Aker ASA
Kingdom of Norway, Investment Holding Companies

STABLE
BBB-

Key metrics

			Scope estimates	
Scope credit ratios	2022	2023	2024E	2025E
Total cost cover	1.0x	1.1x	1.2x	1.4x
Scope-adjusted LTV ratio	10%	11%	5-15%	
Liquidity	>200%	No short-term debt	>200%	No short-term debt

Rating rationale

The ratings are supported by Aker's conservative loan/value (LTV) ratio of around 10% and total cost cover of around 1x or above. The ratings are further supported by Aker's large share of listed assets, and an investment philosophy with a strong track record of growth in net asset value. The main constraint on the ratings is still the high concentration of the portfolio on Aker BP – which represented 48.5% of gross asset value as of Q2 2024 and is expected to comprise around 75% of recurring dividend income over 2025-2026, down from 90% in 2023.

Outlook and rating-change drivers

The Outlook is Stable, reflecting our expectation that total cost coverage will improve towards 1.3x over the next 12-18 months, as well as the improved diversification of recurring dividend income, reflecting recent capital allocations, both of which provide increased headroom for the current rating. The updated investment strategy of prioritising larger, cash-generative investments underlines that recent capital allocations will continue. This addresses one of the main rating constraints, namely the high dependency on Aker BP.

The upside scenarios for the ratings and Outlook are (individually): (1) Total cost cover of 1.3x or above on a sustained basis; (2) Reduced portfolio concentration through more diversification of recurring income from mature holdings.

The downside scenario for the ratings and Outlook are (individually): (1) Total cost cover sustained below 1.0x; (2) LTV to significantly increase above 15% on a sustained basis.

Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
22 Aug 2024	Affirmation	BBB-/Stable
24 Aug 2023	Affirmation	BBB-/Stable
17 Aug 2022	New	BBB-/Stable

Ratings & Outlook

Issuer	BBB-/Stable
Short-term debt	S-2
Senior unsecured debt	BBB-

Analysts

Thomas Faeh
+47 93 05 31 40
t.faeh@scoperatings.com

Per Haakestad
+47 92 29 78 11
p.haakestad@scoperatings.com

Related Methodologies

General Corporate Rating Methodology; October 2023

Investment Holding Companies Rating Methodology; May 2024

Related Research

Oil and gas sector: contrasting IOC low-carbon capex strategies change risk profiles; October 2023

Scope Ratings GmbH

Lennéstraße 5
10785 Berlin

Phone +49 30 27891 0
Fax +49 30 27891 100

info@scoperatings.com
www.scoperatings.com

Bloomberg: RESP SCOP

Rating and rating-change drivers

Positive rating drivers	Negative rating drivers
• Conservative LTV of around 10% • Controlled total cost cover of 1.0x-1.6x – mainly constrained by dividend payments • Strong portfolio liquidity with high share of listed assets • Updated strategy prioritising larger, mature holdings • Long-term, proven and active investment approach focused on recurring dividend income, supplemented by development of growth companies	• Significant reliance of recurring dividend income on Aker BP – although we note Aker BP's robust, defined payout policy and good credit profile • High concentration of gross asset value on largest core holdings • Moderate industry risk with main exposure to cyclical industries

Positive rating-change drivers	Negative rating-change drivers
• Total cost cover sustained at 1.3x or above • Reduced portfolio concentration through improved diversification of income-generating holdings	• Total cost cover sustained below 1.0x • LTV to significantly increase above 15% on a sustained basis

Corporate profile

Founded in 1841, Aker is a Norwegian industrial investment company with a portfolio concentrated in the oil and gas, energy services, renewable energy and green technologies, industrial software, seafood and marine biotechnology sectors. Since 1996, the largest shareholder has been Kjell Inge Røkke, who owns 68.2% through TRG Holding AS. Aker is listed on the Oslo Stock Exchange and is headquartered at Fornebu, Norway, with 47 employees.

Aker has an active ownership strategy but no operational integration with portfolio companies. It divides investments into two portfolios: Industrial Holdings, which are managed with a long-term perspective and comprise nine core holdings, and Financial Investments, which include cash and investments in real estate, the asset management firm Industry Capital Partners, various listed equities as well as unlisted equity investments, and shareholder loans.

Aker operates with a conservative LTV ratio and targets a recurring positive balance of cash inflows and outflows, supported by predictable dividend streams from mature holdings.

Financial overview

				Scope estimates		
Scope credit ratios	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Total cost cover	0.8x	1.0x	1.1x	1.2x	1.4x	1.6x
Scope-adjusted LTV ratio	8%	10%	11%	5%-15%		
Recurring cash income in NOK bn						
Total income	6.1	2.8	4.5	6.8	4.8	5.2
less: non-recurring dividend income	0.0	0.0	-1.0	-2.8	0.0	0.0
less: gains (losses) from asset sales	-4.1	0.0	0.0	0.0	0.0	0.0
Recurring cash income	**2.0**	**2.8**	**3.5**	**4.1**	**4.8**	**5.2**
thereof recurring dividend income	2.0	2.8	3.5	4.0	4.7	5.1
thereof interest received[1]	0.0	0.1	0.1	0.0	0.0	0.0
Total costs in NOK bn						
Operating expenses	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Cash outflows from debt servicing	-0.3	-0.3	-0.5	-0.7	-0.6	-0.5
Dividend payments	-1.7	-2.2	-2.2	-2.3	-2.4	-2.5
Total costs	**-2.4**	**-2.9**	**-3.1**	**-3.4**	**-3.4**	**-3.3**
Portfolio market value in NOK bn						
Reported gross asset value	80.0	76.1	72.1	n/a		
less: available cash and cash equivalents	-4.0	-1.3	-0.7			
Portfolio market value[2]	**76.0**	**74.9**	**71.3**	**n/a**		
Scope-adjusted debt in NOK bn						
Reported gross financial debt	10.1	9.0	8.6	9.6	8.7	4.7
less: cash and cash equivalents	-4.0	-1.3	-0.8	-0.5	-0.5	-0.5
add: non-accessible cash	0.0	0.0	0.0	0.0	0.0	0.0
Scope-adjusted debt (SaD)	**6.1**	**7.7**	**7.9**	**9.1**	**8.2**	**4.2**

[1] Includes interest received from cash, cash equivalents, and shareholder loans.
[2] The portfolio market value was NOK 74.6bn as of Q2 2024.

Table of Content

Environmental, social and governance (ESG) profile[3]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

Legend

Green leaf (ESG factor: credit positive)

Red leaf (ESG factor: credit negative)

Grey leaf (ESG factor: credit neutral)

Sustainability considerations

Aker is exposed to transition risks with holdings operating in oil and gas production and renewables as well as energy services. The large exposure to offshore oil and gas production through the 21.2% ownership in Aker BP is a negative environmental factor, as the upstream exploration and production sector is facing various transition risks. These include longer-term falling hydrocarbon demand and the potential for reduced availability of funding. Here, we consider the leading cost profile and low carbon footprint of Aker BP relative to peers as a strength. In recent years, Aker has diversified its exposure to the energy transition with green investments, e.g. the establishment of Aker Horizons in 2020 and Industry Capital Partners in late 2021 to support the long-term sustainability of its portfolio. Aker also invests in other global megatrends such as industrial digitalisation and healthy living.

No material impact from ESG factors

We have not identified any environmental, social or governance (ESG) considerations with a significant effect on Aker's credit quality. Moreover, as an investment holding company Aker has more flexibility than traditional corporates to handle longer-term ESG risks, since underlying asset exposures can be rotated more easily.

[3] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

Business risk profile: BB+

Unchanged business risk profile

Aker's business risk profile benefits from the high liquidity of its assets and a strong track record of net asset value growth under a prudent financial policy. We note positively the additional dividend capacity from the completed refinancing of Solstad in June 2024, which benefits the portfolio sustainability. The main constraints are still high portfolio concentration, especially in terms of recurring income streams, and moderate industry risk.

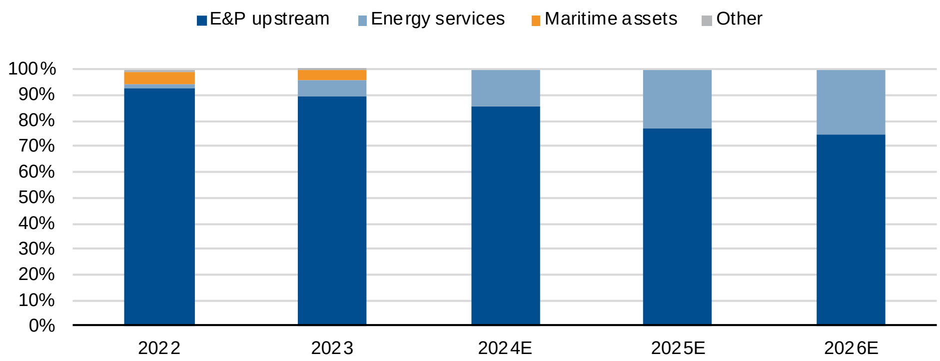
Weighted average industry portfolio risk

Aker's portfolio comprises a high share of holdings with either direct or indirect involvement in offshore oil and gas production. There is also a strong bias towards cyclical industries. Industry sectors represented in the portfolio include oil and gas production (E&P upstream), energy services, renewables, seafood and marine biotech, software, commercial real estate and maritime assets.

Following the significant growth of Aker BP, Aker's largest industry exposure has become E&P upstream, both in terms of asset values (around 50%) and recurring dividend income (90% in 2022-2023). We expect dividend income from Aker Solutions and Solstad Maritime Holding to improve the diversity of underlying industries, as reflected by a larger exposure to energy services in the forecast period. However, this will not change the overall presence of moderate-rated sectors with high cyclicality.

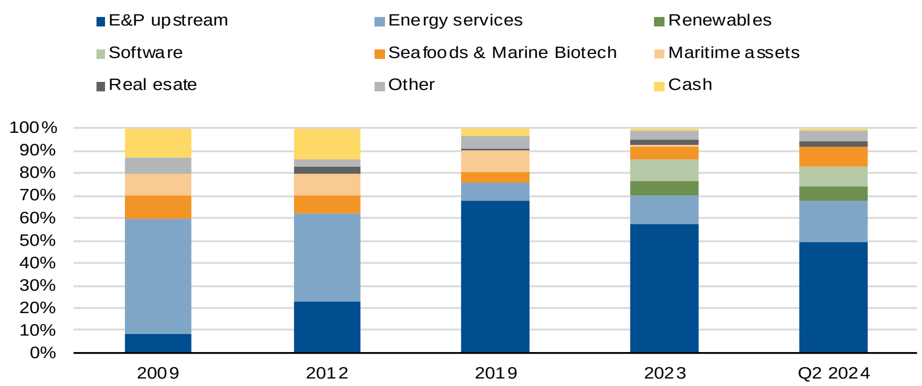
The weighted average industry portfolio risk based on recurring dividend income corresponds to a value of BB, contrasting with an outcome of BB+ when using asset values. We assess a blended mix of BB, reflecting Aker's overall industry risk.

Figure 1: Breakdown of recurring dividend income by industry sector



Sources: Aker, Scope estimates

Figure 2: Breakdown of gross asset value by industry sector



Sources: Aker, Scope

Portfolio diversification

Portfolio diversification is unchanged, still hampered by the heavy concentration of gross asset value on the largest core holdings. The exposure to Aker BP is the most pronounced, constituting 48.5% of gross asset value as of Q2 2024. The share of the three largest core holdings (Aker BP, Aker Solutions and Cognite) is also high at around 70%.

The concentration by sector is stronger. While oil and gas production still account for roughly 50% of assets in line with the exposure to Aker BP, the remaining asset value is more diversified across several industry sectors (Figure 2).

Aker's portfolio concentration benefits from good geographical diversification. As regards Aker BP, the picture is mixed. While sales are exposed to global oil and gas prices and therefore global demand, all producing assets are located in Norway and therefore subject to a single regulatory framework and tax scheme (which has been stable, predictable and balanced). The remaining core holdings operate with an international or even global profile.

Figure 3: Portfolio overview as reported per Q2 2024

Holding	Number of shares	Ownership share	Listed	GAV (NOK bn)	Share of GAV	Description
Aker BP	133,757,576	21.2%	Yes	36.4	48.5%	Independent E&P operator in Norway
Aker Solutions	193,950,894	39.4%	Yes	8.6	11.4%	Integrated engineering – energy services
Aker BioMarine	68,132,830	77.7%	Yes	5.7	7.6%	Integrated biotech based on krill
Solstad Maritime Holding	195,450,849	42.0%	No	2.3	3.1%	Offshore service vessels
Solstad Offshore	27,089,493	32.9%	Yes	1.1	1.5%	Offshore service vessels
Aker Horizons	464,285,714	67.3%	Yes	1.3	1.7%	Renewables and green technology
Cognite	7,059,549	50.5%	No	6.7	8.9%	Industrial software
SalMar Aker Ocean	15,000,000	15.0%	No	0.7	0.9%	Salmon farming – semi-offshore
Aize	4,378,700	67.6%	No	0.0	0.0%	Industrial software
Industrial Holdings				**62.8**	**83.7%**	
Cash			-//-	0.5	0.6%	-//-
Aker Property Group			No	1.4	1.8%	Commercial real estate
Industry Capital Partners			No	0.6	0.8%	Asset management
Akastor	100,565,292	36.7%	Yes	1.6	2.1%	Industrial Investment company
AMSC	13,701,416	19.1%	Yes	0.5	0.6%	Ownership in Solstad Maritime Holding
Philly Shipyard	7,237,631	57.6%	Yes	0.5	0.6%	Shipyard
Interest-bearing assets			-//-	4.4	5.9%	**-//-**
Other			-//-	2.9	3.8%	**-//-**
Financial investments				**12.2**	**16.3%**	
GAV				**75.1**	**100.0%**	

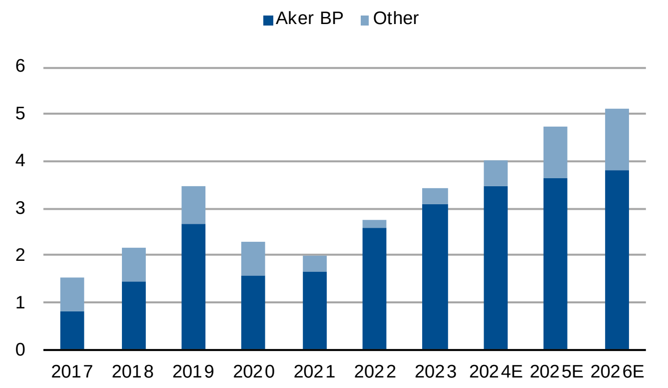
Sources: Aker, Scope

Portfolio sustainability

The ratings are held back by portfolio sustainability due to continued high concentration of recurring dividend income on Aker BP. As the existing portfolio incorporates the recent addition of Solstad Maritime Holding – a transaction that benefits this portfolio sustainability - we expect that the reliance on Aker BP could be reduced to around 75% in 2025-2026, down from 90% in 2023. Based on management's recent communication that Aker will prioritise larger, cash-generating holdings, we see an increased likelihood that Aker's capital allocation will reflect the goal of increasing the diversity of recurring income streams.

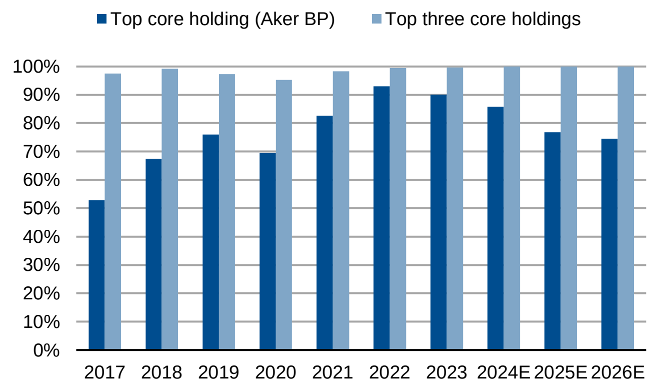
Aker's recurring income streams are supplemented with income of a more non-recurring nature, often in relation to asset sales at the level of portfolio companies. While such income is not reflected in our metrics on portfolio concentration, the funds support Aker's capacity to invest in new income-generating holdings, underpinning the longer-term portfolio sustainability.

Figure 4: Recurring dividend income by source, NOK bn



Sources: Aker, Scope estimates

Figure 5: Concentration of recurring dividend income



Sources: Aker, Scope estimates

Portfolio liquidity

Portfolio liquidity is strong. The share of listed assets has been high over the past decade, ensuring that shares can be divested at short notice if needed. The most liquid asset is Aker BP in terms of trading volume. As of Q2 2024, around 75% of the portfolio was listed, with additional potential from the planned listing of Solstad Maritime Holding by mid-2025.

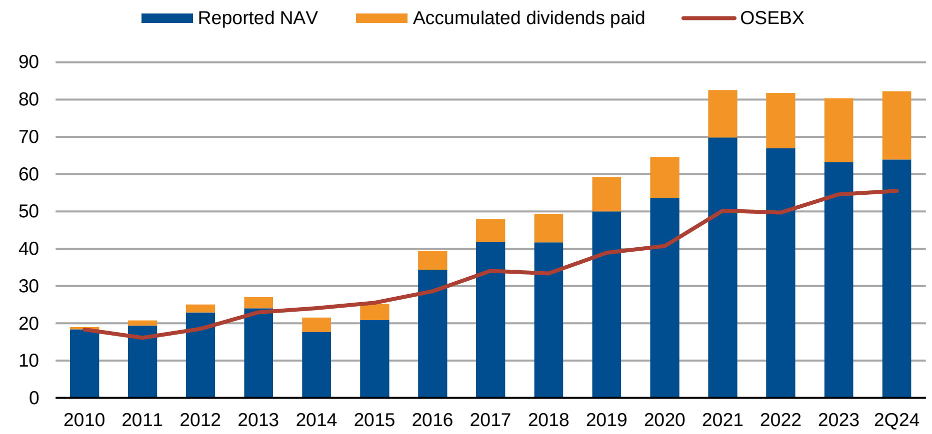
Investment philosophy

Aker's investment philosophy impacts its business risk profile positively. The philosophy is underpinned by a strong track record of growth in net asset value in parallel with consistent, prudent leverage. New investments have not jeopardised financial policy targets over our observation period.

Aker has a long-term investment approach for its core industrial holdings and an active approach in the majority of its portfolio companies. This is reflected in its usually large ownership stakes, most often as the biggest shareholder, which ensures a certain influence. Aker's involvement extends to strategic direction, financing decisions, dividend policies, and the evaluation of M&A/restructuring cases. However, the operations of core holdings are ringfenced, thus limiting full decision-making control.

Aker has no mechanistic, defined exit strategy, preferring to make assessments on a case-by-case basis. This is in line with the company's setup as an active owner and long-term investment horizon.

Figure 6: Development in net asset value and accumulated shareholder remuneration (NOK bn) versus OSEBX[4]



Sources: Aker, Scope

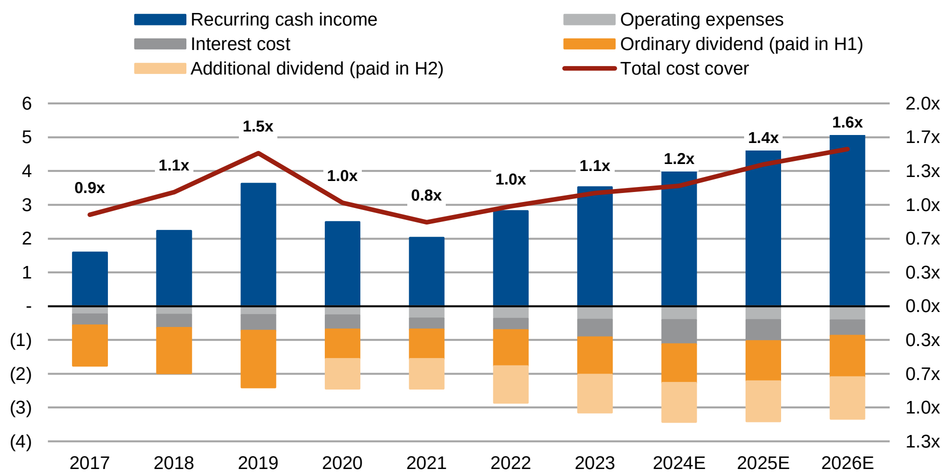
Financial risk profile: BBB

Solid financial risk profile

Aker's credit rating remains underpinned by its solid financial risk profile, reflecting the consistent, low leverage and a total cost cover of around 1x in the past. This assessment may improve in the medium term, as forecasted credit metrics are commensurate with a stronger financial risk profile than BBB.

We expect Aker's recurring cash income to reach NOK 4bn in 2024, of which most has already been received. This exceeds our previous expectation by approximately NOK 0.4bn, mainly due to higher dividend growth at Aker BP (9.1% received versus 5% expected) and Aker Solutions (NOK 2.00/share received versus NOK 1.00/share expected) plus a positive impact from NOK deprecation against the USD.

Figure 7: Recurring cash income (NOK bn, lhs), total costs (NOK bn, lhs) and total cost cover (x)



Sources: Aker, Scope estimates

Total cost cover is resilient at above 1x

We expect total cost cover to remain resilient and to improve to around 1.5x over 2025-2026 (Figure 7), with recurring income outgrowing total costs. Shareholder remuneration

[4] OSE Benchmark Index is a total return index that functions as an indicator of the overall performance of the Oslo Exchange.

is the main cost item, constituting around 80% of total costs over 2021-2023. Our base case anticipates the gradual, stable growth of Aker's dividend distributions in line with the precedent over 2021-2023 of NOK 1.00/share per annum – as long as this satisfies the longstanding dividend policy of paying out 2%-4% of net asset value to shareholders.

Given Aker's recent strategy update, which prioritises larger, cash-generative investments, we see a good likelihood that the company will invest in further recurring dividend-paying investments. In the absence of such investments, we expect the company to have an accelerated deleveraging profile going forward. Therefore, also taking into account the non-recurring income, we expect a good investment capacity in favour of the total cost cover ratio, while the LTV ratio will be maintained at a very low level.

We assess the downside risk of total cost cover below 1x as low, considering the forecasted headroom and Aker's track record of balancing cash inflows and outflows.

Assumptions

Our projections are based on the following assumptions:

- Total dividend from Aker BP of USD 2.40/share in 2024 and 5% annual growth thereafter as per Aker BP's dividend policy.
- USD:NOK exchange rate of 10.8.
- Ordinary dividends paid by Aker Solutions of NOK 2.5-3.0/share in 2025-2026.
- Solstad Maritime Holding to become a sizeable source of dividend income.
- Aker to grow dividend payments by NOK 1.00/share per annum.

Low LTV

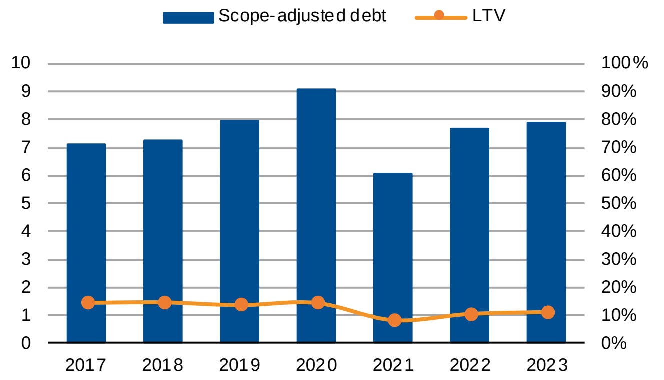
Aker operates with low leverage as measured by its LTV ratio, which was 14% in Q2 2024 following the Solstad refinancing and is expected to decrease to 12% after taking into account the incoming cash flows during H2 2024 used for debt repayment. Such levels are commensurate with a strong investment grade assessment.

We expect Aker's LTV ratio to decrease from the normalised target range of 10%-15%. This is based on the company's aim, stated in the Q1-Q2 2024 reports, to reduce net interest bearing debt towards zero by 2027.

LTV underpinned by financial policy target

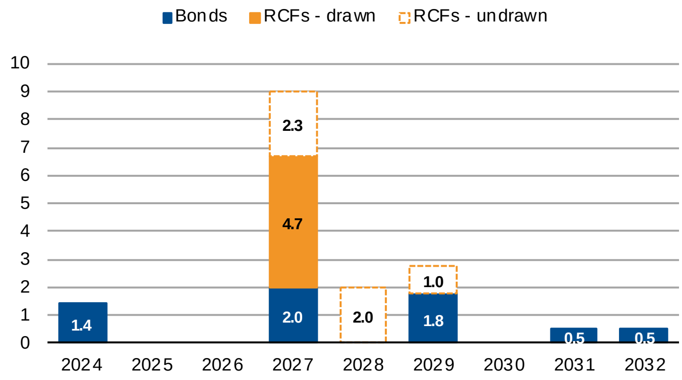
Aker has a history of fulfilling its public guidance of an LTV below 20% through the cycle with a normalised target range of 10%-15%. In the past decade, the LTV only exceeded these targets during the very adverse market conditions in Q1-Q2 2020, when it rose to a still low level of 20%-25%. This illustrates Aker's headroom in handling portfolio market volatility, which we believe makes swings in asset values less worrisome for its financial risk profile assessment. Given the updated financial targets as mentioned above, we expect the normalised target range to shift downwards, providing further downside protection.

Figure 8: Scope-adjusted debt (NOK bn, lhs) and LTV (rhs)



Sources: Aker, Scope

Figure 9: Maturity schedule and undrawn revolving credit facilities (RCFs) as of Q2 2024 (NOK bn)



Sources: Aker, Scope

Adequate liquidity

Aker's liquidity is adequate. As of Q2 2024, Aker had committed, multi-year credit lines of NOK 10bn, of which NOK 5.3bn was undrawn. The remaining debt maturity of NOK 1.4bn in 2024 is therefore well covered. Afterwards, there are no debt maturities until 2027. As a result, we do not see any refinancing risk necessitating the sale of shareholdings or financial assets.

We expect the company's liquidity profile to remain strong. All credit lines can be extended into 2029 through included options and Aker's recurring income more than covers all holding company costs.

Balance in NOK bn	2023	2024E	2025E
Unrestricted cash (t-1)	1.3	0.7	0.5
Open committed credit lines (t-1)	3.0	5.5	5.1
Free operating cash flow	3.1	5.7	3.7
Short-term debt (t-1)	0.0	3.1	0.0
Coverage	**No short-term debt**	**>200%**	**No short-term debt**

Financial covenants

Aker has complied with all financial covenants as of June 2024. We forecast solid headroom to covenant thresholds. The main financial covenants apply to all revolving credit facilities and require Aker to maintain liquidity of at least NOK 300m and a net LTV of below 60%.

Supplementary rating drivers: +/- 0 notches

The ratings have no adjustments related to peer group considerations, parent support, or governance and structure.

Long-term and short-term debt ratings

Senior unsecured debt rating: BBB-

The senior unsecured debt rating is affirmed at BBB-, the same level as the issuer rating.

Short-term debt rating: S-2

Aker's short-term debt rating is affirmed at S-2, based on the BBB-/Stable issuer rating and reflecting a robust liquidity profile and diversified access to bank and capital markets funding.

Appendix I: Peer comparison

	Aker ASA	Franz Haniel & Cie. GmbH	Opus Global Nyrt.
	BBB-/Stable	BBB-/Stable	BB/Stable
Last reporting date	31 December 2023	31 December 2023	31 December 2023
Asset values	EUR 6.3bn*	EUR 5.5bn	EUR 0.9bn
Business risk profile	BB+	BBB-	BB-
Financial risk profile	BBB	BBB	BBB-
Total cost cover	>1.0x	1.3x	>2.0x
LTV	11%	14%	35%
Liquidity	No impact	No impact	No impact

* Based on Aker's reported gross asset value of NOK 74.6bn as of Q2 2024 and the EUR:NOK exchange rate as of 15th August 2024.

Sources: Public information, Scope

Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Paris

10 avenue de Messine
FR-75008 Paris

Phone +33 6 6289 3512

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 09 38 35

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com

Disclaimer