 2.5x which will enable a greater level of investments and a higher dividend payout ratio.

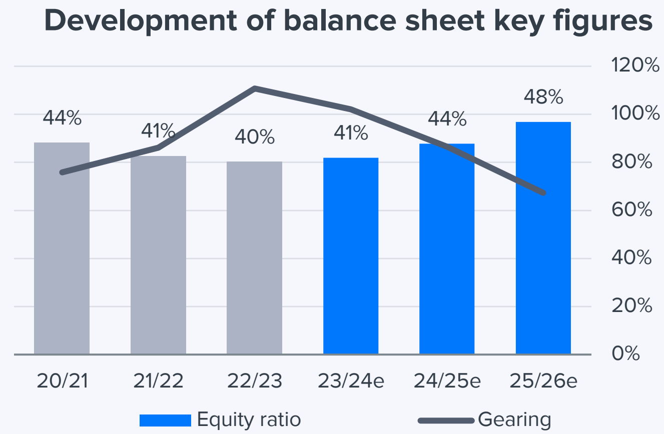
Closer to normalization is expected on ROI and ROE

As shown in the chart to the right bottom, we estimate that ROI and ROE will rebound over the coming years. In 2025/26e, ROI is expected to be approx. 11% and ROE of 14%. This is more normalized levels, but still below Gabriel's high levels in 2020/21 and 2021/22 with ROI topping at nearly 13% and ROE topping at 17%.

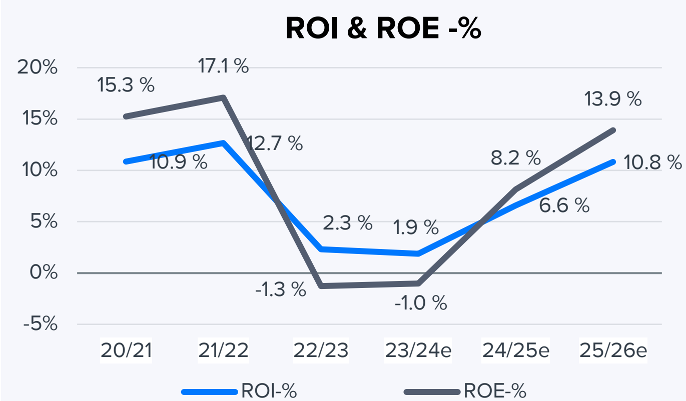
Longer-term estimates

In the long term, we expect Gabriel's growth to converge towards broader economic development and hence apply a terminal growth rate of 2.0% in the terminal period. We also assume that long-term competitive pressures will squeeze Gabriel's margins. Thus, we apply Gabriel's long-term historical EBIT margin average of approx. 7.5%, including years back to before the financial crisis in 2008/09 as well as the recent downturn in the market.

We assess that upholstery textiles is a slow-moving industry, and therefore, the long-term pressure on margins will remain moderate.



Source: HC Andersen Capital



Source: HC Andersen Capital

Valuation 1/3

Summary - fair value range and recommendation

We initiate our coverage on Gabriel with an Accumulate recommendation and DKK 295 target price. Our view is supported by the estimated return of approx. 13% over the next 12 months, which slightly exceeds our required return. We estimate a fair value range of DKK 235-315 per share. Our DCF model suggests a valuation at the top end of the range. We see signs of improved market conditions, shown by leading indicators and a recent guidance upgrade from Gabriel, as well as an optimistic outlook from the industry. However, there is still some market uncertainty, and negative macroeconomic events will point to the lower end of the fair-value range, as the attractiveness of the investment case from a market normalization could be postponed. Short-term EV/EBIT multiples are elevated due to the current low profitability level from the market cycle.

DCF model is the core of our valuation

The core of our valuation methodology is our DCF model. The long-term valuation method gives a better overall picture than short-term multiples as low-cycle earnings skew the picture.

We also use earnings-based multiples based on peers as a supporting tool. However, since Gabriel has no direct listed peer, we have different peer groups and place limited weight on the peer group. Additionally, since Gabriel is increasing focus on profitability and we expect a turnaround, we put the most weight on our 2025/2026 estimates, which are subject to greater uncertainty.

Forward EV/EBIT looks attractive under improving market conditions

Gabriel's historical profile is centered around growth. As mentioned earlier, the current valuation level has been negatively affected by the weak market conditions and blurred outlook, affecting both Gabriel's growth track record and current EBIT margin level. Nevertheless, we expect a return to growth, also recently highlighted by macroeconomic indicators as well as an optimistic outlook for one of Gabriel's key customers.

Over the past 10 years, from 2013/14 to 2021/22, Gabriel has traded to an average EV/EBIT multiple of approx. 20x. As Gabriel is in a turnaround year, we do not put weight on this year's very high valuation multiples due to the low profitability level. With our estimates for a return to growth, topping at a high single-digit figure, and thus still below Gabriel's historical level, and an improved EBIT margin, we believe a sustainable EV/EBIT multiple should be below its previous level. Looking into our estimates for 2024/2025e and 2025/2026e, Gabriel is trading at approx. 17x EV/EBIT (2024/2025e) and approx. 10x EV/EBIT (2025/2026e). We assess a 10x EV/EBIT for 2025/26e is attractive from a historical perspective. This includes an assumption of a positive revenue and earnings trend from the next accounting year and onwards, following the recent market downturn in recent years.

Since our assumptions are below Gabriel's own 15/15/15 targets, valuation could be higher if the company succeeds in achieving higher growth and keeps increasing its EBIT margin to levels above 10%.

TSR drivers 2022/23-2025/26e

Positive | Neutral | Negative

Profit drivers

- Sales CAGR 5% as we expect market rebound from cyclical low
- Margins improve with better capacity utilization and operating leverage
- Interest expense remains high

→ High EPS growth from negative level in 2022/23

Dividend yield drivers

- Cash flow from operations used to pay down debt in coming years
- Future growth requires investments
- Earnings and cash flow improvement expected

→ No dividend expected until 2025/26e

Valuation multiple drivers

- Current 2023/24e multiples are high and forecasts are uncertain
- Multiples to fall significantly below historical levels over coming years
- The value of the DCF model is DKK 307

→ Upside on 2025/26e multiples

Share's expected total return 8-12% p.a.

Valuation 2/3

DCF valuation

Our base case DCF model suggests that Gabriel is valued at a debt-free value of DKK 911m and an equity value of DKK 581m, corresponding to DKK 307 per share.

Our required return on capital (WACC) for Gabriel is 9.1%, including a relatively high cost of equity of 11.2%. Our estimated WACC is based on the use of debt leverage, while a higher cost of equity is explained by both a liquidity premium of 2.5% from the low share liquidity as well as Gabriel's cyclical nature.

Estimates are supported by historical levels, yet below the company's own growth target

Our key estimates for Gabriel have already been discussed in the estimates section above. However, we again highlight that we keep the growth level significantly below the company's historical growth pace as well as Gabriel's own growth target due to the company's current debt situation with limited investment flexibility.

Our long-term view is that Gabriel will approach 2.0% growth in line with the nominal GDP growth as well as an EBIT margin of 7.5%, which is approx. Gabriel's average EBIT margin since years back to before the financial crisis in 2008/09. Thus, we do not assume that Gabriel will increase its EBIT margin level above 7.5% even though growth matures. In our scenario matrix on page 37, we can see that a very small change in the EBIT margin has a very large effect on the valuation. In our base case model, the weight of the terminal period is around 54% in our model.

Sensitive to WACC and EBIT margin changes

Referring to page 37 and the different charts, it is clear that Gabriel's DCF value differs significantly with larger changes in WACC and EBIT margin.

With a WACC of 10.5%, Gabriel's DCF value will be around the bottom of our fair value range. On the other hand, a lower WACC of 8% will lead to a DCF value of close to DKK 400 per share.

If Gabriel manages to exceed its historical average EBIT margin level of 7.5% in the terminal period, it will also have a large impact on the DCF value. A peak level of 10% will lift the DCF value to DKK 415 per share, while a 6% EBIT margin will decrease the DCF value to around the bottom of our fair value range.

Valuation	2024e	2025e	2026e
Share price	260.0	260.0	260.0
Number of shares, millions	1.89	1.89	1.89
Market cap	491	491	491
EV	790	763	731
P/E (adj.)	neg.	17.9	9.4
P/E	neg.	17.9	9.4
P/FCF	10.3	13.9	12.5
P/B	1.5	1.4	1.2
P/S	0.5	0.5	0.5
EV/Sales	0.9	0.8	0.7
EV/EBITDA	12.9	8.3	6.0
EV/EBIT (adj.)	61.1	16.9	9.7
Payout ratio (%)	0.0 %	0.0 %	30.0 %
Dividend yield-%	0.0 %	0.0 %	3.2 %

Source: HC Andersen Capital

Valuation 3/3

Peer group valuation perspectives

Even though our DCF model is the core of our assessment of Gabriel's valuation, we are also putting some weight on the peer group, primarily based on EV/EBIT multiples. As mentioned earlier, Gabriel has traded to a median and average EV/EBIT multiple of approx. 20x in the period over the last decade from 2013/14 to 2021/22 under Gabriel's latest growth cycle.

Looking at peers, Gabriel's closest peers, such as Kvadrat and Camira are not listed, which somewhat limits the comparability with other peers. As a result, we have taken a broader view.

First, a peer in the somewhat same market, but also offering other product categories, is US-based Culp. As shown on page 19, Culp's growth profile has been weaker than Gabriel's growth profile over the past 10 years, and is currently in a restructuring period on the company's mattress fabrics segment, which is less related to Gabriel's business. Following an estimated negative EBIT (Capital IQ) in the current financial year (ending April 2025), the EV/EBIT multiple is expected to be 10.8x (FY April 2026) and 7.7x (FY April 2027).

Second, we include large international furniture producers, i.e. MillerKnoll, Steelcase, and HNI Corp. Even though these manufacturers are Gabriel's customers and thus downstream in the value chain, these furniture companies are highly affected by the same industry trends and demand. As shown earlier, these customers have grown less than Gabriel and is also traded to lower short-term earnings-based multiples. Referring to page 33, the median and average EV/EBIT multiples of this peer group is respectively 14.1x and 14.3x (2024e), 12.3x and 12.1x (2025e), and 11.2x and 11.1x (2026e) based on Capital IQ estimates.

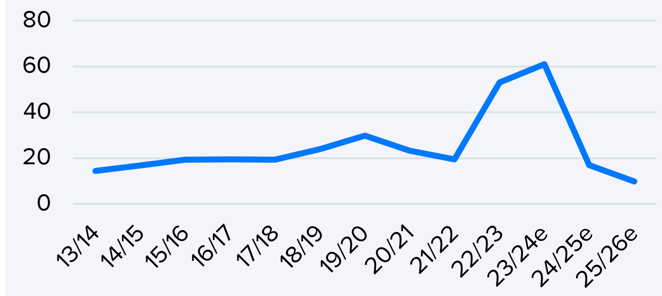
Third, we have looked into different Danish small- and mid-cap cyclical companies in the housing/construction sector. As the cyclical Danish-listed companies have been highly challenged in recent years due to weak markets, current multiples for 2024e provide less value. This implies that we put more weight on consensus analyst estimates for 2025e and 2026e (Capital IQ) for these companies compared to our estimates on Gabriel in 2024/2025e and 2025/2026e (slight differences in the accounting years). Based on this peer group of three cyclical Danish-listed companies, we see that Gabriel is trading higher on this year's multiples, yet lower on 2024/2025e of 16.9x (EV/EBIT) based on our estimates vs. median of 18.8x (Capital IQ) and average 21.9x (Capital IQ). Gabriel's 2025/2026e EV/EBIT of 9.7x looks attractive in a historical perspective, but is close to other Danish-listed cyclical companies trading at a median of 9.7x EV/EBIT 2026e (Capital IQ) and average of 10.3x EV/EBIT 2026e (Capital IQ).

Dividends are likely to return a few years ahead

Historically, Gabriel has been a relatively stable dividend share despite no dividend payments in 2022/23, which we expect to be the same in 2023/24e. Over the recent years back to the fiscal year 2016/17 before the downturn, Gabriel has had a dividend payout ratio between approx. 35-40%.

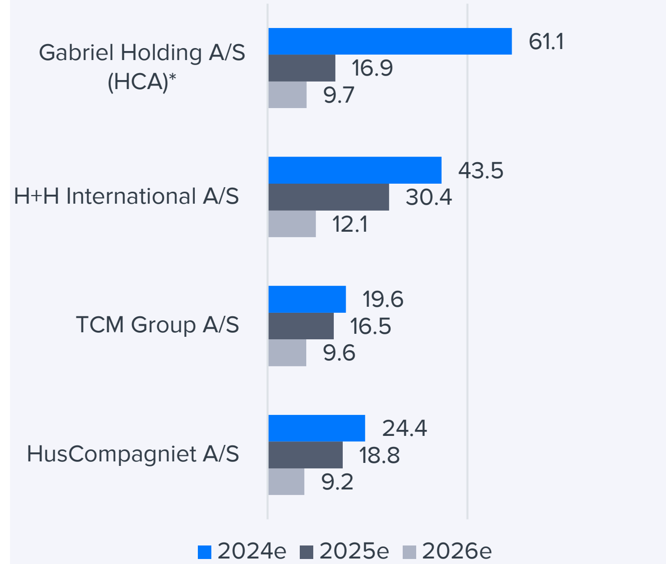
Looking ahead, we expect that Gabriel will pay some of its debt down before we estimate that Gabriel returns to dividend payments from 2025/2026e and onwards. We estimate that Gabriel can return to a dividend payout ratio of 30% in 2025/2026e (dividend yield of approx. 3%) which is expected to increase back to the 40% level as historically.

Gabriel's historical and forward EV/EBIT (x)



Source: S&P Capital IQ and HC Andersen Capital

EV/EBIT (x) for selected Danish-listed cyclical companies



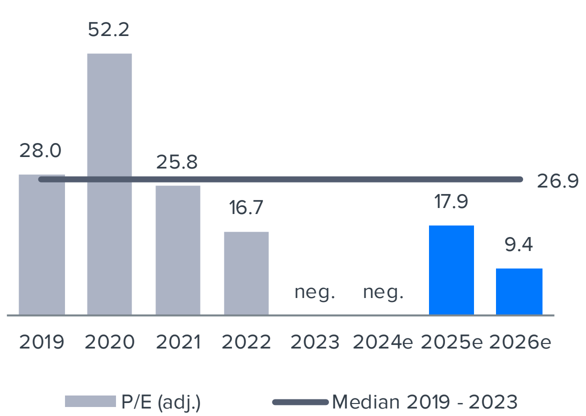
Source: S&P Capital IQ and HC Andersen Capital
Note:* Gabriel Holding EV/EBIT calculated by HC Andersen Capital based on forward EV

Valuation table

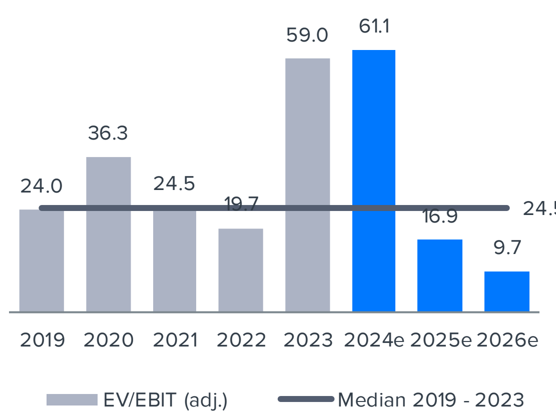
Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	712.0	690.0	630.0	515.0	306.0	**260.0**	**260.0**	**260.0**	**260.0**
Number of shares, millions	1.89	1.89	1.89	1.89	1.89	**1.89**	**1.89**	**1.89**	**1.89**
Market cap	1346	1304	1191	973	578	**491**	**491**	**491**	**491**
EV	1484	1522	1435	1282	940	**790**	**763**	**731**	**700**
P/E (adj.)	28.0	52.2	25.8	16.7	neg.	**neg.**	**17.9**	**9.4**	**7.2**
P/E	28.0	52.2	25.8	16.7	neg.	**neg.**	**17.9**	**9.4**	**7.2**
P/FCF	neg.	35.8	>100	neg.	35.6	**10.3**	**13.9**	**12.5**	**9.4**
P/B	4.8	4.6	3.7	2.7	1.8	**1.5**	**1.4**	**1.2**	**1.1**
P/S	1.9	1.8	1.5	0.9	0.6	**0.5**	**0.5**	**0.5**	**0.4**
EV/Sales	2.1	2.1	1.8	1.2	1.0	**0.9**	**0.8**	**0.7**	**0.6**
EV/EBITDA	18.3	18.9	14.9	11.9	14.6	**12.9**	**8.3**	**6.0**	**5.0**
EV/EBIT (adj.)	24.0	36.3	24.5	19.7	59.0	**61.1**	**16.9**	**9.7**	**7.5**
Payout ratio (%)	41.3 %	37.8 %	39.9 %	34.9 %	0.0 %	**0.0 %**	**0.0 %**	**30.0 %**	**40.0 %**
Dividend yield-%	1.5 %	0.7 %	1.5 %	2.1 %	0.0 %	**0.0 %**	**0.0 %**	**3.2 %**	**5.6 %**

Source: HC Andersen Capital

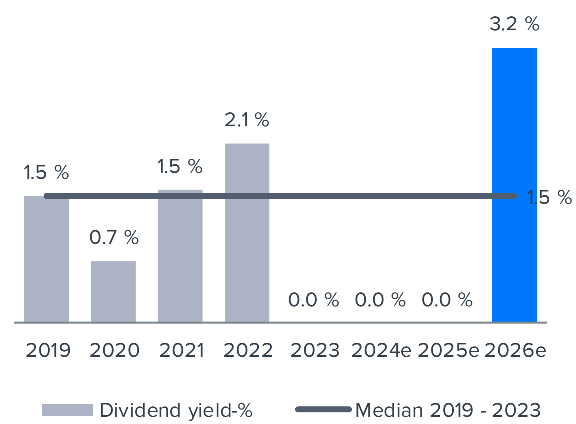
P/E (adj.)



EV/EBIT



Dividend yield-%



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MDKK**	**MDKK**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Culp, Inc.	389	350		10.8	33.2		0.3	0.2					0.9
International customers/producers													
MillerKnoll, Inc.	13,208	24,311	13.7	12.3	8.8	8.1	1.0	0.9	12.8	12.8	2.8%	2.8%	1.3
Steelcase Inc.	10,295	13,094	14.1	11.5	7.5	7.0	0.6	0.6	15.4	15.4	3.1%	3.1%	1.8
HNI Corporation	14,820	18,865	15.1	12.6	9.6	8.3	1.1	0.9	17.0	17.0			2.5
Danish cyclical small/mid cap													
HusCompagniet A/S	1,181	1,537	24.4	18.8	14.6	12.3	0.7	0.7	37.6	37.6		2.4%	0.5
TCM Group A/S	614	920	19.6	16.5	13.3	10.4	0.8	0.8	20.5	20.5	1.9%	4.2%	0.9
H+H International A/S	1,640	2,731	43.5	30.4	12.4	9.4	0.9	0.9	70.0	70.0			0.9
Gabriel Holding A/S (HCA)	**491**	**790**	**61.1**	**16.9**	**12.9**	**8.3**	**0.9**	**0.8**	**-145.7**	**17.9**	**0.0%**	**0.0%**	**1.5**
Average			**21.7**	**16.1**	**14.2**	**9.3**	**0.8**	**0.7**	**28.9**	**28.9**	**2.6%**	**3.1%**	**1.3**
Median			**17.3**	**12.6**	**12.4**	**8.8**	**0.8**	**0.8**	**18.8**	**18.8**	**2.8%**	**3.0%**	**0.9**
Diff-% to median			***252%***	***35%***	***4%***	***-6%***	***8%***	***-5%***	***-876%***	***-5%***	***-100%***	***-100%***	***67%***

Source: HC Andersen Capital, Capital IQ

Note: Data from 30/06/2024; Source: Refinitiv, Capital IQ, and HC Andersen Capital. No adjustments have been made to account for skewed reporting periods, which includes Gabriel: 1 Oct - 31 Sept; Culp: 1 May – 28 April; Steelcase: Day after fiscal year end – final Friday in February, MillerKnoll: 1 June 2024 – 31 May 2025.

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**1065**	**242**	**250**	**223**	**216**	**931**	**228**	**241**	**220**	**222**	**911**	**974**	**1068**	**1163**
Fabrics	1062	241	250	222	215	928	227	241	219	222	908	970	1065	1159
Letting offices	3.4	0.8	0.8	0.8	0.8	3.2	0.8	0.7	0.8	0.8	3.2	3.2	3.2	3.3
EBITDA	**107**	**20.8**	**23.6**	**9.5**	**10.3**	**64.3**	**15.9**	**19.1**	**11.2**	**15.1**	**61.3**	**92.2**	**122**	**141**
Depreciation	-42.6	-12.7	-10.6	-12.4	-12.6	-48.3	-12.7	-11.9	-11.9	-11.9	-48.4	-47.1	-47.3	-48.3
EBIT (excl. NRI)	**64.9**	**8.1**	**13.0**	**-2.9**	**-2.3**	**15.9**	**3.2**	**7.3**	**-0.7**	**3.2**	**12.9**	**45.1**	**75.2**	**93.1**
EBIT	**64.9**	**8.1**	**13.0**	**-2.9**	**-2.3**	**15.9**	**3.2**	**7.3**	**-0.7**	**3.2**	**12.9**	**45.1**	**75.2**	**93.1**
Fabrics	62.7	7.6	12.6	-3.4	-3.0	13.7	2.5	7.0	-1.3	2.7	10.9	43.0	73.1	90.9
Letting offices	2.2	0.6	0.4	0.5	0.7	2.2	0.7	0.3	0.5	0.5	2.0	2.1	2.1	2.1
Share of profits in assoc. compan.	0.1	-0.1	0.2	0.4	-0.1	0.4	-0.2	-0.2	0.4	0.4	0.4	0.4	1.0	2.1
Net financial items	15.5	-4.3	-3.5	-3.7	-2.3	-13.8	-6.0	-2.8	-4.0	-4.0	-16.8	-10.8	-10.0	-9.2
PTP	**80.6**	**3.7**	**9.8**	**-6.2**	**-4.7**	**2.6**	**-3.0**	**4.2**	**-4.3**	**-0.4**	**-3.5**	**34.7**	**66.1**	**86.0**
Taxes	-22.4	-1.4	-3.1	0.7	-3.1	-6.9	-1.2	0.3	0.9	0.1	0.1	-7.2	-13.7	-17.6
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**58.2**	**2.3**	**6.6**	**-5.6**	**-7.7**	**-4.3**	**-4.2**	**4.5**	**-3.4**	**-0.3**	**-3.4**	**27.5**	**52.5**	**68.4**
EPS (adj.)	**30.77**	**1.22**	**3.51**	**-2.94**	**-4.09**	**-2.29**	**-2.20**	**2.38**	**-1.80**	**-0.16**	**-1.78**	**14.53**	**27.76**	**36.18**
EPS (rep.)	**30.77**	**1.22**	**3.51**	**-2.94**	**-4.09**	**-2.29**	**-2.20**	**2.38**	**-1.80**	**-0.16**	**-1.78**	**14.53**	**27.76**	**36.18**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	31.5 %	-2.2 %	-9.2 %	-23.0 %	-14.4 %	-12.6 %	-5.7 %	-3.7 %	-1.5 %	3.0 %	-2.1 %	6.9 %	9.7 %	8.8 %
Adjusted EBIT growth-%	10.7 %	-60.3 %	-44.6 %	-118.2 %	-147.3 %	-75.5 %	-60.4 %	-44.3 %	-74.7 %	-239.0 %	-18.9 %	248.8 %	66.8 %	23.8 %
EBITDA-%	10.1 %	8.6 %	9.4 %	4.2 %	4.8 %	6.9 %	7.0 %	7.9 %	5.1 %	6.8 %	6.7 %	9.5 %	11.5 %	12.2 %
Adjusted EBIT-%	6.1 %	3.4 %	5.2 %	-1.3 %	-1.1 %	1.7 %	1.4 %	3.0 %	-0.3 %	1.4 %	1.4 %	4.6 %	7.0 %	8.0 %
Net earnings-%	5.5 %	1.0 %	2.7 %	-2.5 %	-3.6 %	-0.5 %	-1.8 %	1.9 %	-1.6 %	-0.1 %	-0.4 %	2.8 %	4.9 %	5.9 %

Source: HC Andersen Capital

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**385**	**394**	**386**	**388**	**394**
Goodwill	50.7	51.2	51.2	51.2	51.2
Intangible assets	48.4	53.1	54.2	54.9	55.8
Tangible assets	229	234	225	225	230
Associated companies	32.0	32.3	32.8	33.3	33.8
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	25.0	23.2	23.2	23.2	23.2
Current assets	**483**	**420**	**403**	**412**	**439**
Inventories	246	224	210	219	235
Other current assets	14.6	17.4	18.2	17.0	16.0
Receivables	145	140	137	137	145
Cash and equivalents	77.1	38.5	38.7	38.9	42.7
Balance sheet total	**869**	**814**	**790**	**800**	**833**

Source: HC Andersen Capital

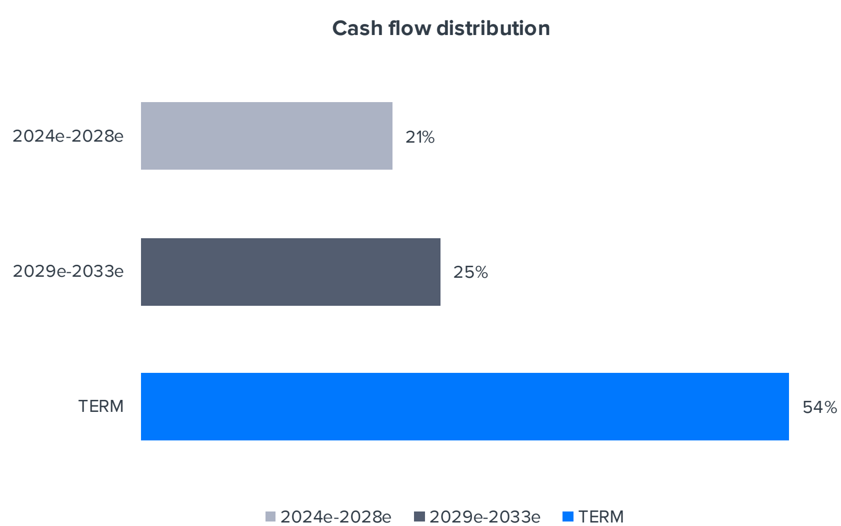
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**359**	**327**	**323**	**351**	**403**
Share capital	37.8	37.8	37.8	37.8	37.8
Retained earnings	326	302	298	326	378
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	-5.2	-12.7	-12.7	-12.7	-12.7
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**83.3**	**84.1**	**84.0**	**84.0**	**84.0**
Deferred tax liabilities	10.0	12.0	12.0	12.0	12.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	73.3	72.0	72.0	72.0	72.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**427**	**403**	**382**	**365**	**346**
Interest bearing debt	313	328	297	270	242
Payables	62.5	40.4	50.1	58.4	66.8
Other current liabilities	51.3	34.8	35.5	36.2	36.9
Balance sheet total	**869**	**814**	**790**	**800**	**833**

DCF calculation

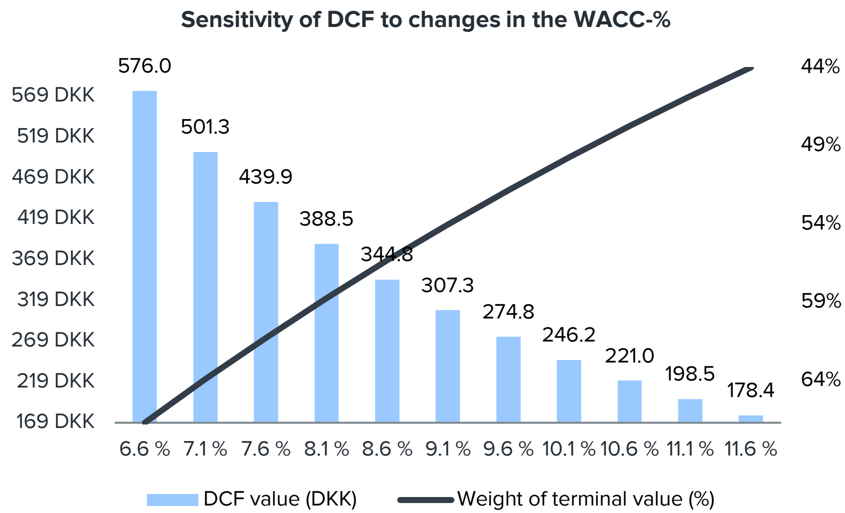
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-12.6 %	-2.1 %	6.9 %	9.7 %	8.8 %	7.1 %	5.1 %	3.6 %	2.6 %	2.5 %	2.0 %	2.0 %
EBIT-%	1.7 %	1.4 %	4.6 %	7.0 %	8.0 %	8.5 %	9.5 %	10.0 %	9.0 %	7.5 %	7.5 %	7.5 %
EBIT (operating profit)	**15.9**	**12.9**	**45.1**	**75.2**	**93.1**	**106**	**124**	**135**	**126**	**107**	**110**	
+ Depreciation	48.3	48.4	47.1	47.3	48.3	50.1	51.9	52.6	53.0	53.0	53.0	
- Paid taxes	-28.6	0.1	-7.2	-13.7	-17.6	-20.5	-24.6	-27.2	-25.5	-23.0	-23.7	
- Tax, financial expenses	-3.1	-0.6	-2.3	-2.1	-2.0	-1.8	-1.5	-1.2	-0.9	-0.7	-0.4	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	5.1	27.0	0.4	-14.3	-10.2	-8.0	-7.6	-7.3	-6.9	-6.8	-6.8	
Operating cash flow	**51.0**	**87.9**	**83.1**	**92.4**	**112**	**126**	**142**	**152**	**145**	**130**	**132**	
+ Change in other long-term liabilities	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-39.6	-40.1	-47.9	-53.2	-59.2	-61.0	-56.3	-55.2	-53.0	-53.0	-53.0	
Free operating cash flow	**16.2**	**47.8**	**35.2**	**39.2**	**52.4**	**64.9**	**86.1**	**96.9**	**92.4**	**77.0**	**78.7**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	16.2	47.8	35.2	39.2	52.4	64.9	86.1	96.9	92.4	77.0	78.7	1128
Discounted FCFF		**45.7**	**30.9**	**31.5**	**38.6**	**43.9**	**53.3**	**54.9**	**48.0**	**36.7**	**34.4**	**493**
Sum of FCFF present value		911	865	834	803	764	720	667	612	564	527	493
Enterprise value DCF		**911**										
- Interest bearing debt		-400.0										
+ Cash and cash equivalents		38.5										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**581**										
Equity value DCF per share		**307.3**										

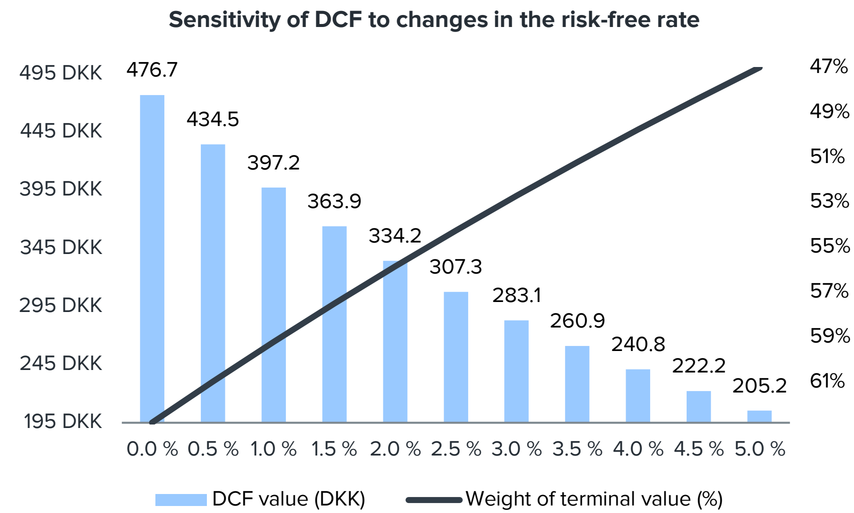
WACC	
Tax-% (WACC)	22.0 %
Target debt ratio (D/(D+E)	30.0 %
Cost of debt	5.50 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	2.50%
Risk free interest rate	2.50 %
Cost of equity	**11.2 %**
Weighted average cost of capital (WACC)	**9.1 %**

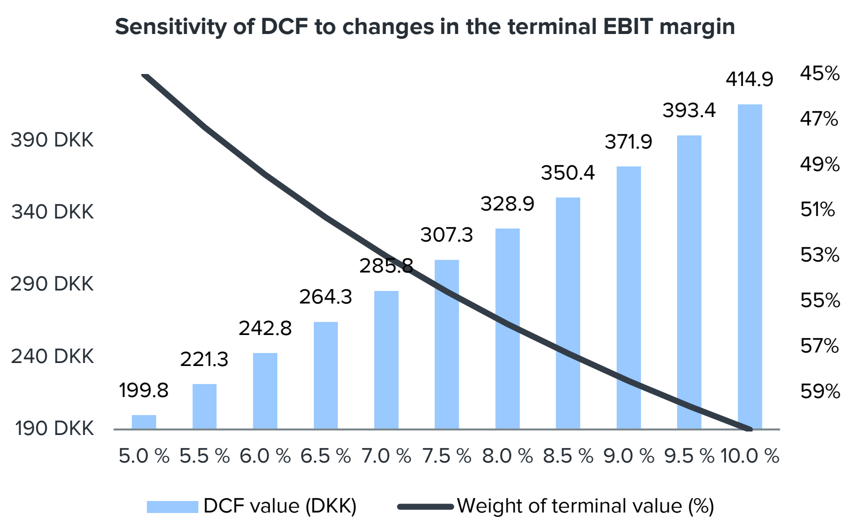
Source: HC Andersen Capital

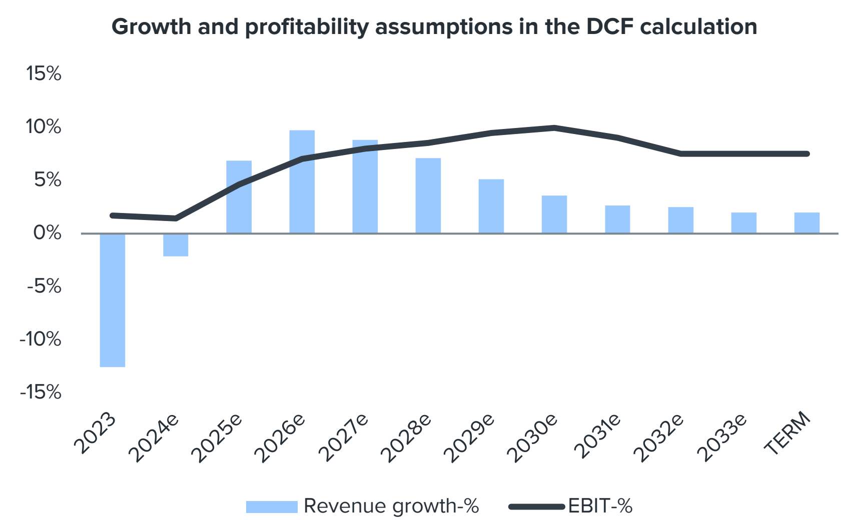


DCF sensitivity calculations and key assumptions in graphs









Source: HC Andersen Capital. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	809.7	1065.0	931.2	**911.2**	**973.7**
EBITDA	96.5	107.5	64.3	**61.3**	**92.2**
EBIT	58.6	64.9	15.9	**12.9**	**45.1**
PTP	58.8	80.6	2.6	**-3.5**	**34.7**
Net Income	46.2	58.2	-4.5	**-3.4**	**27.5**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	24.43	30.77	-2.37	**-1.78**	**14.53**
EPS (adj.)	24.43	30.77	-2.37	**-1.78**	**14.53**
OCF / share	21.98	-1.12	26.98	**46.52**	**43.99**
FCF / share	2.64	-22.86	8.50	**25.27**	**18.64**
Book value / share	170.44	189.81	172.80	**171.01**	**185.55**
Dividend / share	9.75	10.75	0.00	**0.00**	**0.00**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	731.2	868.5	813.8	**789.6**	**799.7**
Equity capital	322.1	358.7	326.6	**323.2**	**350.7**
Goodwill	51.0	50.7	51.2	**51.2**	**51.2**
Net debt	244.5	308.9	361.5	**330.0**	**303.4**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	11%	32%	-13%	**-2%**	**7%**
EBITDA growth-%	20%	11%	-40%	**-5%**	**50%**
EBIT (adj.) growth-%	40%	11%	-75%	**-19%**	**249%**
EPS (adj.) growth-%	85%	26%	-108%	**-25%**	**-915%**
EBITDA-%	11.9 %	10.1 %	6.9 %	**6.7 %**	**9.5 %**
EBIT (adj.)-%	7.2 %	6.1 %	1.7 %	**1.4 %**	**4.6 %**
EBIT-%	7.2 %	6.1 %	1.7 %	**1.4 %**	**4.6 %**
ROE-%	15.3 %	17.1 %	-1.3 %	**-1.0 %**	**8.2 %**
ROI-%	10.9 %	12.7 %	2.3 %	**1.9 %**	**6.6 %**
Equity ratio	44.1 %	41.3 %	40.1 %	**40.9 %**	**43.9 %**
Gearing	75.9 %	86.1 %	110.7 %	**102.1 %**	**86.5 %**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	96.5	107.5	64.3	**61.3**	**92.2**
Change in working capital	-42.3	-77.0	5.1	**27.0**	**0.4**
Operating cash flow	41.5	-2.1	51.0	**87.9**	**83.1**
CAPEX	-37.3	-43.0	-39.6	**-40.1**	**-47.9**
Free cash flow	5.0	-43.2	16.1	**47.8**	**35.2**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	1.8	1.2	1.0	**0.9**	**0.8**
EV/EBITDA	14.9	11.9	14.6	**12.9**	**8.3**
EV/EBIT (adj.)	24.5	19.7	59.0	**61.1**	**16.9**
P/E (adj.)	25.8	16.7	neg.	**neg.**	**17.9**
P/B	3.7	2.7	1.8	**1.5**	**1.4**
Dividend-%	1.5 %	2.1 %	0.0 %	**0.0 %**	**0.0 %**

Source: HC Andersen Capital

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Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history

Date	Recommendation	Target	Share price
30/06/2024	Accumulate	295 DKK	260 DKK

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