



Unlocking value creation opportunities in the Norwegian defense industry

July 2025



About Strategy&

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We specialize in strategy development and provide high-impact strategic advisory services to leadership teams navigating their most demanding and high-stakes issues. Our work spans across industries and includes close collaboration with private equity clients, where we support transactions, mergers and acquisitions (M&A), and post-deal value creation.

Our teams bring deep experience in unlocking growth and driving transformation in precisely these situations. With sharp industry insight, Strategy& delivers strategic solutions with the speed and precision required to help our clients gain competitive advantage—both as business leaders and as organizations.

As a global leader in strategy consulting, Strategy& is part of PwC Norway. We seamlessly leverage the full breadth of PwC's global and local multidisciplinary expertise to ensure our clients' strategic potential is both defined and realized.

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Deal Value Realization

Three main takeaways from our Norwegian Defense Report

A Massive surge in defense/security spending in Europe and Norway

- Geopolitical risks are increasing across the globe, and conflict levels are rising across most continents. The Ukraine conflict has sparked a profound rethink of national and regional security in Europe
- Spend level on armed forces and national security is rising rapidly, surpassing NOK 500bn in NATO Europe + Canada in 2024, which is 2x+ of 2019 levels
- Similarly, Norwegian military spending has grown 45%+ since 2019, reaching NOK ~100bn in 2024, and is expected to exceed NOK 150bn annually in 2030 onwards. NATO has committed to a target of 5% spend of GDP within 2035

B Huge influx of private capital into the defense sector

- Increased spend levels, renewed innovation dynamics driven by tech disruption and more openness to private sector role in the defense sector has sparked interest among private investors
- Global PE investments in defense grew by 80% from 2023 to 2024, reaching NOK 45bn — a level already matched in Q1 2025 alone. Similar momentum is seen among VC investors
- Also in Norway, the M&A activity is picking up and funds are starting to position themselves for partaking in the structural shifts to unlock value creation opportunities in the fast-growing sector

C The vibrant Norwegian defense sector offers great value creation opportunities

- Dominated by the three defense primes, Kongsberg, Nammo and Chemring, the Norwegian defense sector at large consists of ~250 companies, of which 120+ are defense-focused with 20%+ of revenues directly from the sector
- Collectively, the Norwegian defense-focused players' turnover surpassed NOK 72bn in 2023, with total growth of 22% p.a 2021-2023
- The Norwegian defense landscape covers all relevant domains across the value chain, with special presence in product manuf. & assembly
- Our dedicated defense sector team sees several attractive investment angles for Private Equity and industry players

The global security landscape has entered a new phase, marked by heightened geopolitical tensions and a significant shift in defense priorities



The defense industry has transitioned from a decade of relative stability into a new era defined by geopolitical volatility, rapid militarization, and systemic scaling — creating a high-priority, high-growth market for governments and industry alike

The war in Ukraine and tension in the Middle East has exposed critical vulnerabilities in European armed forces and defense industry...

European armed forces and defense industry must adapt while expanding

Decades long peace dividend, nationalistic policies and reliance on US military support has created some imminent challenges for Europe and its defense industry:

- Fully dependent on critical US defense capabilities to operate, limiting strategic autonomy (intelligence, surveillance, targeting and reconnaissance; command & control; long range strike ability; missile defense; nuclear umbrella; and logistics)
- Too small armed forces
- Low stockpiles of ammunitions
- Technologically leading, but lack countermeasures to high-volume low-cost threats
- Too low spending for too long

Several challenges facing the industry...

- 1 Heightened geopolitical pressure underscores the urgency for action, as Russia is expected to regain offensive capability within 2–5 years, the U.S. pivots toward Asia, and global instability accelerates
- 2 Too complex, customized, and nationalized “gold-plated solutions”, often lacking coordinated procurement strategies across Europe
- 3 Years of “peace dividend” era, we have seen major procurement orders outsourced abroad, while domestic industry slowly ramping up
- 4 Lacks agility as a basis for rapid innovation cycles due to its focus on large-scale / heavy tech system developments with high cost
- 5 Defense industry and supply chain remain fragmented, a situation partly driven by political design but resulting in lack of economies of scale
- 6 Company and financial performance are improving, but the gap between European and US defense industry remains, underlining the lack of global competitiveness
- 7 Underinvestment in infrastructure such as military bases, material storage, bomb shelters, ports, roads, high-value asset protection, maintenance, support and upgrades

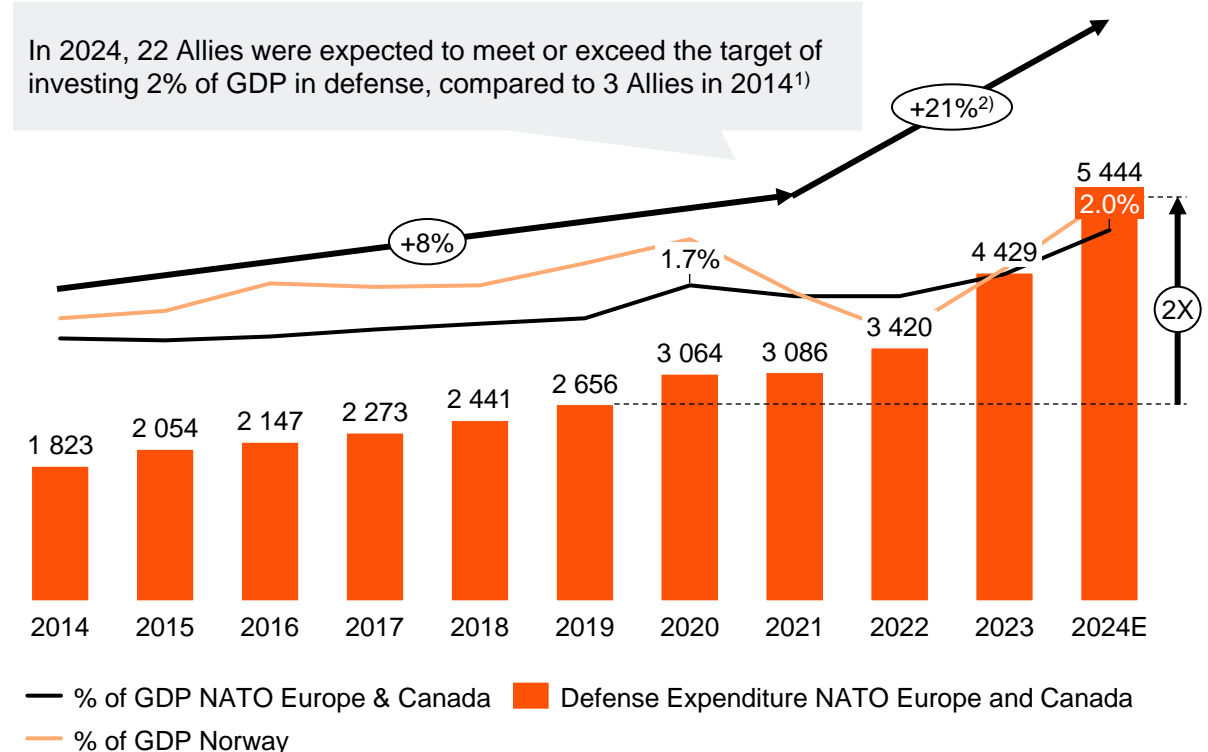
... and NATO defense spending has increased significantly from 2022–2024, reaching NOKbn 5000+, equaling 2x of levels seen five years ago

Expected defense expenditure NATO Europe

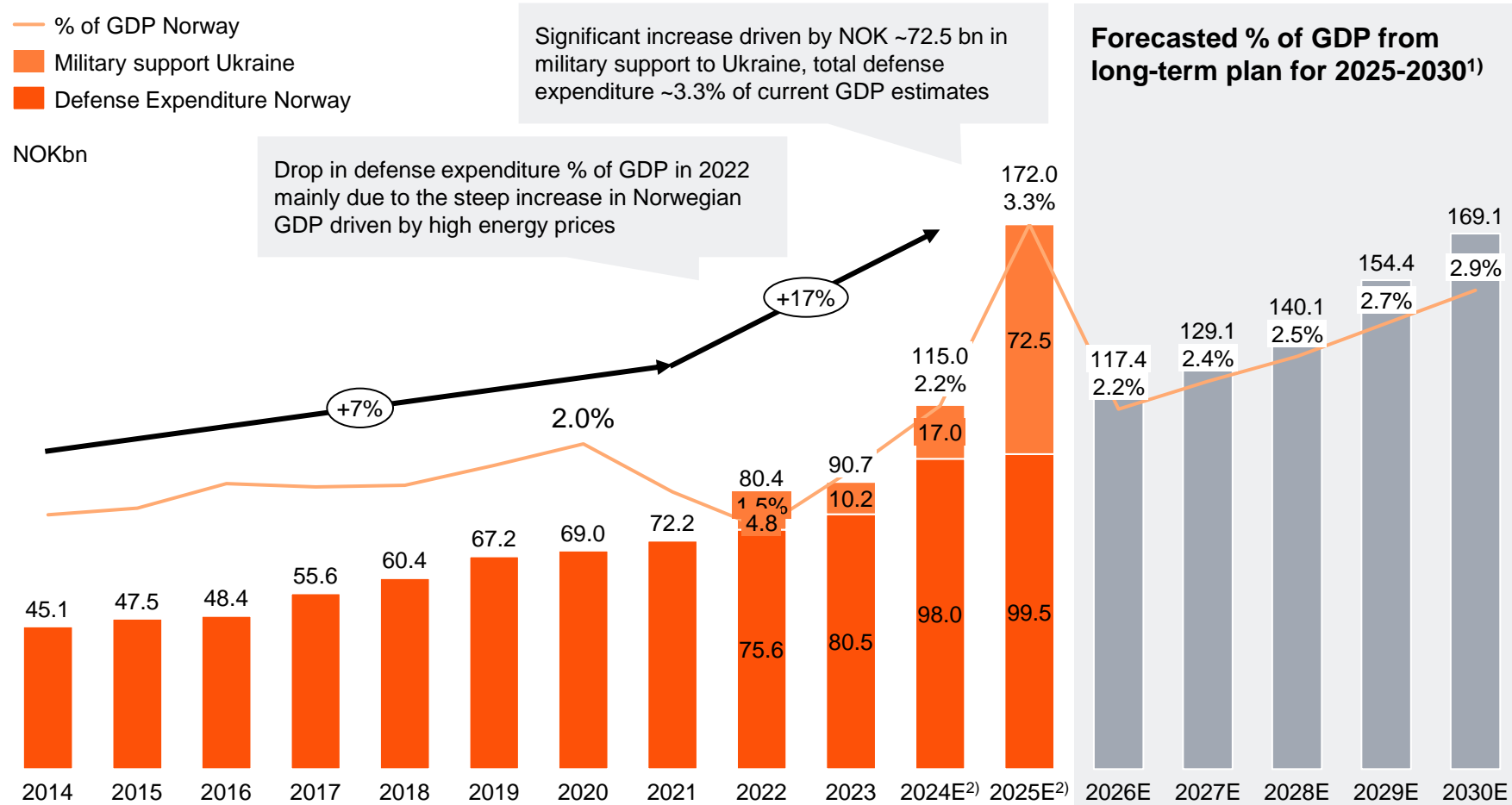
- Spending target to increase to 3.5% of GDP, with an additional 1.5% for supporting infrastructure, decided 25 June 2025 NATO summit in The Hague
- Focus is shifting from funding to capabilities and commitments — NATO is expected to issue country-specific targets for contributions across domains (e.g., systems, personnel, logistics)
- 20% of the agreed GDP target should be allocated to major new equipment, aligned with NATO capability requirements³⁾

Notes: 1) As of 2025 there are 32 member countries in NATO, 2) The steep increase also due to higher inflation in last years, 3) Based on capability requirements from NATO's internal planning processes, 4) Dagens Industri June 19th 2025
Sources: SSB, NATO funding plan 2025, Defense expenditure of NATO countries (2014-2024), Euronews

Historical defense expenditure NATO Europe and Canada NOKbn



Norway reached the 2% target in 2024 and plans to continue increased expenditure up to 5% on defense capabilities in coming years...



Comments

- 2014–2025: Norway's defense expenditure as share of GDP has varied the last decade, 2024 being the first year since 1999 where NATO's target of 2% of GDP was reached. Considerable increase in recent years mainly due to military support to Ukraine
- 2026–2030: The long-term plan approved by the parliament in 2024 states a total of NOK 1624bn in defense spending over 12 years. Expected to be updated pending the geopolitical landscape and continued support to Ukraine
- NATO agreed to a 3.5% + 1.5% target by 2035

Notes:

1) Agreed by the Norwegian parliament in 2024; estimates considered conservative and is expected to be updated pending the geopolitical landscape. 2026-2030 assuming steady GDP growth of 2% p.a. Not including recent additional support to Ukraine, defined in the Nansen-program (NOK ~250bn) from '23-'30. Future support to be defined on y-o-y basis,
 2) Estimates from NATO and the Norwegian government
 Sources: SSB, Defense expenditure of NATO countries (2014-2024), Norwegian long term defense plan 2025-2036, Forsvarsdepartementet 2023-2024: Forsvarsløftet

... and Norway's geographical location and energy infrastructure makes us a strategic player in the current geopolitical landscape

Recent geopolitical shifts and dynamics...

- High geopolitical tensions driven by the invasion of Ukraine and Israel/Palestine/Iran conflict
- Significant rise in defense investments, NATO target of >2% of GDP on defense spend reached by ~70% of members in 2024
- Rapid advancements in technologies for defense purposes, including cyber and hybrid threats
- The Arctic a focal point for geopolitical competition due to its strategic location and increased military activity by Russia in the region



... have implications for Norway's role in NATO and Europe

Enhanced Arctic presence

Arctic security a top priority for NATO; Bodø recently chosen by NATO as combined air operations center for the region

Strengthened NATO commitment

Long-term plan 2025-2035 further committing to defense spend-target of 5% of GDP (concluded in NATO Summit 25 June 2025), and enhancing interoperability with allied forces

Increased importance of energy infrastructure security

As major exporter of oil and gas to Europe, Norwegian energy supplies and security of energy infrastructure is key to enable European energy independence

Expand digital defense capabilities

Rising cybersecurity threats towards critical infrastructure and military systems requires modernization of defense systems and security measures

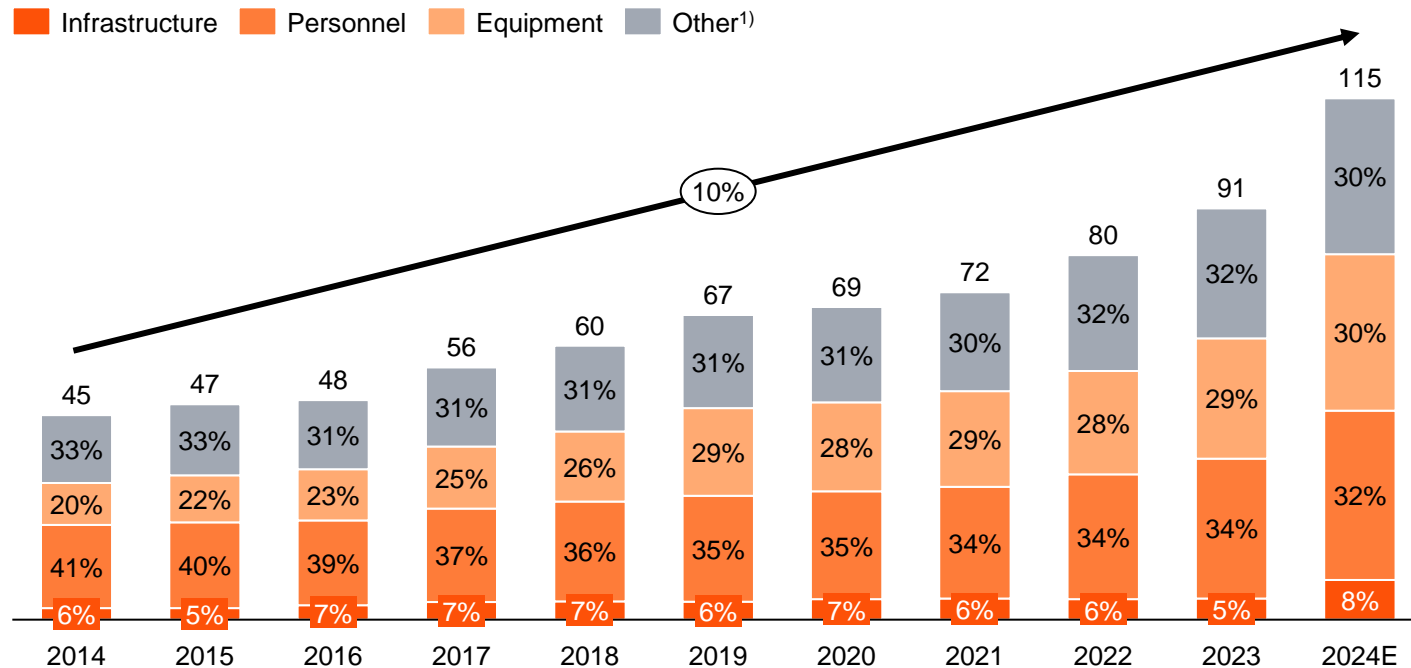
Closer Nordic collaboration

Increased Nordic defense collaboration as Finland and Sweden has joined NATO, reshaping the security landscape in Northern Europe

Share of investments in equipment and infrastructure have increased the last decade; long-term plan includes further scaling of personnel

Historical Norwegian Defense expenditure, by category

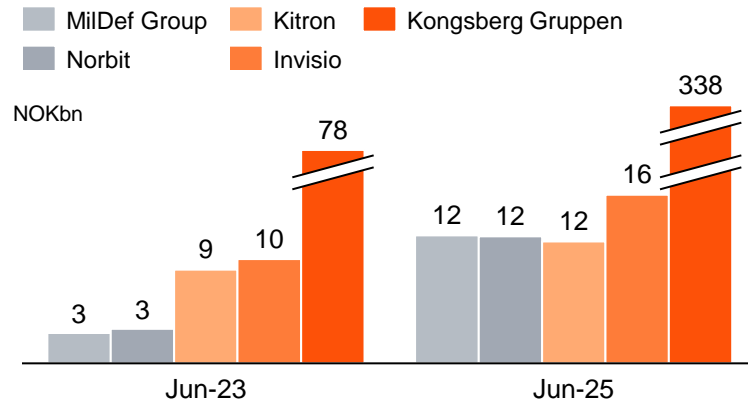
NOKbn



Comments on the national defense budget adjustments for 2025

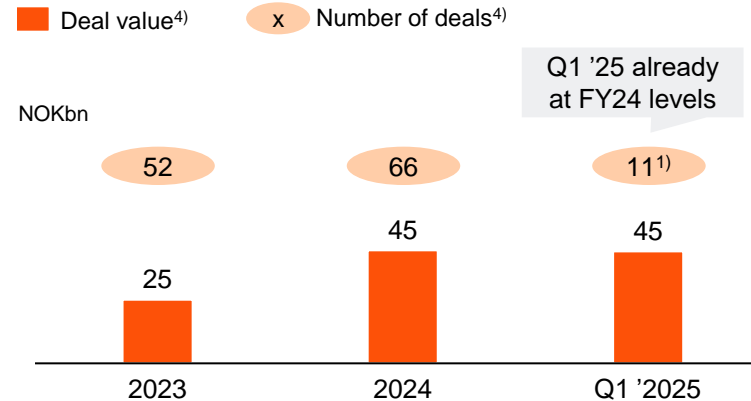
- In addition to the additional support to Ukraine, the operational defense budget increased with NOK 2.5bn, with following adjustments:
- Increased investments in property, buildings and facilities
- Further investments in supply readiness of NOK 879m, with emphasis on munitions supply
- NOK 181m to strengthen IT infrastructure
- Significant investments in new materiel of NOK ~35bn, incl. maritime surveillance, air defense and sensor equipment
- NOK 650m investments for new personnel, in addition to NOK 780m to recruit and facilitate rapid growth

A structural capital shift is underway — defense is emerging as a priority sector for institutional and strategic investors



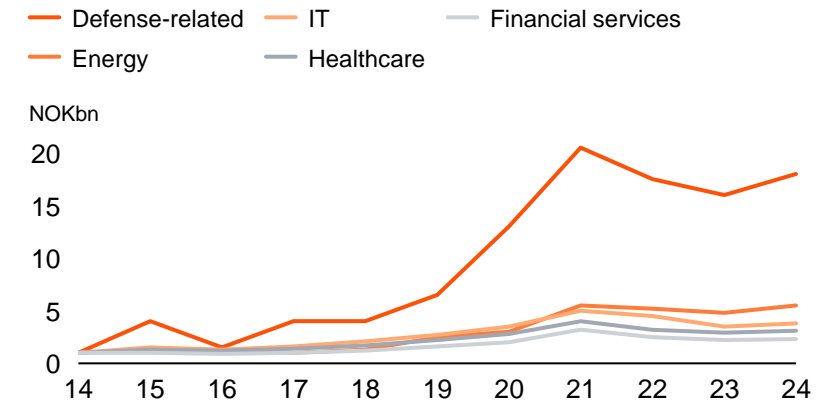
Public markets are re-rating defense and dual-use platforms at scale

- Significant market cap growth across both legacy and tech-native defense players
- MilDef and Norbit's surge underscores investor appetite for mission-critical defense technology and field-ready solutions
- Kongsberg's 4x increase — regional players also revalued on defense upside
- Signals broad re-rating of defense as a long-term growth sector



Private equity is actively consolidating and scaling the defense supply chain

- Deal value nearly doubled from 2023 to 2024; Q1 2025 alone matches full-year 2024
- Larger deal sizes and front-loaded capital suggest stronger conviction
- PE targets Tier 2–3 suppliers² — essential for production scale and supply chain resilience
- Consolidation focuses on IP-rich, exportable assets with dual-use potential

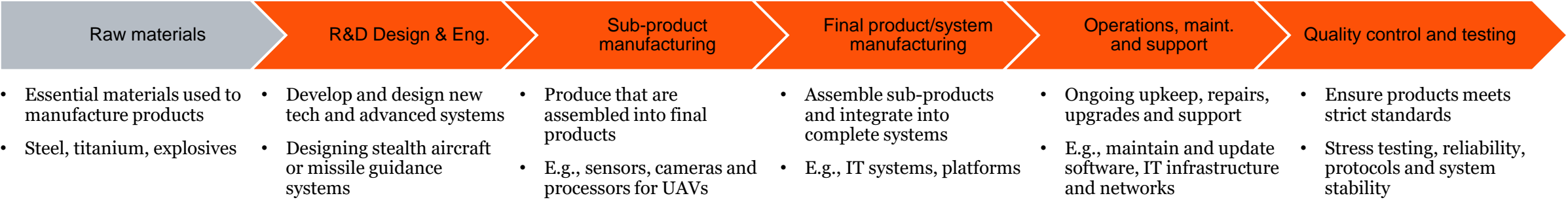


Venture capital is accelerating the emergence of next-gen defense tech players

- Defense-related VC deal value has grown >15x since 2014 — strongest growth of any sector
- Capital concentrates in AI, autonomy, cyber, and space — all dual-use innovation hubs
- Early-stage funding is increasingly defense-aligned, supported by public-private incentives
- VC is enabling new entrants to challenge incumbents with scalable, software-driven solutions

We have mapped ~250 Norwegian companies on three different dimensions – value chain, market segment and customer segment

1 Value chain



2 Market segment

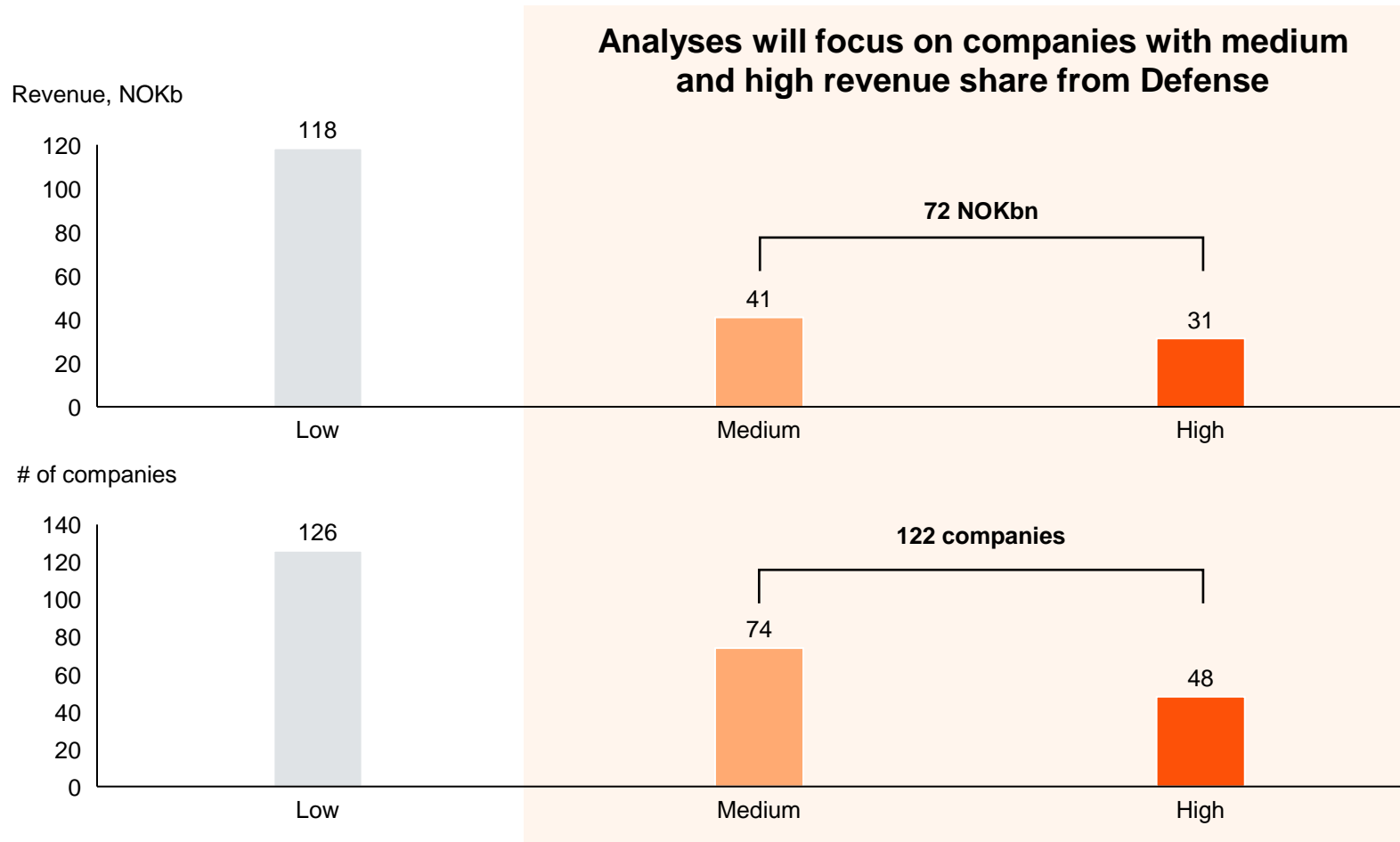


3 Customer segment



Exclusions	Pure civilian suppliers	Retailers (consumer stores, supermarkets)	Advisory firms (law, consulting, finance)	Insurance, media and PR	Real estate
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Of the 248 companies mapped in Norway, 122 have a medium or high exposure to the Defense sector



Est. share of revenue directly or indirectly from the Defense sector

70%

High

20% < 70%

Medium

< 20%

Low

Norwegian companies mostly represented in the “final product” position of the value chain with sub-products growing at the fastest pace

Value chain, 2023	R&D Design & Eng.	Sub-product manufacturing	Final product/system manufacturing	Operations, maint. and support	Quality control and testing	Total
Revenue, NOKbn	N/A	19.1	42.5	10.3	0.4	72.3
EBITDA%		14%	11%	27%	16%	14%
CAGR '21-'23		38%	18%	17%	13%	22%
# of Companies		39	64	13	6	122
# of employees, 000s		1.9	9.9	3.9	0.1	12.3
Example company	KitronNammoRitekAndøya Space					

Weapons & Munitions is the largest market segment, while Tech, Material & Equipment and Software are experiencing the fastest growth

Market segments, 2023	Weapons and munitions	Platforms & vehicles	Technological equipment	Material and equipment	Software	Services	Total
Revenue, NOKbn	24.2	8.5	18.8	7.1	2.1	11.6	72.3
EBITDA%	17%	(1%)	13%	16%	(12%)	26%	14%
CAGR '21-'23	20%	6%	33%	33%	35%	18%	22%
# of Companies	8	13	40	36	6	19	122
# of employees, 000s	6.7	1.3	1.5	1.0	1.2	0.5	12.3
Example company	Nammo	Airbus Defense and Space	Norautron	NFM Group	Teleplan Globe	Space Norway	

Medium sized companies with 30% CAGR from '21-'23 while the largest companies realize the highest EBITDA margins at 15%

Company size, 2023	Large 2.0 NOKbn <	Medium 0.2 NOKbn < 2.0 NOKbn	Small < 0.2 NOKbn	Total
Revenue, NOKbn	50.2	17.3	4.8	72.3
EBITDA%	15%	12%	10%	14%
CAGR '21-'23	20%	30%	22%	22%
# of Companies	7	27	88	122
# of employees, 000s	9.1	2.3	0.9	12.3
Example company	Kongsberg Defense & Aerospace	Oceaneering	Drytech	

PEs and industrials can find attractive assets and plays in the Defense ecosystem in Norway and beyond

Norway can hold very attractive defense investment opportunities fueled by both domestic factors and international trends

Strategy& can help you navigate this attractive opportunity through e.g.

1. Assist in developing an investment portfolio strategy
2. Conduct due diligence reviews on specific targets
3. Support in unlocking the potential of the acquired target



Sizeable domestic and international markets with strong growth and profitability

- 20-30% CAGR and double-digit EBITDA margins



Cutting-edge tech leadership and strong industry spillover effects/cluster

- Strong ecosystems around e.g. Kongsberg Group



Lucrative long-term contracts and downside protection with e.g. governmental counterparty

- Nations and companies seek to lock-in supply



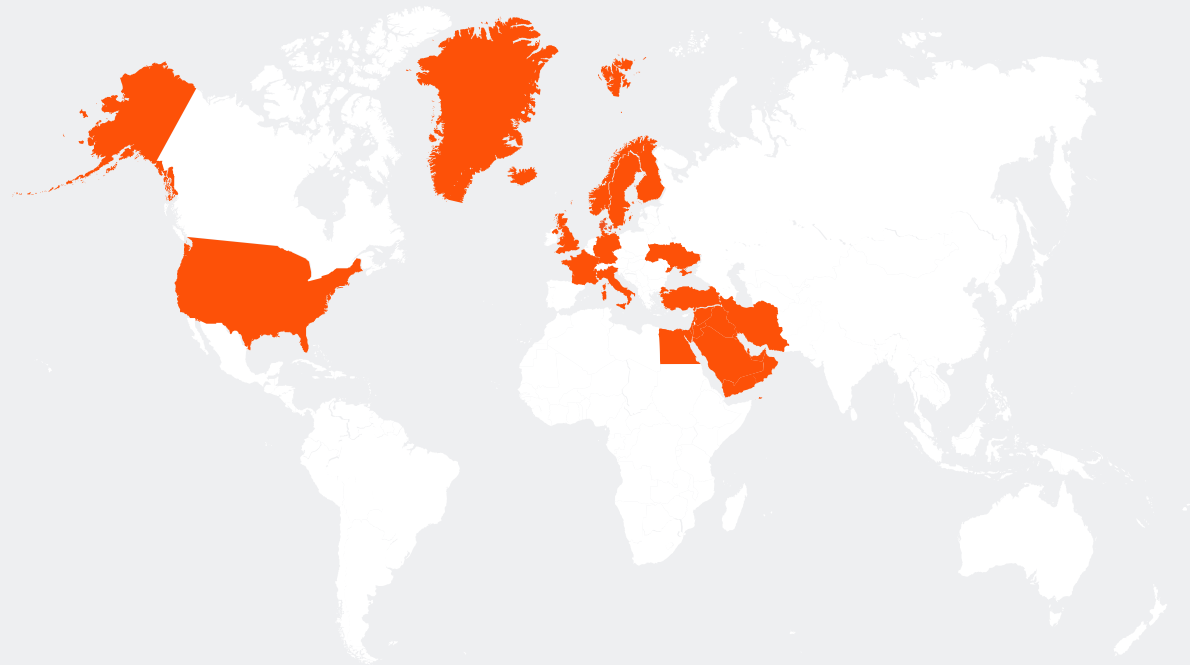
Availability of targets, and potential for active ownership and steering of strategy/financing

- ~250 NO companies exposed to the defense sector



- Potential for buy-and-build + internationalize strategies
- Robust, long-term growth and value creation opportunities
- Potential multiple arbitrage/expansion
- Favorable exit conditions 2030–2040

Our team brings a broad range of relevant expertise towards Defense Industry



PwC and Strategy& Defence centres of excellence

Extensive experience Defence from offices in Nordics, UK, Germany, Italy, France, Middle East and the US.



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