

Media Release of June 2, 2020

Burckhardt Compression: Higher sales – higher profit – lower order intake

The full-year results for 2019 of Burckhardt Compression are largely in line with the guidance the company gave during the presentation of the half-year report. Incoming orders did not match the record-high figure from the previous fiscal year. Sales were in line with expectations. Operating and net income showed another improvement, but are still not yet at the levels Burckhardt Compression has targeted in the Mid-Range Plan.

Order intake lower versus previous year

Consolidated order intake amounted to CHF 607.3 mn, 7.8% below the figure for the previous fiscal year, which was the highest ever recorded in the history of Burckhardt Compression. Excluding the effects of currency translation and acquisition activity, incoming orders declined by 8.8% y-o-y. Both divisions experienced order deferrals during the final quarter of the fiscal year (January to March 2020) due to the global coronavirus outbreak. New orders at the Systems Division amounted to CHF 361.2 mn, 15.6% less than in the previous fiscal year. The Services Division increased its order intake by 6.7% to CHF 246.1 mn, of which Arkos contributed CHF 17.6 mn following the full acquisition of this company in late November 2019.

Higher sales

Sales rose by 5.1% to CHF 629.6 mn; excluding the effects of currency translation and acquisitions, year-on-year sales growth was 3.9%. Sales at the Services Division rose by 7.8% to CHF 241.3 mn, while the Systems Division reported a 3.4% increase to CHF 388.3 mn. Services now account for almost 40% of Group sales.

Renewed increase in operating and net income

Gross profit of CHF 149.8 mn topped the prior-year figure of CHF 135.7 mn by 10.4% and the resulting gross profit margin was 23.8% (previous year: 22.6%). The gross margin at the Systems Division improved to 11.0% (previous year: 8.1%), despite the recognition of the remaining cost overruns in connection with the LNGM business, which amounted to approximately CHF 10 mn in the fiscal year under review. Gross profit at the Services Division rose by 1.7% to CHF 107.0 mn, resulting in a gross profit margin of 44.3%. This is well below the prior-year gross margin of 47.0%, primarily because the gross margin at Arkos Field Services is much lower than the average margin of the Group's other services operations. Excluding acquisition activity, the gross profit margin of the Services business stood at 47.8%.

Consolidated operating income increased by CHF 10.3 mn to CHF 54.8 mn, which corresponds to 8.7% of sales (previous year: 7.4%). Operating income at the Services Division declined to CHF 54.7 mn from CHF 58.2 mn in the previous fiscal year. The Systems Division returned to profitability, contributing a positive CHF 6.4 mn in operating income compared to a loss of CHF –8.7 mn in the previous year.

Consolidated net income rose by 23.8% y-o-y to CHF 39.9 mn or 6.3% of sales (previous year: 5.4%). Due to the substantial positive contribution of Shenyang Yuanda Compressor (whose founder still holds a 40% stake in the company) to the Group's bottom line, earnings per share attributable to Burckhardt Compression shareholders showed a proportionally smaller increase of 17.3% to CHF 9.56.

Solid balance sheet

Total assets at the end of March 2020 amounted to CHF 883.0 mn, an increase of CHF 34.3 mn or 4.0% compared to the prior-year figure. Arkos Field Services is included in this figure as a fully consolidated subsidiary. The equity ratio at year-end was 36.0% (previous year: 40.7%).

The entire goodwill from the various acquisitions Burckhardt Compression has made in recent years was taken directly to equity in accordance with Swiss GAAP FER. This resulted in a deterioration of the equity ratio in the short term, but eliminated the risk of goodwill impairments in future reporting periods.

The net financial position at the end of the fiscal year amounted to CHF –91.7 mn (previous year: CHF –49.4 mn), which primarily reflects the increase in net working capital, the acquisition of the remaining 60% interest in Arkos Field Services and fixed investment at the new factory in Shenyang.

Continued implementation of projects within the scope of the Mid-Range Plan for 2018–2022

Various projects initiated under the current Mid-Range Plan were successfully completed during the past fiscal year. A global procurement organization was established and expanded, for example, resulting in another CHF 7 mn in cost savings. "Best-cost areas" for the sourced products were identified and products were standardized. Burckhardt Compression launched a platform which is used together with the global suppliers for tracking and communication purposes and also introduced a four-stage gate process for the interaction with suppliers as well as an e-auction system. These projects marked a big step forward for the procurement operations in terms of digitalization and increased their efficiency. R&D collaborated with colleagues in Sales on the further modularization of new compressor systems, which led to a more efficient quote preparation process and simplified compressor development and manufacturing processes.

The upturn in sales at the Systems Division held the division's leading market position and the Services Division continued to grow thanks to the full acquisition of Arkos Field Services. Burckhardt Compression's growing knowledge and skills in the OBC business are leading to new growth opportunities in the US.

New factory in Shenyang on track

Construction of the new factory in Shenyang, China, is well on track despite an interrupt of six weeks because of the coronavirus outbreak and the new factory will be able to commence operations in autumn 2020 as planned.

Acquisition of the compressor business of JSW

In March 2020, Burckhardt Compression signed an agreement (closing April 2020) with The Japan Steel Works Ltd., or JSW in short, to purchase its global compressor business. This transaction with JSW clearly strengthens Burckhardt Compression's market presence in Japan and bolsters the company's global leadership.

Change in the Board of Directors

After serving as a director for 18 years, nine of them as chairman, Valentin Vogt, the current chair of the Board of Directors, will not be standing for reelection at the Annual General Meeting on July 3, 2020. Ton Büchner has been nominated for election as a new member of the Board of Directors and as its new chairman. He served as CEO and President of AkzoNobel from 2012 to 2017 and worked for Sulzer for 18 years before that, ultimately serving as CEO from 2007 to 2011.

Outlook

Burckhardt Compression is guiding for more than CHF 650 mn in sales for fiscal year 2020. The challenges encountered in the LNGM business over recent years were successfully overcome in fiscal year 2019, so no other according additional costs are expected on this front in fiscal year 2020. On the other hand, Burckhardt Compression expects consequences due to the current global uncertainties. From today's perspective, the company expects stable profit margins for the 2020 financial year.

The longer-term effects of the global corona situation on Burckhardt Compression's business cannot be estimated at this time. Order intake for the products and services in the first two months of the new fiscal year was lower than in the comparable prior-year period.

Dividend proposal

The Board of Directors will propose an unchanged dividend of CHF 6.00 per share at the Annual General Meeting. This corresponds to a payout ratio of 62.8% of net income per share (previous year: 73.6%), which is in the targeted range of 50% to 70%.

The annual report 2019 and further information on the fiscal year 2019 are available on the website on: report.burckhardtcompression.com.

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About Burckhardt Compression

Burckhardt Compression is the worldwide market leader for reciprocating compressor systems and the only manufacturer and service provider that covers a full range of reciprocating compressor technologies and services. Its customized compressor systems are used in the upstream oil & gas, gas transport and storage, refinery, chemical, petrochemical and industrial gas sectors. Burckhardt Compression's leading technology, broad portfolio of compressor components and the full range of services help customers around the world to find the optimized solution for their reciprocating compressor systems. Since 1844 its highly skilled workforce has crafted superior solutions and set the benchmark in the gas compression industry.

SIX Swiss Exchange: BCHN

For further information please visit www.burckhardtcompression.com

Attachments:

- Figures at a glance
- Consolidated income statement
- Consolidated balance sheet
- Consolidated cash flow statement
- Consolidated statement of changes in equity
- Segment reporting
- Key dates for 2020 and 2021

FIGURES AT A GLANCE

		2018	2019	Change 2018/2019
in CHF mn				
Order intake:				
– Systems Division		428.0	361.2	–15.6%
– Services Division		230.7	246.1	6.7%
Total		658.7	607.3	–7.8%
Sales and gross profit:				
– Systems Division	Sales	375.4	388.3	3.4%
	Gross profit	30.5	42.8	40.3%
	in % of sales	8.1%	11.0%	
– Services Division	Sales	223.9	241.3	7.8%
	Gross profit	105.2	107.0	1.7%
	in % of sales	47.0%	44.3%	
Total	Sales	599.3	629.6	5.1%
	Gross profit	135.7	149.8	10.4%
	in % of sales	22.6%	23.8%	
Operating income (EBIT):				
– Systems Division	Operating income (EBIT)	–8.7	6.4	
	in % of sales	–2.3%	1.7%	
– Services Division	Operating income (EBIT)	58.2	54.7	–6.0%
	in % of sales	26.0%	22.7%	
– Others	Operating income (EBIT)	–5.0	–6.3	
Total	Operating income (EBIT)	44.5	54.8	23.1%
	in % of sales	7.4%	8.7%	
Net income		32.2	39.9	23.8%
in % of sales		5.4%	6.3%	
Depreciation and amortization		21.8	20.5	–5.9%
Cash flow:				
– from operating activities		41.8	50.7	21.3%
– from investing activities		–7.8	–49.7	
– from financing activities (incl. translation differences)		–26.1	6.3	
Total		7.9	7.3	
Total balance sheet assets		848.7	883.0	4.0%
Non-current assets		250.8	234.1	–6.7%
Current assets		597.9	648.9	8.5%
Shareholders' equity		345.0	317.5	–8.0%
in % of total balance sheet assets		40.7%	36.0%	
Net financial position (in CHF mn)		–49.4	–91.7	
Headcount as per end of fiscal year (full-time equivalents)		2'346	2'621	11.7%
Total remuneration Board of Directors (in TCHF)		569	573	0.7%
Total remuneration Executive Board (in TCHF)		2'558	2'893	13.5%
Share price as per end of fiscal year (in CHF)		271.00	192.40	–29.0%
Market capitalization (in CHF mn)		921.4	654.2	–29.0%
Market capitalization/shareholders' equity (ratio)		2.7	2.1	–22.8%
Net income per share (EPS) (in CHF)		8.15	9.56	17.3%
Dividend per share (in CHF)		6.00	6.00¹	0.0%
Number of issued shares		3'400'000	3'400'000	

¹ Motion to the Annual General Meeting

CONSOLIDATED INCOME STATEMENT

	2019	2018
in CHF 1'000		
Sales	629'585	599'280
Cost of goods sold	-479'800	-463'603
Gross Profit	149'785	135'677
Selling and marketing expenses	-50'455	-48'952
General and administrative expenses	-42'753	-37'589
Research and development expenses	-10'513	-8'711
Other operating income	41'955	28'651
Other operating expenses	-33'224	-24'569
Operating income	54'795	44'507
Share of results of associates	-2'494	-1'208
Financial income and expenses	-4'741	-2'238
Earnings before taxes	47'560	41'061
Income tax expenses	-7'689	-8'860
Net income	39'871	32'201
Share of net income attributable to shareholders of Burckhardt Compression Holding AG	32'390	27'644
Share of net income attributable to non-controlling interests	7'481	4'557
Basic earnings per share (in CHF)	9.56	8.15
Diluted earnings per share (in CHF)	9.56	8.15

CONSOLIDATED BALANCE SHEET

	03/31/2020	03/31/2019
in CHF 1'000		
Non-current assets		
Intangible assets	12'943	11'369
Property, plant and equipment	202'632	191'188
Investment in associates	–	11'539
Deferred tax assets	14'513	9'061
Other financial assets	4'034	27'689
Total non-current assets	234'122	250'846
Current assets		
Inventories	264'479	222'045
Trade receivables	256'121	261'113
Other current receivables	33'377	28'482
Prepaid expenses and accrued income	4'584	3'236
Cash and cash equivalents	90'319	83'010
Total current assets	648'880	597'886
Total assets	883'002	848'732
Equity		
Share capital	8'500	8'500
Capital reserves	435	446
Treasury shares	–5'216	–1'582
Retained earnings and other reserves	269'763	295'100
Equity attributable to shareholders of Burckhardt Compression Holding AG	273'482	302'464
Non-controlling interests	44'024	42'570
Total equity	317'506	345'034
Liabilities		
Non-current liabilities		
Non-current financial liabilities	88'713	64'742
Deferred tax liabilities	13'620	15'348
Non-current provisions	14'311	14'074
Other non-current liabilities	7'616	7'401
Total non-current liabilities	124'260	101'565
Current liabilities		
Current financial liabilities	93'259	67'666
Trade payables	91'337	86'731
Customers' advance payments	145'297	129'233
Other current liabilities	13'895	36'510
Accrued liabilities and deferred income	77'122	60'881
Current provisions	20'326	21'112
Total current liabilities	441'236	402'133
Total liabilities	565'496	503'698
Total equity and liabilities	883'002	848'732

CONSOLIDATED CASH FLOW STATEMENT

	2019	2018
in CHF 1'000		
Cash flow from operating activities		
Net income	39'871	32'201
Income tax expenses	7'689	8'860
Financial income and expenses	4'741	2'238
Share of results of associates	2'494	1'208
Depreciation	17'416	17'667
Amortization	3'133	4'170
Change in inventories	-36'129	-13'736
Change in trade receivables	5'331	-37'991
Change in other current assets	-6'544	317
Change in trade payables	1'180	22'730
Change in customers' advance payments	23'494	10'298
Change in provisions	-70	1'160
Change in other liabilities	1'947	4'767
Adjustment for non-cash items	2'455	2'093
Interest received	227	568
Interest paid	-2'865	-1'883
Income taxes paid	-13'627	-12'872
Total cash flow from operating activities	50'743	41'795
Cash flow from investing activities		
Purchase of property, plant and equipment	-29'484	-22'384
Sale of property, plant and equipment	2'555	18'490
Purchase of intangible assets	-4'851	-2'546
Increase in Financial Assets	-2'100	-1'485
Acquisition of group companies net of cash acquired	-15'783	-
Disposal of group companies	-	144
Total cash flow from investing activities	-49'663	-7'781
Cash flow from financing activities		
Increase in financial liabilities	43'010	367
Decrease in financial liabilities	-5'710	-5'096
Purchase of treasury shares	-3'735	-
Dividends paid	-22'289	-20'361
Total cash flow from financing activities	11'276	-25'090
Currency translation differences on cash and cash equivalents	-5'047	-991
Net change in cash and cash equivalents	7'309	7'933
Cash and cash equivalents at beginning of period	83'010	75'077
Cash and cash equivalents at end of period	90'319	83'010
Net change in cash and cash equivalents	7'309	7'933

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF 1'000

	Share capital	Capital reserves	Treasury shares	Hedge reserve	Translation reserve	Goodwill offset	Other retained earnings	Equity attributable to shareholders of Burckhardt Compression Holding AG	Non-controlling interests	Total equity
Balance at 04/01/2018	8'500	421	-1'652	-434	2'145	-103'830	390'917	296'067	39'133	335'200
Result for the period							27'644	27'644	4'557	32'201
Currency translation differences					-1'778			-1'778	-1'120	-2'898
Changes of cash flow hedges				-971				-971		-971
Dividends paid							-20'361	-20'361	-	-20'361
Share-based payments (distributed)		25	70				-95	-		-
Share-based payments (allocated)							1'863	1'863		1'863
Balance at 03/31/2019	8'500	446	-1'582	-1'405	367	-103'830	399'968	302'464	42'570	345'034
Balance at 04/01/2019	8'500	446	-1'582	-1'405	367	-103'830	399'968	302'464	42'570	345'034
Result for the period							32'390	32'390	7'481	39'871
Currency translation differences					-13'682			-13'682	-4'101	-17'783
Changes of cash flow hedges				789				789		789
Dividends paid							-20'363	-20'363	-1'926	-22'289
Changes in treasury shares			-3'735					-3'735		-3'735
Share-based payments (distributed)		-11	101				-90	-		-
Share-based payments (allocated)							2'948	2'948		2'948
Revaluation of 40% Investment Arkos							-9'324	-9'324		-9'324
Goodwill on acquisition						-18'005		-18'005		-18'005
Balance at 03/31/2020	8'500	435	-5'216	-616	-13'315	-121'835	405'529	273'482	44'024	317'506

SEGMENT REPORTING

in CHF 1'000	Systems Division		Services Division		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Sales	388'256	375'400	241'329	223'880	–	–	629'585	599'280
Cost of goods sold	–345'482	–344'906	–134'318	–118'697	–	–	–479'800	–463'603
Gross profit	42'774	30'494	107'011	105'183	–	–	149'785	135'677
Gross profit as % of sales	11.0%	8.1%	44.3%	47.0%	–	–	23.8%	22.6%
Operating income	6'443	–8'669	54'692	58'185	–6'340	–5'009	54'795	44'507
Operating income as % of sales	1.7%	–2.3%	22.7%	26.0%	–	–	8.7%	7.4%

KEY DATES FOR 2020 AND 2021

July 3, 2020

Annual General Meeting

November 4, 2020

Results for the first half of 2020 (closing September 30, 2020)

November 4, 2020

Investor Day

June 1, 2021

2020 Annual Report (closing March 31, 2021)

July 3, 2021

Annual General Meeting