VIREO CAPITAL RESEARCH | Equity Research | Initiating Coverage | August 12, 2026

Kraken Robotics Inc.

OTC: KRKNF | TSX-V: PNG | Technology and AI | Subsea Defence and Autonomy

All figures in USD unless stated. CAD/USD: 0.7171 | Post-Covelya share count ~393M (approximate pending SEDAR+ filing)

RATING	PRICE TARGET	CURRENT PRICE (OTC)	UPSIDE
BUY	USD 7.00	USD 4.75	+47.4%

MARKET CAP (USD)	52-WEEK RANGE (OTC)	OTC TICKER	TSX-V TICKER
~$1.41B	$2.36 - $8.13	KRKNF (OTCQB)	PNG (TSX-V)

FY2026E REVENUE (USD)	FY2026E ADJ. EBITDA	2026 ORDER BOOK (USD)	BETA
~$219M (combined)	~$50M (combined)	~$234M confirmed	1.13

Report Date: August 12, 2026 | **Analyst:** Gianfranco Cacciola | Vireo Capital Research

1. INVESTMENT THESIS

Kraken Robotics is not a speculative bet on a technology that might one day find customers. It already has them. $234 million in confirmed 2026 product orders (USD; CAD $327 million) exceeds the full-year revenue guidance midpoint of $219 million before the year is half over. At the July 2 close, Kraken had $110 million CAD in standalone orders and Covelya had $182 million CAD, with an additional $35 million CAD announced July 20. That is a backlog-to-guidance ratio above 1.0x, which is unusual for a company this size and tells you the demand environment is real.

The Covelya acquisition, which closed July 2, 2026 for $441 million, is the transformational event. Kraken acquired Sonardyne International, EIVA, Forcys, Wavefront Systems, Voyis, and Chelsea Technologies in a single transaction, roughly tripling its revenue base and adding approximately 750 employees across 12 facilities globally. Covelya's FY2025 estimated revenue of $179-197 million USD grew at a 24% CAGR since 2023, with adjusted EBITDA growing at 41%. At close, the combined entity holds $290-320 million CAD in FY2026 revenue guidance, a record order backlog, and 790 engineers and scientists. Three things drive the investment case. NATO and allied governments are spending materially more on maritime domain awareness, mine countermeasures, and critical underwater infrastructure protection following a sustained period of hybrid-threat activity targeting undersea cables and pipelines. Kraken and Covelya together offer synthetic aperture sonar, subsea navigation and positioning, pressure-tolerant batteries, autonomous underwater vehicle integration, and environmental sensing, which together form the full technology stack for the missions that are getting funded. No single competitor offers the same integrated capability at this scale in the small-to-mid-size defence contractor tier.

The valuation has not kept up. At $4.75 per OTC share, Kraken trades at approximately 3.5x forward EV/Revenue on the combined guidance. High-growth defence and autonomy companies with comparable trajectories trade at 4-6x revenue. Our blended price target of $7.00, derived 60% from EV/Revenue and 40% from EV/EBITDA, implies 47.4% upside from the current price and is in line with the analyst consensus average of $7.28. BUY.

KEY BULL CASE vs. BEAR CASE

KEY BULL CASE	KEY BEAR CASE
$234M in confirmed 2026 product orders already covers the full-year revenue guidance midpoint of $219M. The backlog	The Covelya acquisition cost $441M against a pre-deal Kraken market cap of roughly $700M. Integration risk is real

is not a projection. It is contracted revenue waiting to be delivered.	and the combined entity has not yet produced a single audited quarter of financials.
Gross margin expanded from 49% in FY2024 to 62% in FY2025, driven by a mix shift toward higher-margin service revenue and SeaPower batteries. That kind of margin improvement in a hardware-and-services business is structural, not one-off.	Q1 2026 adjusted EBITDA margin fell to 14% from 17% a year earlier despite 35% revenue growth. Management blames seasonal weighting, but achieving 22-23% EBITDA margins for the full combined year requires a very strong H2 from a business that has never operated at this scale.
Covelya brings Sonardyne, a 50-year-old subsea navigation and positioning company with deeply embedded relationships across NATO navies and offshore energy operators. That customer base cannot be replicated quickly.	ATB Capital rates the stock Sell with a C$5.00 target. Their concern is that the acquisition was transformational in size but executed at a price that requires sustained high growth to justify. That is a legitimate read on the arithmetic.
NATO defence spending on maritime domain awareness, mine countermeasures, and critical underwater infrastructure protection is at a structural high driven by hybrid-threat concerns. Kraken and Covelya are directly positioned in every one of those spending categories.	The post-Covelya share count is unconfirmed pending the next SEDAR+ filing. All per-share figures in this report are approximate. Investors should verify before transacting.

2. COMPANY OVERVIEW

Kraken Robotics was founded in 2008 and is headquartered in Mount Pearl, Newfoundland, Canada. It trades on the TSX Venture Exchange under PNG and on the OTCQB in the United States as KRKNF. Before the Covelya acquisition, Kraken operated with approximately 211 employees focused on three core product families: synthetic aperture sonar systems, SeaPower pressure-tolerant subsea batteries, and KATFISH, a towed synthetic aperture sonar system for mine countermeasures and infrastructure inspection.

Gross margins expanded significantly in FY2025, reaching 62% from 49% in FY2024. That improvement reflects a deliberate mix shift toward higher-margin service revenue and SeaPower batteries, which carry software and intellectual property components that lift contribution margins well above the hardware average. Service revenue grew from $17.9 million USD in FY2024 to $29.1 million in FY2025, a 63% increase, while product revenue declined slightly as the company optimized for margin rather than volume. That trade-off produced the best profitability metrics in the company's history.

Covelya Group, the UK-headquartered marine technology group acquired July 2, changes the scale of the business entirely. Its six subsidiaries cover subsea positioning and navigation (Sonardyne), maritime survey software (EIVA), data and technology solutions (Forcys), underwater acoustics (Wavefront Systems), subsea imaging (Voyis), and ocean science sensors (Chelsea Technologies). Sonardyne in particular has been operating for over 50 years and has established relationships with naval customers and offshore energy operators that are not replicated by newer entrants. The combined company operates across more than 450,000 square feet of production capacity globally and holds over 110 patents.

FY2025 was a transition year for Kraken. The 3D at Depth acquisition in early 2026 added deep-sea 3D survey capability and contributed to Q1 2026's 14% service revenue growth. Capital expenditures jumped to $21.7 million USD in FY2025, reflecting manufacturing capacity expansion ahead of the anticipated order ramp. That investment is now bearing results in the backlog.

3. INDUSTRY AND COMPETITIVE LANDSCAPE

The subsea defence and autonomy market is being reshaped by two forces simultaneously: an acceleration in NATO and allied spending on maritime domain awareness, and a generational shift toward unmanned underwater systems. Kraken and Covelya together are positioned at the intersection of both.

On the spending side, hybrid-threat activity targeting undersea cables, pipelines, and offshore energy infrastructure has pushed mine countermeasures and critical underwater infrastructure protection to the top of naval procurement priorities across North America and Europe. One market research estimate puts the mine countermeasures market at $2.56 billion in 2024, growing at 3.1% annually to $3.58 billion by 2035. A second estimate shows $2.94 billion in 2025 reaching $3.92 billion by 2031. Both figures understate the total opportunity because critical underwater infrastructure protection spending sits across multiple procurement programs rather than a single budget line. The number to focus on is not the TAM estimate. It is the order flow that

Kraken and Covelya are already capturing. $327 million in confirmed 2026 product orders from customers across North America, Europe, the Middle East, and Asia-Pacific is a live proxy for where the market is spending.

On the technology side, autonomous underwater vehicles are replacing crewed systems for survey, inspection, and increasingly for mine countermeasures. Kraken's synthetic aperture sonar is designed specifically for AUV integration, operating at speeds and resolutions that exceed traditional side-scan sonar. SeaPower batteries are being adopted by AUV manufacturers who need high-energy-density power at depth. The KATFISH towed system bridges the gap for customers who need rapid wide-area survey without investing in full AUV fleets. Sonardyne's SPRINT-Nav acoustic-inertial navigation system is embedded in many of the same AUV platforms that are adopting Kraken's sonar and batteries. Cross-selling across the combined portfolio is not speculative. It is technically logical and commercially compelling.

The competitive landscape for synthetic aperture sonar in the defence tier includes Thales, Kongsberg Maritime, Teledyne Marine, Hensoldt, Saab, and Exail, along with large defence system integrators on selected programs. Most of these competitors are divisions of much larger companies where maritime sensing is not a primary focus. Kraken's differentiation is compact, high-resolution SAS optimized for unmanned systems rather than large platform integration. For SeaPower batteries, the main alternatives are Teledyne Marine, Saft, Echandia, and internal battery solutions from major AUV manufacturers. Kraken's stated differentiator is pressure tolerance and energy density at the depths where most alternatives are not practical.

COMPARABLE COMPANY ANALYSIS

Company	Ticker	Mkt Cap	EV/Rev (Fwd)	EV/EBITDA (Fwd)	Rev Growth	Notes
Kraken Robotics	KRKNF	~$1.41B	~3.5x	~14x	+199%*	Subject; post-Covelya combined entity
Teledyne Marine	TDY	~$22B	~4x	~16x	~8%	Diversified defence/marine; directly competes in sonar
Kongsberg Maritime	KOG.OL	~$8B	~5x	~18x	~15%	Norwegian defence/maritime; SAS and AUV competitor
Leidos (marine div.)	LDOS	~$22B	~2x	~12x	~7%	Large US defence integrator; underwater systems
Paladin Energy	PDN	N/A	N/A	N/A	N/A	N/A; included only to note no direct pure-play OTC comparable
FLIR / Teledyne	FLIR	~$8B	~4x	~15x	~10%	Sensors/imaging; partial comparable on detection tech

**FY2026E growth inflated by Covelya consolidation. Organic Kraken standalone growth ~60%+ YoY. No perfect pure-play OTC/NASDAQ comparable exists. Source: Bloomberg, company filings, Vireo Capital Research estimates. August 12, 2026.*

4. FINANCIAL ANALYSIS

Three years of Kraken's standalone financials tell a clean growth story. Revenue grew from $49.9 million USD in FY2023 to $65.5 million in FY2024 to $73.3 million in FY2025, compounding at approximately 21% annually. More importantly, gross margins went from 49% in FY2023 and FY2024 to 62% in FY2025. That 13-point expansion in a single year is not noise. It reflects a real change in product mix as SeaPower and service revenue grew faster than the hardware-dominated product lines.

Adjusted EBITDA grew from $10.1 million in FY2023 to $17.9 million in FY2025, tracking the revenue growth but also benefiting from the margin improvement. The FY2025 adjusted EBITDA margin of 24% is approaching the range that makes this business genuinely cash generative on a sustained basis. Q1 2026 adjusted EBITDA margin was a step back to 14% on revenue of $15.6 million USD. Gross margin in Q1 came in at 56%, down from 63% in Q1 2025, reflecting the higher product mix in the quarter. Both are consistent with seasonal patterns Kraken has demonstrated in prior years. Management is explicit that FY2026 is heavily weighted to H2, consistent with prior years. The full-year combined guidance of $50 million in adjusted EBITDA requires a strong H2 from a business that has not yet operated at combined scale. That is the execution question the next two quarters will answer.

Capital expenditures jumped to $21.7 million USD in FY2025, triple the prior year's $3.7 million, as Kraken invested in manufacturing capacity. Combined 2026 capex guidance is $19-24 million, up from the standalone Kraken guidance of $15-18 million issued at Q1. Free cash flow is therefore likely to be negative or minimally positive in FY2026 even if EBITDA hits guidance. That is not a concern at this stage of the growth cycle, but investors should not expect material cash returns in the near term.

The balance sheet reflects an aggressive acquisition strategy. Kraken entered FY2026 with $108.7 million CAD ($77.9 million USD) in cash at the Q1 close. The Covelya acquisition consumed $480 million CAD ($344 million USD) in cash, offset by the $115 million bought deal completed in July 2025. Post-close net debt has not been confirmed in audited financials. The first combined-entity results, expected when Q2 2026 earnings are released, will be the key document for understanding the balance sheet. Until then, net debt is estimated at approximately $180 million USD based on available information.

FINANCIAL SUMMARY

Metric (USD)	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E
Revenue	$49.9M	$65.5M	$73.3M	~$219M	~$270M est.
YoY Revenue Growth %	+17%	+31%	+12%	~+199%*	~+23% est.
Gross Profit	$24.4M	$32.1M	$45.5M	~$100M est.	~$130M est.
Gross Margin %	49%	49%	62%	~46% est.	~48% est.
Adj. EBITDA	$10.1M	$14.8M	$17.9M	~$50M	~$68M est.
Adj. EBITDA Margin %	20.3%	22.7%	24%	22-23%	~25% est.
CapEx + Intangibles	$5.5M	$3.7M	$21.7M	$19-24M	~$20M est.
Cash (period end)	$3.7M	$41.9M	N/D	$78.0M (Q1)	N/D
Product Revenue	N/D	$47.5M	$44.2M	>75% of total	N/D
Service Revenue	N/D	$17.9M	$29.1M	<25% of total	N/D

*Source: Kraken Robotics press releases, SEDAR+ filings. All figures converted from CAD at 0.7171 (Aug 12, 2026). FY2026E reflects combined Kraken + Covelya guidance (closed July 2, 2026). *FY2026 growth inflated by Covelya consolidation; organic Kraken standalone guidance implies $118-125M USD revenue. FY2027E: Vireo Capital Research estimates. Gross margin step-down in FY2026E reflects Covelya blending at lower initial margins.*

5. VALUATION

Kraken is not a mature-multiple business yet. Applying a P/E or DDM to a company that is investing aggressively in growth and posting minimal GAAP net income produces a meaningless number. The right framework is enterprise value relative to forward revenue and forward EBITDA, which captures the growth trajectory while anchoring to a profitability metric.

On EV/Revenue, carrying 80% of the blended target on a FY2027E basis: the stock already trades at approximately 9x FY2026E EV/Revenue, which means a 3.5x forward multiple would price it below where it currently sits. That tells you the market is already pricing in strong growth, and the target needs to reflect where the stock should re-rate to as execution is demonstrated. Applying 12x to FY2027E revenue of $270 million produces an enterprise value of $3.24 billion. Subtracting estimated net debt of approximately $180 million yields equity of $3.06 billion. Divided by 393 million shares, the implied price is $7.79. The 12x multiple sits modestly above the current implied 9x on FY2026E, reflecting confidence that the backlog converts, margins recover, and the combined entity earns a re-rating.

On EV/EBITDA, carrying 20% weight as a secondary check: applying 25x to FY2027E adjusted EBITDA of $68 million produces an EV of $1.70 billion. Less net debt of $180 million yields equity of $1.52 billion. Divided by 393 million shares, implied price is $3.87. The 25x multiple is high relative to mature defence peers at 8-10x, but appropriate for a company where EBITDA is still depressed by integration costs and the underlying earnings power is materially higher at maturity. EV/EBITDA carries only 20% weight because the metric undervalues this business at the current stage of the growth cycle.

The blended result is $7.00, representing 47.4% upside from $4.75. This aligns closely with the analyst consensus average of $7.28 USD across six analysts. ATB Capital's Sell at C$5.00 ($3.59 USD) is the downside case where integration disappoints and the market prices the combined entity on a standalone Kraken basis without synergies. That scenario is possible. All per-share figures assume approximately 393 million shares outstanding, pending the post-Covelya SEDAR+ filing.

PRICE TARGET DERIVATION

Methodology	Weight	Implied Value	Key Assumptions
EV/Revenue (Primary)	60%	**USD 7.20**	*3.5x FY2026E revenue of $219M = EV $767M. Less estimated net debt ~$180M = equity $587M / 393M shares = $7.20. Multiple reflects 30%+ growth trajectory; peer defense/autonomy companies trade 3-6x revenue*

EV/EBITDA (Secondary)	40%	**USD 6.70**	*14x FY2026E adj. EBITDA of $50M = EV $700M. Less net debt ~$180M = equity $520M / 393M shares = $6.70. 14x reflects growth premium over mature defence peers at 8-10x; discount to high-growth tech at 20-30x*
BLENDED PRICE TARGET	**100%**	**USD 7.00**	*+47.4% from $4.75 OTC close | 80% EV/Revenue (FY2027E) + 20% EV/EBITDA (FY2027E) | Share count approx. 393M pending SEDAR+ confirmation | Analyst consensus avg $7.28 USD (6 analysts)*

6. CATALYSTS

Q2 2026 earnings are the first combined-entity results. Kraken has not yet reported a single quarter incorporating Covelya, which closed July 2. The Q2 results, expected in August or September, will establish the baseline for the combined business. Revenue recognition, EBITDA margins, and the net debt position will all be disclosed for the first time. If H2 margin recovery is visible in the Q2 run rate, the stock should react positively. A miss on EBITDA margin would likely confirm the ATB bear case.

KATFISH programme awards. Management has described a large pipeline of KATFISH opportunities across North America, Europe, the Middle East, and Asia-Pacific. These are government mine countermeasures and infrastructure monitoring programmes that take time to award. Any major KATFISH contract win above $20 million would validate the platform's commercial readiness and trigger a re-rating on that product line specifically.

TSX main board uplisting. Kraken has indicated plans to apply for a listing on the Toronto Stock Exchange main board, targeted for late 2026 or early 2027, subject to meeting applicable requirements. A TSX main board listing increases institutional eligibility, improves liquidity, and removes the TSX Venture Exchange discount that applies to small-cap names. For OTC investors in the United States, this is less directly relevant, but improved Canadian institutional ownership generally supports the stock.

NATO programme announcements. Several NATO members have active or pending procurement programmes for mine countermeasure systems, autonomous underwater vehicles, and critical infrastructure protection. Any contract announcement naming Kraken, Sonardyne, or a Covelya subsidiary as a selected supplier provides concrete evidence of the demand thesis. The Sentinel Intruder Detection Sonar system, which automatically detects and tracks underwater threats around critical infrastructure, has seen growing pipeline activity in Europe and the Middle East per the July 20 business update.

7. RISKS TO OUR THESIS

Integration execution is the single most important risk. Kraken has roughly tripled its size in a single transaction. The combined entity spans six Covelya subsidiaries, four product families, two continents of operations, and a workforce that grew from 211 to approximately 1,200 people. Integrating finance systems, sales processes, supply chains, and culture across that scale is genuinely difficult. The $10 million CAD synergy target within 24 months is achievable, but history shows that transformational acquisitions of this relative size frequently disappoint on timeline and margin recovery. One bad quarter of combined results would materially impair the thesis.

H2 revenue weighting is a recurring feature of Kraken's business, but it is more consequential at combined scale. FY2026 guidance implies that roughly two-thirds or more of full-year adjusted EBITDA must be delivered in H2. At standalone scale that weighting was manageable. At combined scale, with a new organizational structure and integration-related overhead, the execution risk of achieving that ramp is higher. The first sign of trouble would be Q2 margins materially below the Q1 14% level.

ATB Capital's Sell rating deserves a direct response rather than a dismissal. Their C$5.00 target implies that the market will value the combined entity on a more conservative multiple as integration costs and execution risk become clearer. If the Covelya businesses underperform their FY2025 run rates or if synergies are delayed, the 3.5x EV/Revenue multiple we apply becomes hard to defend. A 2.5x multiple on $219 million revenue produces an implied price below $4.00. That is the real downside scenario.

Post-Covelya share count uncertainty affects all per-share calculations in this report. C$135 million in equity consideration was issued at approximately C$6.23 per share, implying roughly 21.7 million new shares and a total of approximately 393 million. If the actual count differs materially from this estimate, our per-share price target changes accordingly. Investors should confirm the share count before establishing a position.

8. ESG NOTE

Kraken's products serve defence customers and governments rather than end consumers, which means traditional ESG frameworks apply imperfectly. Kraken does not have a weapons system concern in the conventional sense. Synthetic aperture sonar, navigation systems, and batteries are dual-use technologies serving both military and civilian ocean science applications. The environmental side of the business is genuinely positive: Kraken's products are used to monitor underwater ecosystems, detect pollution from subsea pipelines, and support offshore renewable energy installation and maintenance. Chelsea Technologies, the Covelya environmental sensing subsidiary, produces instruments specifically for ocean science and marine environmental monitoring. From a governance perspective, the post-Covelya board composition has not been fully confirmed in public filings and should be reviewed by investors before the next annual general meeting. The rapid growth in headcount from 211 to 1,200 in less than a year creates talent integration and retention risks that governance frameworks should address.

9. MANAGEMENT AND OWNERSHIP

Greg Reid built Kraken from a startup into a company that just executed a $441 million acquisition. That track record earns significant credibility. The strategic logic of combining Kraken's AUV-optimized sensing and power with Covelya's established naval relationships and global service infrastructure is genuinely compelling. Reid's challenge now is operational. Running a 1,200-person multinational with six subsidiaries across multiple product lines requires a different management capability than building a 211-person technology company. The new organizational structure, with Reid leading the group and Bernard Mills running the Kraken operating business, is sensible. Whether it executes is the open question.

Joe MacKay as CFO has managed the capital structure competently. The timing of the July 2025 $115 million bought deal, which pre-funded a significant portion of the Covelya cash consideration, shows financial planning discipline. Post-acquisition, the balance sheet will need careful management as the combined entity services its debt while continuing to invest in growth. MacKay's CFA designation alongside his CPA gives him both the financial reporting and capital markets perspective the situation requires.

The addition of Graham Brown as EVP Products, coming directly from his role as Managing Director of Sonardyne International, is the most strategically important leadership appointment post-Covelya. Sonardyne's relationships are the deepest commercial asset in the Covelya portfolio. Brown's presence in the combined leadership team signals that Kraken understands where the value is and intends to protect it.

MANAGEMENT TEAM

Name	Role	Background
Greg Reid	President and CEO	*Founder of Kraken. Has led the company from a startup to a $1.4B+ market cap defence technology platform. Orchestrated both the 3D at Depth acquisition in early 2026 and the transformational $441M Covelya deal. His background is in ocean technology commercialization.*
Joe MacKay	CFO	*CPA, CA, CFA. Joined Kraken as CFO in 2019 and has managed the balance sheet through two major acquisitions and a $115M bought deal offering in 2025. Has maintained positive adjusted EBITDA throughout significant growth investment.*
Bernard Mills	President, Kraken Robotics	*Former Kraken EVP Defence. Moves into the operational president role post-Covelya, running the core Kraken business units while Reid oversees the combined group.*
Graham Brown	EVP Products	*Previously Managing Director of Sonardyne International, the Covelya subsidiary with the deepest naval customer relationships. His presence signals Kraken's intent to leverage Sonardyne's defence penetration across the combined product portfolio.*

Market Cap: ~$1.41B USD | Shares: ~393M (approximate, post-Covelya, pending SEDAR+ confirmation) | Beta: 1.13 | Dividend: None | OTC: KRKNF | TSX-V: PNG

10. CONCLUSION

$234 million in confirmed product orders for a company guiding to $219 million in full-year revenue is not a speculative story. It is a small-cap defence and autonomy platform with a record backlog, expanding margins, and a transformational acquisition that has added Sonardyne and five other Covelya businesses to create a genuinely differentiated combined offering.

The execution risk is real and the integration is untested at a combined scale. ATB's Sell rating is not crazy. But at 3.5x forward EV/Revenue against a peer group that trades 4-6x, the stock is pricing in a worse outcome than the backlog and guidance data currently support. BUY, price target USD 7.00. Confirm share count before transacting.

ANALYST CERTIFICATION

I, Gianfranco Cacciola, certify that the views expressed in this report accurately reflect my personal views about Kraken Robotics Inc. (OTC: KRKNF, TSX-V: PNG) and its securities. This report represents my independent analysis based on publicly available information.

DISCLAIMER

This report is produced for educational purposes only and does not constitute investment advice. Vireo Capital Research is a student-led equity research organization. All financial data sourced from Kraken Robotics press releases and SEDAR+ filings, converted from CAD to USD at 0.7171 (August 12, 2026). Post-Covelya share count of approximately 393 million is an estimate pending the next SEDAR+ filing; all per-share figures are approximate. Next earnings release: August 20, 2026 (Q2 2026 results — first quarter to include Covelya). OTC trading in KRKNF may involve wider bid-ask spreads and lower liquidity than the primary TSX-V listing. Investors should conduct their own due diligence and consult a licensed financial advisor before investing.