

BURCKHARDT COMPRESSION HOLDING AG RESULTS FY 2018

Winterthur, May 28, 2019

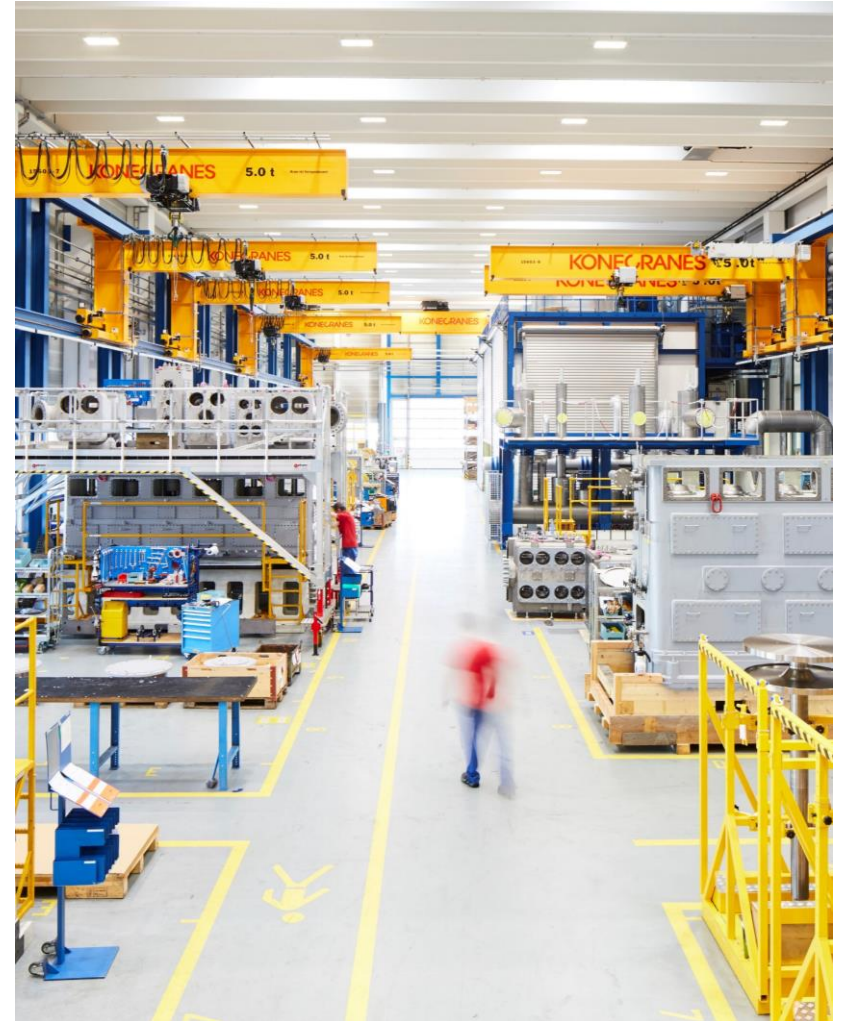
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- **Corporate Overview**
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ABOUT BURCKHARDT COMPRESSION

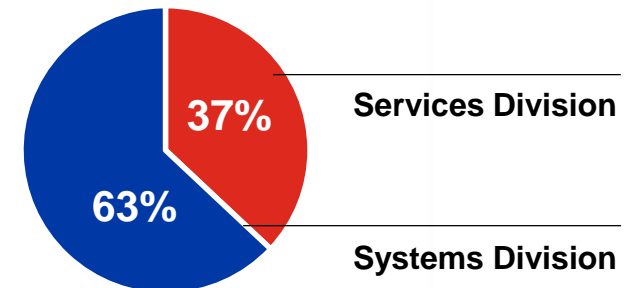
About Burckhardt Compression

- **Burckhardt Compression is**
 - the worldwide market leader in the field of reciprocating compressor systems
 - the only manufacturer and service provider that covers a full range of reciprocating compressor technologies and services
- **Optimized solutions for our customers reciprocating compressor systems**
- **Customized compressor systems for**
 - Upstream Oil & Gas
 - Gas Transport & Storage
 - Refinery
 - Petrochemical, Chemical Industry
 - Industrial Gas sectors



About Burckhardt Compression

- **Founded** 1844
- **Division of Sulzer Corporation** 1969 – 2002
- **Management buyout** 2002
- **Shareholders** **Public listed company SIX (BCHN) since IPO in 2006**
 - Approx. 4'000 shareholders
 - Market cap CHF 0.9 bn (31.3.2019)
- **Headcount (FTEs worldwide)** 2'346 (FY 2017: 2'214)
- **Sales FY 2018** CHF 599 mn (FY 2017: 595 mn)



About Burckhardt Compression

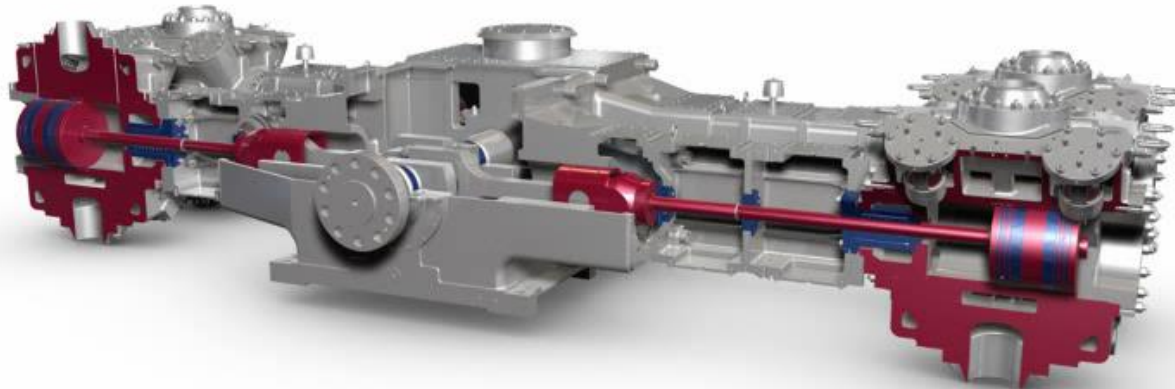


- Burckhardt Compression Manufacturing/Assembly Locations
- Burckhardt Compression Subsidiaries, Associates and Service Centers

Market Segments



Reciprocating Compressor (Crosshead Design)



CORPORATE OVERVIEW

Financial Summary

| | Systems Division | | Services Division | | Other ¹⁾ | | Total | |
|-----------------------------|------------------|--------------|-------------------|--------------|---------------------|-------------|--------------|--------------|
| in CHF mn | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Sales | 375.4 | 384.4 | 223.9 | 210.2 | | | 599.3 | 594.6 |
| Cost of goods sold | -344.9 | -357.2 | -118.7 | -112.3 | | | -463.6 | -469.5 |
| Gross profit | 30.5 | 27.2 | 105.2 | 97.9 | | | 135.7 | 125.1 |
| Gross profit as % sales | 8.1% | 7.1% | 47.0% | 46.6% | | | 22.6% | 21.0% |
| Operating income | -8.7 | -9.0 | 58.2 | 54.4 | -5.0 | -3.7 | 44.5 | 41.7 |
| Operating income as % sales | -2.3% | -2.3% | 26.0% | 25.9% | | | 7.4% | 7.0% |

¹⁾ Includes corporate center, real estate company and expenses for strategic projects

Highlights

- **High order intake in both divisions**
- **Maintained leading market position in the petrochemical business in China**
- **Positive market development in the US**
- **Further success in all cost reduction projects in the Systems Division**
- **Overall performance Services Division**
 - **Further success in OBC and engineering**
- **Inauguration of service centers in the Nordics, Slovakia, Thailand and Saudi Arabia**
- **Solid performance of SYCC in China**



Set Backs

- **Profitability in the Systems Division still under pressure due to:**
 - **Substantial additional costs in the LNGM business**
 - **Underutilized production capacity mainly in Switzerland (first quarter 2018) and to a smaller extent also in the US**
- **LPGM business at historic low**
- **Arkos recovery slower than expected**



REVIEW SYSTEMS DIVISION

Systems Division

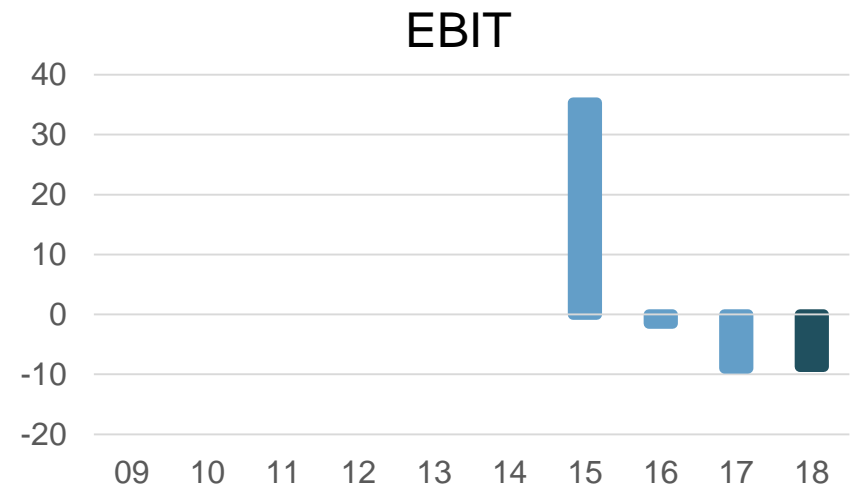
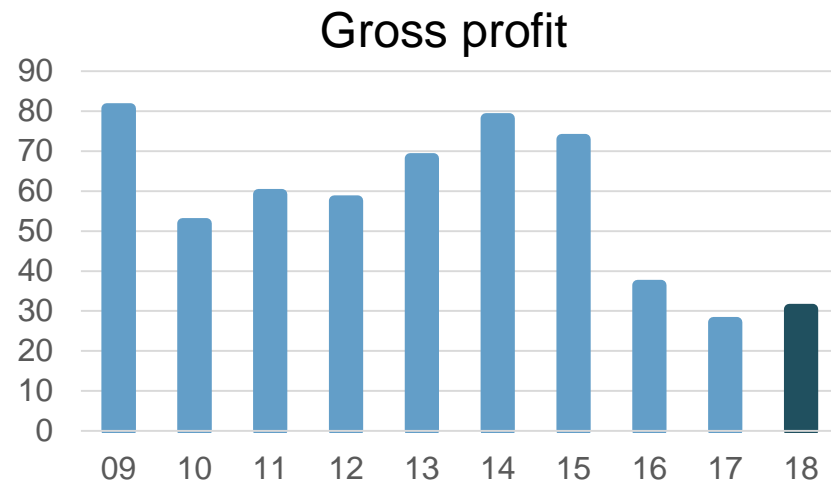
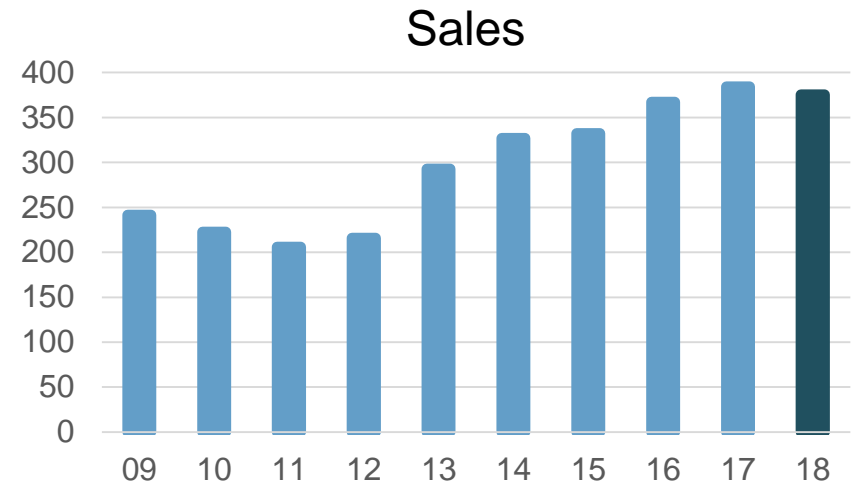
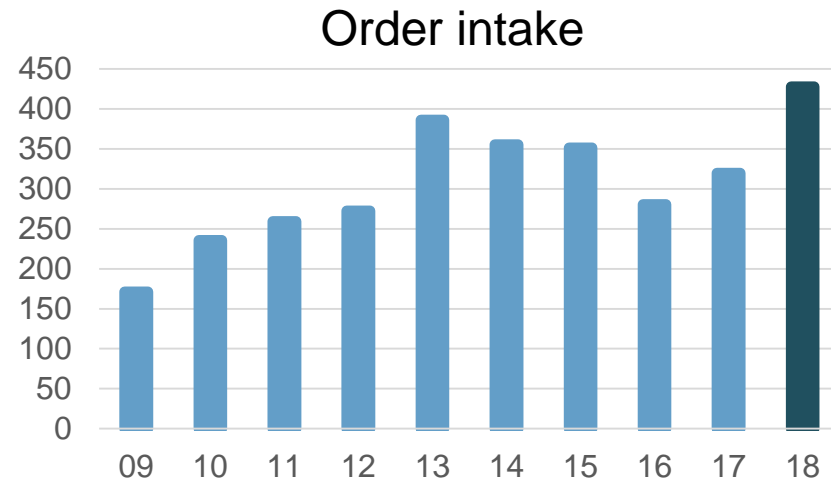
Financials

| in CHF mn | 2018 | 2017 | Change 2017/2018 |
|------------------|-------------|-------------|---------------------|
| Order intake | 428.0 | 319.8 | +33.8% |
| Sales | 375.4 | 384.4 | -2.3% |
| Gross profit | 30.5 | 27.2 | +12.1% |
| In % of sales | 8.1% | 7.1% | |
| EBIT | -8.7 | -9.0 | |
| In % of sales | -2.3% | -2.3% | |
| Headcount (FTEs) | 1'506 | 1'425 | +5.7% |

Systems Division

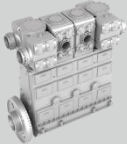
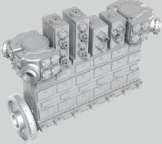
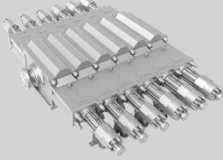



Key Figures

in CHF mn



Systems Division

Products and Market Strategy

| | | ← Keep #1 market position → | | | ← Increase market share → | |
|---|----------|---|--|---|--|---|
| Market | Products |  |  |  |  B-Line  M-Line |  |
| | | Laby® Compressors | Laby®-GI Compressors | Hyper Compressors | Process Gas Compressors API 618 | Standard High Pressure Compressors |
| Upstream Oil & Gas (UO&G) | | ● | ● | | ● | ● |
| Gas Transport and Storage (T&S) | | ● | ● | | ● | ● |
| Refinery (REF) | | | | | ● | |
| Petrochemical / Chemical Industry (PCI) | | ● | | ● | ● | |
| Industrial Gases (IG) | | ● | | | ● | ● |

Systems Division

Upstream Oil & Gas

Market drivers & trends

- US political support for domestic gas production
 - Productivity improvements in Enhanced Oil Recovery
 - Changing energy mix leads to a globally increasing demand for gas
 - Only segment that is directly affected by the oil price
 - Growth of middle-class in emerging countries driving the need for natural gas-based products
-

Highlights FY18

- Received order for seal gas compressors from Kuwait
-

Expected market development

- Further development of the onshore business since production costs have been significantly reduced
 - Once production costs will be further reduced:
 - Development of not easy reachable oil and gas fields
 - Growing enhanced oil recovery
-

Systems Division

Gas Transport and Storage

Market drivers & trends

- Changing global energy mix towards gas
 - Importance of natural gas as a clean and inexpensive source of energy
 - Feedstock for the Petrochemical industry changing to low-cost LPG/LEG (e.g. in the US)
 - Gas is found in areas where it is not used
-

Highlights FY 18

- Received several orders for LPG (delivery 2019 – 2021) and LNGM fuel gas
 - Received orders for different boil-off gas (BOG) applications, LNG terminals and bio gas applications
-

Expected market development

- Further development of LNG as a fuel in the marine business
 - Slow recovery of LPGM business
 - Positive development for LNG receiving terminals
-

Systems Division

Refinery

Market drivers & trends

- Older/less efficient technologies trigger new equipment or replacement of existing
 - Growing demand for clean fuels due to environmental regulations (Euro V & VI)
 - Flexibility to process different crude oil qualities
 - Strategic importance of refining capacity for independent supply
 - Oil producing countries capturing a greater share of value creation across the process chain
-

Highlights FY18

- Received orders from China, India, Kuwait, Oman, Russia and USA
-

Expected market development

- Continuation of current high market level worldwide
 - Growing demand for refined products in Emerging Countries
 - Investments to process different crude oil qualities
-

Systems Division

Petrochemical / Chemical Industry

Market drivers & trends

- Annual ~2% demand growth for plastics based on increased world population & middle class growth in India and China
- Shift of production to countries with low feed stock price (e.g. US)
- Older technologies/less efficient plants will be replaced by state-of-the-art facilities which are more profitable

Highlights FY18

- Received several orders for polypropylene, polyethylene and other applications: Canada, China, India, South Korea, Russia, Thailand, Vietnam and USA

Expected market development

- Further demand for petrochemical products (in China, Middle East and USA)
- Continuous growing polyolefin demand in Emerging Countries

Systems Division

Industrial Gases

Market drivers & trends

- World population growth leads to increasing demand for industrial gases (e.g. medical, food & beverage, fertilizers (CO₂), inert gas)
 - Hydrogen to be used as fuel (busses, cars, trains, fuel cell power plants)
 - Pressure to reduce CO₂ leads to commercial applications for CO₂
-

Highlights FY18

- Received various orders from Canada, China, India, Italy, Philippines and Singapore
 - Sold first diaphragm compressor for H₂ fuel in China
-

Expected market development

- Further market activities in all areas in line with GDP
 - Further potential for O₂, H₂, CO, CO₂ and high pressure O₂ and Air
 - Large potential for hydrogen in mobility applications
-

Hydrogen for Fuel Cells requires Oil-Free High-Pressure Solutions

- **Oil-free, high-pressure compression to meet highest hydrogen purity for fuel cell operation**
 - **Process gas compressors**
 - Compressors for pressures up to 450 bar
 - Low operating cost due to extensive experience with dry running materials
 - **Diaphragm compressors**
 - Compressors for pressures up to 900 bar



REVIEW SERVICES DIVISION

Services Division

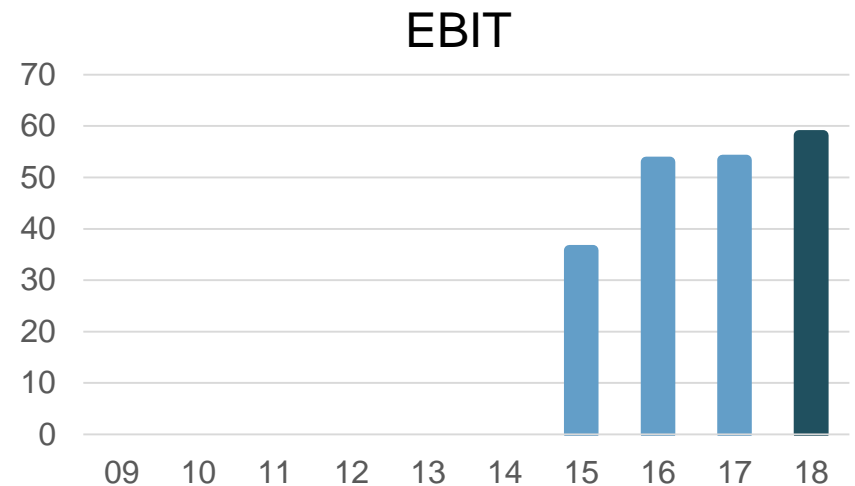
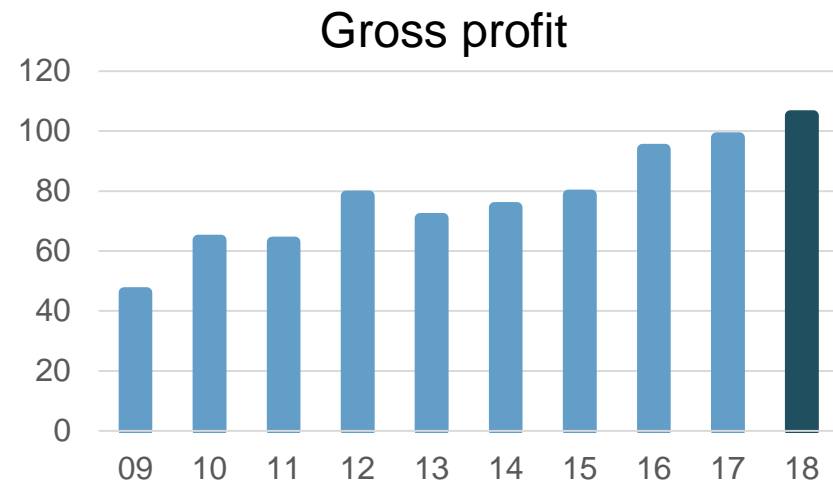
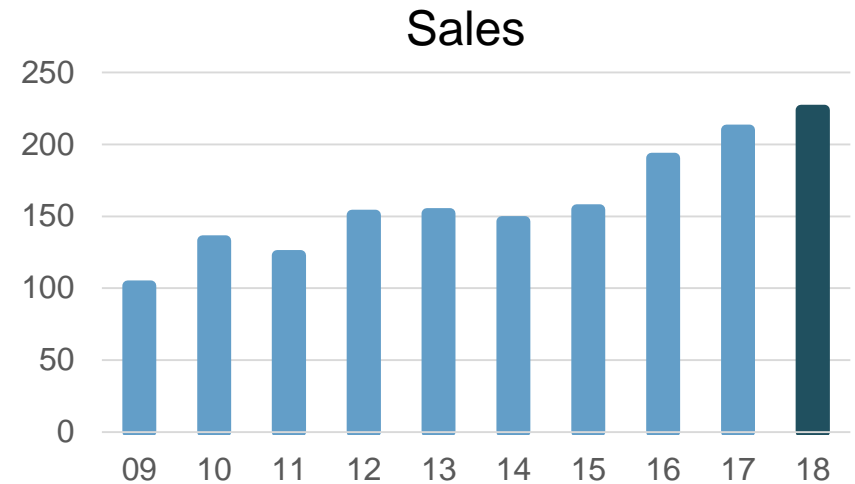
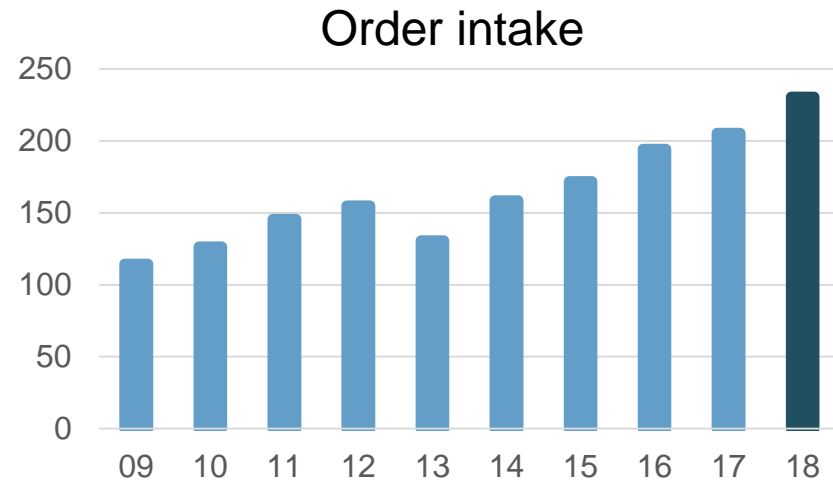
Financials

| in CHF mn | 2018 | 2017 | Change 2017/2018 |
|------------------|-------------|-------------|---------------------|
| Order intake | 230.7 | 205.4 | +12.3% |
| Sales | 223.9 | 210.2 | +6.5% |
| Gross profit | 105.2 | 97.9 | +7.5% |
| In % of sales | 47.0% | 46.6% | |
| EBIT | 58.2 | 54.4 | +7.0% |
| In % of sales | 26.0% | 25.9% | |
| Headcount (FTEs) | 830 | 778 | +6.7% |

Services Division

Key Figures

in CHF mn



Services Division

Business Overview

Market drivers & trends

- High worldwide population of reciprocating compressors (~72'000 units with a market size of about CHF 2.7 bn)
 - Increasing BC & SYCC compressor population
 - Increasing mean time between overhaul (MTBO) and reduction of operating costs
 - Age of some production plants → safety aspects
-

Highlights FY18

- High activities in engineering
 - Inauguration of new service centers
 - High activities for customer trainings in Winterthur and other service locations
-

Expected market development

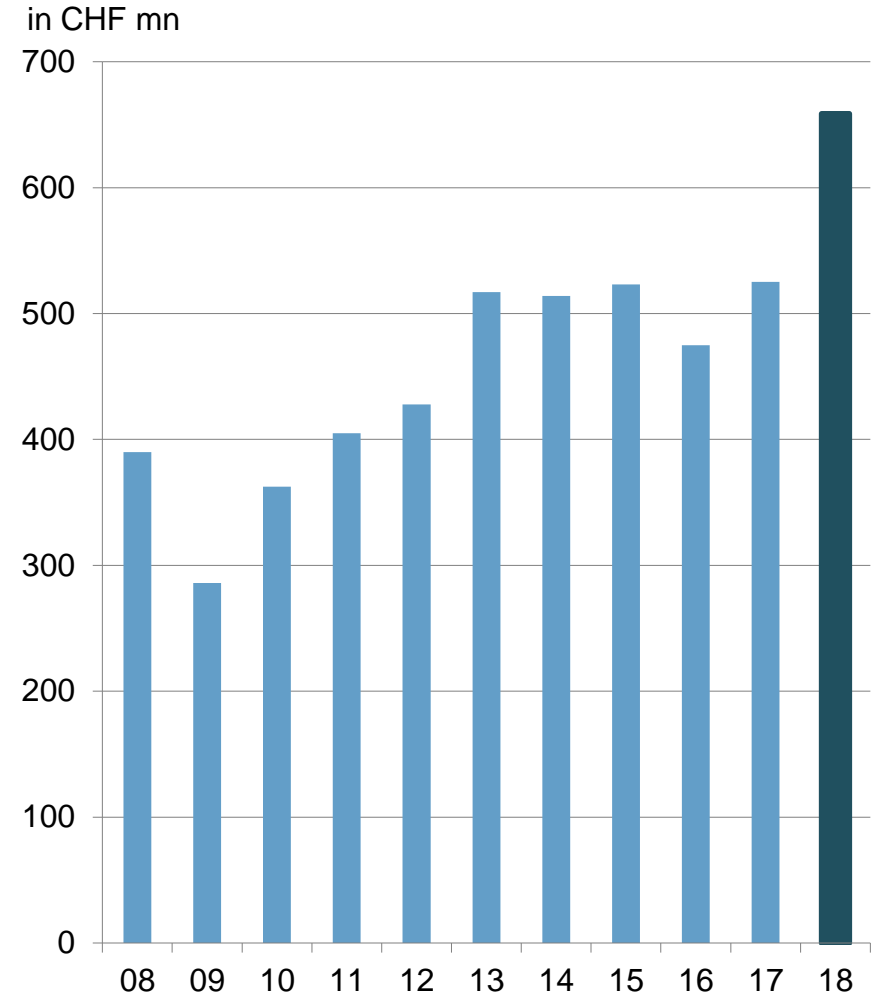
- Growing demand for high quality services and components to increase MTBO
 - Safety issues in aging plants call for new investments
-



FINANCIALS

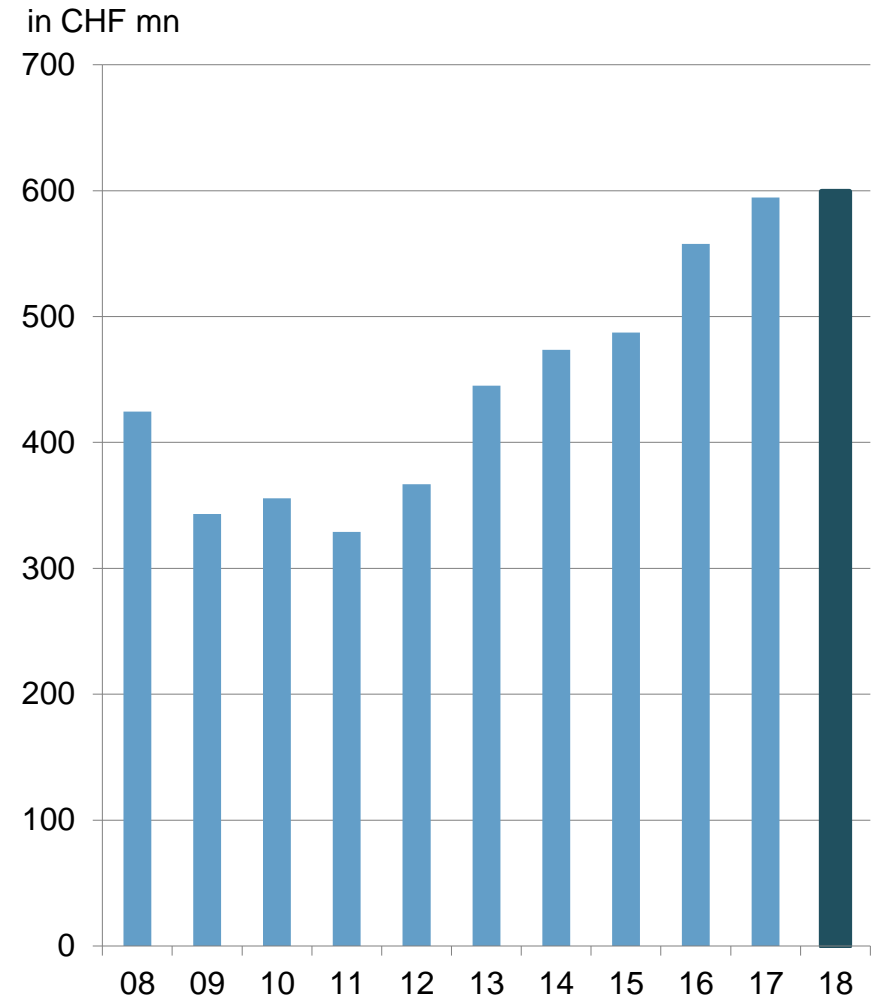
Order Intake

- **Increase of order intake by 25.4% to CHF 658.7 mn**
 - +25.6% excluding currency translation effects
- **Systems Division: +33.8% to CHF 428.0 mn**
 - Orders mainly from Petrochemical, Gas Transport & Storage and Refinery
- **Services Division: +12.3% to CHF 230.7 mn**
 - Strong increase in engineering
 - Spare parts orders above prior year
 - More than 20% OBC business



Sales

- **Sales increase overall by 0.8% to CHF 599.3 mn**
 - +0.9% excluding currency translation effects
- **Systems Division: -2.3% to CHF 375.4 mn**
 - High wave of invoicing towards the end of the fiscal year
- **Services Division: +6.5% to CHF 223.9 mn**
 - Growth in all areas including OBC business



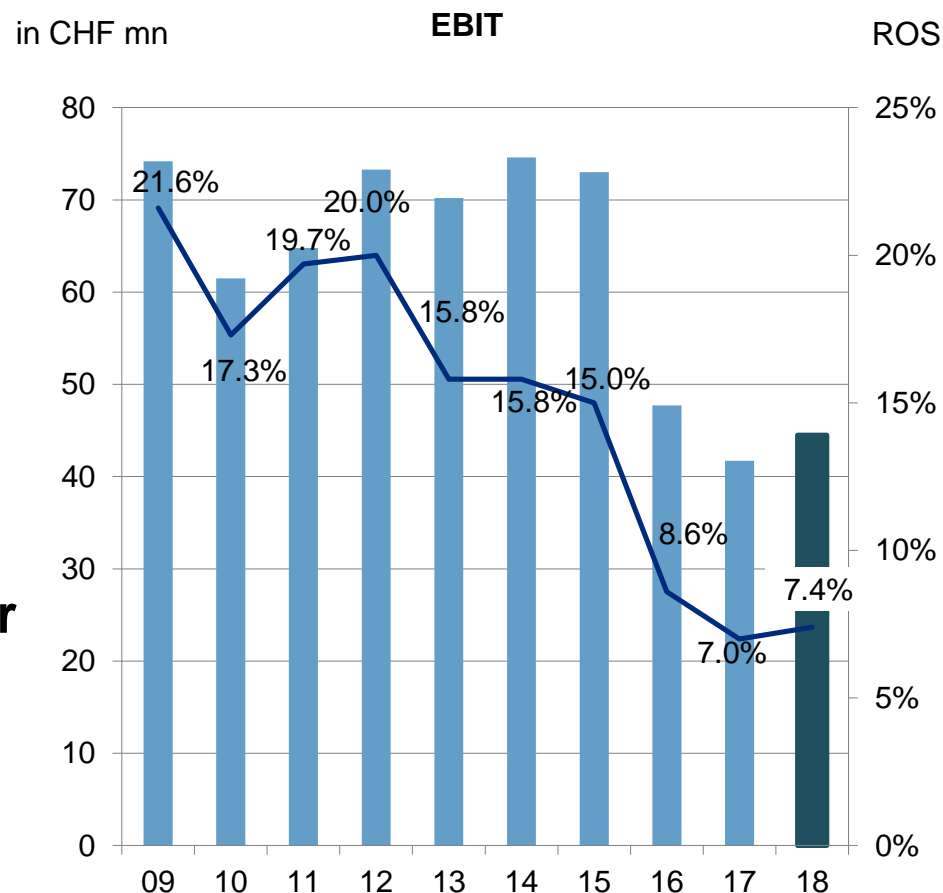
Sales and Gross Margin by Division

| In CHF mn | | FY 2016 | | FY2017 | | FY2018 | |
|--------------------------|-----|---------|-------|--------|-------|--------|-------|
| Systems Division | GSP | 367.2 | | 384.4 | | 375.4 | |
| | GP | 36.5 | 9.9% | 27.2 | 7.1% | 30.5 | 8.1% |
| Services Division | GSP | 190.5 | | 210.2 | | 223.9 | |
| | GP | 94.0 | 49.4% | 97.9 | 46.6% | 105.2 | 47.0% |
| Total | GSP | 557.7 | | 594.6 | | 599.3 | |
| | GP | 130.5 | 23.4% | 125.1 | 21.0% | 135.7 | 22.6% |

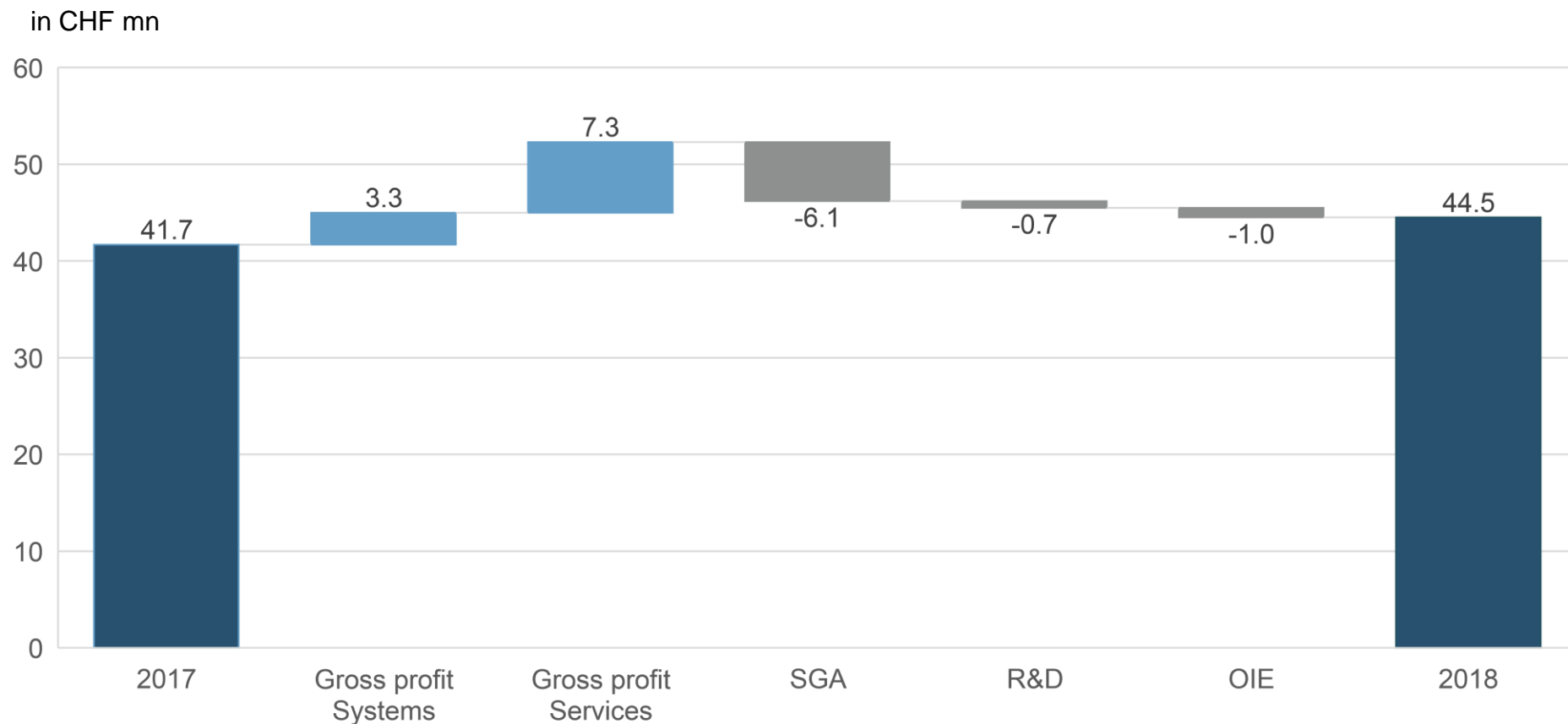
- **Gross margin in Systems Division CHF 3.3 mn above prior year**
 - Strong improvements at SYCC in China
 - Substantial additional costs for LNGM business
 - Partially under-utilized production capacity in some locations
- **Gross profit in Services Division CHF 7.3 mn above prior year**
 - Slightly higher gross margin thanks to favorable product mix

SGA and EBIT

- **SGA amounting to 14.4% of sales (prior year: 13.5%)**
 - **Total SGA CHF 86.5 mn, prior year: CHF 80.5 mn**
 - Additional costs to support growth of Services business
 - One off consulting fees
- **R&D expenses at CHF 8.7 mn, prior year: CHF 8.0 mn**
- **EBIT increased to CHF 44.5 mn (prior year CHF 41.7 mn); EBIT margin of 7.4% (prior year 7.0%)**
 - **Slight improvement of EBIT Systems Division**
 - **Solid EBIT performance from the Services Division**

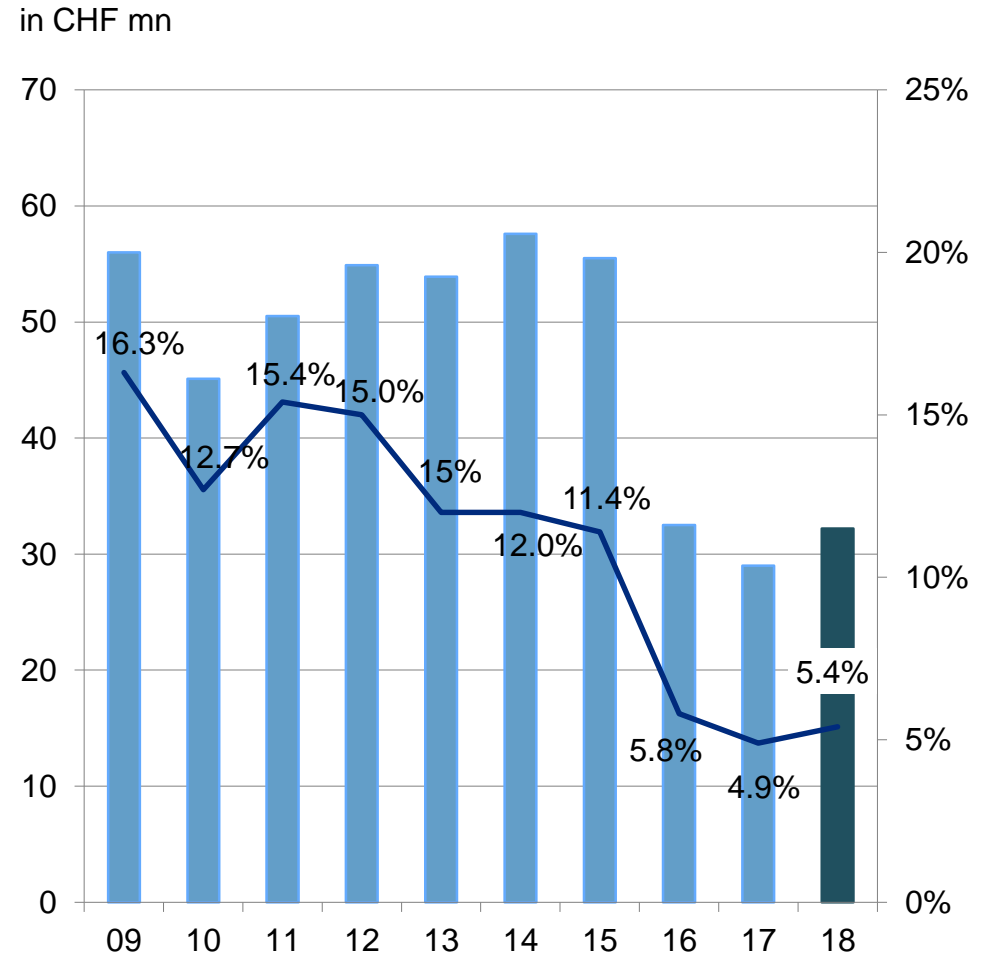


EBIT Development FY 2017 to FY 2018

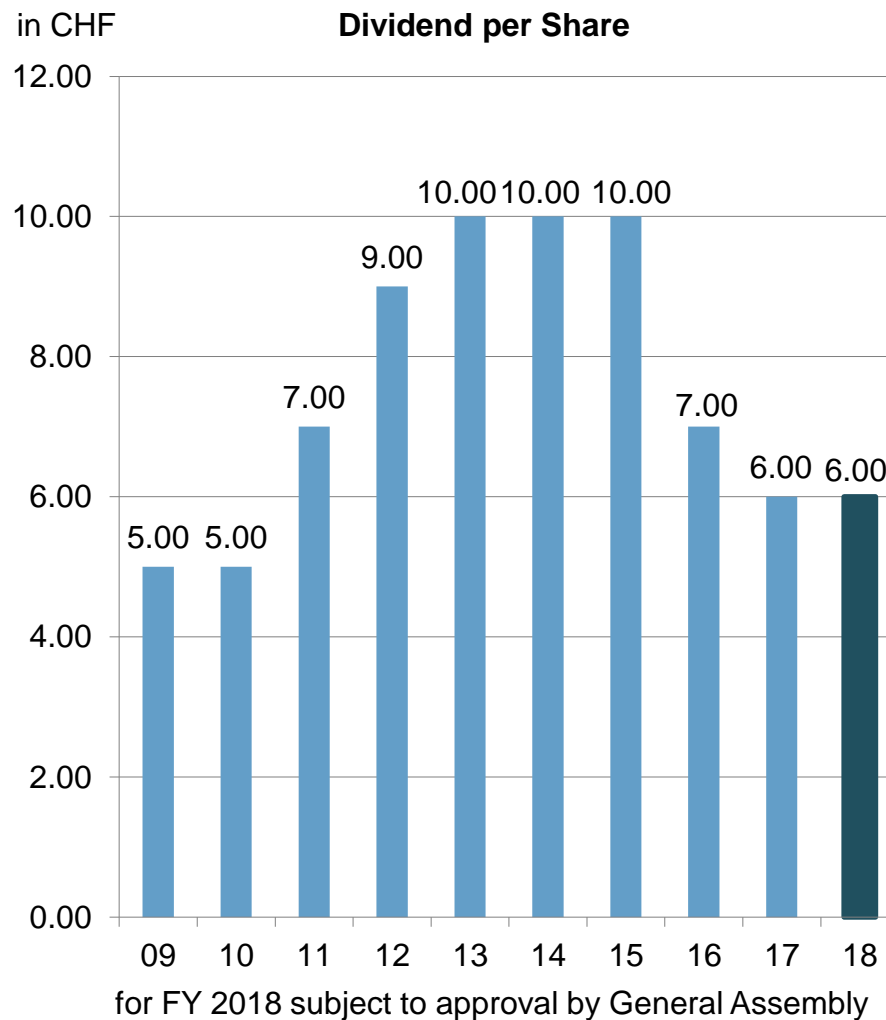
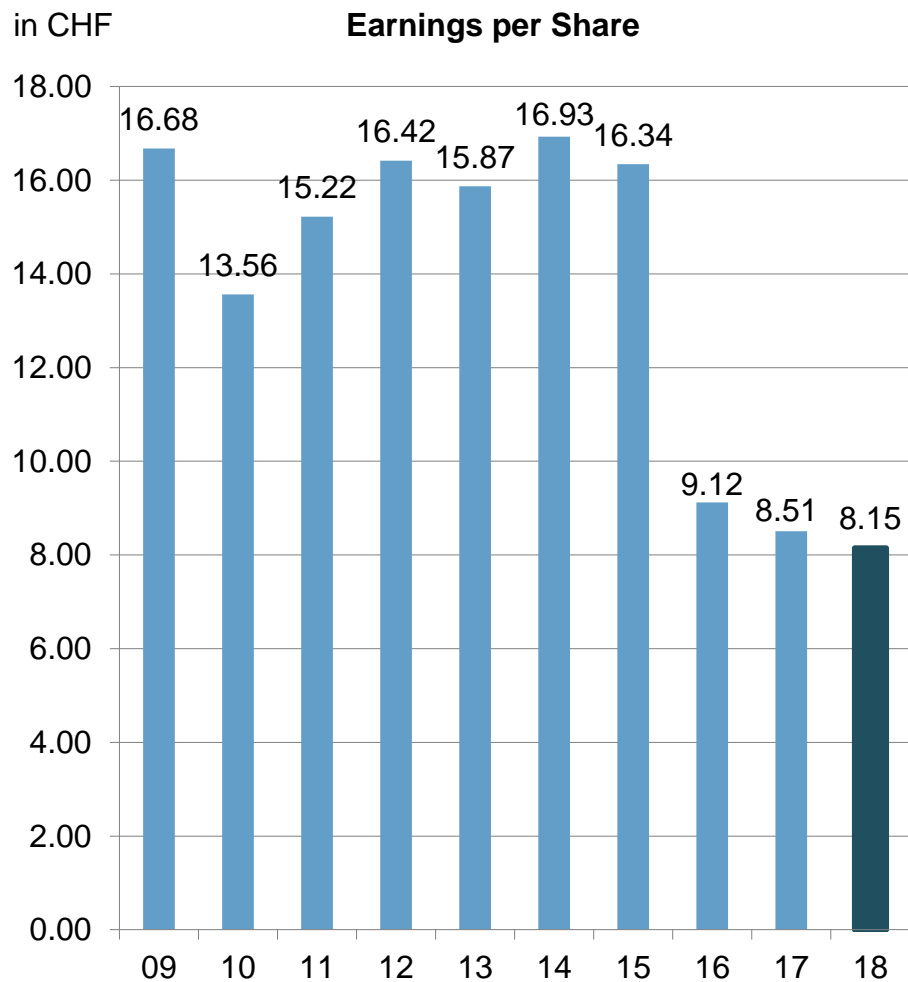


Net Income

- **Net income CHF 3.2 mn or 10.9% above prior year**
 - CHF -1.2 mn share of results Arkos Field Services (40% ownership)
 - Financial expense CHF -2.2 mn (prior year CHF -1.9 mn)
- **Tax rate of 21.6% (prior year 23.5%)**
 - More favorable mix of local tax rates
- **Earnings per share slightly lower because of higher contribution of SYCC to the net income**



Earnings and Dividend per Share



Balance Sheet Positions

- Increase of balance sheet total by 6.4%
- Solid equity ratio of 40.7%, slightly below to prior year (42.0%)
- Balance between advance payments from customers and work in progress plus advance payments to suppliers at CHF -39.2 mn (prior year CHF -42.4 mn)

| In CHF mn | FY 2016 | FY 2017 | FY 2018 |
|---|---------|---------|---------|
| Property, Plant & Equipment | 200.4 | 193.2 | 191.2 |
| Inventories | 250.2 | 210.7 | 222.0 |
| - Thereof WIP | 171.4 | 133.8 | 139.6 |
| - Thereof Adv. Payments to Suppliers | 35.3 | 29.3 | 28.9 |
| Trade Receivables | 209.8 | 227.7 | 261.1 |
| Trade Payables | 60.0 | 65.3 | 86.7 |
| Adv. Payments from Customers | 164.7 | 120.6 | 129.2 |
| Shareholders Equity in % of Total Balance Sheet | 39% | 42% | 41% |

Cash Flow and Net Financial Position

- **Improved net financial position CHF +12.7 mn**
 - Slightly lower cash flow from operating activities
 - Dividend payment of CHF 6.00/share for FY 2017 (reported under financing activities)
 - Slightly decreased borrowings due to partial repayment of mortgage and bank loans

| In CHF mn | FY 2016 | FY 2017 | FY 2018 |
|-------------------------------------|---------------|---------------|---------------|
| Cash Initial Balance | 125.3 | 74.9 | 75.1 |
| Cash Flow from Operating Activities | 46.0 | 44.4 | 41.8 |
| Cash Flow from Investing Activities | -146.8 | -17.2 | -7.8 |
| Cash Flow from Financing Activities | 50.9 | -28.2 | -25.1 |
| Currency Translation Differencies | -0.5 | 1.2 | -1.0 |
| Cash Position | 74.9 | 75.1 | 83.0 |
| Borrowings | -142.1 | -137.2 | -132.4 |
| Net Financial Position | -67.2 | -62.1 | -49.4 |

Shenyang Yuanda Compressor Co. (SYCC)

Results FY 2018

- **Sales above expectations despite continuous challenging market environment in China**
- **Strong recovery in EBIT**
 - **Fast reaction in FY 2018 to the sharp material price increase from FY 2017**
- **Contribution of SYCC to BC net income: 6.8 mn (60% BC ownership in SYCC)**

| in mn CHF | FY 2017 | FY 2018 |
|----------------------|--------------------------|---------------------------|
| Sales | 110.8 | 127.2 |
| Gross Profit | 7.9 ¹⁾ | 21.6 ²⁾ |
| in % of Sales | 7.1% | 16.9% |
| EBIT | 0.3 | 13.8 |
| in % of Sales | 0.2% | 10.8% |
| Net Income | 0.5 | 11.4 |
| in % of Sales | 0.5% | 9.0% |

Depreciation of inventory step-up /
PPA deducted from above gross profit:

1) CHF -5.6 mn

2) CHF -0.5 mn

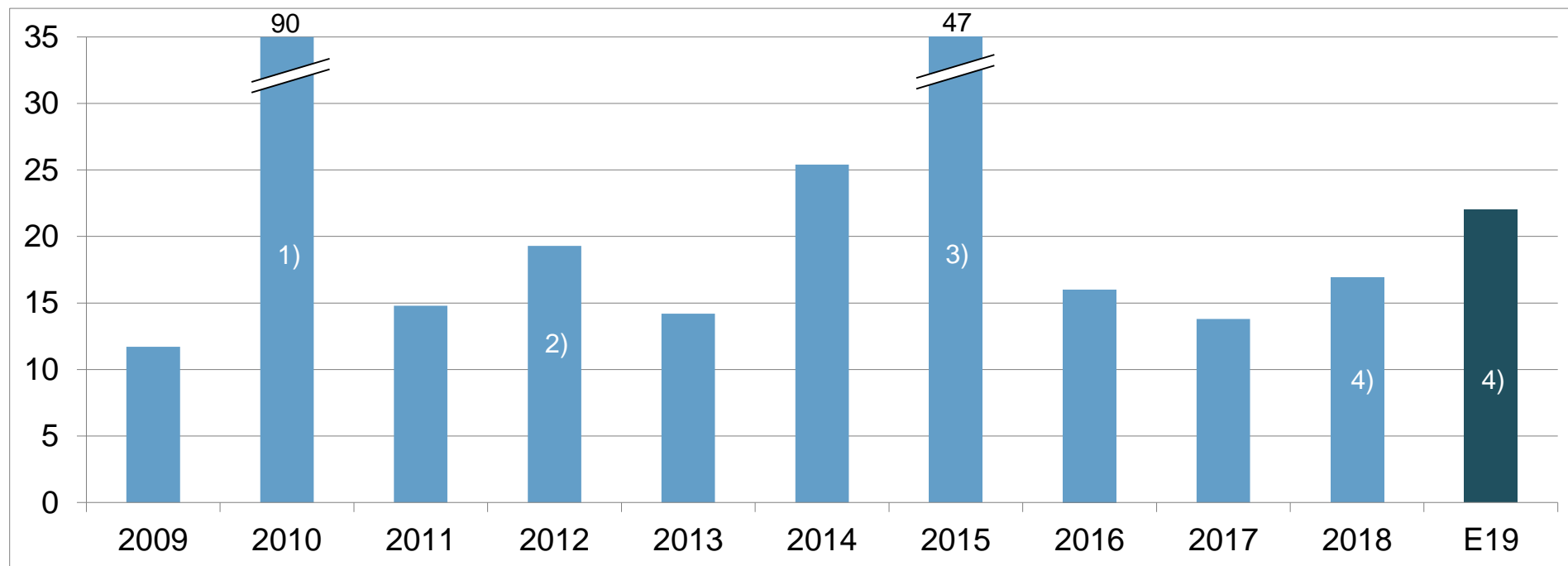
Arkos Field Service Results FY 2018

- Total net income CHF -3.0 mn (including CHF 3.4 mn depreciation and amortization) thereof BC share of results of associates (40%): CHF -1.2 mn (previous year: CHF -1.9 mn)
- Slow recovery of US upstream market (Arkos' original business)



Capital Investments (Additions to fixed Assets)

in CHF mn



- 1) Including purchase of real estate in the amount of CHF 77.0 mn
- 2) Including CHF 5.8 mn investments in real estate (construction of a new building of Prognost in Germany and several modifications to the factory in Winterthur)
- 3) Including assembly sites USA, South Korea and building expansion in Winterthur as well as early replacement of machining tools in Winterthur and globalization of IT infrastructure
- 4) Excluding relocation SYCC in China

GUIDANCE & GROWTH AREAS

Guidance

Financial Targets

| | Guidance FY 2019 |
|------------------------|---|
| Order Intake | FY 2019 \geq FY 2018 |
| Sales | CHF 600 mn – CHF 640 mn |
| EBIT Margin | FY 2019 slightly above FY 2018 2 nd semester FY 2019 higher than 1 st semester FY 2019 |
| Dividend Policy | Payout ratio between 50 – 70% of net profit |

Growth Areas

Organic growth

Systems Division:

- Capitalize on recent geographical expansions and acquisitions
- Refinery business

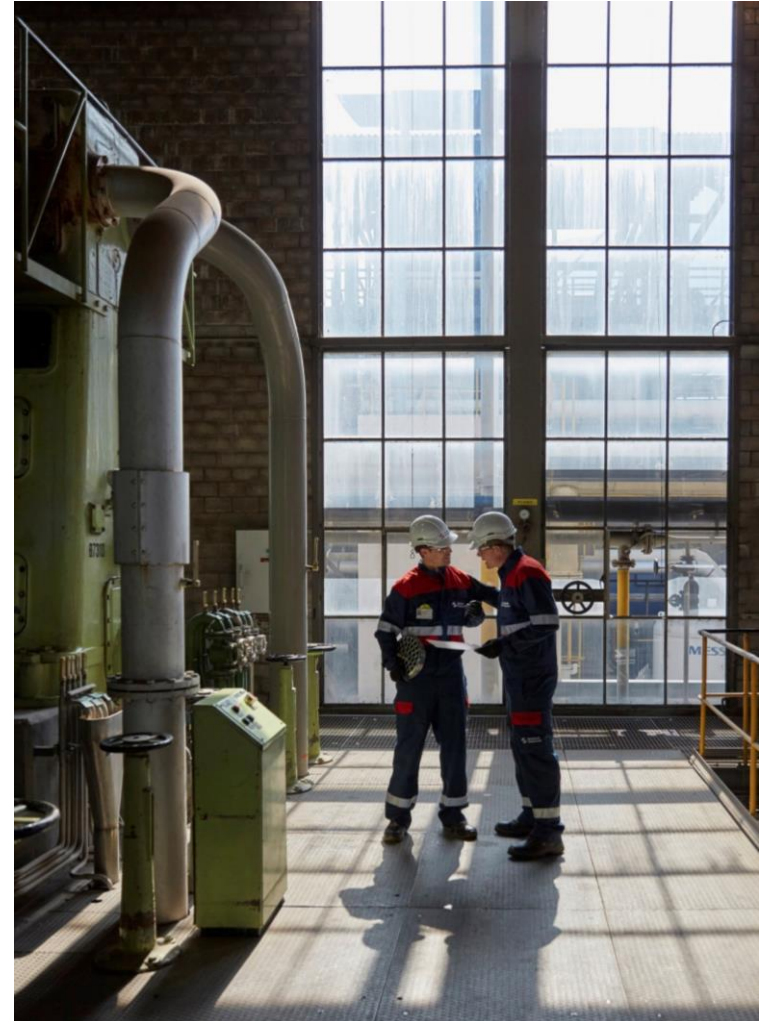
Services Division:

- Grow in all business areas
- Further selective geographical expansion

Acquisitions

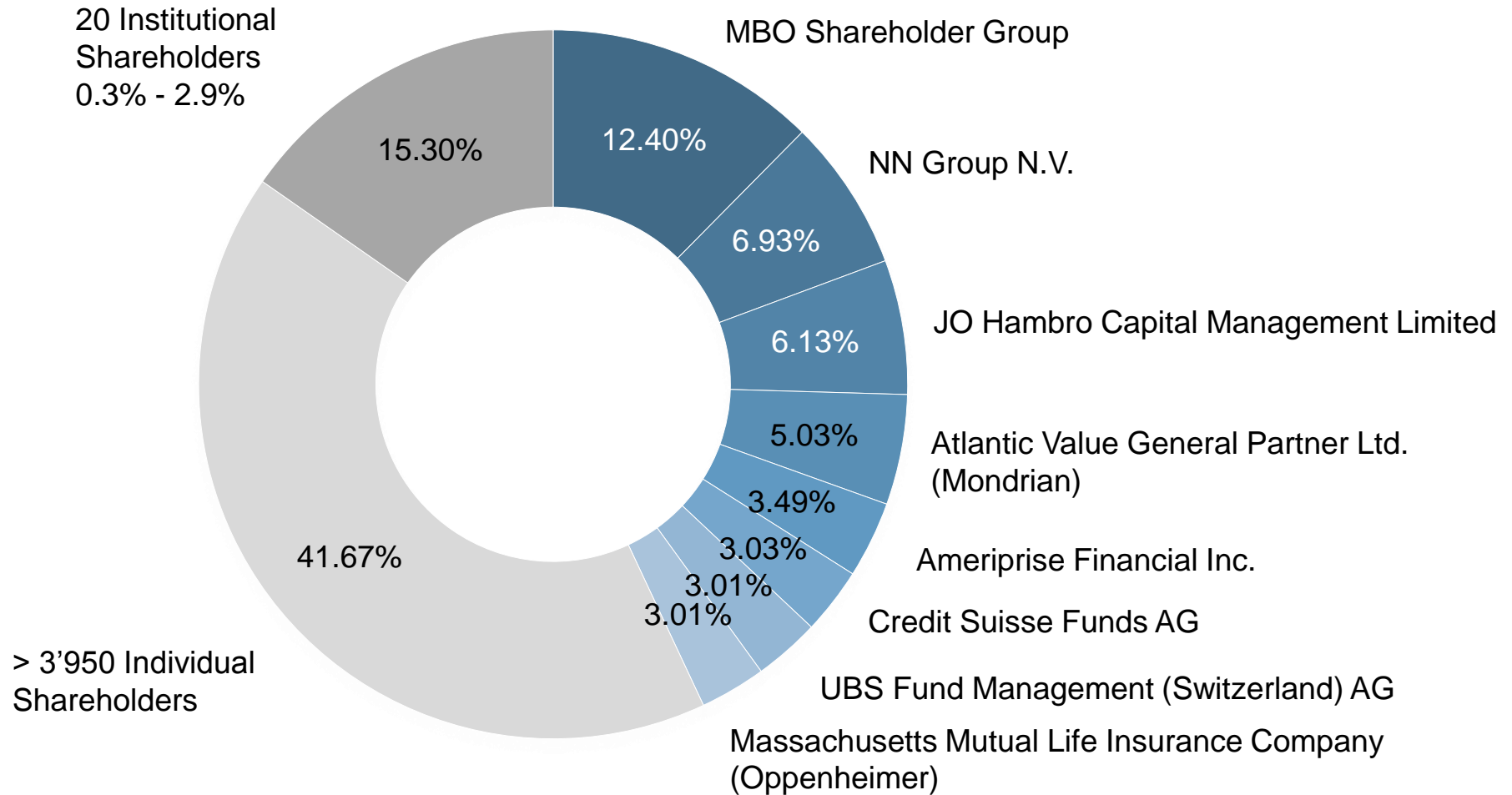
Services Division:

- Add-on acquisitions (focus OBC business)



SHAREHOLDERS

Burckhardt Compression Shareholder Structure



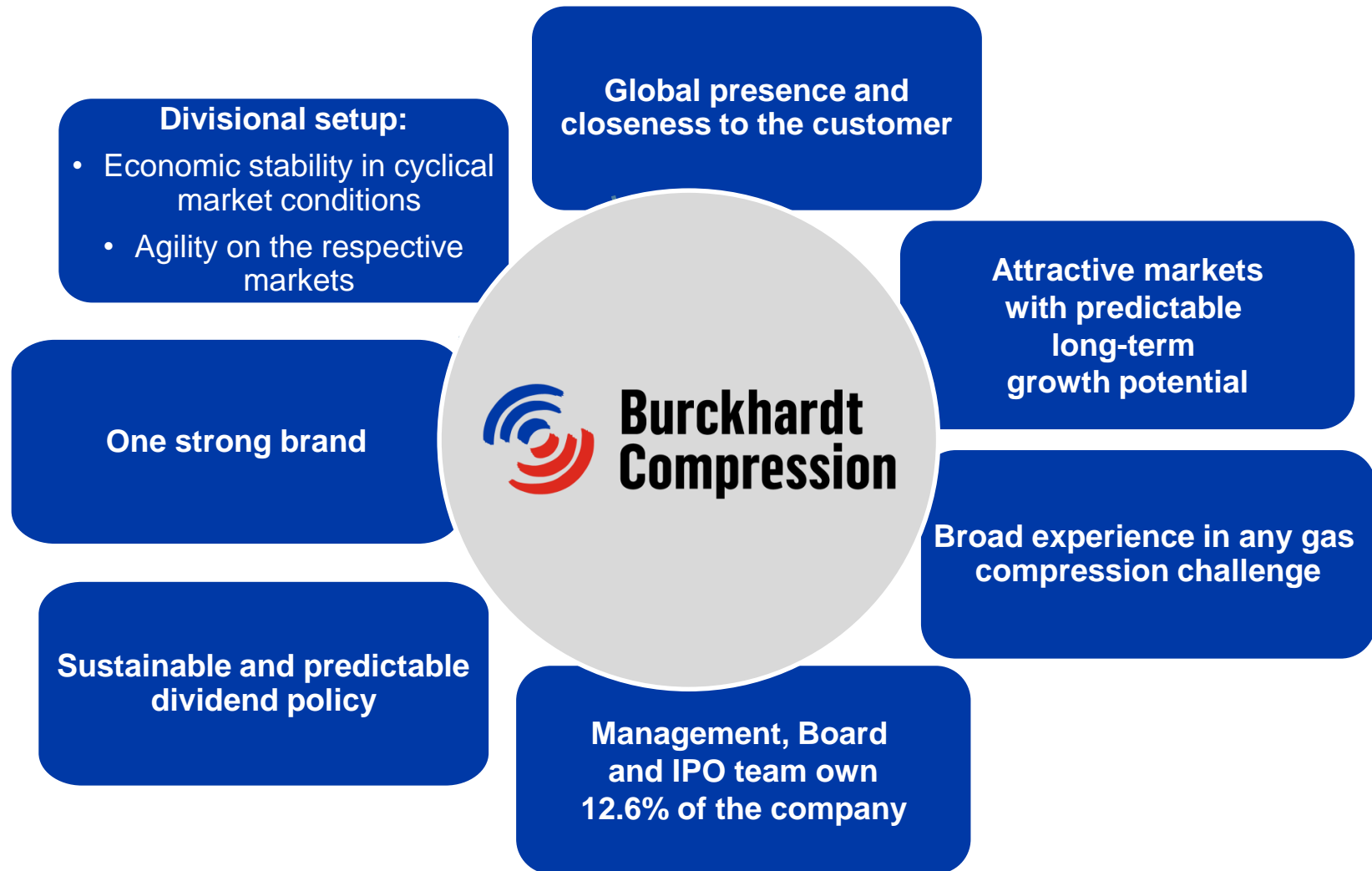
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Performance of BCHN Share Compared to the SPI Index



| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 26.6.06 | 31.3.07 | 31.3.08 | 31.3.09 | 31.3.10 | 31.3.11 | 31.3.12 | 31.3.13 | 31.3.14 | 31.3.15 | 31.3.16 | 31.3.17 | 31.3.18 | 31.3.19 |
| 85.00 | 199.50 | 317.00 | 106.00 | 208.00 | 244.20 | 247.50 | 355.30 | 455.00 | 366.75 | 329.75 | 271.50 | 304.80 | 271.00 |

Seven Good Reasons to Invest in Burckhardt Compression



Disclaimer

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