

# **BURCKHARDT COMPRESSION HOLDING AG RESULTS FIRST-HALF OF FY19**

Winterthur, November 5, 2019

# Content

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- **About Burckhardt Compression**
- **Corporate Overview**
- **Review Systems Division**
- **Review Services Division**
- **Financials**
- **Guidance & Growth Areas**
- **Shareholders**

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# ABOUT BURCKHARDT COMPRESSION

# About Burckhardt Compression

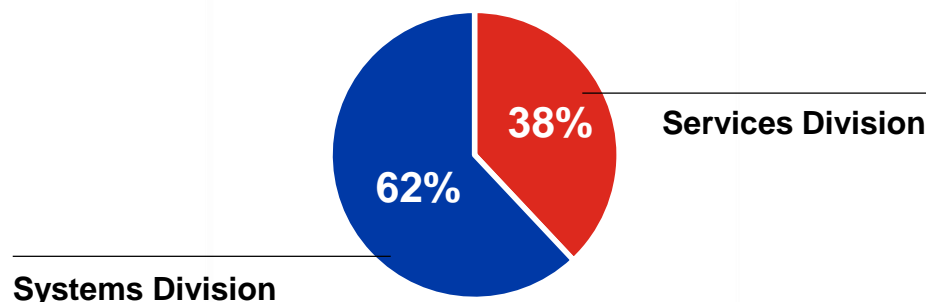
- **Burckhardt Compression is**
  - the worldwide market leader in the field of reciprocating compressor systems
  - the only manufacturer and service provider that covers a full range of reciprocating compressor technologies and services
- **Optimized solutions for our customers reciprocating compressor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



# About Burckhardt Compression

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- **Founded** 1844
- **Division of Sulzer Corporation** 1969 – 2002
- **Management buyout** 2002
- **Shareholders** Public listed company SIX (BCHN) since IPO in 2006
  - > 4'000 Shareholders
  - Market cap CHF 0.85 bn (30.9.2019)
- **FTEs 1HY FY19** 2'430 (1HY FY18: 2'306)
- **Sales 1HY FY19** CHF 276 mn (1HY FY18: 258 mn)



# About Burckhardt Compression

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

# Market Segments

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**Upstream  
Oil & Gas**



**Gas Transport  
and Storage**



**Refinery**



**Petro-  
chemical/  
Chemical  
Industry**



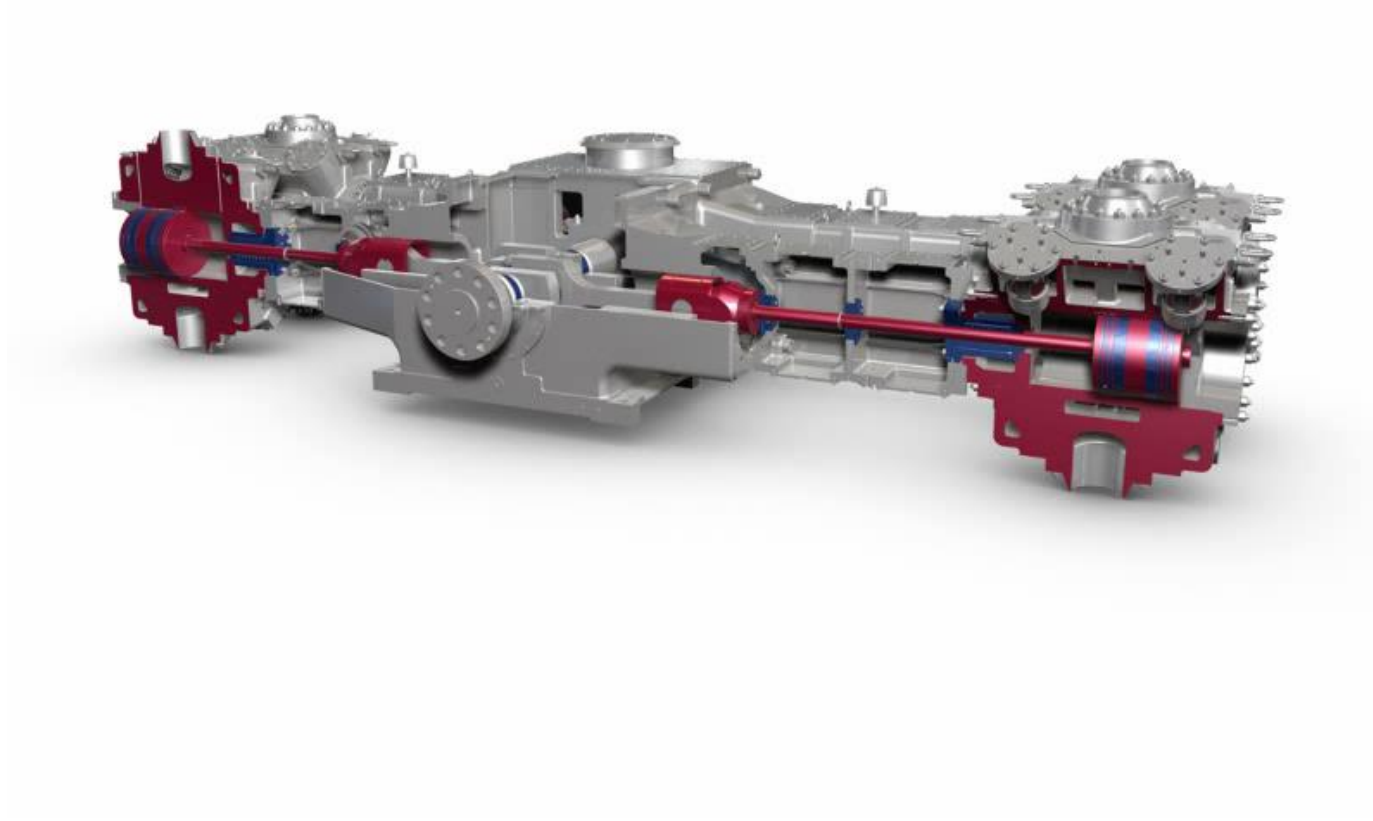
**Industrial Gas**





# Reciprocating Compressor (Crosshead Design)

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# CORPORATE OVERVIEW

# Financial Summary

	Systems Division		Services Division		Others <sup>1)</sup>		Total	
in CHF mn	1HY FY19	1HY FY18	1HY FY19	1HY FY18	1HY FY19	1HY FY18	1HY FY19	1HY FY18
<b>Sales</b>	<b>172.6</b>	<b>158.5</b>	<b>103.6</b>	<b>99.6</b>			<b>276.2</b>	<b>258.1</b>
Cost of goods sold	-156.2	-152.9	-55.2	-56.0			-211.4	-208.9
<b>Gross profit</b>	<b>16.4</b>	<b>5.6</b>	<b>48.4</b>	<b>43.5</b>			<b>64.8</b>	<b>49.2</b>
Gross profit as % sales	9.5%	3.6%	46.7%	43.7%			23.4%	19.0%
<b>Operating income</b>	<b>-4.9</b>	<b>-13.6</b>	<b>23.3</b>	<b>20.6</b>	<b>-1.8</b>	<b>-1.4</b>	<b>16.6</b>	<b>5.6</b>
Operating income as % sales	-2.8%	-8.6%	22.5%	20.7%			6.0%	2.2%

<sup>1)</sup> Includes corporate center, real estate company and expenses for strategic projects

# Highlights

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- Sales and order intake above prior-year period
- EBIT and net income significantly above prior-year period
- Petrochemical and Chemical business on high level → especially in China
- Solid performance of SYCC in China
- Set-up a Service Center in Qatar together with a local partner
- First Service contracts for LNGM



# Set Backs

- Despite additional costs in LNGM significant reduction of operational losses in the Systems Division
- Low performance of Arkos
- LPGM business continues at low level



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# REVIEW SYSTEMS DIVISION

# Systems Division

## Financials

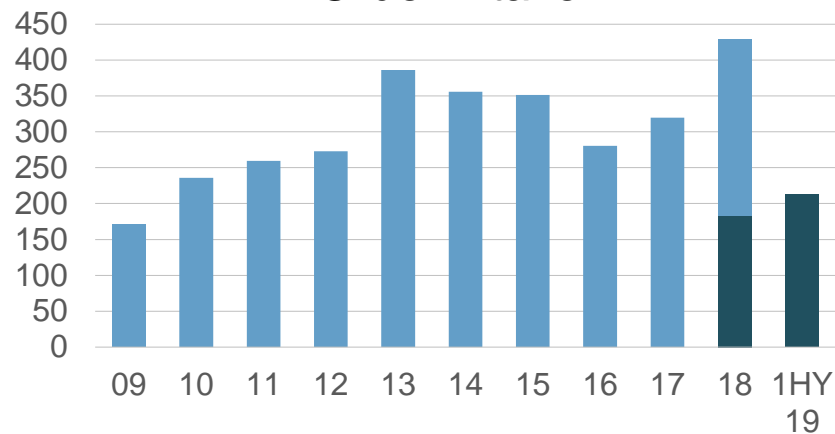
in CHF mn	1HY FY19	1HY FY18	Change 1HY FY18 / FY19
Order intake	213.1	183.0	+16.4%
Sales	172.6	158.5	+8.9%
Gross profit	16.4	5.6	+192.0%
In % of sales	9.5%	3.6%	
<b>EBIT</b>	<b>-4.9</b>	<b>-13.6</b>	
In % of sales	-2.8%	-8.6%	

# Systems Division

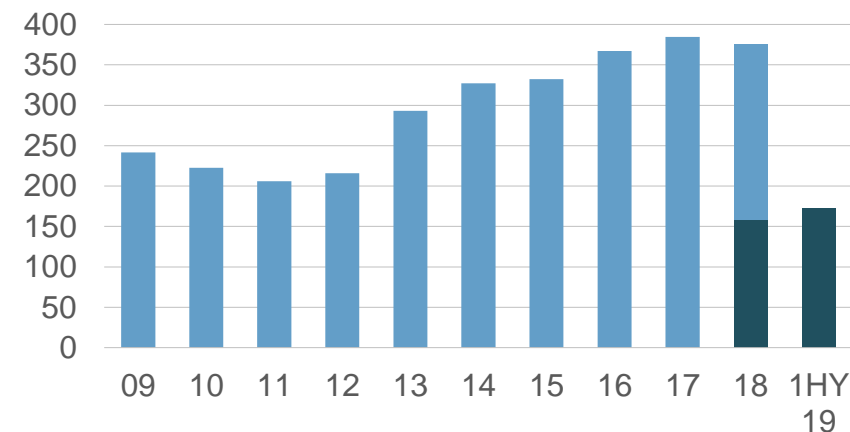
## Key Figures

in CHF mn

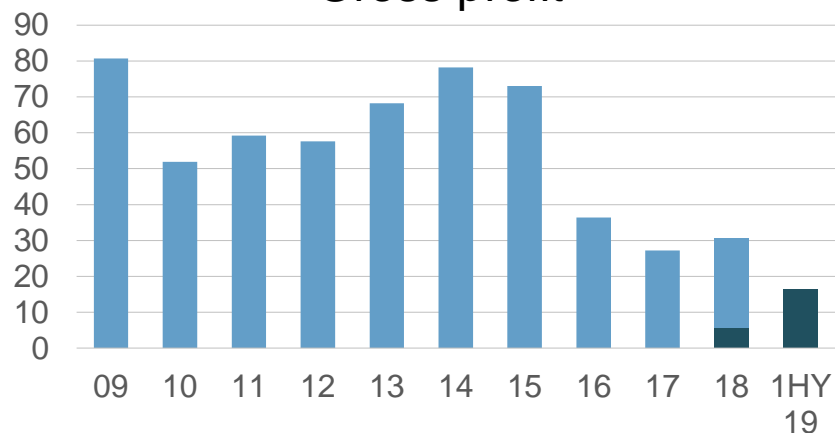
### Order intake



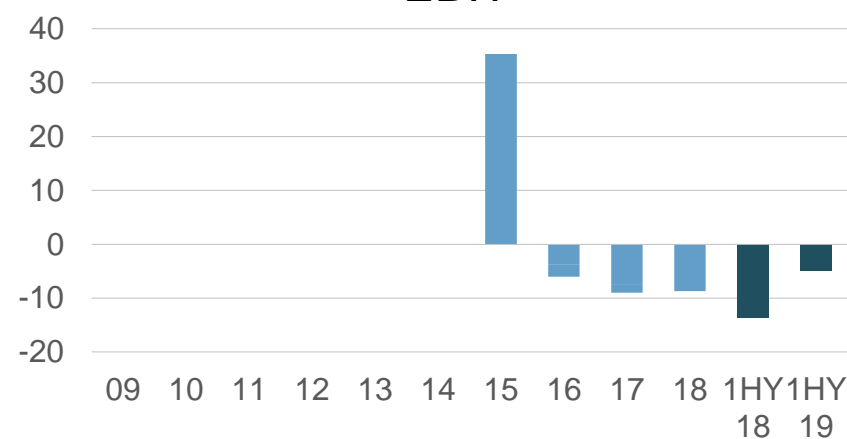
### Sales



### Gross profit




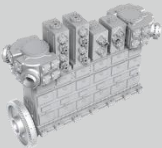
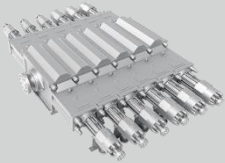
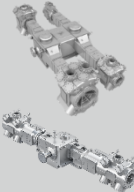

### EBIT





# Systems Division

## Products and Market Strategy

		← Keep #1 market position →			← Increase market share →	
Market	Products	 Laby® Compressors	 Laby®-GI Compressors	 Hyper Compressors	 Burckhardt Shenyang 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

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### 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
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### Highlights 1HY FY19

- None → No activity in Upstream Oil & Gas
- 

### 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

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### 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 1HY FY19

- Received few orders for LPGM (delivery 2020 – 2022)
  - Received orders for different boil-off gas (BOG) applications and bio gas applications
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### 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
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# Systems Division

## Refinery

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### 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 1HY FY19

- Received orders from Iraq and Russia
- 

### 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

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### 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

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### Highlights 1HY FY19

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

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### 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

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### Market drivers & trends

- World population growth leads to increasing demand for industrial gases (e.g. medical, food & beverage, fertilizers (CO<sub>2</sub>), inert gas)
  - Hydrogen to be used as fuel (busses, cars, trains, fuel cell power plants)
  - Pressure to reduce CO<sub>2</sub> leads to commercial applications for CO<sub>2</sub>
- 

### Highlights 1HY FY19

- Received various orders from India, Malaysia, Taiwan and USA
  - Further diaphragm compressor for H<sub>2</sub> fuel for China and Thailand
- 

### Expected market development

- Further market activities in all areas in line with GDP
  - Further potential for O<sub>2</sub>, H<sub>2</sub>, CO, CO<sub>2</sub> and high pressure O<sub>2</sub> and Air
  - Large potential for hydrogen in mobility applications
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# REVIEW SERVICES DIVISION



# Services Division

## Financials

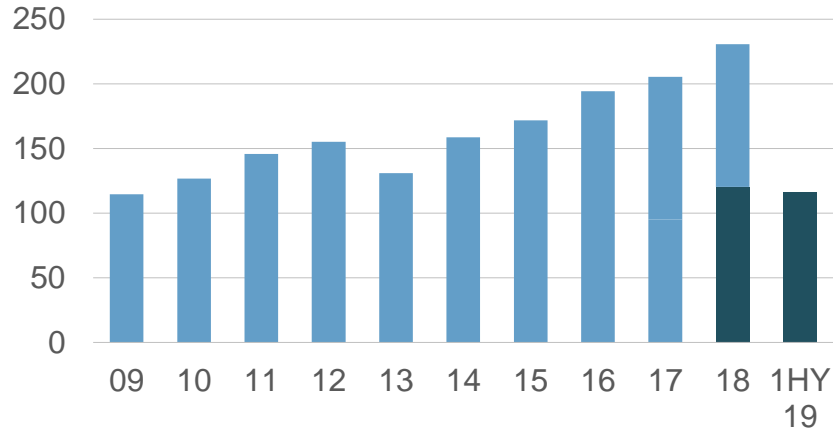
in CHF mn	1HY FY19	1HY FY18	Change 1HY FY18 / FY19
Order intake	116.5	120.3	-3.2%
Sales	103.6	99.6	+4.0%
Gross profit	48.4	43.5	+11.2%
In % of sales	46.7%	43.7%	
<b>EBIT</b>	<b>23.3</b>	<b>20.6</b>	<b>+13.1%</b>
In % of sales	22.5%	20.7%	

# Services Division

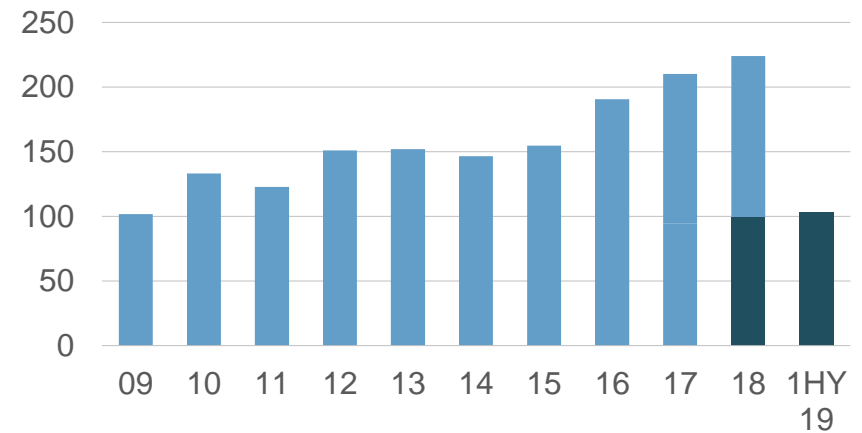
## Key Figures

in CHF mn

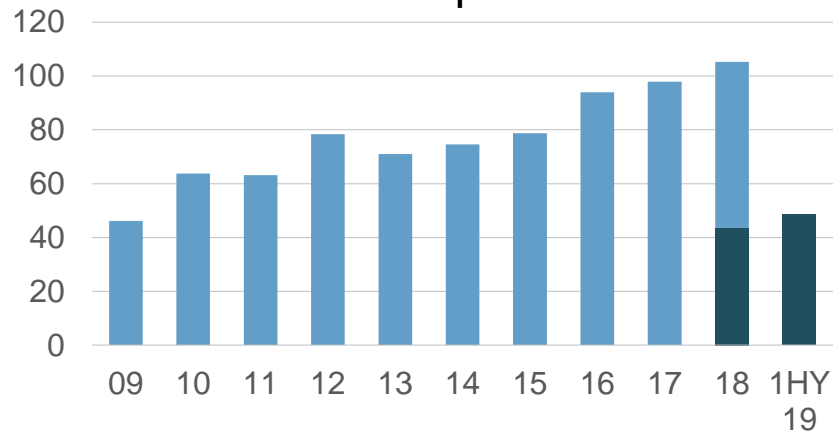
### Order intake



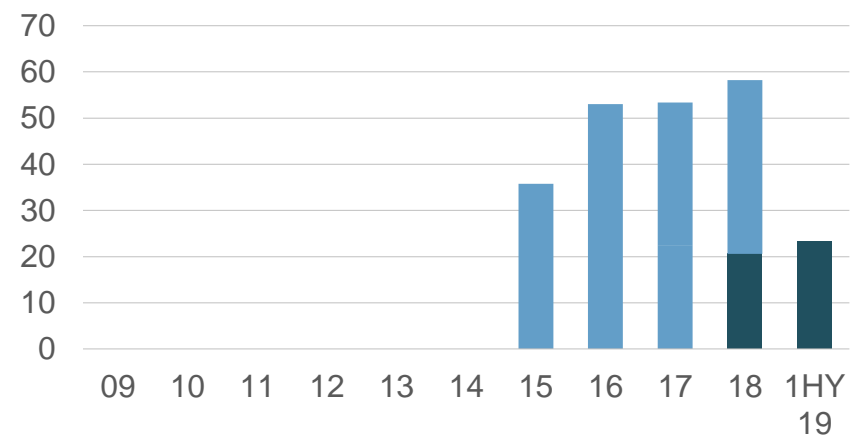
### Sales



### Gross profit



### EBIT



# Services Division

## Business Overview

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### 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 1HY FY18

- Received orders for different engineering projects
  - Signed service agreements for onshore and offshore applications
  - Set-up a Service Center in Qatar together with a local partner
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### Expected market development

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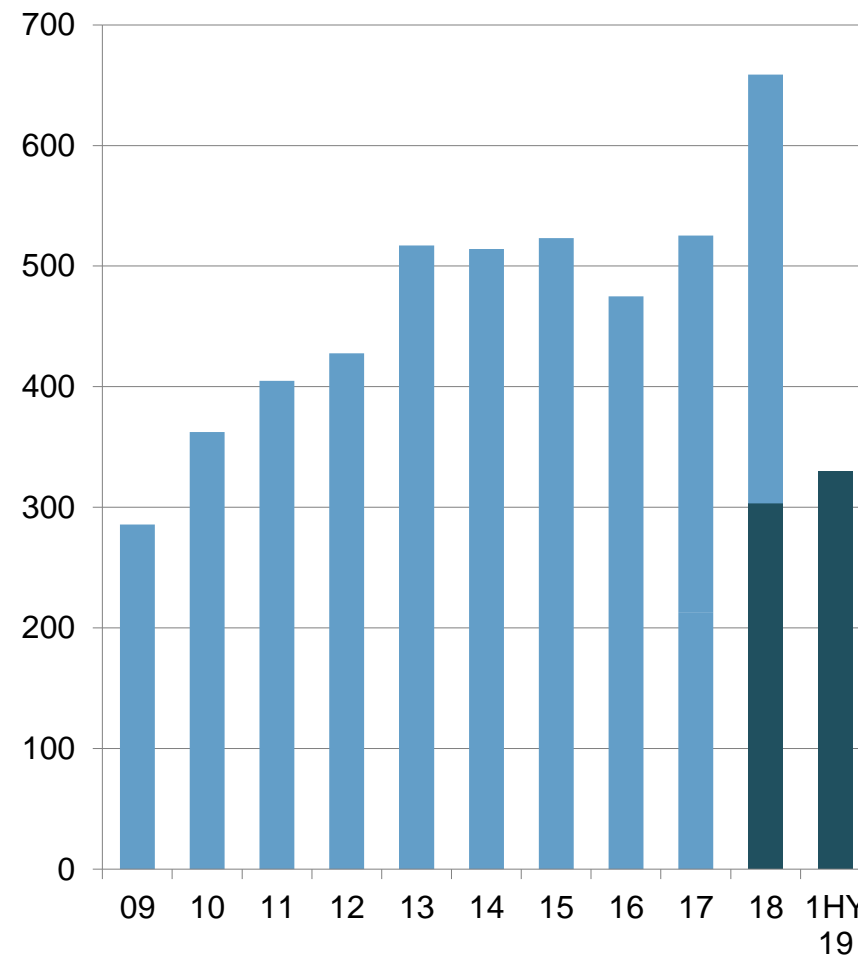
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# FINANCIALS

# Order Intake

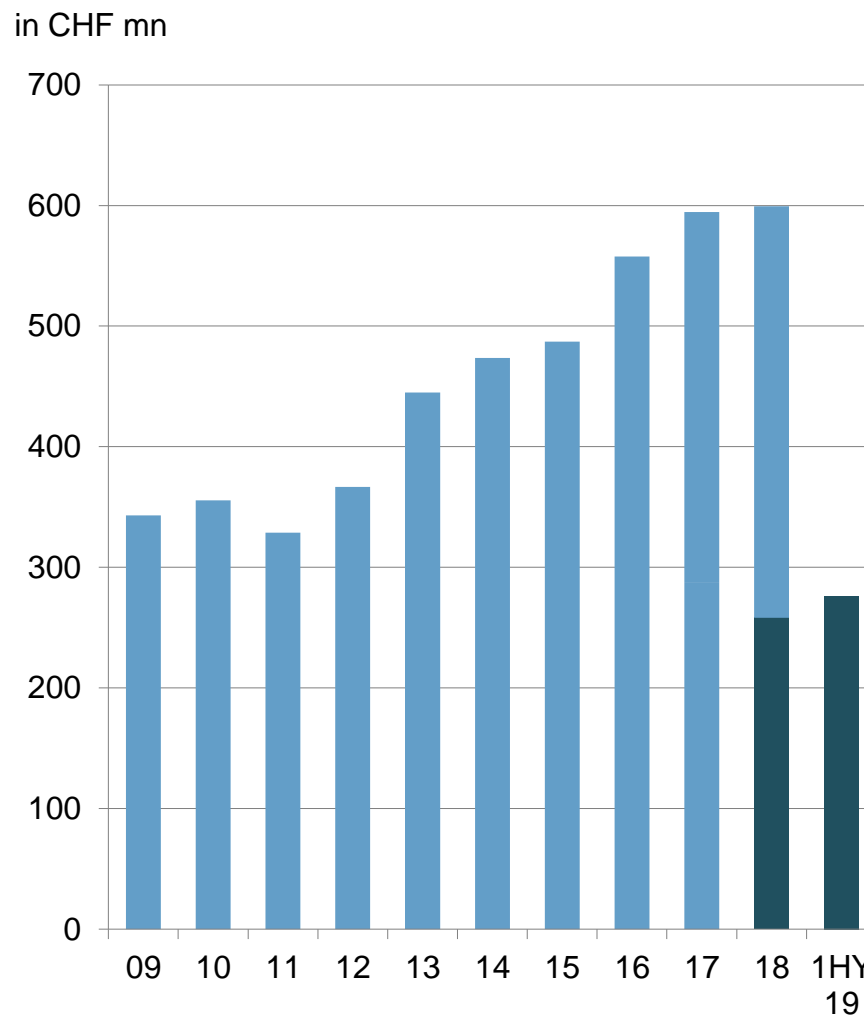
- Increase of order intake by 8.7% to CHF 329.5 mn
- **Systems Division**
  - +16.4% to CHF 213.1 mn
  - Orders from Petrochemical, Gas Transport and Storage and Refinery
- **Services Division**
  - -3.2% to CHF 116.5 mn
  - Order intake almost at very high prior-year level
  - Further growth in engineering
  - More than 20% OBC business

in CHF mn



# Sales

- Increase of sales by 7.0% to CHF 276.2 mn
- Systems Division
  - +8.9% to CHF 172.6 mn
  - Under-proportional sales in H1 FY19 due to cyclicalty of business
- Services Division
  - +4.0% to CHF 103.6 mn
  - Growth in all areas



# Sales and Gross Margin by Division

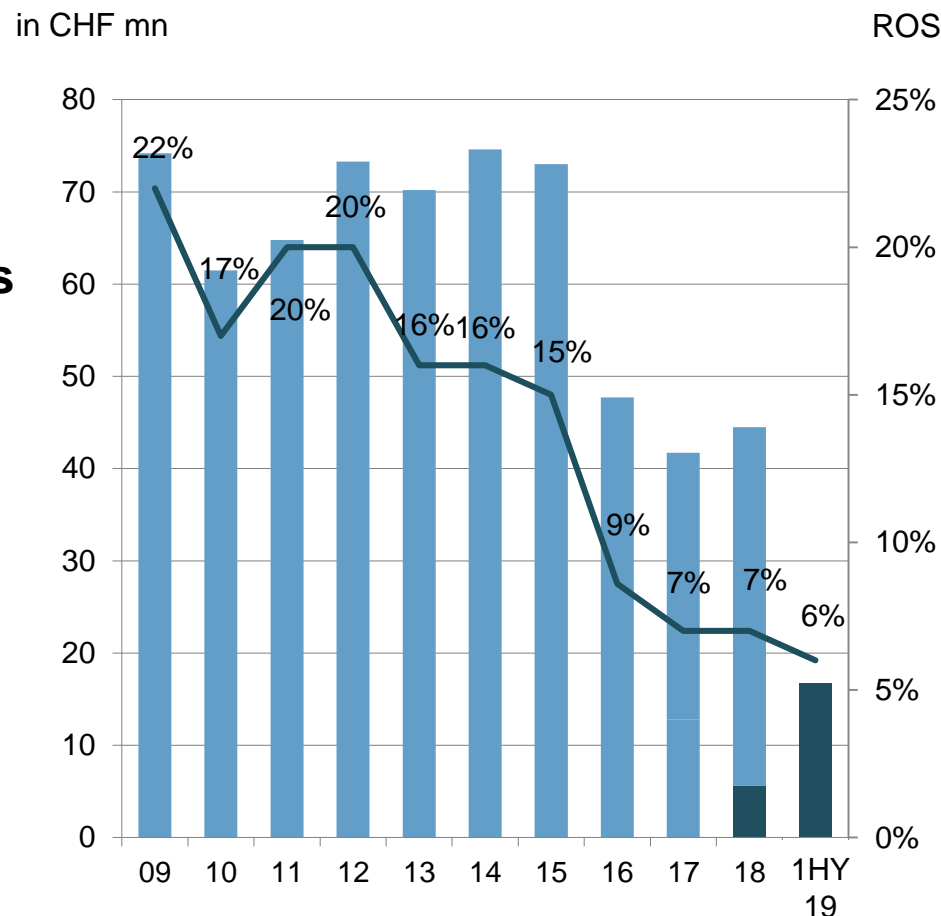
In CHF mn		FY17		FY18		1 HY FY18		1 HY FY19	
<b>Systems Division</b>	GSP GP	384.4 27.2	7.1%	375.4 30.5	8.1%	158.5 5.6	3.6%	172.6 16.4	9.5%
<b>Services Division</b>	GSP GP	210.2 97.9	46.6%	223.9 105.2	47.0%	99.6 43.5	43.7%	103.6 48.4	46.7%
<b>Total</b>	GSP GP	594.6 125.1	21.0%	599.3 135.7	22.6%	258.1 49.2	19.0%	276.2 64.8	23.5%

- **Higher gross margin in Services Division due to different product mix**
- **Gross margin in Systems Division significantly higher than prior-year period**
  - **Despite additional costs in the LNGM business**
  - **Further improvements through Purchasing and Value Engineering**



# SGA and EBIT

- **SGA amounting to 16.3% of sales (prior-year period: 16.0%)**
  - Total SGA CHF 45.1 mn (prior-year period: CHF 41.3 mn)
  - Further expansion of Service activities in the Middle East
  - Build up of Service organization to support the global LNGM business
- **EBIT CHF 16.7 mn or +195.9% above prior-year period**
  - ROS of 6.0% (prior-year period: 2.2%)

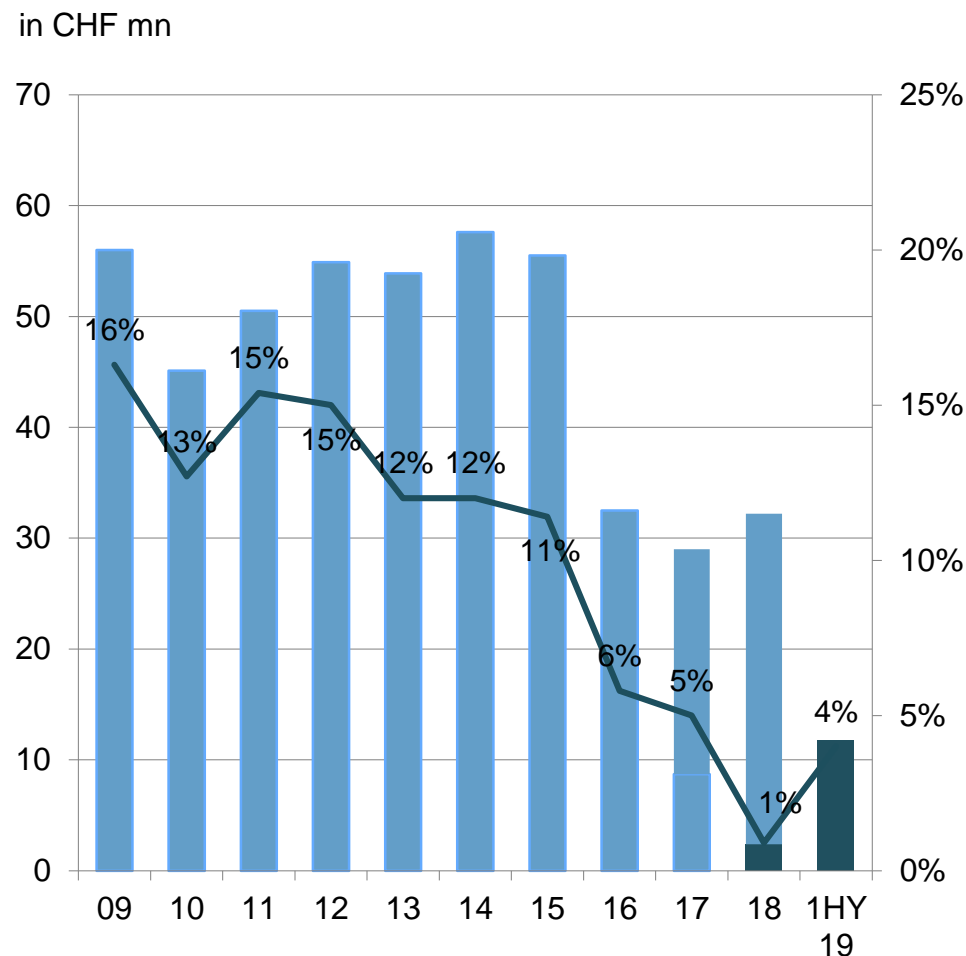


# EBIT Development 1HY FY18 to 1HY FY19



# Net Income

- **Net income CHF 11.8 mn or 392.5% above prior-year period**
  - **Share of result of Arkos Field Services CHF -0.5 mn (prior-year period CHF -0.4 mn), 40% ownership**
  - **Financial expenses CHF -2.0 mn (prior-year period CHF -2.2 mn), including currency effects**
- **Tax rate of 16.8% (prior-year period 23.3%)**
  - **One off reduction in income tax expenses in Switzerland CHF 0.8 mn**



# Balance Sheet Positions

- Balance sheet total declined by CHF 32.9 mn or -3.9% compared to year end FY 2018
  - Reduction of accounts receivables
- Equity ratio at similar level as FY 2018
- Balance adv. payments from customers to WIP and adv. payments to suppliers decreased by CHF 13.9 mn to CHF -51.4 mn, primarily due to public bids in China
- More than 50% of trade receivables from China
  - Very low write-off risks (mostly Government Companies), but lengthy collection process

In CHF mn	2018	1HY FY18	1HY FY19
Property, Plant & Equipment	191.2	179.4	185.7
Inventories	222.0	217.7	258.5
- Thereof WIP	137.8	137.6	162.2
- Thereof Adv. Payments to Suppliers	28.9	26.8	32.1
Trade Receivables	261.1	190.5	212.9
Trade Payables	86.7	62.3	79.7
Adv. Payments from Customers	129.2	147.0	142.9
Shareholders Equity in % of Total Balance Sheet (equity ratio)	41%	41%	40%

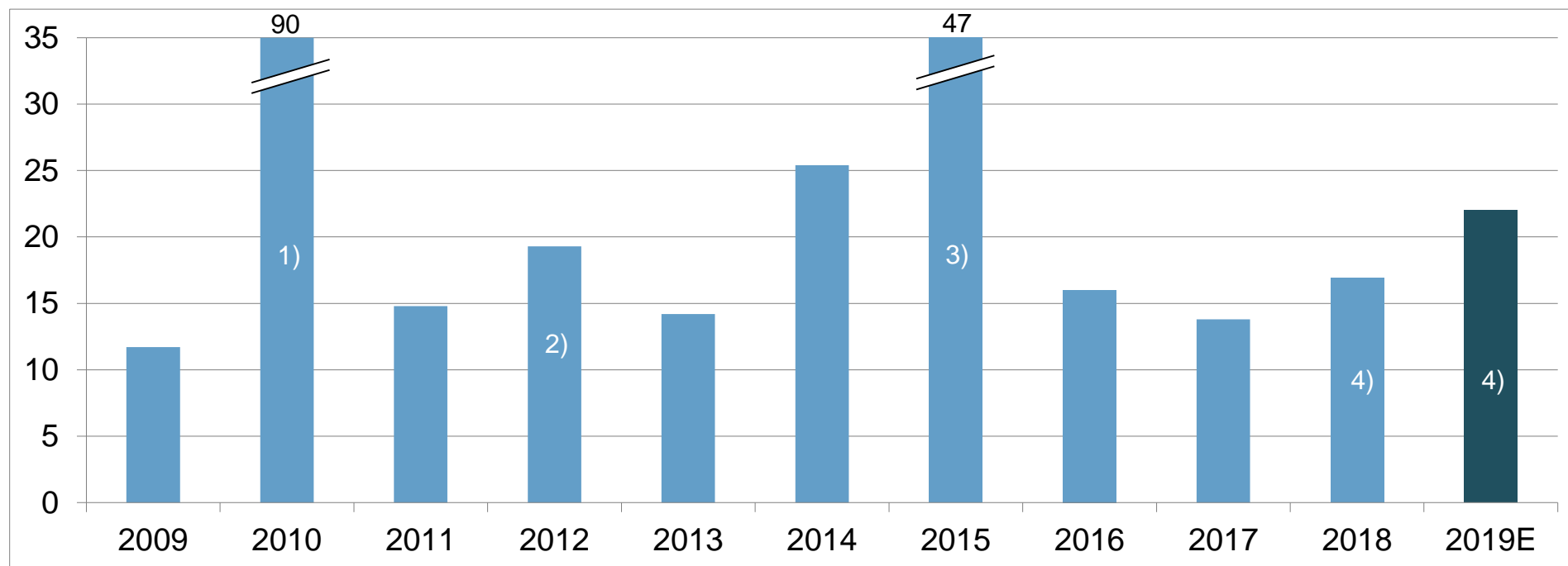
# Cash Flow and Net Financial Position

- **Decrease in net financial position**
  - Lower cash flow from operating activities → increased WIP due to higher order intake
  - Dividend payment of CHF 6.00/ share for FY18 (total CHF -20.4 mn)

In CHF mn	2018	1HY FY18	1HY FY19
Cash Initial Balance	75.1	75.1	83.0
Cash Flow from Operating Activities	41.8	44.3	19.0
Cash Flow from Investing Activities	-7.8	2.1	-15.8
Cash Flow from Financing Activities	-25.1	-54.0	-9.5
Currency Translation Differences	-1.0	-2.1	-2.1
Cash Position	83.0	65.4	74.5
Borrowings	-132.4	-102.8	-144.7
Net Financial Position	-49.4	-37.4	-70.1

# 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

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# GUIDANCE & GROWTH AREAS



# Guidance

## Financial Targets

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

# Growth Areas

## Organic growth

### Systems Division:

- Capitalize on recent geographical expansions and acquisitions
- Refinery business
- Applications for clean fuels and CO<sub>2</sub> reduction

### Services Division:

- Capitalize on increasing OEM Systems business
- Use leading OEM expertise for further growth in OBC business
- Further selective geographical expansion

## Acquisitions

### Services Division:

- Add-on acquisitions (focus OBC business)



# Mid-Range Plan 2018-2022 → Targets 2022

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## BC Group

- Sales CHF 700 mn
- Keep leading market position in Systems Division
- Become a leading Services provider
- Strengthen global capabilities
- Live Values & Behaviors
- Improve overall profitability
- EBIT Margin of 10 - 15%
- Sustainable value increase

## Systems Division

- Sales CHF 340 mn
- Keep leading market position in all segments
- Use strong global presence and Shenyang Yuanda Compressor
- Focus on operational excellence
- EBIT Margin of 0 - 5%

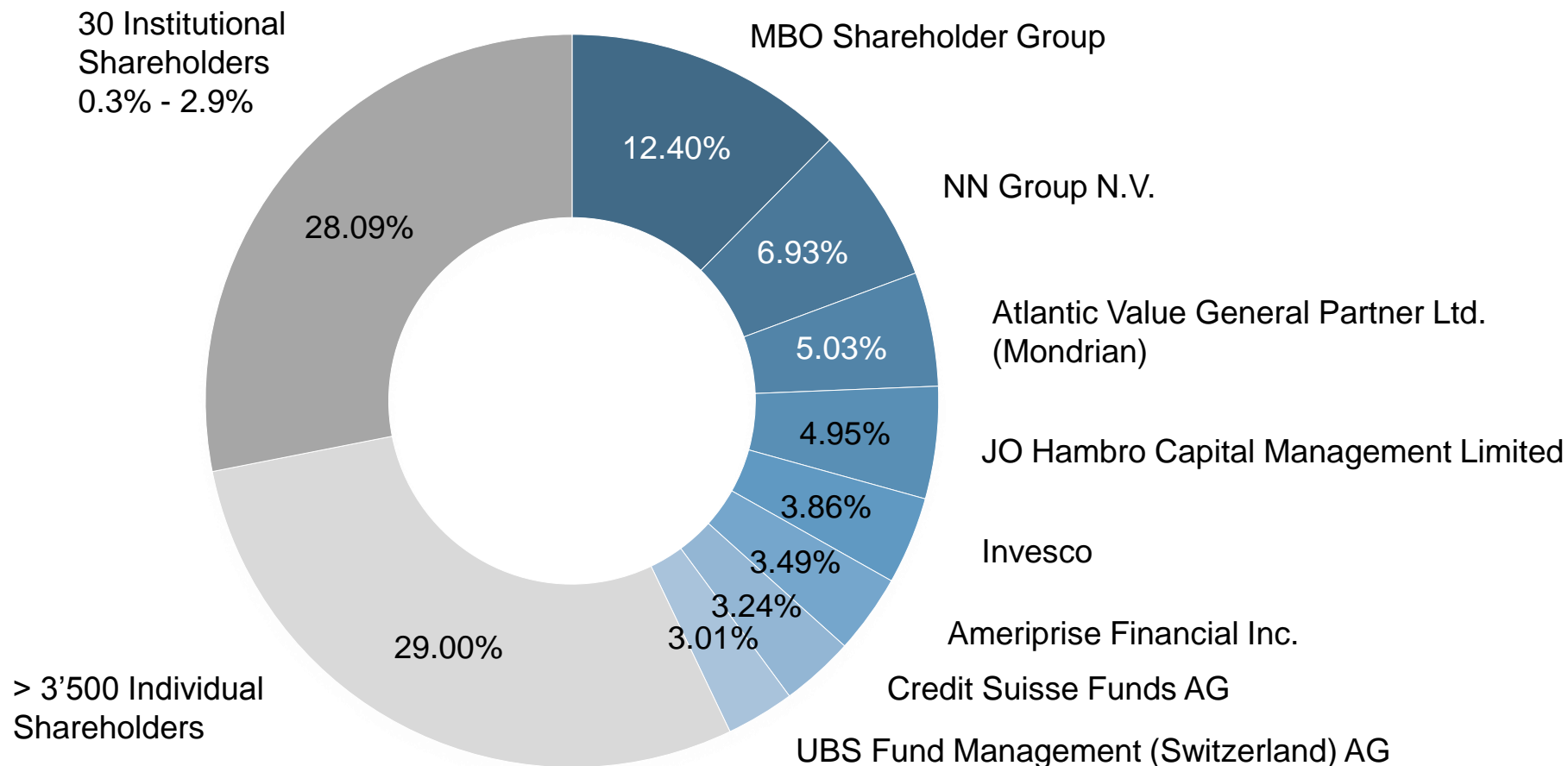
## Services Division

- Sales CHF 360 mn
- Grow 6 - 8% per year
- Organic growth on BC and OBC business
- Further growth through acquisitions (OBC)
- EBIT Margin of 20 - 25%

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# SHAREHOLDERS

# Burckhardt Compression Shareholder Structure



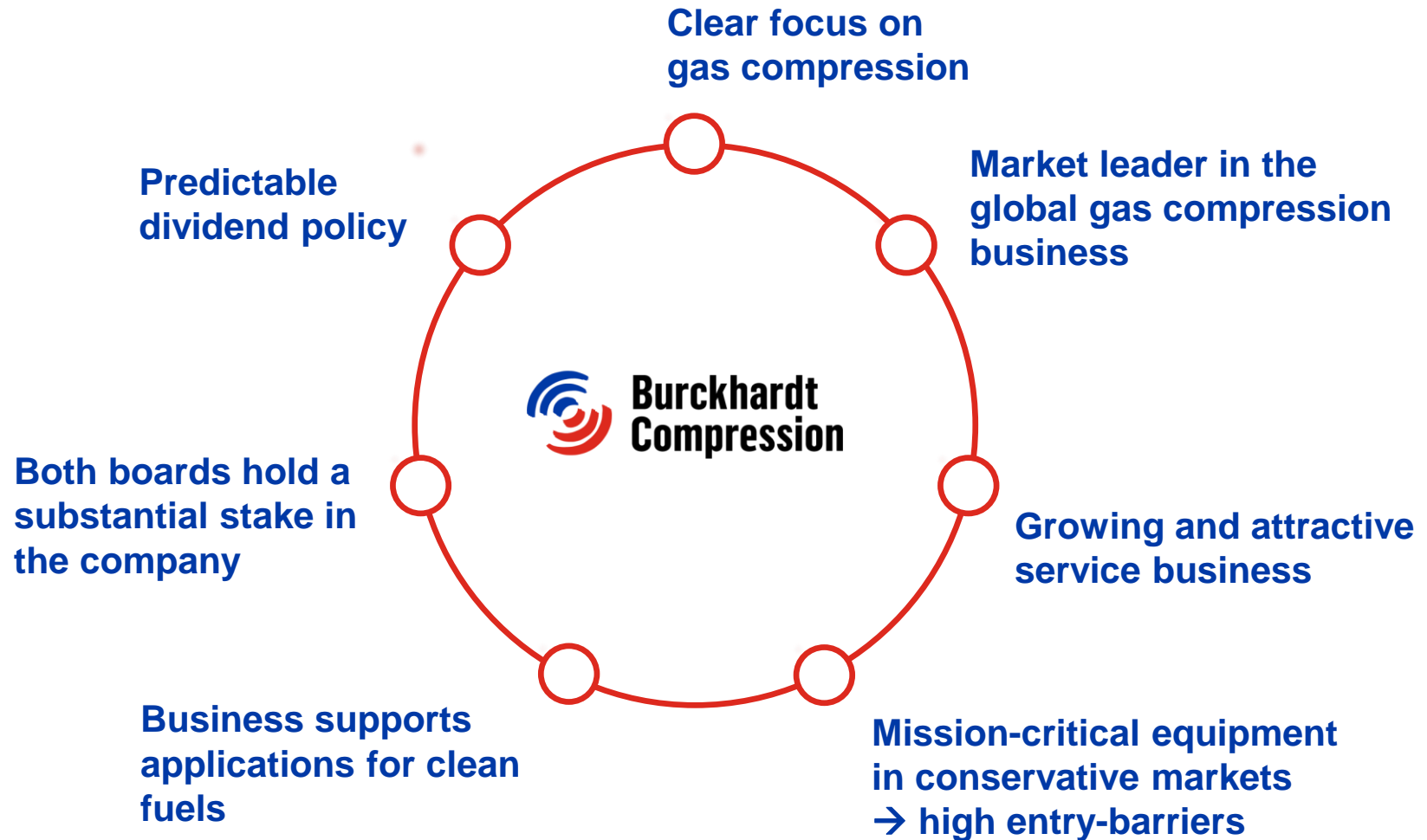
# Performance of BCHN Share Compared to the SPI Index



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
26.6.06	30.3.07	31.3.08	31.3.09	31.3.10	31.3.11	30.3.12	30.3.13	30.9.14	30.9.15	30.9.16	29.9.17	28.9.18	30.9.19
85.00	199.50	317.00	106.00	208.00	244.20	247.50	355.30	442.50	315.00	275.25	301.50	341.40	250.00

# Seven Good Reasons to Invest in Burckhardt Compression

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# Disclaimer

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This document may contain forward-looking statements including, but not limited to, projections of financial developments, market activity, or future performance of products. These forward-looking statements are subject to change based on known or unknown risks and various other factors that could cause actual results or performance to differ materially from the statements made herein.





# **Burckhardt Compression**

Compressors for a Lifetime™