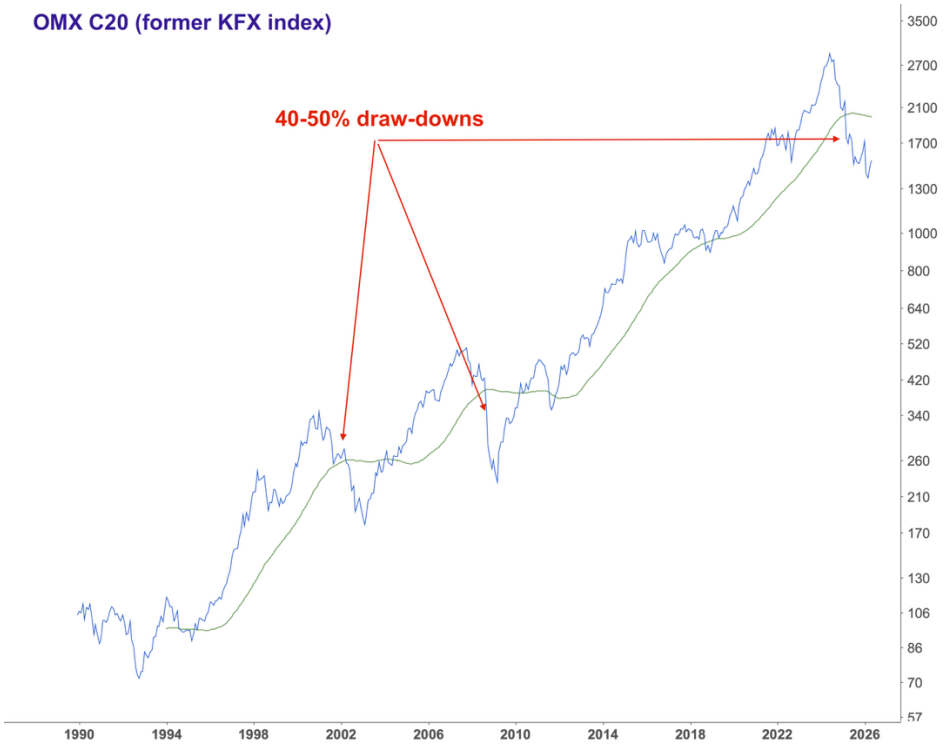
Danish equities: earnings growth without recognition

1 June 2026

By Ole Søeberg

Danish equities have been among the poorest performers in the last 4 years, yet the underlying fundamentals are getting stronger and stronger

Danish equities have been among the worst-performing markets in recent years. While North America and Northeast Asia are propelled forward by AI infrastructure investment, Europe — and Denmark in particular — appears to have been left standing on the platform as the growth train departed.



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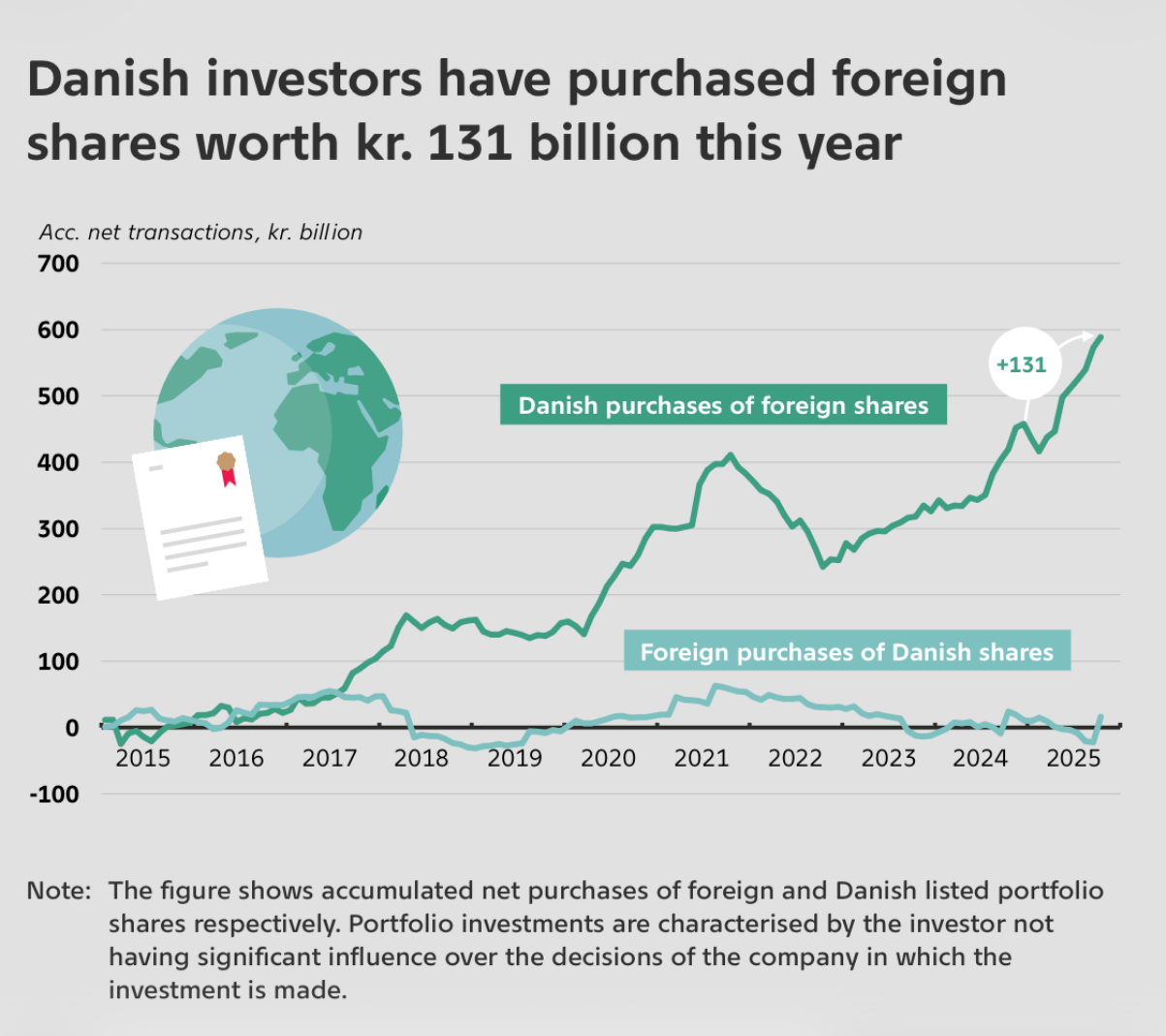
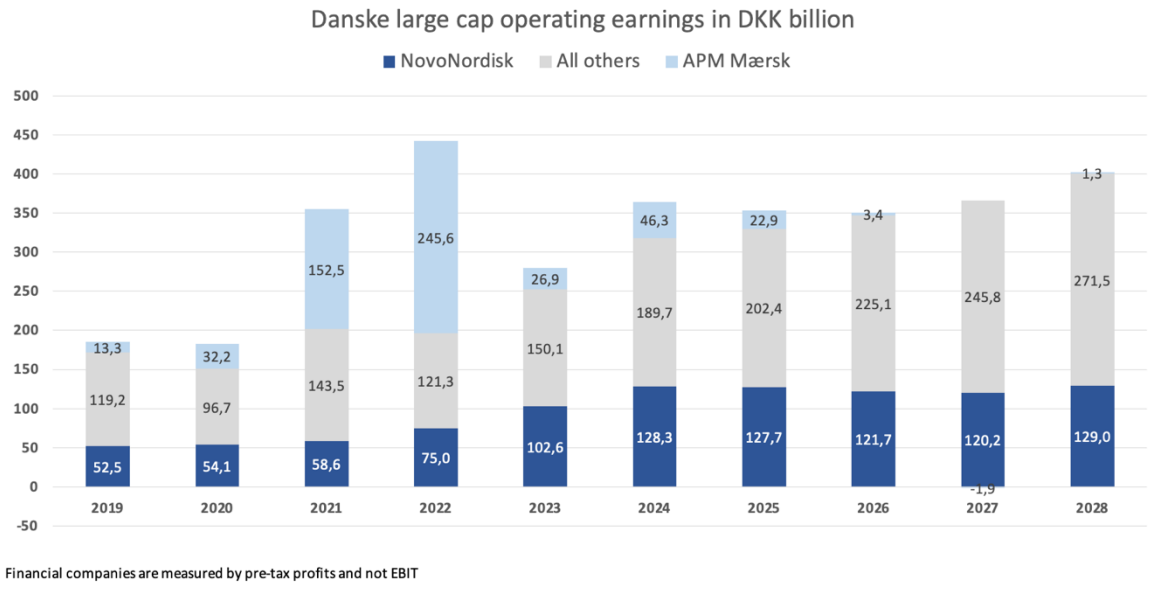
The OMXC20 index is broadly unchanged since 2021, a striking contrast to the long-run annual return of 8.5% per year (plus dividends) since 1954. The last comparable five-year consolidation was during the high-inflation era of the 1970s.

The causes of the current stagnation are well-documented. Danish equities carried elevated valuations during the era of negative interest rates, and the subsequent re-rating has been compounded by a structural shift in domestic institutional capital — with Danish pension funds and asset managers rotating out of Danish equities and into global index funds. The chart of accumulated net transactions tells the story clearly: Danish investors have been net buyers of foreign shares to the tune of DKK 131 billion this year alone, while foreign appetite for Danish equities remains negligible.



Yet the underlying earnings picture tells a different story. As illustrated, aggregate operating earnings for Danish large caps have grown substantially — and when the cyclical distortions of AP Møller Mærsk and the exceptional GLP-1-driven trajectory of Novo Nordisk are stripped out, the remaining companies show a "grey mass" earnings CAGR of 14.5% from 2022 to estimated 2028. That is not a stagnant economy — it is a re-rating waiting to happen.



Financial companies are measured by pre-tax profits and not EBIT

Valuations have compressed to undemanding levels: 16x forward P/E and 11x EV/EBIT on 2027 estimates. Q1 2026 earnings came in broadly in line with expectations, and while guidance upgrades were modest, this reflects rational caution given geopolitical uncertainty and the energy price spike since March 2026 — not a fundamental deterioration.

The OMX C20 has survived 40–50% drawdowns twice in the past 25 years and recovered to new highs both times. History suggests that stock prices ultimately follow earnings, and with the index flat for five years while underlying profits have compounded at double-digit rates, the gap between price and value in Danish equities is becoming difficult to ignore.