

Kongsberg Gruppen ASA

Rating Action Report

LONG-TERM RATING

A-

Watch Developing

SHORT-TERM RATING

N2

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Kongsberg Gruppen ASA 'A-' long-term issuer rating placed on watch developing

Nordic Credit Rating has placed its 'A-' long-term issuer rating on Norway-based defence and maritime technology supplier [Kongsberg Gruppen ASA](#) on watch developing. The 'N2' short-term issuer rating and the 'A-' senior unsecured issue rating have also been placed on watch developing.

Rating rationale

The watch placement follows Kongsberg Gruppen's plan to separate its Maritime division into a standalone company with a separate listing on the Oslo Stock Exchange. The largest shareholder, the Norwegian state, has indicated support for the proposed split, and its ownership stake in each company will remain unchanged following the demerger. The demerger is expected to close in the second quarter of 2026, following an extraordinary general meeting in January. Further information on the two companies' operations and respective capital structures is expected in December.

The remaining Defence & Aerospace and Discovery divisions are experiencing strong growth in civilian and defence applications in Europe and the US. The formation of two separate companies is intended to enable each to better address its respective market demands. The company believes that recent expansion in both businesses has provided sufficient scale for independent operation, and that remaining synergies are no longer sufficient to offset the expected benefits of operating as more focused, specialised entities.

We believe the transaction is likely to increase business risk for the future Kongsberg entity. The exclusion of the maritime business significantly reduces scale and diversification. The defence business, while strong in its defined niches, is a small player in the global defence industry. Furthermore, the cyclicity of each business area has been mitigated by low correlation between the defence and maritime businesses over time.

While the business risk impacts are foreseeable, the implications for financial risk remain uncertain. Kongsberg Maritime represents about a third of EBITDA, and the implications for credit risk metrics will depend on the split of cash and debt between the two future companies. However, we expect the remaining Kongsberg operations to continue to benefit from increased defence spending across Europe, supporting revenue and cash flow generation.

Watch developing

The watch placement reflects uncertainty regarding the final capital structure of the remaining Kongsberg. In particular, it is unclear how debt and available cash will be allocated. We expect to resolve the watch placement once there is clarity on the future capitalisation of Kongsberg Gruppen. The company has announced it will prepare a demerger plan to be presented in December, followed by an extraordinary general meeting in January to decide on the proposed demerger. Absent further uncertainty regarding the new listing planned for April 2026, we expect to resolve this watch by early 2026.

Our primary expectation is that we will affirm the rating, with a final capital structure that remains strong, with continued strong demand, operating efficiency and profitability for the remaining business. We also anticipate that the Norwegian government will retain its ownership position in the new company. The anticipated affirmation reflects the likelihood that improved investor sentiment behind our previous positive outlook will offset a weaker business risk profile and moderate increase in financial leverage.

Although less likely, we could raise or lower the rating if the government's ownership changes materially or the final capital structure deviates meaningfully from our expectation. For example, if the transfer of debt and cash to the new company results in considerably weaker leverage or cash flow metrics for Kongsberg Gruppen.

Rating list	To	From
Long-term issuer credit rating:	A-	A-
Outlook:		Positive
Watch:	Watch Developing	
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			Positive
Watch		Watch Developing	
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 Rating Principles published on 14 Feb. 2024 NCR's Group and Government Support Rating Methodology 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 have been provided in the last 12 months.
Regulations:	This rating was issued and disclosed under Regulation (EC) No 1060/2009.
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