

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

Nordic Credit Rating (NCR) said today that it had assigned a 'A-' long-term issuer credit rating to Kongsberg Gruppen ASA (Kongsberg Gruppen), a Norway-based defence and maritime technology supplier. At the same time NCR assigned an 'N-1+' short-term rating. The outlook is stable.

Rationale

The rating reflects Kongsberg Gruppen's leading position in its niche markets, strong cash position and cash flow, and low gearing. It is constrained by cyclical weakness in the company's shipping and oil service operations, its small size in comparison with its peers, and its margins, which are lower than those of its major peers, particularly in the maritime sector.

The company's maritime segment sells green technology to non-green industries (oil and shipping), which we see as neutral in the context of its environmental, social, and governance performance. However, we lower our stand-alone credit assessment by one notch due to reduced availability of funding from investors adverse to defence industry activity. 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 affecting the rating are neutral.

Stable outlook

The stable outlook reflects our expectation that negative effects from the COVID-19 pandemic will diminish during 2021, leading to improved market conditions for the maritime segment. We also expect that spending on defence will remain at high levels and that demand for Kongsberg Gruppen's advanced solutions will remain strong. In addition, we assume that Kongsberg Gruppen will make no significant debt-financed acquisitions over the next few years. We could raise the rating to reflect improved conditions in most markets leading to stronger revenue growth or an increased share of income from defence at higher margins. We could lower the rating to reflect any reduction in government commitment, or increased financial gearing, leading to NCR-adjusted debt/EBITDA above 2.5x, which is broadly equivalent to the company's reported net debt/EBITDA of above 1.5x. We could also lower the rating to reflect lower profitability leading to an EBITDA margin of below 10%.

Rating list	Rating
Long-term issuer credit rating:	A-
Outlook:	Stable
Short-term issuer credit rating:	N-1+

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The methodology documents used for this rating are NCR's Corporate Methodology published on 14 Aug. 2018 and NCR's Rating Principles published on 16 Sep. 2019. For the full regulatory disclaimer please see the rating report.

About Us

Nordic Credit Rating AS is a credit rating agency headquartered in Oslo with a branch in Stockholm. The company provides credit ratings to companies and financial institutions in the Nordic region, and bases its analysis on local insights. Nordic Credit Rating is registered with the European Securities and Markets Authority (ESMA).

Attachments

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