Nordic Credit Rating

CORPORATE

Norway
19 Apr. 2024

Kongsberg Gruppen ASA

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'A-' long-term issuer credit rating on Kongsberg Gruppen ASA, a Norway-based defence and maritime technology supplier, is supported by the company's leading position in its niche markets, strong cash position and cash flow, and low financial gearing. While we regard the underlying trend in EBITDA margins and strong customer demand as positive, the rating is constrained by the company's small size in comparison with its peers.

We lower our standalone credit assessment by one notch due to reduced availability of funding from investors adverse to defence industry activity, even though the Russian invasion of Ukraine appears to have made some investors rethink their position. Conversely, we add back a notch to reflect the likelihood that the majority owner, the Norwegian government, would support the company if needed. In sum, the adjustment factors are neutral.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Kongsberg Gruppen will maintain its position as a strategic investment for the Norwegian government and that the government will maintain its controlling interest. We expect that new regulations and energy solutions will support demand for the company's green technology in the maritime segment. We also expect demand for defence, marine and other advanced technologies will remain high. In addition, we assume that the company will maintain strong financial credit metrics.

POTENTIAL POSITIVE RATING DRIVERS

- Improved profitability, raising EBITDA margins towards 20%.
- Improved maritime demand, for example due to green shipping investments.
- A long-term change in investor attitudes toward defence companies.

POTENTIAL NEGATIVE RATING DRIVERS

- Reduction in government commitment.
- Increased financial gearing, leading to net debt/EBITDA above 1.5x over a protracted period.
- Lower profitability, leading to an EBITDA margin of below 10% on a protracted basis.

Figure 1. Key credit metrics, 2020–2026e

NOKm	2020	2021	2022	2023	2024e	2025e	2026e
Revenues	25,612	27,449	31,803	40,617	44,428	48,349	54,484
EBITDA	3,241	4,020	4,497	5,804	6,271	7,190	8,812
EBITDA margin (%)	12.7	14.6	14.1	14.3	14.1	14.9	16.2
FFO	2,891	3,405	3,414	4,789	5,174	5,913	7,215
Net debt	-208	-2,135	1,655	305	656	931	-449
Total assets	39,230	39,310	43,225	53,222	54,893	58,959	65,420
Net debt/EBITDA (x)	-0.1	-0.5	0.4	0.1	0.1	0.1	-0.1
EBITDA/net interest (x)	17.7	24.5	25.4	26.5	25.4	29.1	35.7
FFO/net debt (%)	neg	neg	206.3	1568.4	788.4	635.1	Neg
FOCF/net debt (%)	neg	neg	-26.6	1239.6	432.1	309.7	Neg

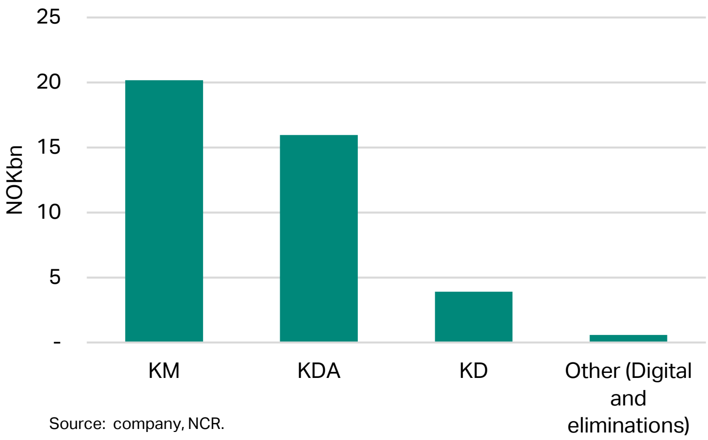
Source: company, NCR. FFO–funds from operations. FOCF–free operating cash flow. neg – net cash position resulting in non-meaningful descriptors of the key metric. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Kongsberg Gruppen provides high-tech systems and solutions to customers operating primarily in the shipping, energy, fisheries, defence, aerospace and space industries. The company has four operating segments: Kongsberg Maritime (KM) provides high tech products and systems for a large range of ocean-related activities; Kongsberg Defence & Aerospace (KDA) supplies advanced technology to customers in the defence, monitoring, space, and air traffic control businesses; and Kongsberg Digital is a small, high-growth business which supplies maritime training simulators and digitisation solutions to the energy sector, among others. Kongsberg Discovery (KD), which was formed in 2023, was earlier part of KM. It develops technology for sustainable management of marine resources by fisheries, marine research units, and other maritime operators.

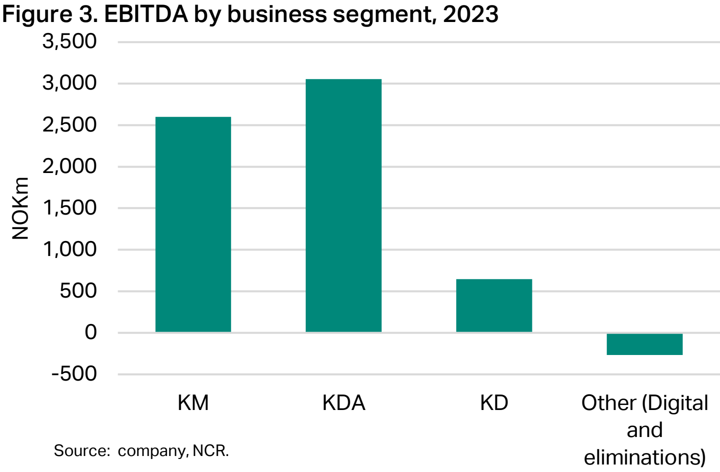
Kongsberg Gruppen has its roots in Kongsberg Våpenfabrikk, a defence company founded in 1814, and was previously wholly owned by the Norwegian government. It was partly privatised in 1993, when it was listed on the Oslo Stock Exchange. The government still holds a majority stake.

Figure 2. Revenues by business segment, 2023



Source: company, NCR.

Figure 3. EBITDA by business segment, 2023



Source: company, NCR.

BUSINESS RISK ASSESSMENT

Business risk assessment 'bbb'

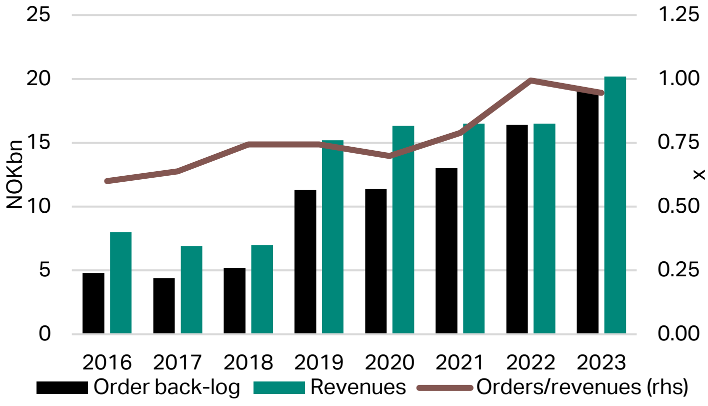
Kongsberg Gruppen's two largest business segments have different drivers and we discuss them separately below. In recent years, KM has been negatively affected by weak demand for oil, leisure cruises and maritime newbuilds. However, it recovered in 2023 due to strong aftermarket activity and upgrades to aging vessels to meet emissions requirements. KDA is growing due to higher global spending on defence and upgrades of weapons platforms. We expect KM and KDA's margins to remain solid. KD, which provides world-leading technology to fisheries, marine research units, and companies monitoring deep-sea infrastructure, has seen strong growth and is highly profitable. Kongsberg Digital, a small niche business, has grown quickly and targets becoming EBITDA-positive in the second half of 2024.

Green shipping and geopolitical tension create growth opportunities

Operating environment 'bbb'

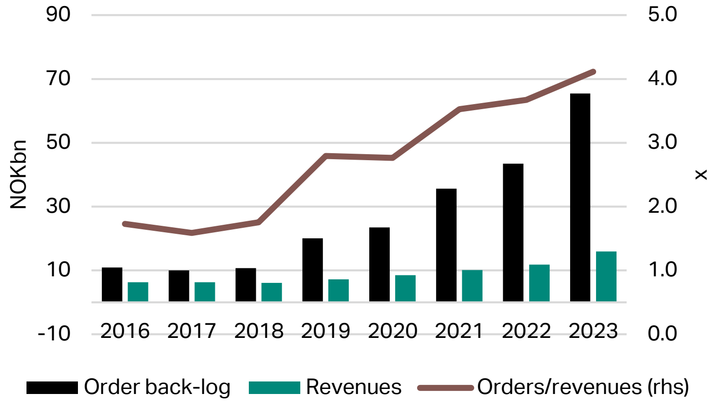
KM now accounts for 50% of company revenues. An ongoing cyclical downturn in shipping and oil services is negatively impacting the operating environment. The newbuild market, which has historically accounted for about half of KM's revenues, has been weak since 2016. KM's markets have been negatively impacted by increased regulatory and investor focus on environmental issues. This is particularly the case for oil services, which accounts for almost a quarter of segment revenues, but the increased scrutiny presents a challenge for shipping in general. However, KM offers a range of green technology products and services that provide its customers with tools to acquire green shipping credentials. These technologies help KM to sustain a relatively strong order back-log and we expect them to remain the segment's main growth drivers. Strong demand for environmental upgrades has led to stretched yard capacity but continuously aging vessels drive substantial aftermarket sales and upgrades.

Figure 4. KM revenues and order back-log, 2016-2023



Source: company, NCR.

Figure 5. KDA revenues and order back-log, 2016–2023

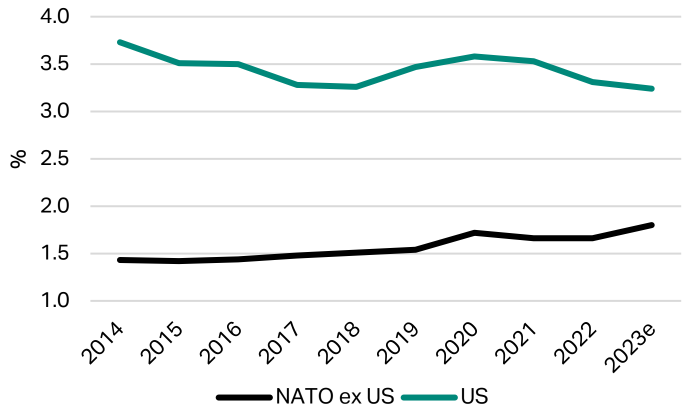


Source::company, NCR.

Figure 6. Annual real growth in world defence spending, 2000–2022

Source: Stockholm International Peace Research Institute.

Figure 7. Defence expenditure* by NATO countries, 2014–2023e



Source: NATO. *As proportion of GDP.

KDA characteristically engages in long-term projects in a market that relies on government defence spending. The average compound annual growth rate in world defence spending has been around 3% over the past 20 years but has been relatively volatile within that period, with geopolitical conditions pointing to higher rather than lower defence spending over the longer term. We believe the Russian invasion of Ukraine has spurred recent orders for KDA and note that sales grew by a strong 35% in 2023. This is in line with our expectations for accelerated defence investment across Europe. Germany, for example, plans to increase its defence budget to above 2% of GDP annually by 2024 from an estimated 1.7% in 2023. New NATO member Finland spent an estimated 2.5% in 2023, up from 1.7% in 2022. Sweden, which has also just joined, targets 2% by end-2024, as does Norway, which spent an estimated 1.8% in 2023.

The US has long been pressuring its NATO allies to increase defence spending to at least 2% of GDP annually. There is still some way to go but the gap between US and non-US spending is closing (see Figure 7).

KDA expects demand for technologically advanced weapons systems to remain strong. The segment's order back-log increased by a strong 50% in 2023 and now exceeds four times its annual revenue, with prospective orders over the next decade amounting to more than NOK 150bn.

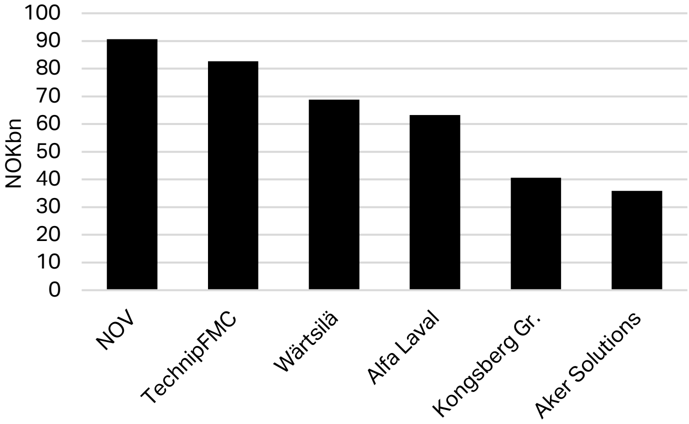
Focus on technology drives leadership position

Market position 'bbb+'

Kongsberg Gruppen is a medium-sized operator in the maritime technology market and a relatively small player in the defence and aerospace sector. We note that the company is a leader in high-end technology and a major player in its niche markets, with the ability to upgrade its products continually to meet customer requirements.

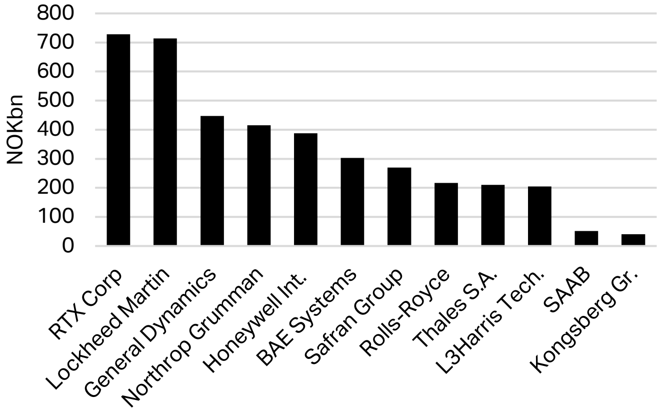
KM's market position improved after the acquisition of Rolls-Royce Commercial Marine in 2019, which effectively doubled business volumes; the segment is currently increasing its share of a subdued market through a broader offering of products and services. Due to the global scope of the maritime sector, the main competitors are major international companies that provide global service and support networks.

Figure 8. KM peer group revenues, 2023



Source: company, NCR.

Figure 9. KDA peer group revenues, 2023



Source: company, NCR.

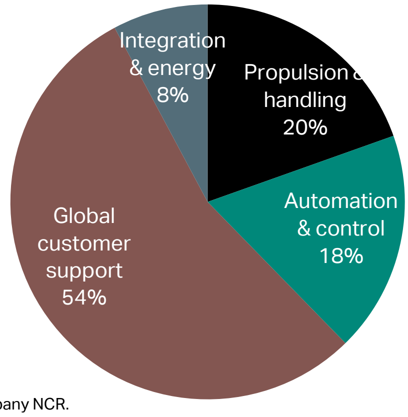
We believe that KDA has a competitive advantage as part of a government-controlled company from a NATO country. We also note that synergies between business units create cross-selling opportunities and greater scope for delivery, for example in competition for naval contracts. Significant barriers to entry exist in the defence and aerospace markets due to the advanced nature of the technologies involved and strict regulations restricting the export of weapons systems. KDA provides niche systems for weapons platforms as well as stand-alone systems and encounters limited competition when customers choose a particular defence capability. The segment can, however, encounter local competition in some countries, particularly in the market for remote-controlled weapons stations. KDA has partnerships with some major defence companies, for example a strategic cooperation agreement with Raytheon for the NASAMS air defence system and with ThyssenKrupp Marine Systems on submarine combat systems.

Niche player with global reach

Size and diversification 'bbb'

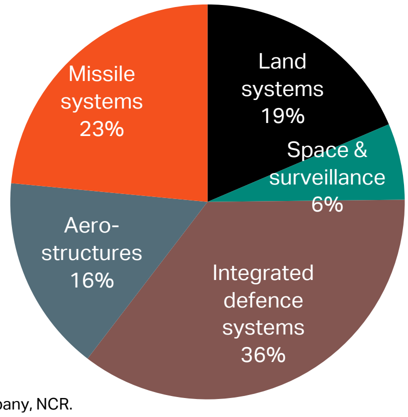
Kongsberg Gruppen has more than 13,000 employees and operates in 40 countries. However, the company is relatively small in comparison with major international competitors, particularly in the defence industry. With four distinct business segments, it is more diverse than some of its peers, which tend to focus exclusively on defence or maritime equipment. The company also has significant diversity within its own business areas and a worldwide reach. One-fifth of revenues are generated in Norway, mainly due to the country's large oil services and shipbuilding industries as well as the company's position as a developer of advanced weapons systems for the Norwegian Armed Forces. We see it as a strength that defence contracts are mostly signed with government clients, which reduces cyclicality. An additional strength, in our view, is that a growing proportion of KM's revenues, currently 54%, comes from the relatively stable aftermarket.

Figure 10. KM revenues by product area, 2023



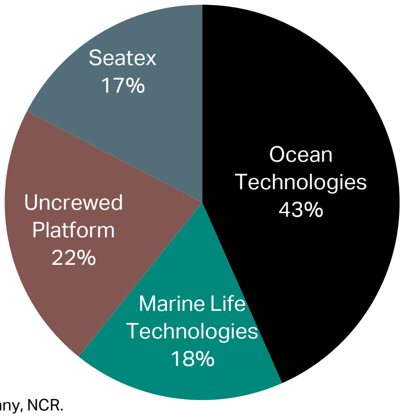
Source: company NCR.

Figure 11. KDA revenues by product area, 2023



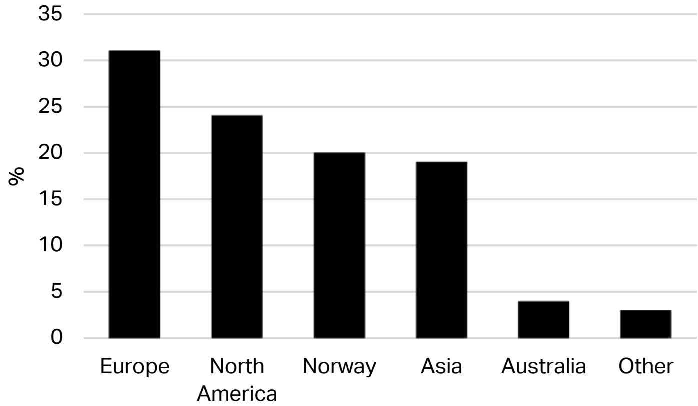
Source: company, NCR.

Figure 12. KD revenues by product area, 2023



Source: company, NCR.

Figure 13. Geographic distribution of revenues, 2023



Source: company, NCR.

Synergies and improved market conditions drive margins sharply higher

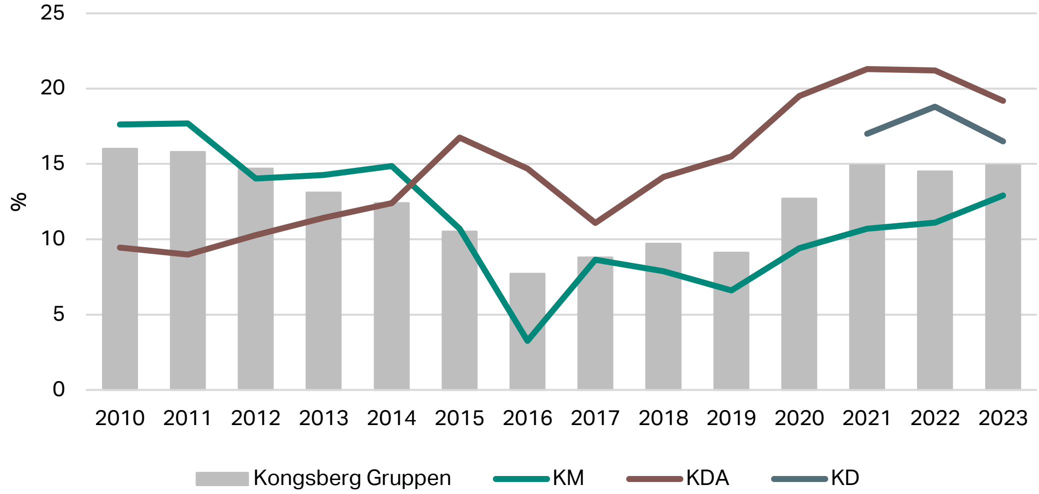
Operating efficiency 'bbb+'

While KM has a relatively cyclical business operation, KDA has low cyclicality but is more dependent on large contracts. The profitability of each segment has historically had little correlation and this increases the company's general resilience to market turbulence. We note that Kongsberg Gruppen's last negative annual result was as long ago as 2000.

KM's EBITDA margins displayed a negative trend in the first half of the last decade but improved to nearly 13% in 2023. KDA had stronger margins in the period, peaking at just above 21% in 2021 and 2022. They fell to 19% in 2023 due to an increased proportion of sales to the Norwegian Armed Forces at slightly lower margins. In 2023, KM and KDA's margins were above the median of their respective industry peers (see figures 14 and 15). KM's EBITDA margin has increased sharply since 2019 thanks to synergies generated by the acquisition of Rolls-Royce Commercial Marine and improved market conditions. We expect KDA and KM's margins to remain stable through 2025, with an increase at KDA in 2026 due to new orders. Overall, we expect total group margins to strengthen further as Kongsberg Digital, which to date has been loss-making, becomes EBITDA positive by end-2024.

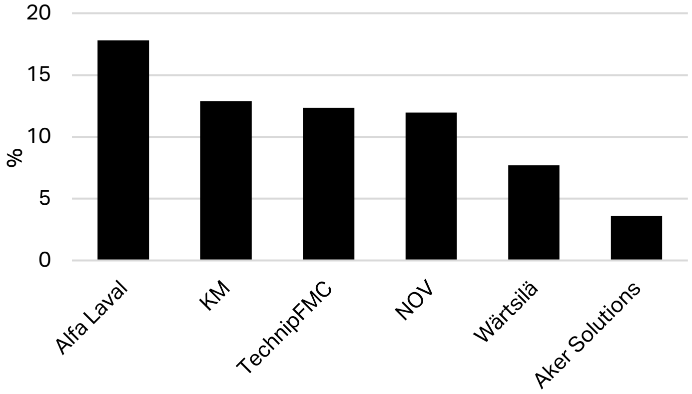
We believe that Kongsberg Gruppen's earnings and cash flow will be supported by a likely cyclical upturn for KM and increased economies of scale, especially when KDA's large order book translates into sales. In addition, the relatively weak Norwegian krone currently presents an advantage with about two-thirds of value creation and employee numbers located in Norway, compared with 20% of revenues. While cost levels are comparatively high in Norway due to high wages, salaries of skilled engineers are relatively moderate. We note that the labour market in Norway is more flexible than in most other European countries, which is an advantage when large contracts make activity levels volatile.

Figure 14. Unadjusted EBITDA margin by main business area, 2010-2023



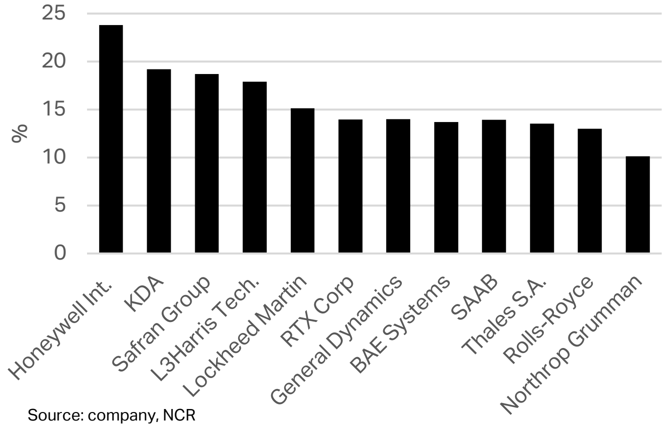
Source: company, NCR.

Figure 15. KM peer group EBITDA margins, 2023



Source: company, NCR

Figure 16. KDA peer group EBITDA margins, 2023



Source: company, NCR

FINANCIAL RISK ASSESSMENT

Financial risk assessment 'a+'

Our financial risk assessment reflects Kongsberg Gruppen's strong operating cash flow, low gearing, and healthy cash position. We note that the strong cash position is partly due to prepayments of contracts. We recognise that the company's risk appetite appears somewhat greater than warranted by its current credit metrics. This is illustrated by its relatively wide target range for debt/EBITDA of 0.5–2.5x and its expected high dividend payout ratio.

Ratio analysis 'aa'

Strong credit metrics provide capital flexibility

Kongsberg Gruppen almost reached its 2025 revenue target of NOK 40 bn (excluding Digital) already in 2023 and was close to the 15% EBITDA margin target with KDA exceeding its segment target. We expect Kongsberg Gruppen to maintain strong growth, reaching revenues of near NOK 50bn by 2025 and with sustained margins. This should lead to strong cash flows and keep financial leverage close to zero, in the absence of major acquisitions. Prepayments of large defence contracts should also help Kongsberg Gruppen to expand its revenues without increasing financial gearing significantly.

Kongsberg Gruppen's credit metrics have shown moderate historical volatility, despite a weakening in 2016, when oil prices declined significantly. We believe that the company's focus on green technology in the maritime segment will contribute to increased stability.

In our base case we assume:

- Annual revenues of nearly NOK 50bn by 2025, with growth of 9% per year;
- EBIT margins of around 11% in 2024 and 2025, rising to above 13% in 2026 thanks to new missile sales and diminishing EBIT losses at Kongsberg Digital;
- capital investments averaging NOK 2.2bn annually in 2024-2026;

- NOK 7.4bn in dividends (excluding share buy-backs) in 2024-2026, equivalent to one-third of EBITDA in the period.

We expect no share buy-backs, but note that they could occur if cash flow remains strong.

On the basis of these assumptions, we estimate the following credit metrics for 2024-2026:

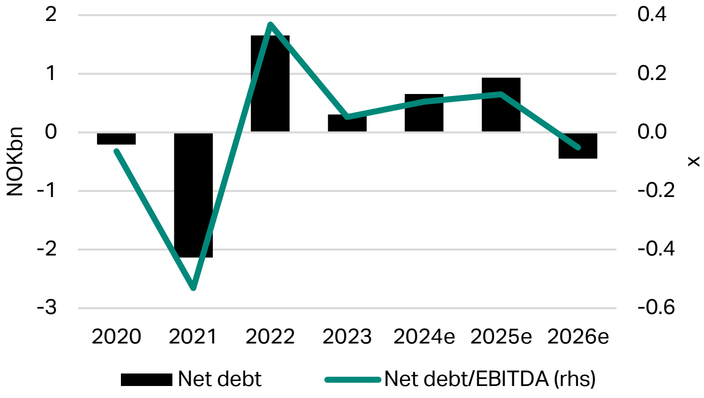
- Net debt/EBITDA of 0.1 to –0.1x;
- EBITDA/net interest of 25.4–35.7x; and
- FFO/net debt of 788% in 2024, 635% in 2025, and minus 1,605% in 2026, as net debt turns negative with growing cash.

Figure 17. NCR's adjustments to reported credit metrics, 2020-2026e

NOKm	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	3,248	4,087	4,601	6,037	6,545	7,504	9,187
Restructuring costs	86	0	0	0	0	0	0
Dividends from JVs and associates	130	147	201	170	170	170	170
Capitalised development expenses	-223	-214	-305	-403	-444	-483	-545
NCR-adj. EBITDA	3,241	4,020	4,497	5,804	6,271	7,190	8,812
Net interest	-41	-32	-49	-83	-112	-112	-112
Financial costs from leasing	-142	-132	-128	-136	-135	-135	-135
NCR-adj. net interest	-183	-164	-177	-219	-247	-247	-247
NCR-adj. EBITDA	3,241	4,020	4,497	5,804	6,271	7,190	8,812
NCR-adj. net interest	-183	-164	-177	-219	-247	-247	-247
Current taxes	-167	-451	-906	-796	-850	-1,030	-1,350
NCR-adj. FFO	2,891	3,405	3,414	4,789	5,174	5,913	7,215
Changes in working capital	-317	1,249	-3,081	976	-216	-465	-612
Capital spending	-759	-791	-1,078	-2,383	-2,567	-3,048	-2,445
Capitalised development expenses	223	214	305	403	444	483	545
NCR-adj. FOCF	2,038	4,077	-440	3,785	2,835	2,884	4,703
Cash and cash equivalents	7,420	8,118	3,932	5,975	5,730	5,534	7,037
Restricted cash adjustment	-512	-549	-636	-812	-889	-967	-1,090
NCR-adj. cash and equivalents	6,908	7,569	3,296	5,163	4,842	4,567	5,947
Gross debt	3,471	2,450	2,453	3,000	3,000	3,000	3,000
Long-term leasing liabilities	1,753	1,500	1,526	1,457	1,446	1,426	1,406
Short-term leasing liabilities	339	380	419	433	444	464	484
Retirement benefit obligations	1,137	1,104	553	578	607	607	607
NCR-adj. total debt	6,700	5,434	4,951	5,468	5,498	5,498	5,498
NCR-adj. cash and equivalents	-6,908	-7,569	-3,296	-5,163	-4,842	-4,567	-5,947
NCR-adj. net debt	-208	-2,135	1,655	305	656	931	-449

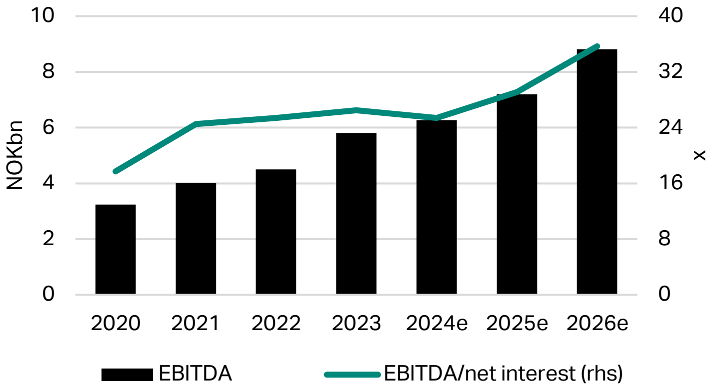
Source: company, NCR. JVs–joint ventures.

Figure 18. Adjusted net debt and net debt/EBITDA, 2020-2026e



Source: company. e–estimate. All metrics adjusted in line with NCR methodology.

Figure 19. Adjusted EBITDA and EBITDA/net interest, 2020-2026e



Source: company. e–estimate. All metrics adjusted in line with NCR

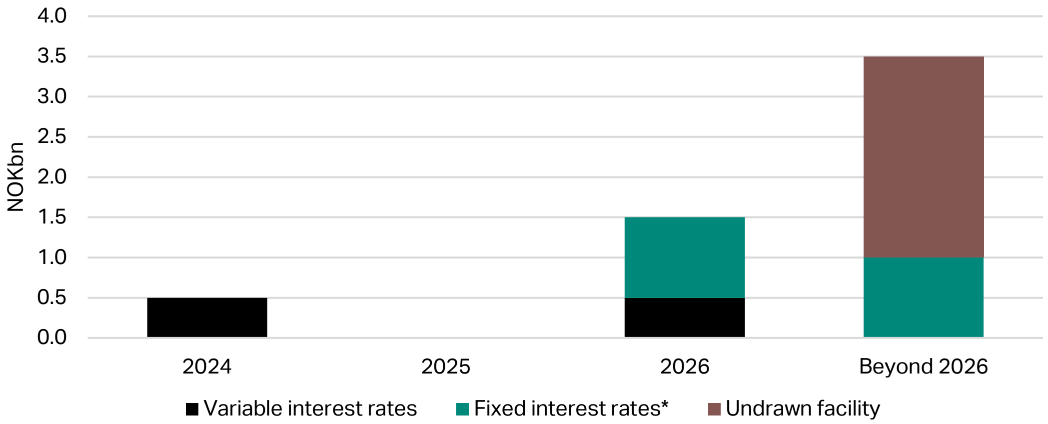
Financial strategy allows for dividends and growth initiatives

Risk appetite 'a-'

Kongsberg Gruppen's strong cash position is partly due to NOK 4.1bn increase of customer prepayments (as of end-2023). These prepayments reduce the need for interest-bearing debt to finance working capital and have a material impact on the company's credit metrics. In addition, we expect material dividend payments, which increases our view of financial risk despite the strong financial metrics. The company seeks to pay an ordinary dividend per share that is either stable or grows year on year. In addition, Kongsberg Gruppen has paid extraordinary dividends and bought back shares in line with internal policies when reported net debt/EBITDA (excluding leases) has fallen below the company's 0.5–2.5x target. In our forecast, we project this ratio will remain around zero, supporting our expectation of continued high dividend payments.

Kongsberg Gruppen's leverage credit metrics are strong thanks to its strong cash flow generation and cash position. The company is funded by NOK 3.0bn of debt, partly with fixed interest rates (see Figure 20), and an undrawn NOK 2.5bn syndicated revolving credit facility maturing in 2028. The facility's covenants stipulate a net interest-bearing debt/EBITDA ratio of less than 4.75x (a level that could increase to 5.25x, but in no more than four individual or three consecutive quarters). The covenants are based on IFRS 16 and thus include leasing. The company also has an undrawn NOK 1.5bn overdraft credit facility.

Figure 20. Debt maturity profile



Source: company, NCR. * before partial swaps to floating.

Kongsberg Gruppen has a history of bolt-on acquisitions and disposals of businesses deemed to be non-core or sub-scale. In 2020, it sold underwater technology company Hydroid to Huntington Ingalls Industries for an enterprise value of USD 350m. In 2019, it acquired Rolls-Royce's commercial marine business for an enterprise value of GBP 500m, financed by a NOK 5bn equity issue in 2018.

Investments in 2023 centred on building capacity to meet strong demand for KDA's defence products. A new missile factory is set to open mid-2024 in Kongsberg and foreign investment has been sought to support local production and maintenance. We believe Kongsberg Gruppen has capacity to engage in significant transactions without breaching its debt/EBITDA target.

We see customer credit risk as a possible issue for both KM and KD, as most of their customers operate in the highly cyclical energy and shipping businesses. Conversely, KDA acts mostly as a supplier or sub-supplier to governments whose ability to pay is virtually guaranteed. Contractual currency flows are hedged, while tenders can be currency hedged if final contracts are highly probable. The company's excess liquidity is placed with highly rated banks or investment grade money market funds.

ADJUSTMENT FACTORS

Liquidity

Liquidity adequate

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect a company with an investment grade rating ('BBB-' or above) to cover its liquidity needs, with limited need for external funding over the coming 12 months.

We assess Kongsberg Gruppen's liquidity position as adequate supported by the company's strong cash position and cash flow, good standing with banks, and ready access to the capital markets.

We estimate the following primary liquidity sources for the 12 months to end-2024 from end-2023 totalling NOK 13.0bn:

- NOK 3.9, reflecting 75% of FFO;
- NOK 5.2bn in cash, net of adjustments; and
- NOK 4.0bn through revolving credit and overdraft facilities.

This compares with the following uses of liquidity, totalling NOK 5.3bn:

- NOK 2.5bn in dividends and share buy-backs;
- NOK 0.5bn in bond maturities;
- NOK 2.1bn in capital investments; and
- NOK 0.2bn in working capital.

Environmental, social and governance factors

ESG factors negative

The main ESG considerations likely to affect our credit rating on Kongsberg Gruppen are factors that could contribute to loss of revenue, increased operational costs, increased capital spending, loss of value of assets, decreased access to funding, or loss of operating rights. In this context, we assess issues such as KM's non-green customer base, regulatory risk, compliance issues, CO_2 emissions, and negative investor sentiment facing KDA as relevant. Kongsberg Gruppen's environmental efforts are, we believe, supportive of the company's overall competitive position, due to its focus on energy optimisation tools, and its commitment to the UN-led Science Based Targets initiative.

We reduce our standalone credit assessment by one notch to reflect the possibility of restricted access to funding as a consequence of the company's defence business role. Funding is increasingly allocated away from sectors regarded as anti-social, including defence. We note that the Russian invasion of Ukraine has caused some investors to rethink their stance towards the defence industry, but believe it is not yet clear if this will lead to a real shift in accessible funding. We still believe that increasing investor focus on ESG issues could represent a challenge for Kongsberg Gruppen in terms of funding. Issues such as unethical use of products or illegal weapons sales in secondary markets could increase the risk of sanctions, increased regulation, loss of clients, and even loss of operating rights. However, in this respect we do not take the government's ownership into account (see ownership analysis below).

Figure 21. ESG considerations

Issue	Risks	Mitigating factors	Results
KM's non-green customer base	Oil services and shipping could be negatively affected by transition away from fossil fuels, negatively affecting revenue base.	Focus on products which help the shipping industry to reduce emissions and acquire green credentials.	KM's order back-log is increasing.
Smaller investor base for defence companies	Reduced access to or more costly funding.	The Norwegian government's role as majority owner.	Able to carry out the Rolls-Royce Commercial Marine acquisition in 2019 through an equity issue in which the government participated.
Regulatory risk	Weapon sales to regimes under sanction could affect revenues or result in financial penalties or loss of operating rights.	KDA is compliant with UN conventions and is not engaged in the production of cluster bombs, nuclear weapons or land mines.	No major regulatory risk in recent years.
Breach of export regulations	Breach of US weapons export regulations in particular could prove extremely costly and lead to loss of contracts.	Monitoring of and strict adherence to current export regulations and internal code of ethics and business conduct. Majority owner has focus on compliance.	No breaches since a 1987 restructuring.
CO_2 emissions	Any increase in related regulation and taxation could reduce operating efficiency and access to funding.	Incorporated sustainability and climate in corporate strategy and set specific targets including reducing absolute greenhouse gas emissions by 55% by 2030; is encouraging 67% of suppliers to adopt science-based targets by 2027 and reduce emissions from the use of products sold (Scope 3) by 25% by 2030 (from 2019).	Scope 1 and 2 emissions down by 46% from 2019-levels in 2023. Scope 3 emissions from business travel down by 51% and new Scope 3 targets set from 2021.

Source: company, NCR.

OWNERSHIP ANALYSIS

Ownership positive

Kongsberg Gruppen is majority owned by the Norwegian government, which we reflect with a one-notch uplift in our issuer rating. We view Kongsberg Gruppen as of 'strategic interest' to the government, which maintains a 'controlling ownership' stake under our definition. The rationale for the Norwegian government's ownership is to maintain a leading technology and industrial company and defence industry supplier with head office functions in Norway. At the same time, the government's goal as owner is the highest possible return over time. The government's willingness and ability to support the company's strategy was underlined when it contributed NOK 2.5bn of a total NOK 5bn in new equity when Kongsberg Gruppen bought Rolls-Royce Commercial Marine in 2019. We note that this was not a distressed situation.

We believe that the government will continue to attach importance to a secure national defence industry and that it is likely to support Kongsberg Gruppen in an event of distress. However, we also believe that in an event of bankruptcy, the state would retain ownership of the defence technology which the company develops on behalf of the Norwegian Armed Forces. Furthermore, situations could arise in which it is deemed politically imprudent to support the company. Accordingly, we cap the likelihood of support from the majority owner at one notch.

Figure 22. Ownership structure, 5 Apr. 2024

Owner	Share of votes and capital
Ministry of Trade, Industry and Fisheries	50.0%
Government Pension Fund of Norway	5.7%
Must Invest AS	2.5%
State Street Bank and Trust Co.	1.5%
Flotemarken AS	1.1%
Other	39.2%
Total	**100%**

Source: company, NCR.

ISSUE RATINGS

At end-2023 unsecured debt accounted for 100% of total outstanding debt and we expect gross secured debt to EBITDA to remain below 2.0x. Kongsberg Gruppen's long-term senior unsecured bonds are rated 'A-', the same level as the long-term issuer rating, reflecting the company's relatively flat debtor hierarchy.

SHORT-TERM RATING

The 'N2' short-term rating reflects the company's liquidity profile relative to the 'A-' long-term issuer rating. The company's committed sources to uses is 2.2x according to our liquidity analysis, which we see as indicative of a strong liquidity profile for the long-term issuer rating.

METHODOLOGIES USED

(i) Corporate Rating Methodology, 8 May 2023.
(ii) Rating Principles, 14 Feb. 2024.
(iii) Group and Government Support Rating Methodology, 14 Feb. 2024.

Figure 23. Key financial data, 2020–2023

NOKm	2020	2021	2022	2023
INCOME STATEMENT				
Total revenue	25,612	27,449	31,803	40,617
Cost of goods sold	-8,850	-9,577	-11,210	-14,581
Sales, general & admin. expenses	-13,514	-13,785	-15,992	-19,999
EBITDA	3,248	4,087	4,601	6,037
Depreciation and amortisation	-1,231	-1,213	-1,270	-1,394
Other non-financial items	-112	-11	-22	-43
Net financial items	-50	59	187	75
Pre-tax profit	3,306	2,922	3,496	4,675
Total taxes	-374	-632	-687	-960
After-tax adjustments	0	0	0	0
Net profit	2,932	2,290	2,809	3,715
BALANCE SHEET				
Property, plant and equipment	3,665	3,901	4,107	5,588
Intangible assets and goodwill	5,196	5,039	5,781	5,952
Interest in associates and joint ventures	3,465	3,609	3,868	4,259
Other non-current assets	2,482	2,137	2,564	2,540
Non-current assets	14,808	14,686	16,320	18,339
Cash and cash equivalents	7,420	8,118	3,932	5,975
Other current assets	17,002	16,506	22,973	28,908
Total current assets	24,422	24,624	26,905	34,883
Total assets	**39,230**	**39,310**	**43,225**	**53,222**
Total equity	13,301	13,618	13,744	16,465
Long-term borrowings	1,971	2,450	2,003	2,500
Other long-term liabilities	4,262	4,078	3,381	3,569
Non-current liabilities	6,233	6,528	5,384	6,069
Short-term borrowings	1,500	0	450	500
Other short-term liabilities	18,196	19,164	23,647	30,188
Current liabilities	19,696	19,164	24,097	30,688
Total equity and liabilities	39,230	39,310	43,225	53,222
CASH FLOW STATEMENT				
Pre-tax profit	3,306	2,922	3,496	4,675
Adjustment for items not in cash flow	-181	799	691	174
Changes in working capital	-317	1,249	-3,081	976
Operating cash flow	2,808	4,970	1,106	5,825
Cash flow from investment activities	2,392	-814	-1,343	-1,151
Cash flow from financing activities	-3,531	-3,374	-4,002	-2,759
Cash and cash equivalents at start of year	5,655	7,421	8,117	3,932
Cash flow for year	1,766	697	-4,185	2,043
Cash and cash equivalents at end of year	7,421	8,118	3,932	5,975

Source: company, NCR.

Figure 24. Kongsberg Gruppen rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bbb
Market position	10.0%	bbb+
Size and diversification	10.0%	bbb
Operating efficiency	10.0%	bbb+
Business risk assessment	50.0%	bbb
Ratio analysis		aa
Risk appetite		a-
Financial risk assessment	50.0%	a+
Indicative credit assessment		**a-**
Liquidity		Adequate
ESG		Negative
Peer calibration		Neutral
Stand-alone credit assessment		**bbb+**
Support analysis		+1 notch
Issuer rating		**A-**
Outlook		Stable
Short-term rating		**N2**

Figure 25. Capital structure ratings

Seniority	Rating
Senior unsecured	A-

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