

BURCKHARDT COMPRESSION HOLDING AG RESULTS FY 2019

Winterthur, June 2, 2020

Disclaimer

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.

Content

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- **Market Dynamics**
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- **Financial Review**
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KEY HIGHLIGHTS

Marcel Pawlicek
CEO

Sales and EBIT guidance delivered; Q4 order intake impacted by Covid-19

- **FY 2019 sales and profitability developments in line with guidance**
 - Reported revenues up 5.1% y-o-y at CHF 629.6 mn with positive sales trends in both divisions
 - EBIT up 23.1% y-o-y at CHF 54.8 mn
 - EBIT margin at 8.7% up 1.3 percentage points
- **Order intake down 7.8% y-o-y at CHF 607.3 mn**
 - Systems down 15.6% due Covid-19 impact in Q4 FY 2019
 - Services up 6.7% y-o-y (respectively -0.9% net of acquisitions)
- **Proposed dividend at CHF 6.00, corresponding to a 63% pay-out ratio, in line with our dividend policy**

Executing on operational and strategic priorities against a challenging backdrop at year-end

- **Highlights**

- **Further improvement of Group financial performance with Systems EBIT positive again for the first time since FY 2015**
- **Acquisition of the remaining 60% of Arkos: fully consolidated within Services Division as of December 2019, integration in progress**
- **Acquisition of global compressor business of JSW, signing in March 2020, closing April 2020**

- **Lowlights**

- **Covid-19 impact Q4: SYST order intake, SERV sales and order intake**
- **Low financial performance of Arkos**
- **LPGM business remains at low level**

Swift and decisive response to Covid-19 to protect employees and mitigate business impact

- **Crisis team implemented under leadership of CEO since February**
 - **Daily updates on global situation to ensure appropriate and timely response**
- **Rapid actions taken to protect health and wellbeing of employees**
 - **Work from home, physical distancing and hygiene measures introduced**
 - **Travel and visitor bans implemented**
 - **Shift work scheduled to avoid large groups**
- **Business continuity maintained thanks to employee mobilization and supply chain management**
 - **Most BC locations fully operational**
 - **Weekly monitoring of supply chain by Strategic Procurement**
 - **Communication with customers through digital channels**

Focus remains on mid-term targets while proactively navigating uncertain operating environment

- **Limited impact of Covid-19 on operational activities**
 - **Diversified and favorable global manufacturing footprint: ability to gradually resume operations in China from mid February onwards**
 - **Broad global service network with people on the ground**
 - **Some delayed deliveries due to shipping constraints**
- **Balance sheet remains solid**
 - **Liquidity, including credit lines, secured**
 - **Stable balance sheet, equity ratio at 36%**
 - **No increase in bad debt provisions related to Covid-19**
- **Maintaining focus on mid-term targets while proactively navigating uncertain operating environment**

MARKET DYNAMICS

Marcel Pawlicek
CEO

Positive market development in the gas business driven by environmental regulations



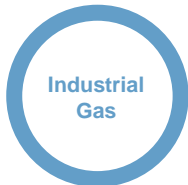
- US political support for domestic gas production
 - Changing energy mix leads to a globally increasing demand for gas
 - Growth of middle-class in emerging countries driving the need for natural gas-based products
 - Only segment that is directly affected by the oil price
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- Changing global energy mix towards gas
 - Importance of natural gas as a clean and less expensive source of energy
 - More strict environmental regulations lead to clean energy solutions in marine applications
 - Feedstock for the Petrochemical industry changing to low-cost LPG/LEG (e.g. in the US)
-



- Growing demand for clean fuels due to environmental regulations (Euro V & VI)
 - Flexibility to process different crude oil qualities and upgrading the bottom of the barrel (heavy crude)
 - Strategic importance of refining capacity for independent supply
 - Integration of large size refineries and petrochemical plants into single complexes → better economics
-



- 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)
 - Environmental pressure to reduce CO₂ leads to commercial applications for CO₂
-



- Annual ~2% demand growth for petrochemical- and chemical products for industrial- and consumer products based on increased world population and middle class growth
 - Shift of production to countries with lower feed stock price (e.g. US)
 - Increasing investments in CIS countries and Russia
 - Older technologies/less efficient plants will be replaced by state-of-the-art facilities which are more profitable
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OPERATIONAL REVIEW

Marcel Pawlicek
CEO

Systems Division: A return to profitability; LNGM costs resolved as guided

in CHF mn	FY 2019	FY 2018	Change
Order intake	361.2	428.0	-15.6%
Sales	388.3	375.4	+3.4%
Gross profit	42.8	30.5	+40.3%
In % of sales	11.0%	8.1%	
EBIT	6.4	-8.7	
In % of sales	1.7%	-2.3%	
Headcount (FTEs)	1'518	1'506	+0.8%

- **LNGM issues resolved**
- **First successes with SYCC export products**
- **Improvement of gross profit, EBIT back in positive territory**
- **Excellent financial performance of SYCC**
- **Order intake below all time record prior year**

Services Division: Continued growth in engineering and OBC business; Arkos now fully consolidated

in CHF mn	FY 2019	FY 2018	Change
Order intake	246.1	230.7	+6.7%
Sales	241.3	223.9	+7.8%
Gross profit	107.0	105.2	+1.7%
In % of sales	44.3%	47.0%	
EBIT	54.7	58.2	-6.0%
In % of sales	22.7%	26.0%	
Headcount (FTEs)	1'093	830	+31.7%

- Acquisition of the remaining 60% of Arkos (consolidated as of December 2019)
- Order intake up 6.7% (-0.9% net of acquisition)
- Lower EBIT due to:
 - Lower gross margin and ROS due to dilutive impact of Arkos
 - Further expansion of global sales network to support organic growth

Update on SYCC and Arkos

Shenyang Yuanda Compressor

- **Excellent operational and financial performance**
- **First successes with SYCC export products**
- **New factory / relocation project on track**
- **Upgrade of foundry completed → increasing importance as internal supplier**

Arkos Field Service

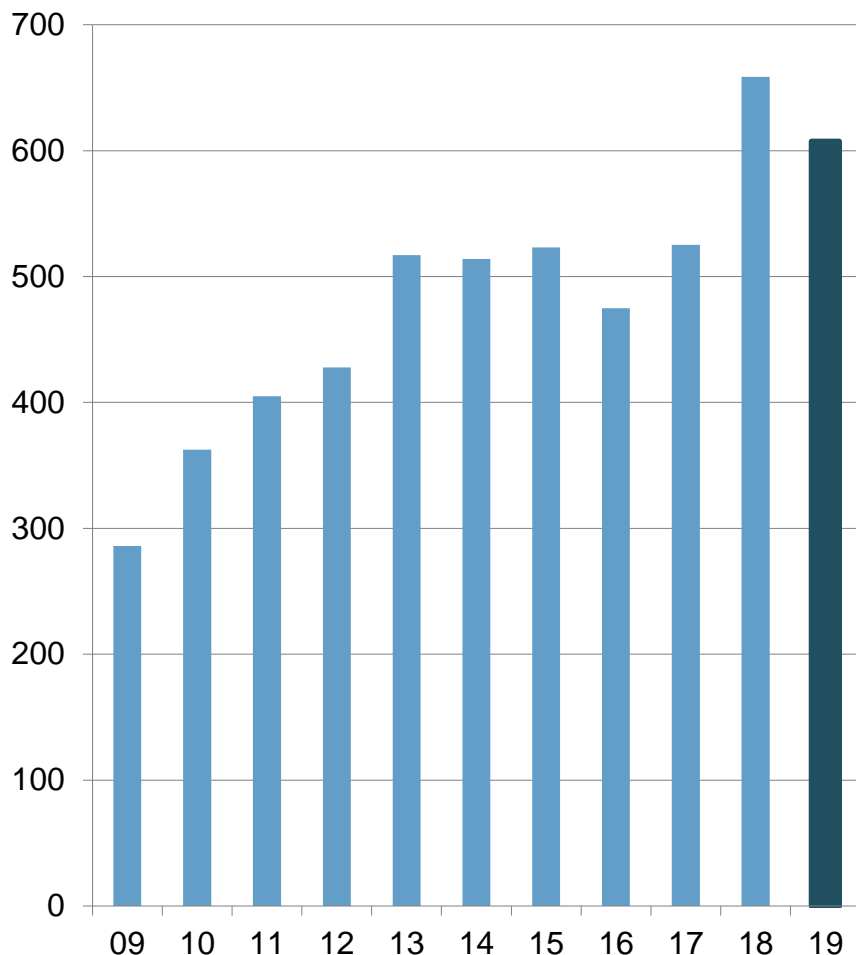
- **Accelerate growth of more profitable Downstream business**
 - **Increase penetration of around 300 BC compressors through Arkos' network (14 service locations close to US customers)**
- **Grow OBC business in the region with the largest installed base**
- **Strengthen Arkos' downstream knowledge with BC expertise**
- **New Managing Director starting May 2020**

FINANCIAL REVIEW

Rolf Braendli
CFO

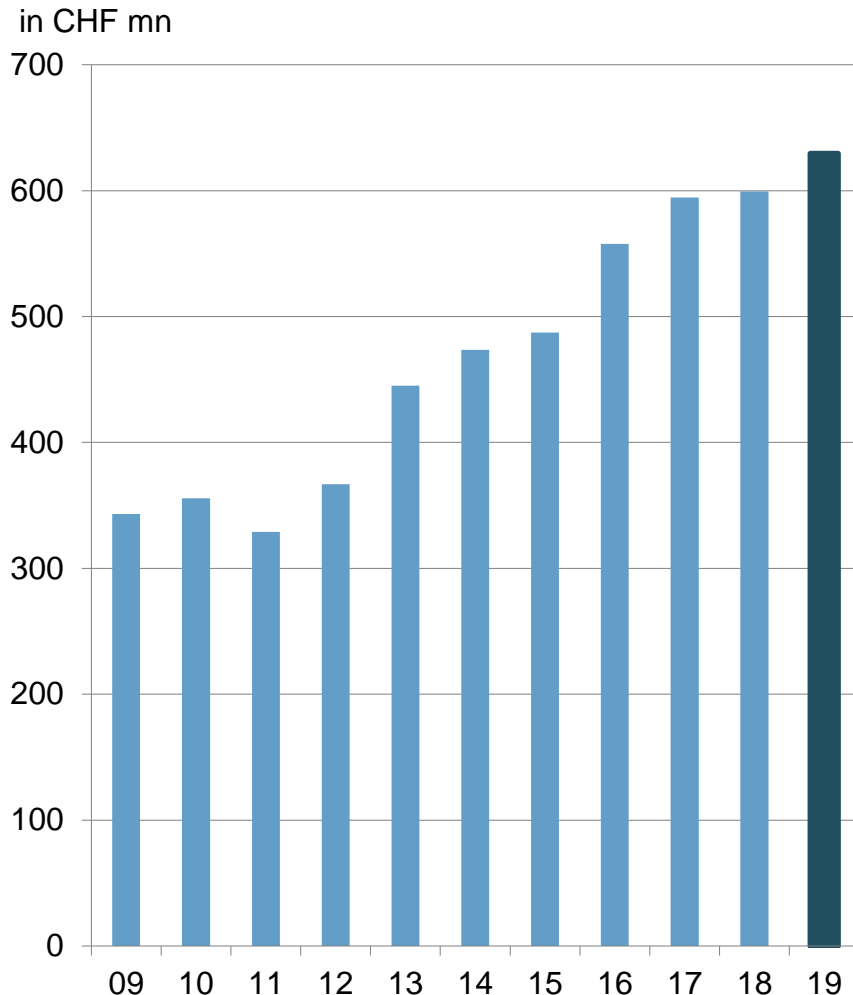
Order Intake: Below all time record prior year

in CHF mn



- **Order intake at CHF 607.3mn, 7.8% below prior-year record level**
 - -8.8% excluding currency translation and acquisition effects
- **Systems Division: -15.6% to CHF 361.2 mn**
 - Orders mainly from Petrochemical, Gas Transport & Storage and Refinery
 - Weak Q4 due to Covid-19
- **Services Division: +6.7% to CHF 246.1 mn**
 - -0.9% net of acquisitions
 - Increase in engineering and OBC
 - Several long-term service agreements

Sales: Above CHF 600 mn for first-time and on track for MRP target



- **Sales increase overall by 5.1% to CHF 629.6 mn**
 - +3.9% excluding currency translation and acquisition effects
- **Systems Division: +3.4% to CHF 388.3 mn**
 - Benefitting from high order intake from the previous fiscal year
 - Strong growth in China
- **Services Division: +7.8% to CHF 241.3 mn**
 - +0.1% net of acquisitions
 - Growth mainly in engineering and OBC (including Arkos)

Key Figures: Unchanged dividend proposed

in CHF mn	FY 2019	FY 2018	Change
Order intake	607.3	658.7	-7.8%
Sales	629.6	599.3	+5.1%
Gross profit	149.8	135.7	+10.4%
In % of sales	23.8%	22.6%	
SG&A	-93.2	-86.5	+7.7%
R&D	-10.5	-8.7	+20.7%
Other operating income	8.7	4.1	
EBIT	54.8	44.5	+23.2%
In % of sales	8.7%	7.4%	
EBT	47.6	41.1	+15.8%
Income tax expenses	-7.7	-8.9	
Net income incl. minorities	39.9	32.2	+23.9%
<i>Thereof minorities</i>	7.5	4.6	
EPS	9.56	8.15	+17.3%
Dividend (*proposed)	6.00*	6.00	

- **Gross margin up 1.2 percentage points**
 - Strong improvement in SYST
 - Lower gross margin in SERV due to sub-par gross margin of Arkos
- **SG&A at 14.8% of sales (FY18: 14.4%)**
 - Further expansion of SERV sales network
- **R&D up CHF 1.8 mn**
 - Improvement of marine solutions and enhancing compressor solutions for H₂ applications
- **Other operating income up CHF 4.6 mn**
 - Including contribution from real estate, FX gains and government grants
- **Tax rate at 16.2% (FY18: 21.6%)**
 - One-off reduction of income tax expenses in Switzerland (tax reform)
 - Higher share of income in locations with lower tax-rate / tax exemptions
- **Dividend proposal pay-out ratio of 63%**

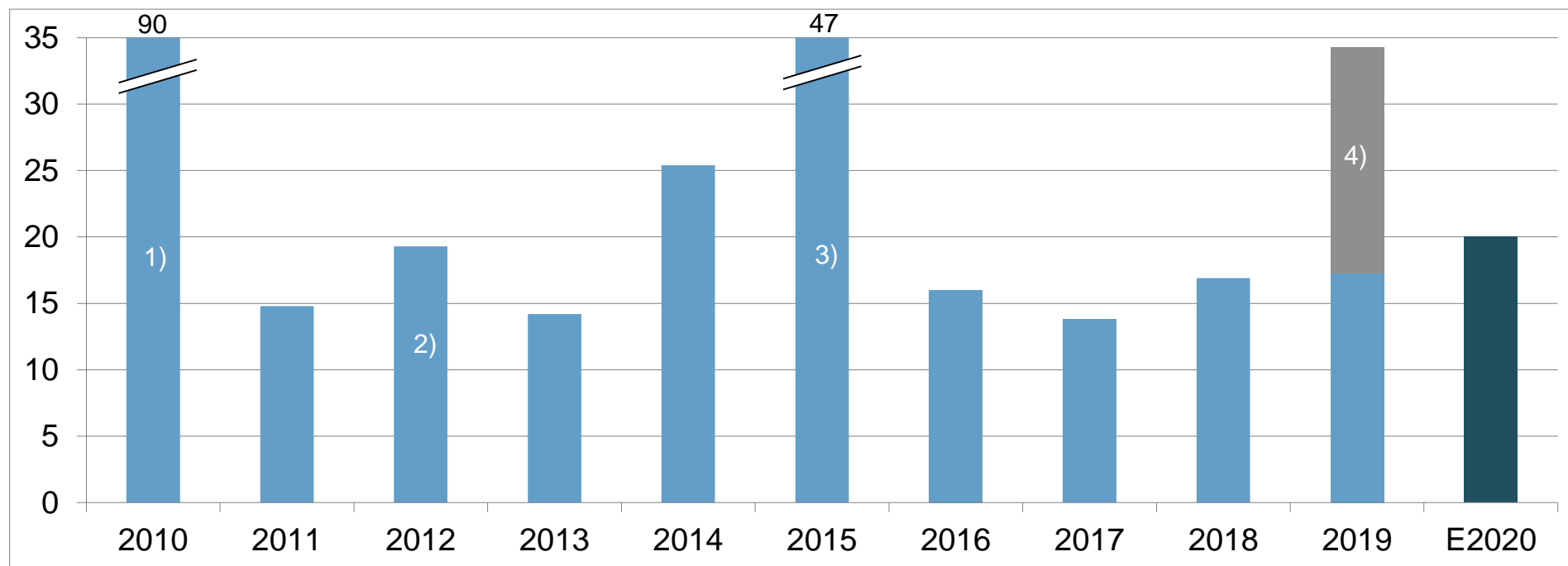
Balance Sheet Positions: Liquidity secured

in CHF mn	FY 2019	FY 2018
Property, Plant & Equipment	202.6	191.2
Inventories	264.5	222.0
- Thereof WIP	164.7	139.5
- Thereof Adv. Payments to Suppliers	27.6	28.9
Trade Receivables	256.1	261.1
Trade Payables	91.3	86.7
Adv. Payments from Customers	145.3	129.2
Shareholders Equity in % of Total Balance Sheet	36%	41%
Net financial position	-91.7	-49.4

- Increase of balance sheet total by 4.0% to CHF 883.0 mn
 - Arkos fully consolidated
 - Increase in Property, Plant & Equipment due to assets under construction → Relocation project in Shenyang
- Solid equity ratio of 36.0%, below prior year (40.7%) after goodwill offset Arkos against equity
- Balance between advance payments from customers and work in progress plus advance payments to suppliers at CHF -47.0 mn (prior year CHF -39.2 mn)
- Lower net financial position
 - Liquidity secured with adequate credit lines

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) Assets under construction for the relocation project SYCC

Cash Flow and Net Financial Position

in CHF mn	FY 2019	FY 2018
Cash Initial Balance	83.0	75.1
Cash Flow from Operating Activities	50.7	41.8
Cash Flow from Investing Activities	-49.7	-7.8
Cash Flow from Financing Activities	11.3	-25.1
Currency Translation Differences	-5.0	-1.0
Cash Position	90.3	83.0
Borrowings	-182.0	-132.4
Net Financial Position	-91.7	-49.4

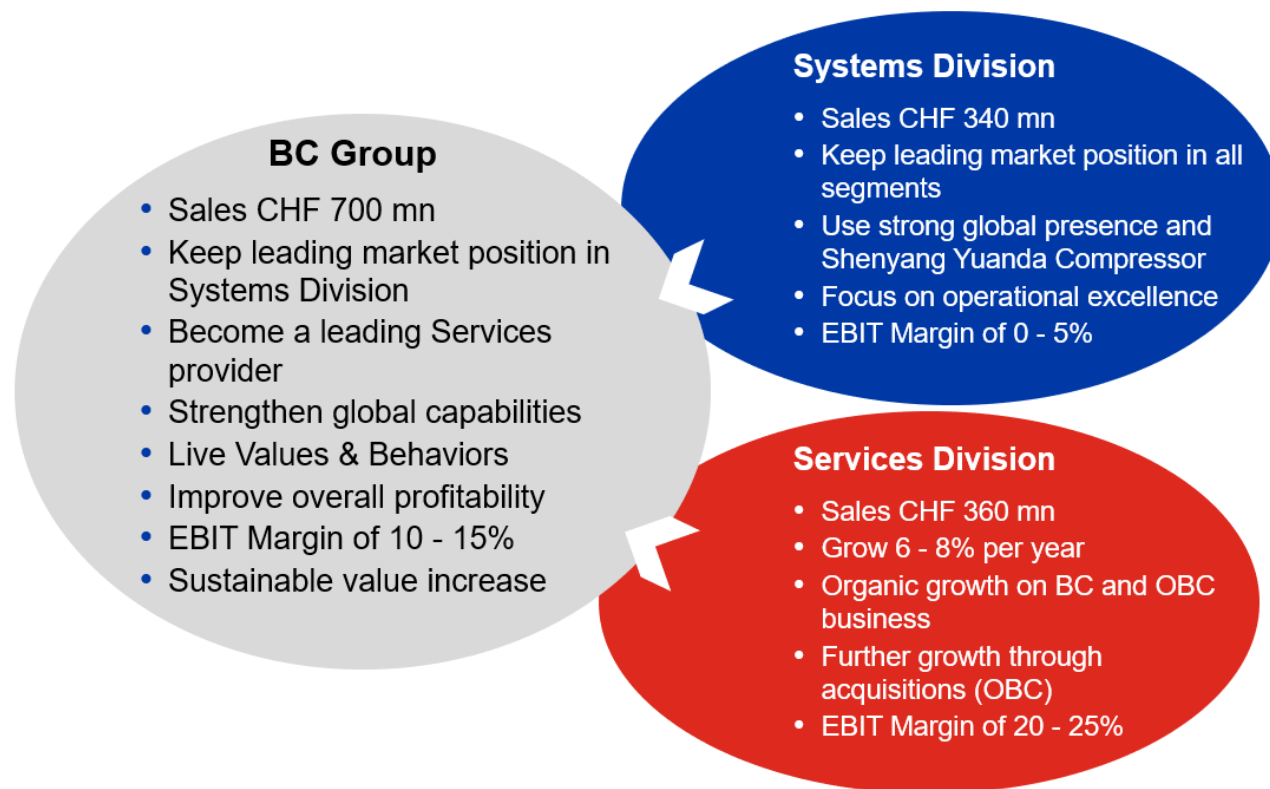
- **Lower net financial position (net debt) of CHF -91.7 mn**
 - **Cash flow from operating activities increased by CHF 8.9 mn, despite high net working capital**
 - **High cash outflow from investing activities: acquisition of the 60% stake in Arkos (CHF 15.8 mn); assets under construction for the relocation project in Shenyang (CHF 17.0 mn)**
 - **Dividend payment of CHF 6.00/share for FY 2018 (reported under financing activities)**
 - **Increased borrowings to finance acquisition and relocation project**

STRATEGIC UPDATE AND OUTLOOK

Marcel Pawlicek
CEO

Mid-Range Plan 2018-2022

Status FY 2019



Systems Division

- Current sales above MRP target
- EBIT margin 1.7%

Services Division

- Current sales behind MRP target
- EBIT margin 22.7%

BC Group

- Current sales on track
- EBIT margin 8.7%

Key Priorities for FY 2020

Maximize combined potential of SYCC, Arkos, JSW and proactively navigate the Covid-19 crisis

- **Systems Division**
 - Further drive profitability
 - Push new applications such as hydrogen in mobility
 - Defend leading market position
- **Services Division**
 - Integrate Arkos and increase profitability
 - Integrate JSW business in Japan as well as globally
 - Further establish tailor-made service and maintenance concepts

Mid-term market outlook for gas business remains attractive



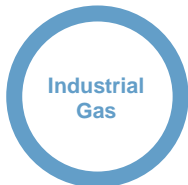
- With current low oil price no major activities and investments in the oil sector
- Environmental regulations drive further development of natural gas production and flare gas recovery



- Further development of LNG as a fuel in the marine business
- Slow recovery of LPGM business
- Positive development for LNG receiving terminals in Europe, South East Asia and China
- Gas is found in areas where it is not used



- Investments in selected countries for self sufficiency and environmental reasons
- Growing demand for cleaner refined products
- Customers pushing for profitability improvement through investments in efficient processes and projects



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



- Low feed stock prices provide further boost for petrochemical products in China, CIS countries, Middle East and Russia
- Continuous growing demand for petrochemical- and chemical products globally
- Investments for LDPE, especially in China and South East Asia

Financial guidance

	Guidance FY 2020
Sales	> CHF 650 mn
EBIT Margin	Stable
Dividend Policy	Payout ratio between 50 – 70% of net profit



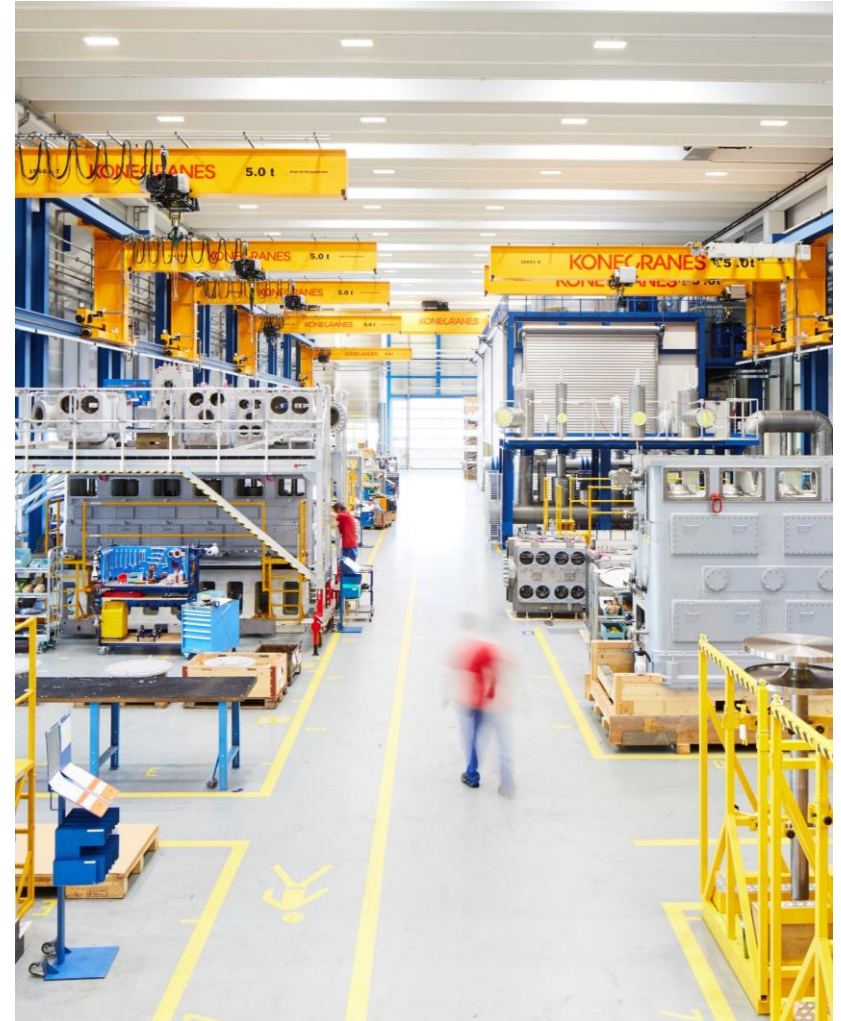
Burckhardt Compression

Compressors for a Lifetime™

APPENDIX

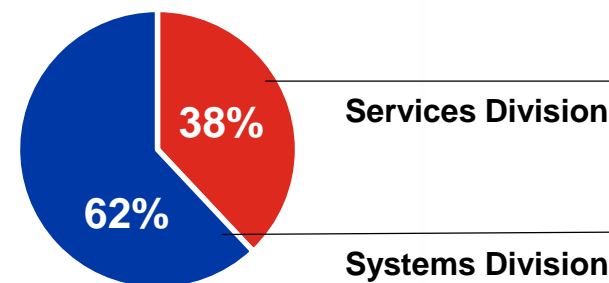
Who we are

- **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



Company summary



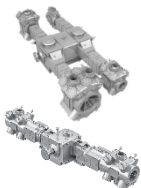
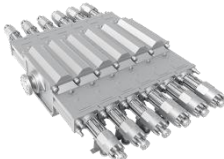


- **Founded** 1844
- **Division of Sulzer Corporation** 1969 – 2002
- **Management buyout** 2002
- **Shareholders** Public listed company SIX (BCHN) since IPO in 2006
 - > 3'500 shareholders
 - Market cap CHF 654.2 mn (31.3.2020)
- **Headcount (FTEs worldwide)** 2'621 (FY 2018: 2'346)
- **Sales FY 2019** CHF 629.6 mn (FY 2018: 599 mn)



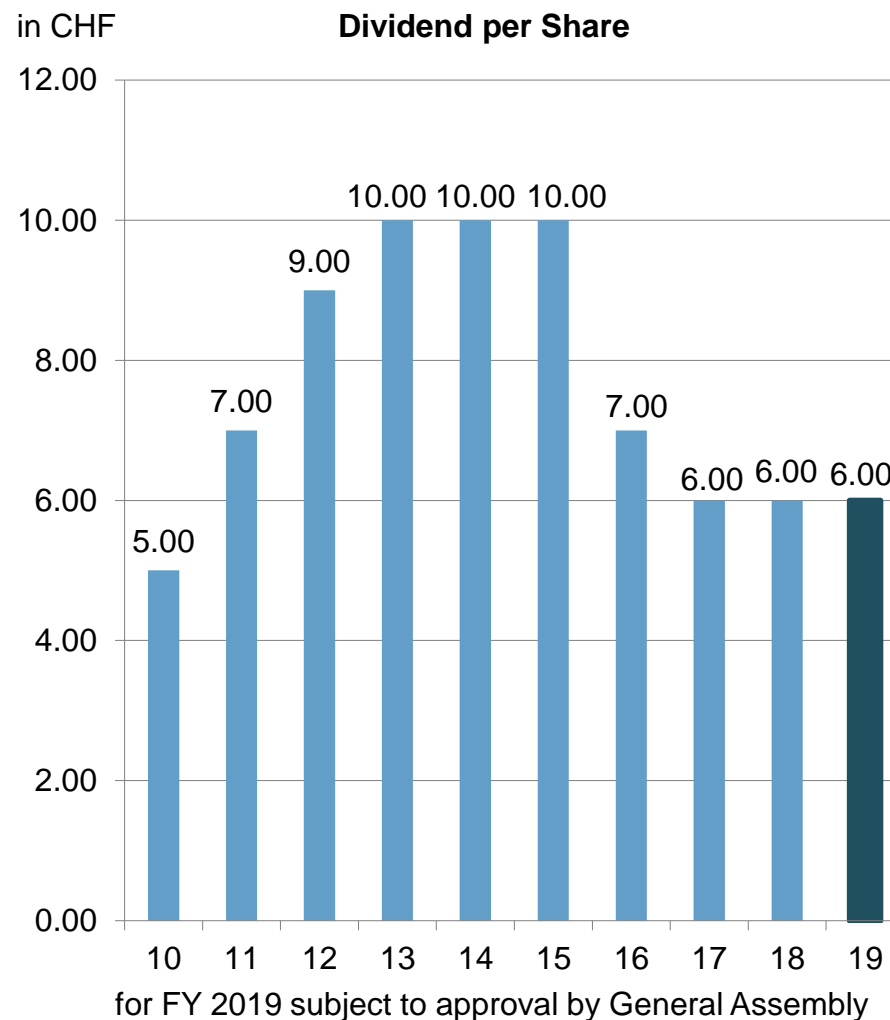
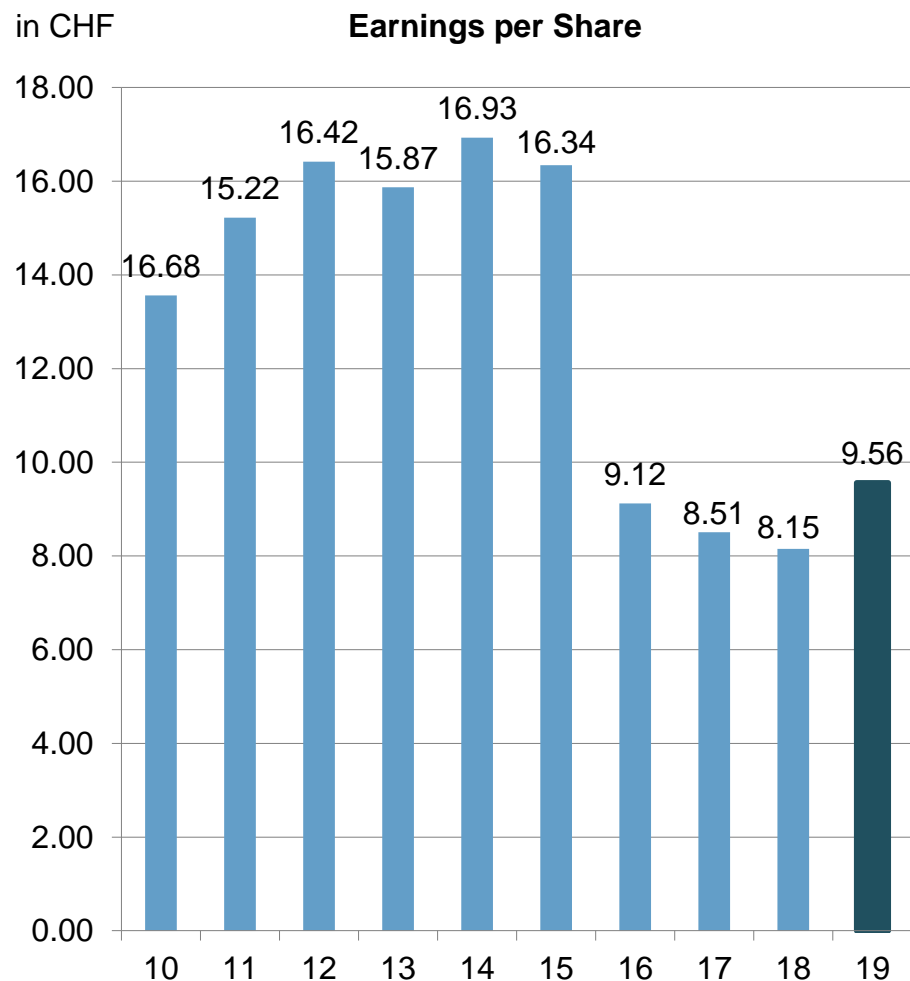
Our global network



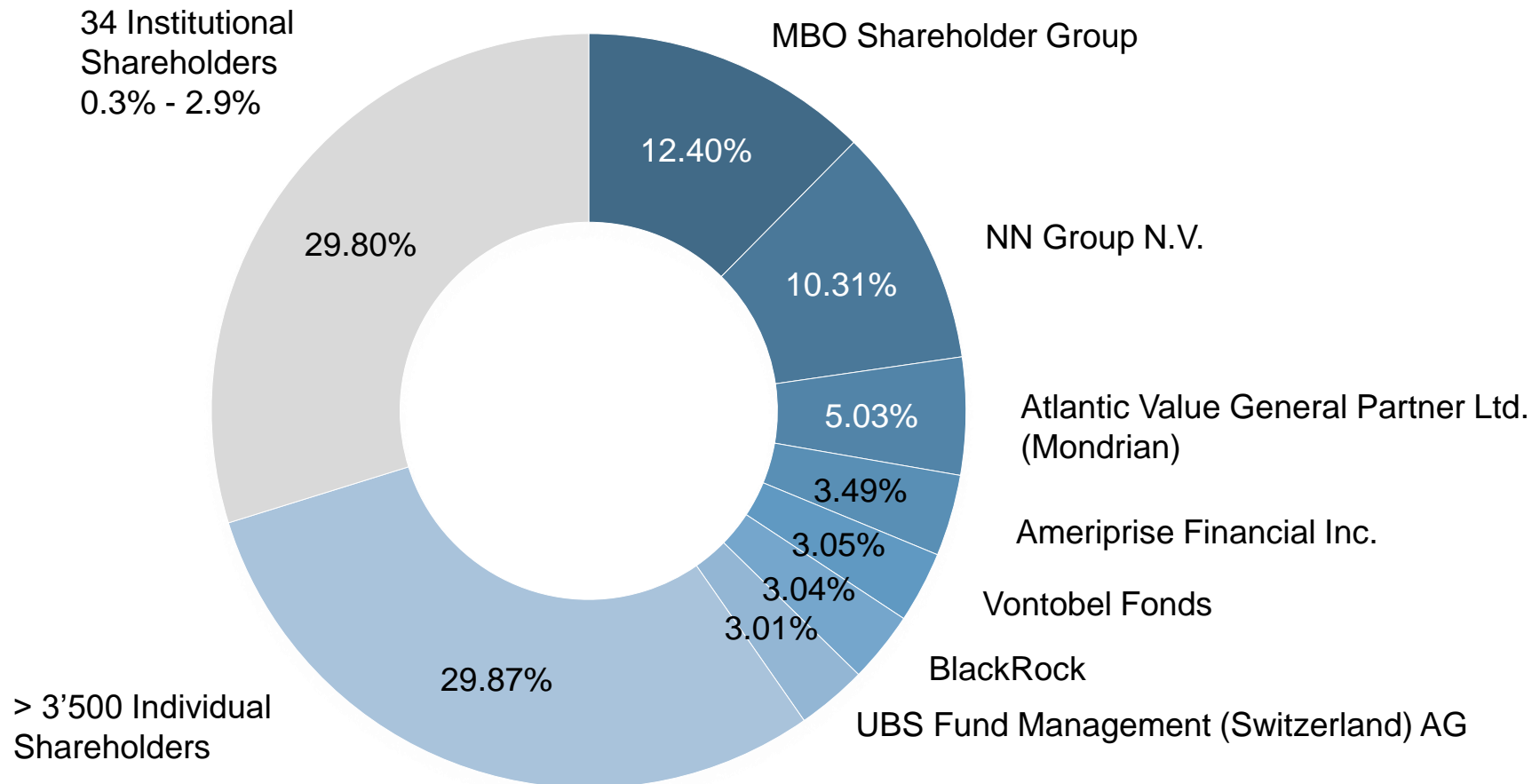
Our Products and Markets

Products Markets	 Laby® Compressors	 Laby®-GI Compressors	 B-Line M-Line Process Gas Compressor API 618	 Hyper Compressors	 Standard High Pressure Compressors	 Components and Service
Upstream oil & gas	●	●	●		●	●
Gas transport & storage	●	●	●		●	●
Refinery			●			●
Petrochemical / Chemical industry	●		●	●		●
Industrial gases	●		●		●	●

Earnings and Dividend per Share



Burckhardt Compression Shareholder Structure



Status 31.3.2020



Burckhardt Compression

Compressors for a Lifetime™