

Growth in the Defense Market Amid Geopolitical Tensions: Thyssenkrupp Takes Its Marine Division Public

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“With the stock market listing of TKMS, we are opening a new chapter at thyssenkrupp. We are facilitating growth opportunities and access to the capital market for TKMS, at the same time creating value for our shareholders. Going forward, they will participate directly in the success of two companies – thyssenkrupp AG and TKMS.” – Miguel López, CEO of thyssenkrupp AG

Deal Overview

- **Issuer:** TKMS AG & Co. KGaA (FSE: TKMS)
- **Parent Company:** thyssenkrupp AG (FSE: TKA)
- **Transaction Type:** Initial Public Offering (IPO)
- **Industry:** Naval defense technology
- **Equity value at IPO (offer price):** €3.8bn
- **Listing date:** 20th October 2025
- **Advisors:** Deutsche Bank, Commerzbank and Citigroup

Deal Summary

Heightened geopolitical tensions in the Middle East, the ongoing war in Ukraine, and increasing strategic frictions within NATO between the United States and Europe have brought defense spending and military capabilities back into strong global focus. In this environment of structural rearmament and growing demand for naval modernization, thyssenkrupp AG decided to carve out its marine defense business and take TKMS AG public through an IPO on the Frankfurt Stock Exchange in October 2025.

The listing establishes TKMS as a focused European naval defense company with strong long-term visibility supported by a substantial order backlog and favorable industry dynamics, while allowing thyssenkrupp to sharpen its industrial portfolio and improve valuation transparency. The strong first-day share price increase, implying IPO underpricing of around 50%, highlights solid investor demand and confidence in TKMS's future growth prospects.

Company Overview – thyssenkrupp AG

Thyssenkrupp AG is a German industrial and technology group headquartered in Essen, Germany. With more than 100,000 employees worldwide, the company operates through several business units, including Steel Europe, Materials Services, Automotive Technology, and Decarbon Technologies, as well as Marine Systems, which was carved out in October 2025. Historically, thyssenkrupp emerged from the merger of Thyssen AG and Krupp in 1999, creating one of Germany's most diversified industrial conglomerates. The company is publicly listed on the Frankfurt Stock Exchange (XETRA: TKA) and forms part of the MDAX index and generated €35 billion in revenue in the 2024 fiscal year.

Company Overview – TKMS AG & Co. KGaA

Thyssenkrupp Marine Systems (TKMS) is one of Europe's leading naval defense companies, headquartered in Kiel, Germany. The company specializes in the design and construction of submarines, frigates, and maritime defense systems, offering comprehensive lifecycle services from development and engineering to maintenance and modernization.

Its portfolio includes the renowned Type 212A (see Figure 1) and 212CD submarines, built in collaboration with the German and Norwegian navies, as well as advanced surface vessels such as the F125 frigates. TKMS serves both domestic and international customers, with export projects for countries like Israel, Egypt, and Singapore. The company employs more than 9'000 people across sites in Kiel, Hamburg, and Emden, maintaining close cooperation with NATO partners and European defense contractors.

Figure 1: Type 212A submarine developed for the german navy



Source: www.seaforces.org. 09.02.2026

In fiscal year 2025, TKMS generated revenues of around €2.2 billion, up from €2 billion in the previous year. The company reported strong growth driven by submarine and surface vessel programs and holds an order backlog of about €18 billion as of mid-2025.

Industry Overview – Naval defense technology

Thyssenkrupp Marine Systems operates in the military shipbuilding and naval technology industry, focusing on submarines, frigates and integrated maritime weapon systems. The company works at the intersection of defense procurement, high technology in propulsion, sensors and stealth systems, and large government projects. Long term delivery contracts and close relationships with defense authorities shape its business model.

The global naval shipbuilding market is estimated in various studies to reach around \$100 to \$102 billion in 2025, with moderate growth expected through 2034. At the same time, global military expenditure reached a record level of \$2.7 trillion in 2024, which continues to drive demand for complex naval platforms and modernization programs.

In Europe, naval procurement has accelerated significantly. Regional defense spending increased by about 17% in 2024, including Russia, and several NATO members have raised their defense budgets. This year, NATO announced that 5% of member states' GDP should be allocated to defense. The geopolitical environment following Russia's invasion of Ukraine, as well as a complex situation with USA, has strengthened the prioritization of maritime capabilities such as submarines and multipurpose vessels and led to closer cooperation in European defense programs.

In Germany, the federal government introduced a €100 billion defense fund to modernize its armed forces. Programs such as the Type 212CD submarine project have secured TKMS long term order backlogs worth several billion euros and support a stable business outlook. In addition to TKMS, other major naval shipbuilding companies in Europe include Naval Group (France), Fincantieri (Italy), Navantia

(Spain), BAE Systems Maritime (United Kingdom) and Damen Naval (Netherlands).

Deal Structure and Valuation

Thyssenkrupp Marine Systems was carved out of thyssenkrupp AG and listed independently on the Frankfurt Stock Exchange in October 2025. Despite the spin-off, thyssenkrupp AG remains the majority shareholder with a 51% stake, while the remaining 49% of shares were distributed directly to existing thyssenkrupp shareholders.

Following the listing, TKMS recorded a strong market debut, with the share price rising from €60.81 at opening to €91.38 at the close of the first trading day, corresponding to an increase in market capitalization from €3.8 billion to €5.8 billion. Based on 2025 figures of €2.16 billion in revenue, €190 million in EBITDA, and €100 million in net income, combined with a net debt position of -€2.15 billion, valuation multiples expanded materially: P/E increased from about 35x to 54x and EV/EBITDA from roughly 16x to above 36x. This development implies IPO underpricing of around 50%, indicating strong initial investor demand and positive sentiment toward TKMS's growth outlook. TKMS appears relatively highly valued given the strong industry growth and supportive political order environment, currently trading at around 38.3x EBITDA. Looking ahead, it remains to be seen whether TKMS can live up to these expectations. This development is illustrated in Table 1.

Table 1: IPO Valuation TKMS

	Share Price (€)	Market Cap (€bn)	EV (€bn)	P/E	EV/EBITDA	EV/Revenue
Opening Price (Day 1)	60.81	3.81	1.66	35.3x	16.6x	0.77x
Closing Price (Day 1)	91.38	5.80	3.65	53.7x	36.5x	1.69x
Current Price	94.50	5.98	3.83	55.4x	38.3x	1.77x

Potential Risks & Upsides

TKMS's future development lies at the intersection of structural growth drivers in the defense sector and company-specific execution and valuation risks. Against this backdrop, long-term success will not be determined by the IPO alone, but primarily by the company's ability to establish itself as a leading maritime defense provider in Europe. While companies such as Rheinmetall and Hensoldt have benefited from state participation and strong market positioning, TKMS faces the challenge of executing complex naval projects that require international approvals. These programs are politically sensitive, technically demanding, and involve long development cycles, while the highly concentrated customer base of state navies increases dependence on individual large contracts. In contrast, sustained NATO rearmament, rising European defense spending toward NATO GDP spending targets, accelerating maritime modernization, and high technological entry barriers in the submarine segment support a fundamentally positive long-term outlook. Nevertheless, risks remain, due to the defense sector's strong dependence on geopolitical conditions, military developments, and political decision making. Moreover, the elevated post-IPO valuation could lead to rapid multiple contraction in the event of earnings disappointments. However, if TKMS successfully converts its backlog and continues to secure margin-accretive contracts, the company remains well positioned for solid long-term development.

Source: Pitchbook, 11.02.26 – own illustration