

Kongsberg Gruppen ASA

Rating Action Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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Kongsberg Gruppen ASA 'A-' long-term issuer rating affirmed; Outlook stable

Nordic Credit Rating (NCR) said today that it had affirmed its 'A-' long-term issuer rating on Norway-based [Kongsberg Gruppen ASA](#). The outlook is stable. At the same time NCR affirmed the 'N2' short-term rating. At the same time NCR affirmed the 'A-' senior unsecured issue rating.

Rating rationale

The affirmation of the long-term rating reflects our expectation that Kongsberg Gruppen's cash position and cash flow will remain strong and its financial gearing low. We expect the company's operating efficiency and EBITDA margins to remain strong and even improve over our forecast period through 2026 due to a strong order back-log.

The long-term rating reflects Kongsberg Gruppen's leading position in its niche markets, strong cash position and cash flow, and low financial gearing. It also reflects the company's underlying positive EBITDA margin trends and strong customer demand. However, 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.

We have revised our assessment of the operating environment to reflect strong near-term industry dynamics with rising demand due to increasing defence investments across Europe and a growing order back-log. We have also raised our assessment of Kongsberg Gruppen's financial ratios to reflect a growing cash position and rapidly expanding EBITDA and cash flows supported by stable margins across most business segments.

Stable outlook

The stable outlook reflects 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 new regulations and energy solutions to support demand for the company's green technology in the maritime segment. We also expect demand for defence, marine and other advanced technologies to remain high. In addition, we assume that the company will maintain strong financial credit metrics.

We could raise the rating to reflect improved profitability with EBITDA margins rising towards 20% or increased demand for maritime products, for example due to green shipping. We could also raise the rating to reflect a long-term change in investor attitudes to defence companies.

We could lower the rating in the event of reduced government commitment or to reflect increased financial gearing, leading to net debt/EBITDA above 1.5x over a protracted period. We could also lower the rating to reflect lower profitability, leading to an EBITDA margin of below 10% on a protracted basis.

Rating list

	To	From
Long-term issuer credit rating:	A-	A-
Outlook:	Stable	Stable
Short-term issuer credit rating:	N2	N2
Senior unsecured issue rating:	A-	A-

Figure 1. Kongsberg Gruppen rating scorecard

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

Figure 2. Capital structure ratings

Seniority	To	From
Senior unsecured	A-	A-

Type of credit rating:	Long-term issuer credit rating Short-term issuer credit rating Issue credit rating
Publication date:	The rating was first published on 07 Apr. 2021.
Office responsible for the credit rating:	Nordic Credit Rating AS (NCR), Oslo, Norway. NCR is a registered credit rating agency under Regulation (EC) No 1060/2009.
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Were ESG factors a key driver behind the change to the credit rating or rating outlook?	No.
Methodology used when determining the credit rating:	NCR's Corporate Rating Methodology published on 8 May 2023 NCR's Group and Government Support Rating Methodology published on 14 Feb. 2024 NCR's Rating Principles published on 14 Feb. 2024 The methodology and principles documents provide analytical guidance to NCR's rating activities including but not limited to, assumptions, parameters, cash flow analysis, and stress-testing. NCR's methodologies and principles can be found on our website nordiccreditrating.com/governance/policies . The historical default rates of entities and securities rated by NCR will be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA) .
Materials used when determining the credit rating:	Annual- and quarterly reports of the rated entity, Bond prospectuses, Company presentations, External market reports, Meetings with management of the rated entity, Non-public information, Press reports/public information, Website of rated entity.
Potential conflicts of interest:	The rating is NCR's independent opinion of the rated entity's relative creditworthiness. The rating is solicited, i.e. it is prepared for a fee paid by the rated entity. At the time of analysis and publication neither NCR nor any of the analysts or persons involved in the rating process held any interest, ownership interest or securities in the rated entity. NCR does not have any direct or indirect shareholder with a holding of more than 5% of NCR's shares and votes. For further information, please refer to NCR's conflict of interest policy which is available on: https://nordiccreditrating.com/governance/policies
Additional information:	Prior to publication, the rating was disclosed to the rated entity. The issuer was given 24 hours (of which 8 business hours) to remark on factual errors and/or the inadvertent inclusion of confidential information, if applicable. The rating was not amended after the review by the issuer. No stress test was performed. Standard cash flow forecasting was performed. NCR's rating is an opinion regarding the relative creditworthiness of an entity or an instrument. It is not a prediction, guarantee or recommendation to buy, hold or sell securities. NCR assigns outlooks to issuer ratings to indicate where they could move in the near term, normally 12–18 months. Further information on the rating process, rating definitions and limitations is available on our website: nordiccreditrating.com/governance/policies .
Ancillary services provided:	No ancillary services were provided.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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