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# CAPITAL MARKETS DAY

NOVEMBER 4, 2020, WINTERTHUR




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# Our objective today is to provide you with a clear understanding of...




The dynamics that underpin growth in our end markets




How we are adapting to the evolving megatrends




The strength of our market positioning globally



The strategic levers to improve the top- and bottom-line



Our M&A strategy and approach to capital allocation



Our MRP 2022 financial objectives and beyond

# Agenda

11:00am – 11:10am	<b>Welcome</b>	Marcel Pawlicek	
11:10am – 11:20am	<b>Chairman's Introduction</b>	Ton Buechner	<b>7</b>
	<b>Burckhardt Compression Today</b>		<b>10</b>
11:20am – 12:50am	<b>Market Positioning</b>	Marcel Pawlicek	<b>19</b>
	<b>Strategic Framework incl. Q&amp;A</b>		<b>35</b>
12:50pm – 1:15pm	<i>Break</i>		
1:15pm – 2:00pm	<b>Systems Division incl. Q&amp;A</b>	Fabrice Billard	<b>42</b>
2:00pm – 2:45pm	<b>Services Division incl. Q&amp;A</b>	Rainer Duebi	<b>58</b>
2:45pm – 3:15pm	<i>Break</i>		
3:15pm – 3:45pm	<b>Financial Review incl. Q&amp;A</b>	Rolf Braendli	<b>75</b>
3:45pm – 4:00pm	<b>Conclusion</b>	Marcel Pawlicek	<b>87</b>

# Today's Speaker

**GROUP  
CHAIRMAN**



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Ton Buechner

**GROUP  
CEO**



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Marcel Pawlicek

**GROUP  
CFO**



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Rolf Braendli

**SYSTEMS  
DIVISION**



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Fabrice Billard

**SERVICES  
DIVISION**



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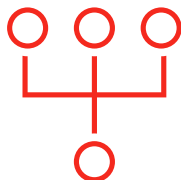
Rainer Duebi

# Five key messages



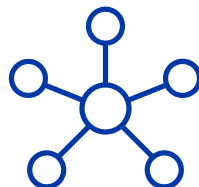
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Geographical positioning and large customer base offer **scale benefits** for future growth



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The integrated Systems and Services business model provides **overall stability** across the entire value chain



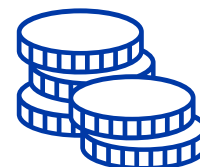
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Well positioned to participate and **benefit from** new applications and the **changing energy mix**



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Committed to **reach MRP 2022 group targets** and further drive profitable growth



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**Disciplined approach to capital allocation** underpins strategic execution and value creation objectives

**Focused on sustainable value creation for all stakeholders within MRP period and beyond**





# 1. Chairman's Introduction

**Ton Buechner**



# Ton Buechner

## ***Chairman of the Board of Directors***

*Swiss and Dutch citizen*

Master of Science in Civil Engineering from Delft University of Technology, The Netherlands  
Master of Business Administration from IMD, Lausanne, Switzerland

### **Professional background**

- 2012 – 2017 Chairman and CEO of the Executive Board of AkzoNobel NV, The Netherlands
- 2007 – 2011 CEO of Sulzer AG, Switzerland
- 1994 – 2007 various management positions at Sulzer AG, Switzerland

### **Other activities and commitments**

- Chairman of the Board of Directors, Swiss Prime Site AG, Switzerland
- Member of the Board of Directors, Novartis AG, Switzerland
- Member of the Shareholder Committee, Voith GmbH & Co. KGaA, Germany



# Recent developments and core priorities

## CHANGE IN CHAIRMANSHIP

1

- Assumed Chair on July 3, 2020
- Structured succession process ensured a smooth transition
- Highly motivated to build on Mr. Valentin Vogt's tenure and guide the company through the next phase of its rich history

## CORONAVIRUS IMPACT

2

- Supervisory Board rapidly adopted a flexible working mode following coronavirus impact
- Key priority was to address employee and customer needs
- Streamlined decision making processes to support management's execution

## CORE PRIORITIES

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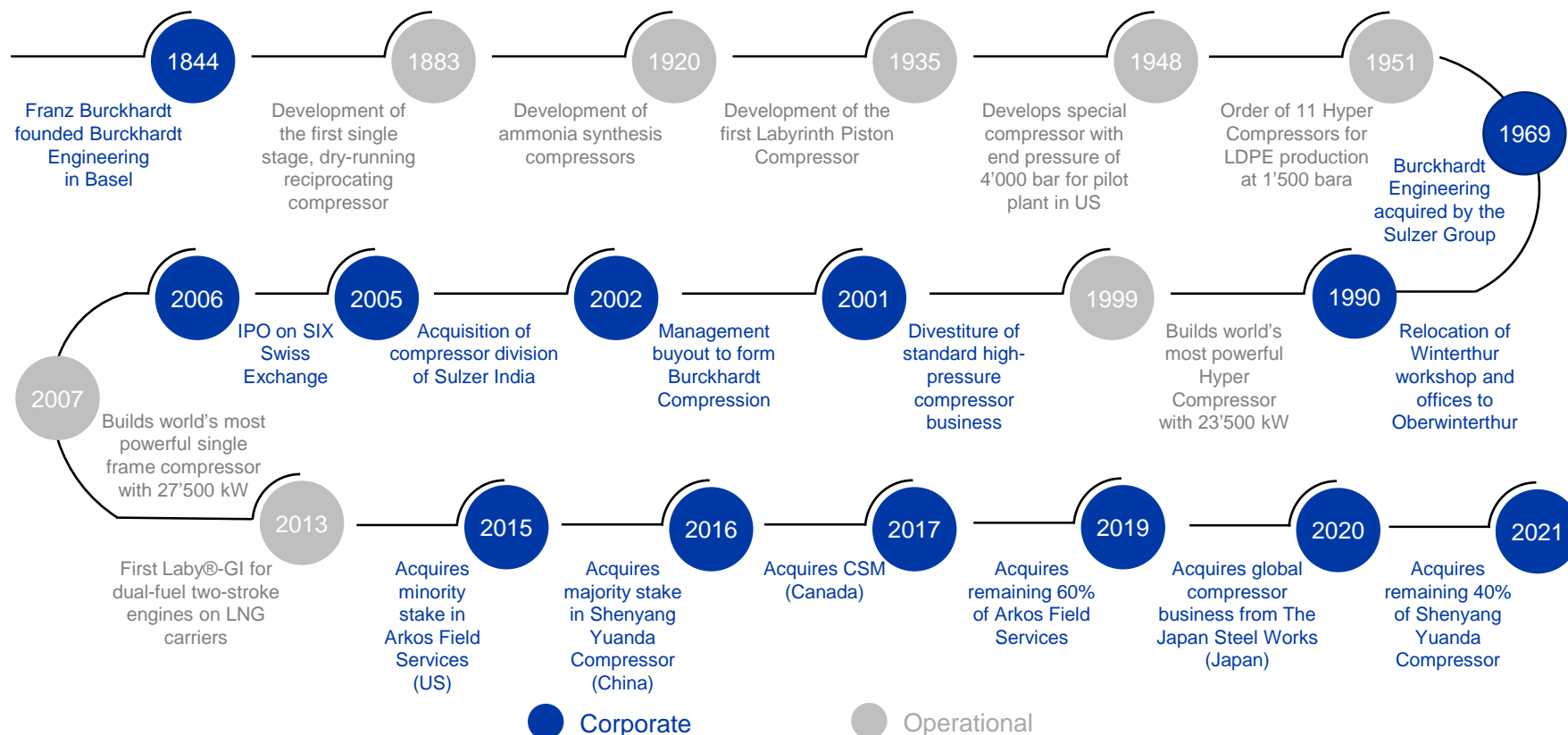
- Support management in the execution of the MRP 2022 and deliver on strategic objectives
- Drive greater focus on sustainability across the organization
- Meet international governance criteria and drive towards best-in-class standards









## 2. Burckhardt Compression Today

Marcel Pawlicek

# 175+ year history of evolution, innovation and excellence



# Burckhardt Compression snapshot

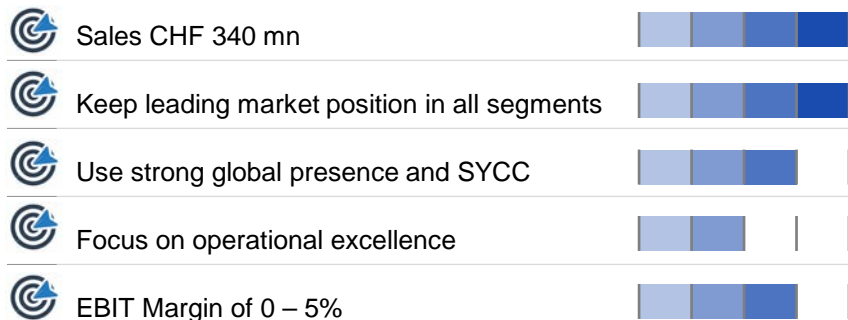
	CHF <b>629.6</b> mn revenues in 2019	 <b>30%+</b> market share with leading market position in key applications
Capturing <b>GROWTH</b> opportunities in new applications driven by change in environmental regulations and energy mix	 <b>Burckhardt Compression</b> <b>#1 Global Leader in Reciprocating Compressors</b>	<b>INTEGRATED</b> business model underpins unique proposition 
Represented in <b>80+</b> countries across <b>5</b> continents	<b>2'621</b> people across 37 locations 	

# Status 2020: On the way to achieving our 2022 ambitions

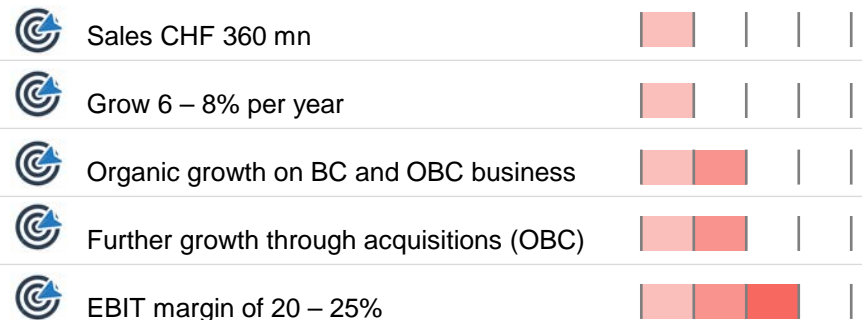
## BC GROUP



## SYSTEMS DIVISION



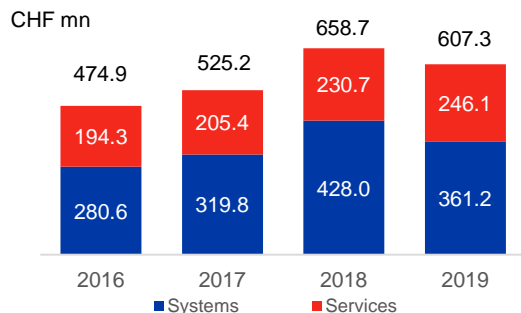
## SERVICES DIVISION



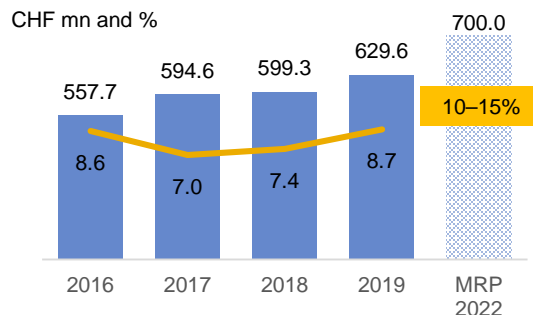


# Solid financial performance within a challenging market environment

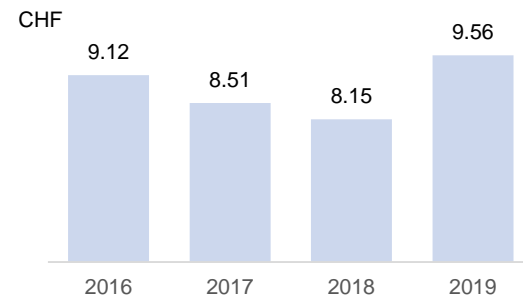
## ORDER INTAKE



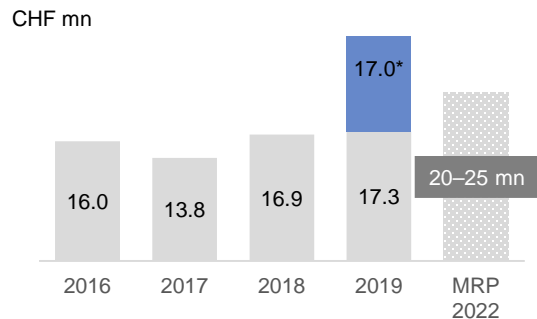
## GROUP SALES & EBIT MARGIN



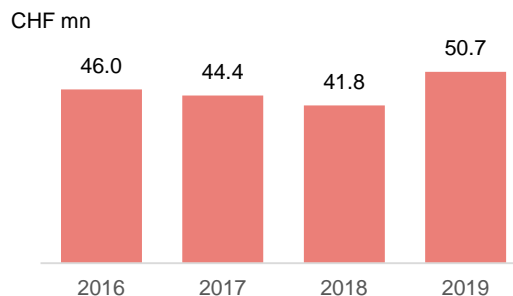
## EARNINGS PER SHARE



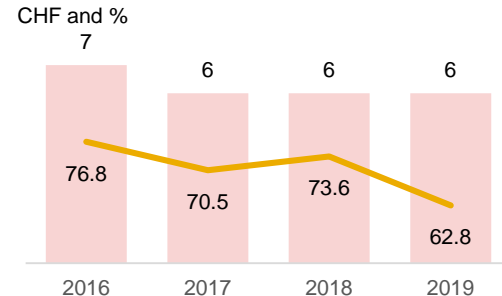
## CAPITAL INVESTMENTS



## CASH FLOW FROM OP. ACTIVITIES



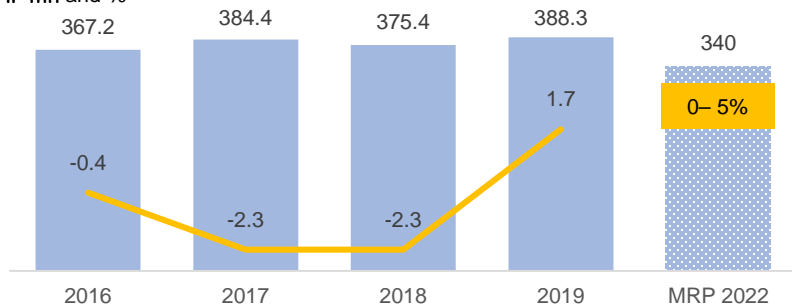
## DIVIDEND PER SHARE & PAYOUT



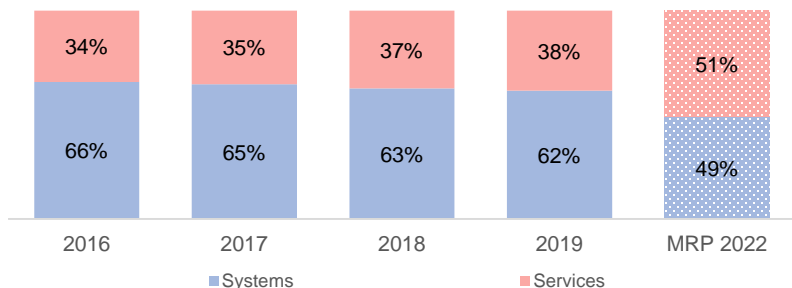
# Systems Division back to profitability while Services Division operationally geared up to deliver

## SYSTEMS DIVISION (SALES & EBIT MARGIN)

CHF mn and %

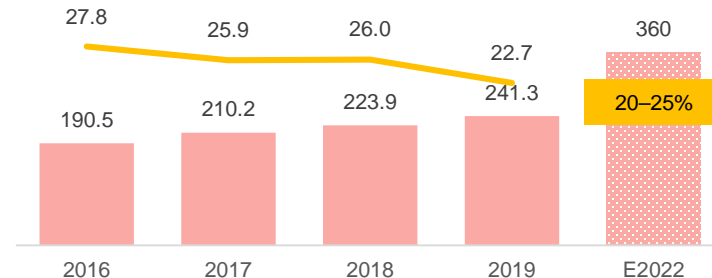


## SALES MIX BY DIVISION

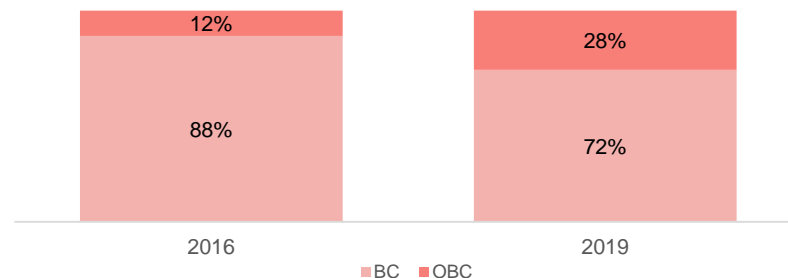


## SERVICES DIVISION (SALES & EBIT MARGIN)

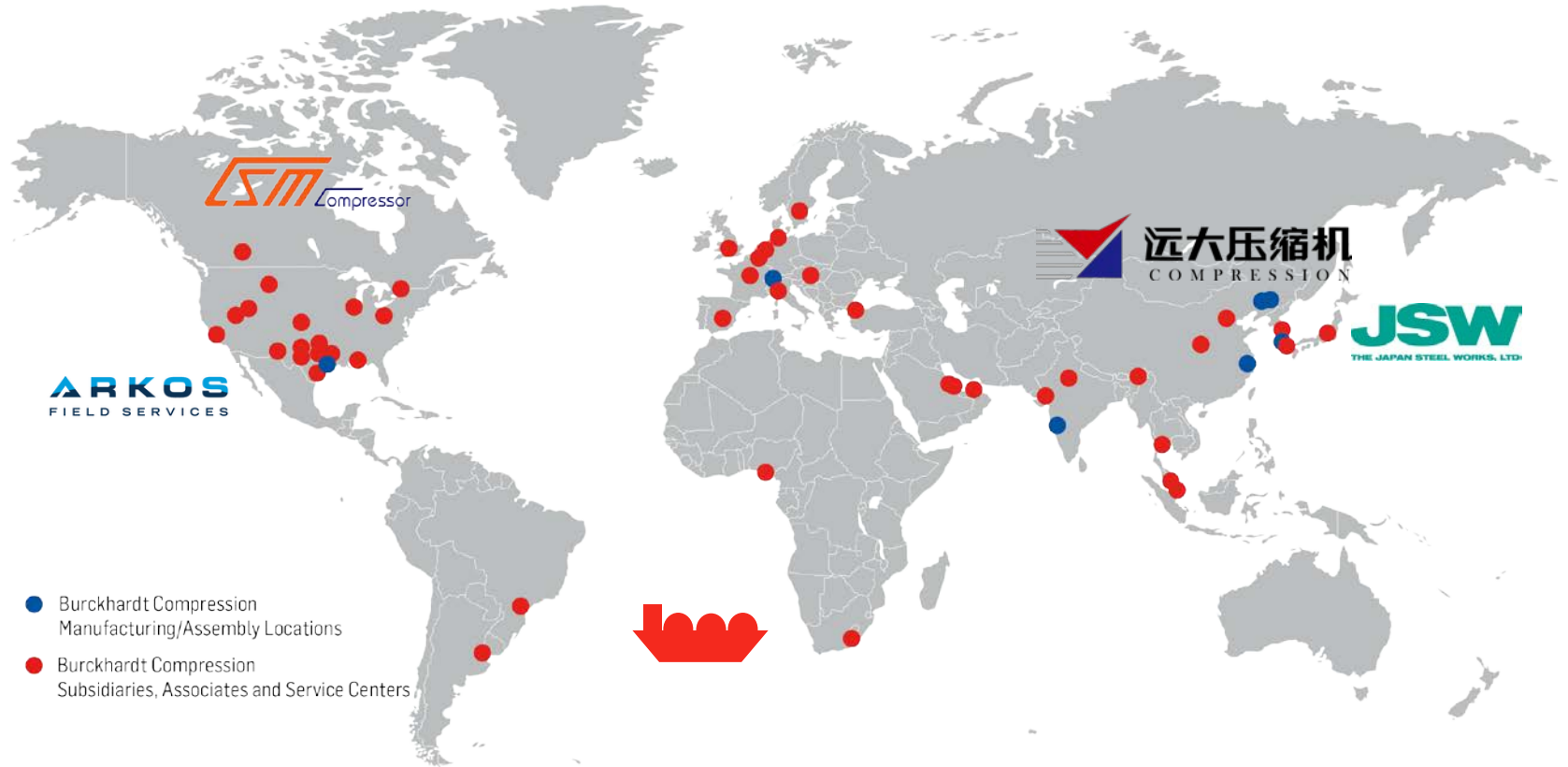
CHF mn and %



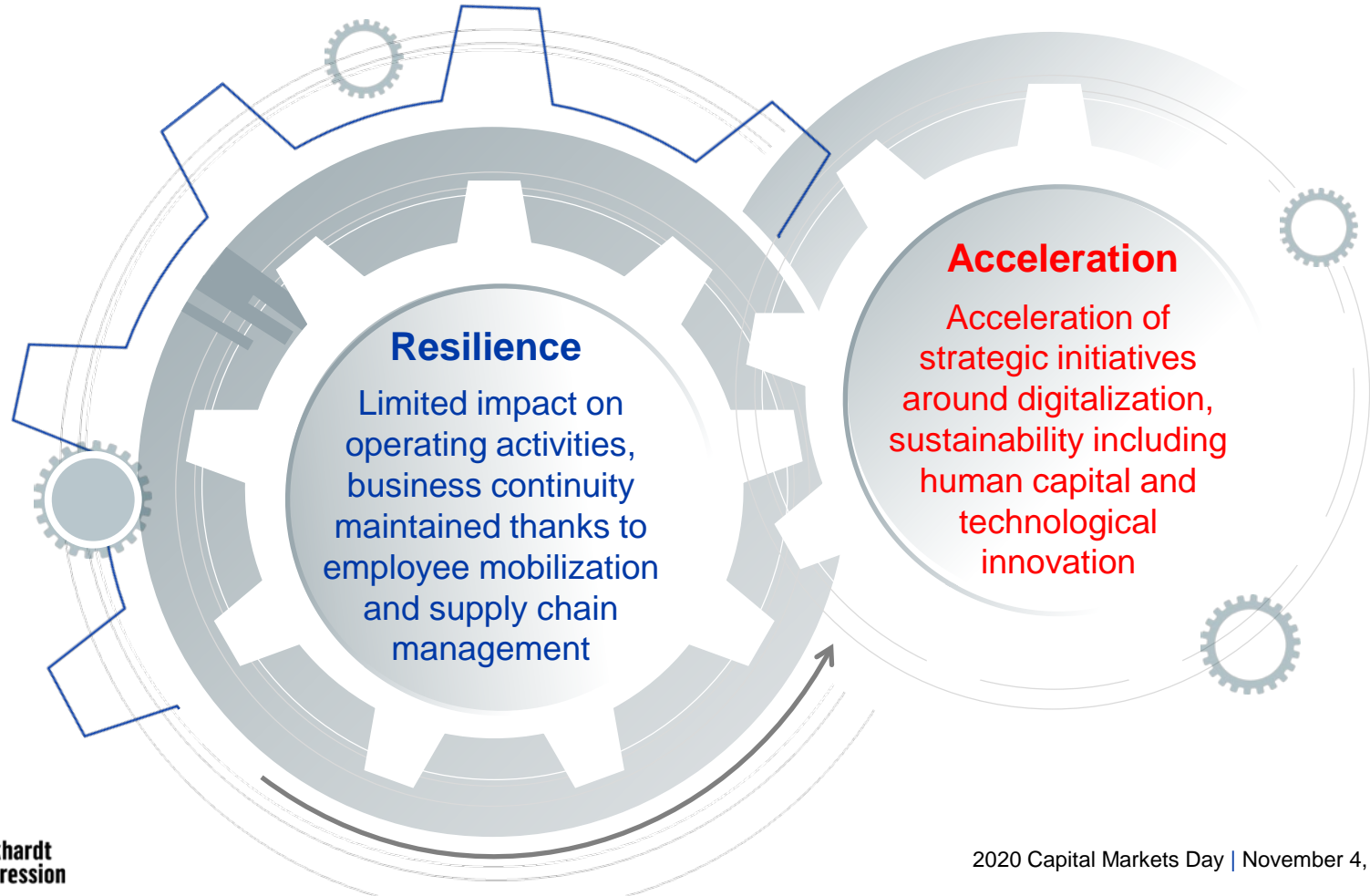
## EVOLUTION OF SERVICE MIX



# Local presence strengthened via acquisitions and collaborations; Strategically positioned to capture upside



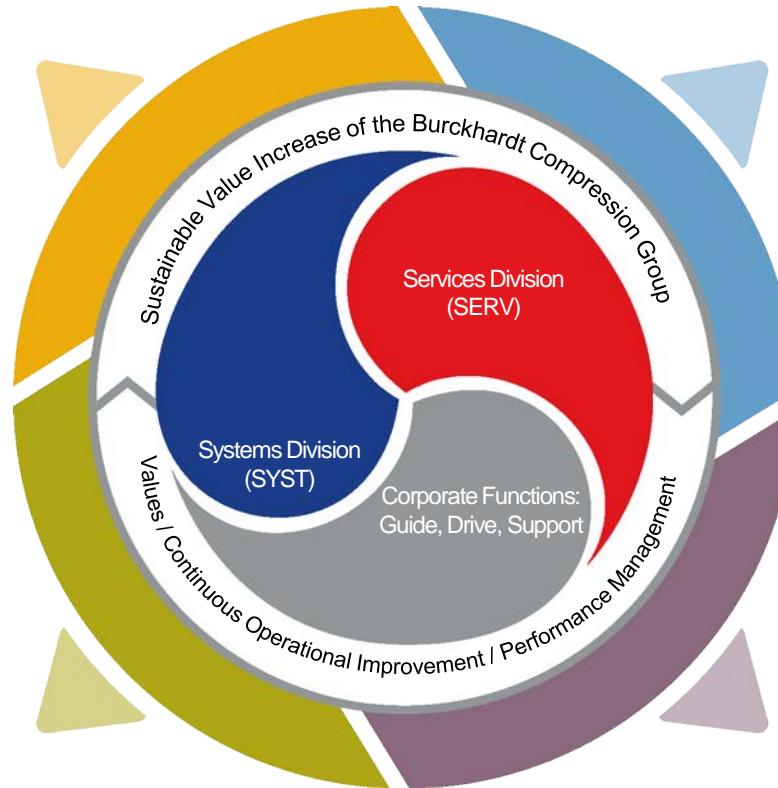
# Global coronavirus pandemic accelerates strategic approach



# Business model remains robust and provides solid platform for further growth

Resilient business model underpinned by geographical and segmental diversification

Scale and global reach with strong market positioning



Platform to enhance customer value proposition and drive growth in Services

Robust financial framework supports execution capabilities



### 3. Market Positioning

Marcel Pawlicek

# Addressing the diversity of gas and related challenges



gas

/gas/

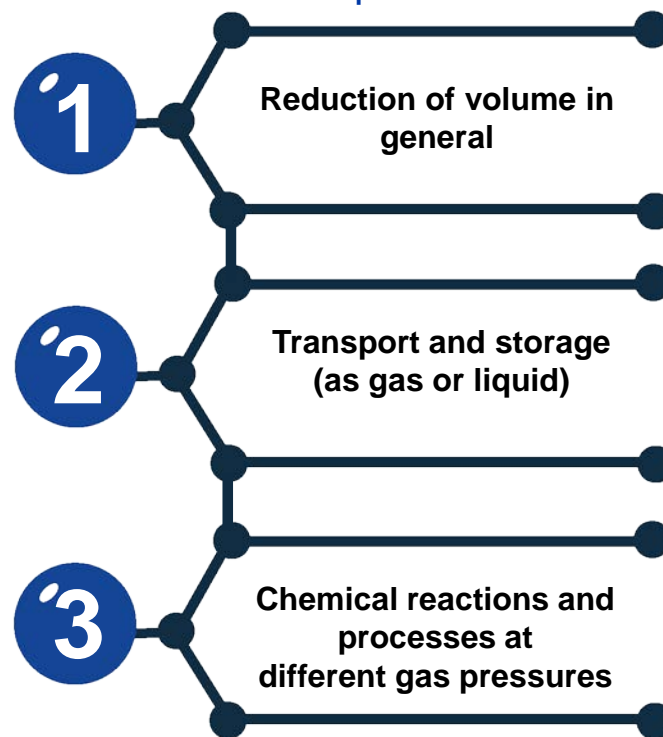
No shape or volume and can be either:

- A single element (e.g. hydrogen)
- A compound of elements (e.g. carbon dioxide)
- A mixture of several gases in any combination (e.g. air)

$O_2$ Oxygen								
$N_2$ Nitrogen	$NH_3$ Ammonia	$CO_2$ Carbon dioxide	$CO$ Carbon monoxide	$HCl$ Hydrogen chloride	$N_2O$ Nitrous oxide	$NF_3$ Nitrogen trifluoride	$N_2S$ Hydrogen sulfide	$F_6S$ Sulphur hexafluoride
$H_2$ Hydrogen	$CH_4$ Methane	$CH_2$ Ethylene	$C_2H_6$ Ethane	$C_2H_4$ Ethene	$C_3H_8$ Propane	$C_3H_6$ Propene	$C_4H_{10}$ Butane	$C_4H_8$ Butene
$F$ Fluorine	LNG Liquified Natural Gas	LPG Liquified Petroleum Gas	CNG Compressed Natural Gas	LEG Liquified Ethylene Gas	LH2 Liquid Hydrogen	He Liquid Helium		
$Cl$ Chlorine	He Helium	Ne Neon	Ar Argon	Kr Krypton	Xe Xenon	Rn Radon		

  Elemental gases  
   Compound gases  
   Hydrocarbon gases  
   Liquified and compressed gases  
   Noble gases  
   Of greater relevance to Burckhardt

Compression for



# Diverse and evolving range of industrial applications and end products

## Industrial Applications

### Transport & Storage

- LNG on- and off-shore
- LPG on- and off-shore
- CNG
- Pipeline applications
- Boil off gas applications
- ...

### Refinery

- Hydrotreater
- Hydrocracker
- Reforming
- Isomerization
- Desulphurization
- ...

### Petrochemical & Chemical Industry

- Polyethylene/-propylene
- LDPE (Hyper)
- Ethylene oxide/glycol
- Synthetic rubber
- Wet oxidation
- ...

### Industrial Gases

- Hydrogen production
- Air separation
- Chlorine
- Gases for polysilicon
- Carbon mono-/dioxide
- ...

## New applications are emerging....

- Hydrogen as a fuel
- Natural gas as a fuel
- Synthetic fuel
- Bio-deterable products
- Gas underground storage
- CO<sub>2</sub> capture/storage
- ...and more

## End Products and Utilizations

- Power generation
- Fuel (NGV/CNG)
- Heating/cooking

- Gasoline
- Diesel
- Kerosene

- Food packaging
- Industrial foils
- Plastic bags

- Glass production
- Microchip production
- Photovoltaic production

- Cosmetics
- Pharmaceuticals
- Fertilizers
- Detergents

- Fuels
- Heating
- Lubricants
- Asphalt and tar

- Industrial gas distributors
- Food processing
- Steel production

- Insulation material
- Automotive parts
- Eva foils for solar panels

## ... to address new end products and utilizations

- Environmentally-friendly fuels and products
- Reduction of CO<sub>2</sub> emissions
- New propulsion systems for ships

# Breaking down the life cycle of a typical project

Duration	1-3 Years	10-22 Months	1-12 Months	1-2 Months	2 Years (avg)	40 Years (avg)
Phase	Evaluation and start construction	Manufacturing of compressor system	Compressor installation	Start-up compressor	Warranty period	Post warranty
Decision maker	End customer/EPC/Licensor	End customer/EPC			End customer	
Project Progression	Decision to build plant and purchase order	Compressor shipped & transfer of ownership		Product acceptance		Repair & maintenance; Structural machine build
Division in charge	Systems Division		Systems Division and Services Division		Services Division	
Revenue recognition			Systems at shipping (depending on Incoterms); Services at completion of start-up		Ad hoc	
Costs	Selling & marketing expenses	Cost of goods sold	Cost of goods sold			SGA & COGS
CAPEX	CAPEX relatively stable, not directly linked to projects					
NWC	Fluctuating NWC				Stable NWC	

# Customer trends underpin necessity for Systems and Services Division to cover the entire value chain

## Fundamental demand drivers



## Ongoing trends driving Systems and Services Division

SYST

SERV

Continued focus on energy efficiency/savings, energy recovery and reduction of CO<sub>2</sub> emissions

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Increased demand for service and monitoring of growing installed base

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Focus on total solutions and total lifecycle costs

+

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Customers keeping compressors running for longer

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New applications

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# Stable blue-chip customer base

Gas Gathering & Processing	Gas Transport & Storage	Refinery	Petrochemical/ Chemical Industry	Industrial Gas/H <sub>2</sub> Mobility & Energy
				

# Market leadership protected by high entry barriers and competitive strengths



## Entry barriers

References and experience

Reliable and highly available

Excellence in project execution

Purely focused on gas compression

Global presence with local support

Lowest life cycle costs

Low and predictable downtimes

Low maintenance costs

## Key competitive strengths

Technology and application expertise

Understand customer specifications and local requirements

Mission critical equipment

Customer conservatism

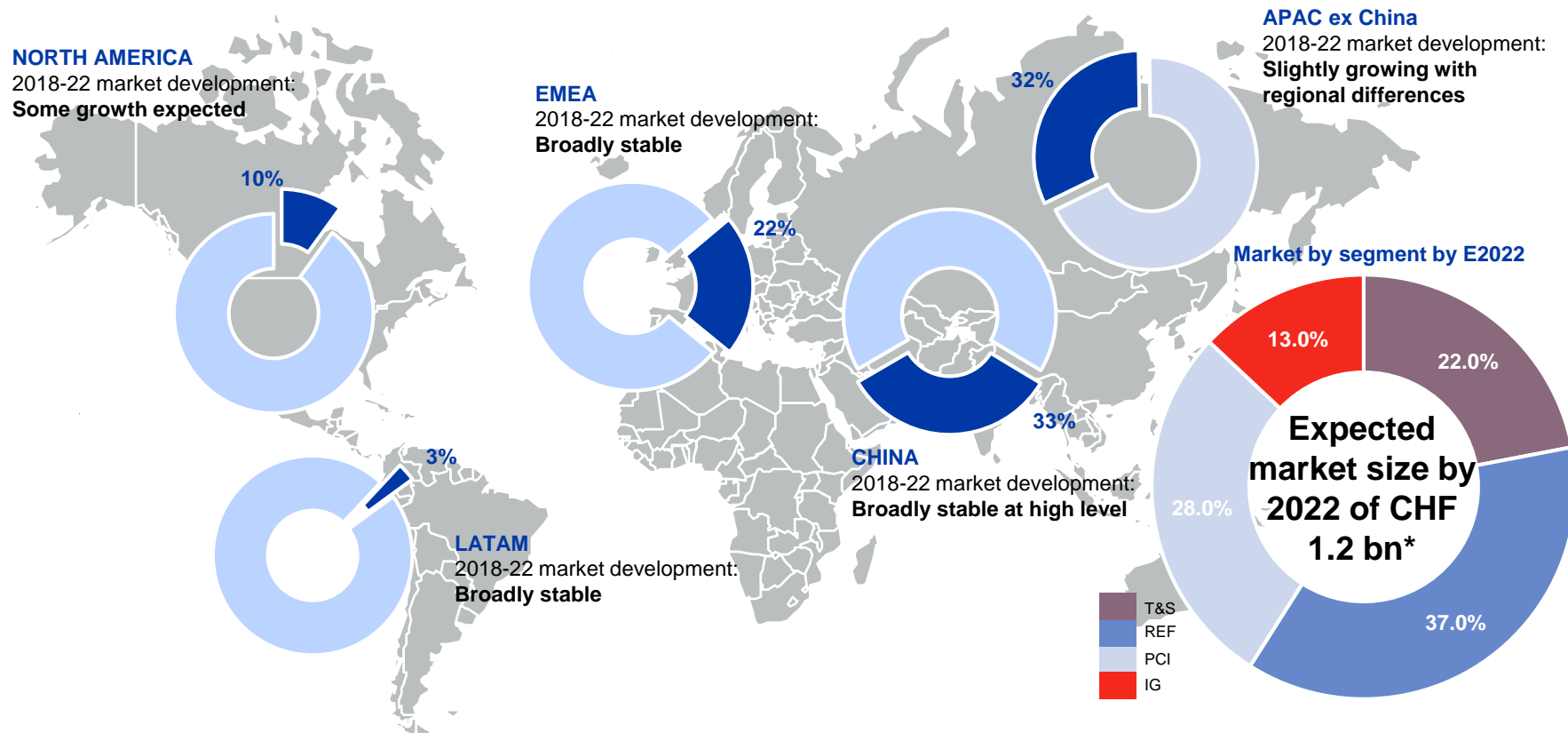
Reliability and availability

Health and safety excellence

Customer relationships

Global presence

# Systems Division operating in broadly stable markets; Cyclicity compensated by diversity of applications and geographical footprint



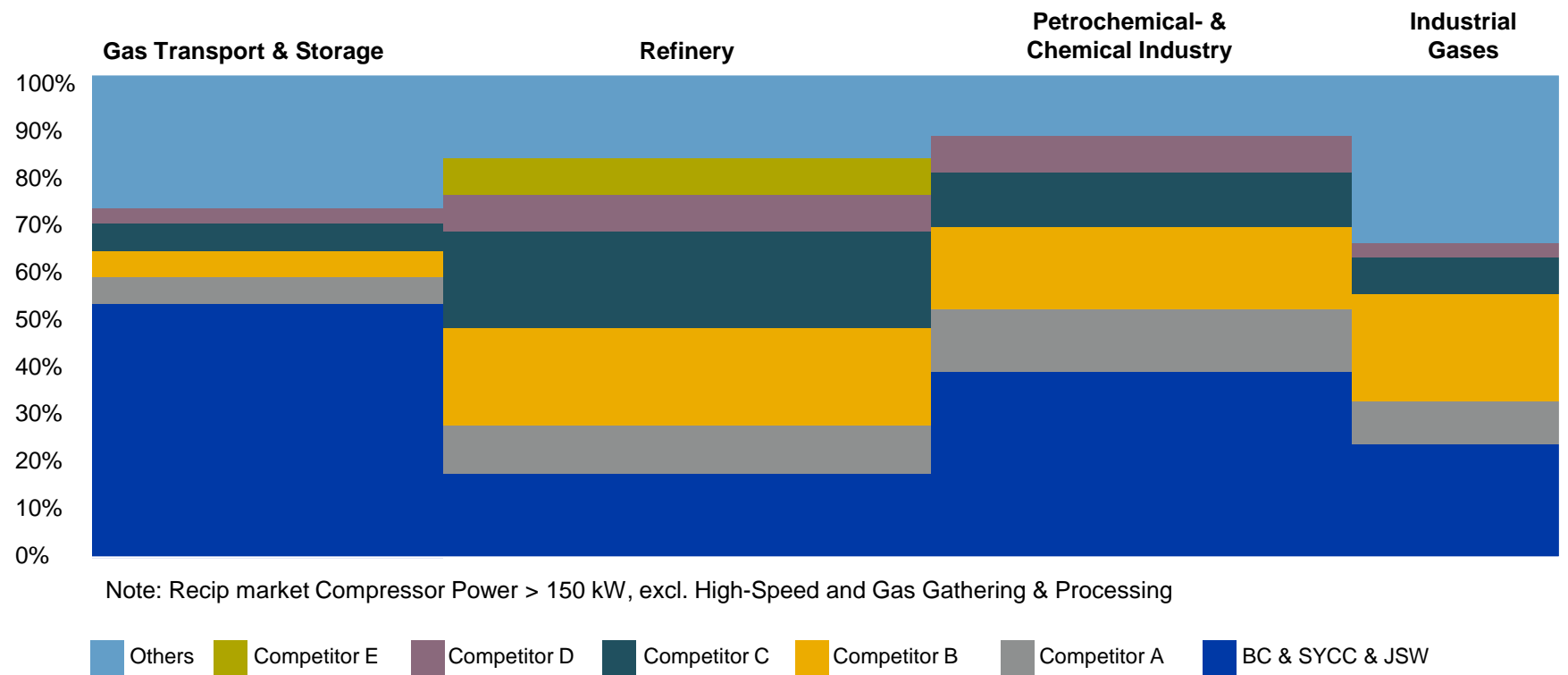
# Well-positioned to defend and grow in different segments and regions

## Systems Division

## Services Division

	Market Share	Key Drivers	Key Markets	BC Approach / Growth Opportunities	Throughput
<b>Gas Gathering &amp; Processing</b>	< 5%	<ul style="list-style-type: none"> <li>Age of oil fields (EOR)</li> <li>CAPEX spend</li> <li>Extraction technologies</li> <li>Oil price</li> </ul>	<ul style="list-style-type: none"> <li>NAM, ME, Off-shore globally</li> </ul>	<ul style="list-style-type: none"> <li>Increase share of specific applications</li> </ul>	<ul style="list-style-type: none"> <li>Service potential for 30 to 40 years</li> <li>Some applications with gas engine drive are very service intensive</li> </ul>
<b>Gas Transport &amp; Storage</b>	> 50%	<ul style="list-style-type: none"> <li>Gas is found where it is not needed</li> <li>Increasing global energy demand</li> <li>Drive towards cleaner fuel due to environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>Australia, China, Korea, ME, Russia and USA</li> </ul>	<ul style="list-style-type: none"> <li>Defend leading position</li> <li>New technology for cleaner propulsion systems</li> <li>LNG terminals in China, SE Asia, Europe</li> </ul>	<ul style="list-style-type: none"> <li>Service potential for 20 to 30 years for complete systems (marine)</li> <li>30 to 40 years for on-shore</li> <li>Potential for LTSAs</li> </ul>
<b>Refinery</b>	> 15%	<ul style="list-style-type: none"> <li>CAPEX spend (based on oil price)</li> <li>Older/less efficient technologies</li> <li>Consolidation of capacity</li> <li>Cleaner fuel</li> </ul>	<ul style="list-style-type: none"> <li>China, ME, India, SE Asia and USA</li> </ul>	<ul style="list-style-type: none"> <li>Increase share, with a focus on emerging markets</li> </ul>	<ul style="list-style-type: none"> <li>Service potential for 30 to 40 years</li> <li>Large OBC potential</li> <li>High maintenance and spare parts requirements</li> </ul>
<b>Industrial Gas/ H<sub>2</sub> Mobility &amp; Energy</b>	> 20%	<ul style="list-style-type: none"> <li>GDP growth and population growth</li> <li>Environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>China, SE Asia</li> <li>For H<sub>2</sub> China, Europe, Japan, Korea, USA</li> </ul>	<ul style="list-style-type: none"> <li>Utilize presence in China to drive market share</li> <li>Focus on new applications such as H<sub>2</sub> mobility &amp; energy</li> </ul>	<ul style="list-style-type: none"> <li>Service potential for 30 to 40 years</li> <li>Large OBC potential</li> <li>Potential for LTSAs</li> </ul>
<b>Petro-chemical/Chemical Industry</b>	> 40%	<ul style="list-style-type: none"> <li>Growth of population and purchase power</li> <li>Demand for lighter materials</li> </ul>	<ul style="list-style-type: none"> <li>China, CIS, India, ME, Russia and USA</li> </ul>	<ul style="list-style-type: none"> <li>Defend leading position</li> <li>Focus on new environmental products</li> </ul>	<ul style="list-style-type: none"> <li>Service potential for 30 to 40 years</li> <li>Large OBC potential</li> <li>Potential for LTSAs</li> </ul>

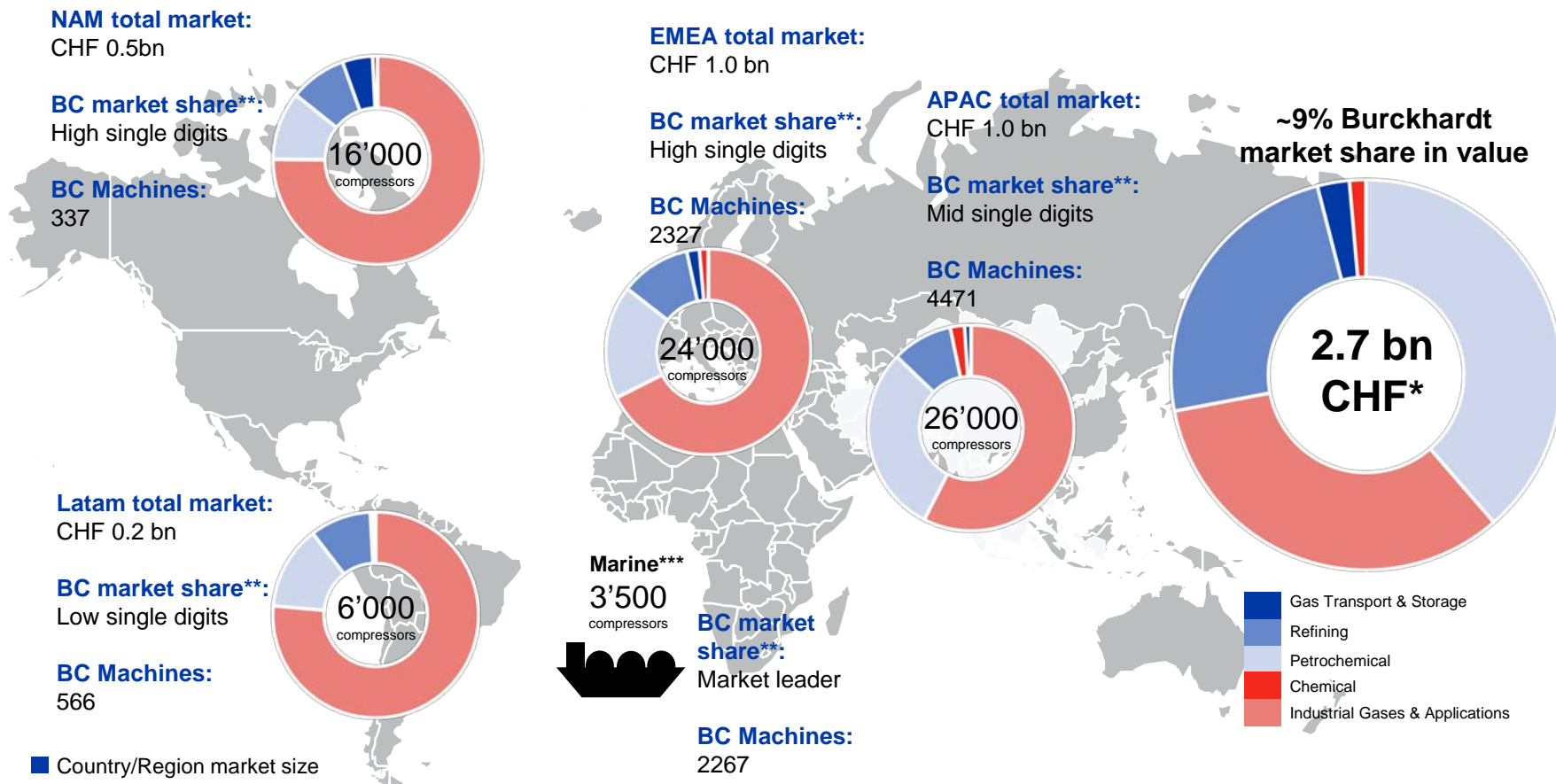
# Strong market share overall which has been strengthened through acquisitions in China and Japan



Note: Recip market Compressor Power > 150 kW, excl. High-Speed and Gas Gathering & Processing



# Significant potential to grow from our current position in Services



# Market positioning in Services Division underpins opportunity for accelerated growth

	Position	Market dynamic	Drivers	Key markets and growth opportunities
<b>Spare Parts</b>	<ul style="list-style-type: none"> <li>Strong position in OEM with &gt; 70% coverage</li> </ul>	<ul style="list-style-type: none"> <li>Relatively stable</li> <li>Customer OEM loyalty</li> <li>Stable pricing</li> </ul>	<ul style="list-style-type: none"> <li>Availability of mission critical equipment</li> </ul>	<ul style="list-style-type: none"> <li>Refinery, Petrochemical &amp; Chemical Industry</li> <li>Growth potential with the installation of new machines</li> </ul>
<b>Engineering/ Revamp/ Repair</b>	<ul style="list-style-type: none"> <li>Expertise from the OEM business</li> <li>Know-how about latest technologies</li> <li>Global setup</li> </ul>	<ul style="list-style-type: none"> <li>First point of contact because of excellent OEM reputation</li> </ul>	<ul style="list-style-type: none"> <li>Age of machines</li> <li>Debottlenecking</li> <li>Modernization</li> <li>Reduction of OPEX</li> </ul>	<ul style="list-style-type: none"> <li>All markets except marine are key</li> <li>Increasing potential on older machines</li> <li>LTSAs and providing service on complete systems not only compressors</li> </ul>
<b>Field Services</b>	<ul style="list-style-type: none"> <li>Overhauls, repairs, major services, interventions, revamps, upgrades</li> <li>Solid position in overhauls, major services and interventions due to high OEM loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Relatively stable</li> <li>Customer OEM loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Availability of mission critical equipment</li> <li>Maximization of production</li> <li>Age of equipment</li> <li>Local presence (speed)</li> </ul>	<ul style="list-style-type: none"> <li>All markets are key</li> <li>LTSAs and providing service on complete systems not only compressors</li> </ul>
<b>Monitoring/ Diagnostics</b>	<ul style="list-style-type: none"> <li>Leading provider for reciprocating compressors of all brands with &gt; 50% market share in critical equipment</li> </ul>	<ul style="list-style-type: none"> <li>Cyclical</li> <li>CAPEX sensitive</li> </ul>	<ul style="list-style-type: none"> <li>Availability of mission critical equipment</li> <li>Avoidance of unexpected shut-downs</li> </ul>	<ul style="list-style-type: none"> <li>Petrochemical &amp; Chemical Industry, LNG, and Refinery</li> <li>New business and service models with digitalization</li> </ul>
<b>OBC</b>	<ul style="list-style-type: none"> <li>Full provider of all OEM service products for OBC machines</li> </ul>	<ul style="list-style-type: none"> <li>Very fragmented and local driven through many small, non-OEM service companies</li> </ul>	<ul style="list-style-type: none"> <li>Availability of mission critical equipment</li> <li>Maximization of production</li> <li>Age of equipment</li> <li>Local presence (speed)</li> </ul>	<ul style="list-style-type: none"> <li>All markets, brands and regions except marine offer significant potential</li> <li>1/3 (c. 25k) of machines no longer with OEM</li> <li>Transfer leading OEM know-how into higher value-added service opportunities</li> <li>US downstream market</li> </ul>

# Adjusting to changing customer requirements critical in improving our service proposition

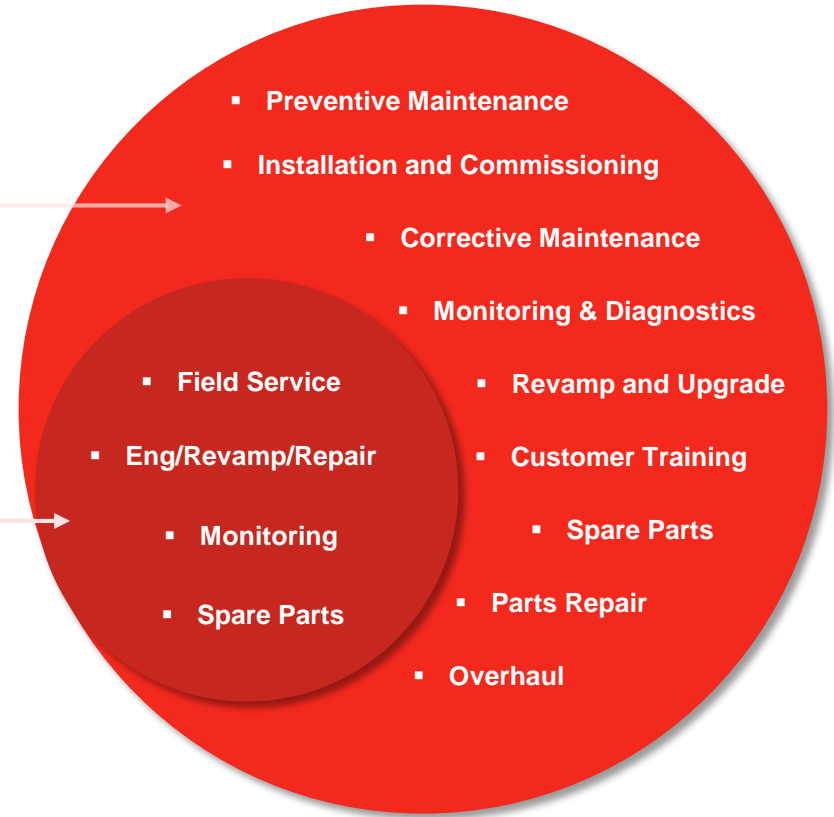
**Preventive maintenance** will remain an important role

**Service cases** will play an important role in the future and drive the service mix

Direct **spare parts** business will decrease as a % of overall mix but will slightly increase in absolute terms

## SERVICE CASES

## PRODUCT TRADITIONAL



# Megatrends support long-term fundamentals

## Demographics and economic power



- World population growth leads to increasing demand for industrial gases (e.g. medical, food and beverage, fertilizers (CO<sub>2</sub>), inert gas)
- Annual ~2% demand growth for petrochemical- and chemical products for industrial- and consumer products based on increased world population and middle-class growth
- Growth of middle-class in emerging countries driving the need for natural gas-based products
- Investments in Asia

## Climate and regulation



- Changing energy mix (natural gas, renewables, etc.)
- US political support for domestic gas production
- Natural gas as a clean and less expensive source of energy
- Hydrogen to be used as fuel
- Environmental pressure to reduce CO<sub>2</sub> leads to commercial applications for CO<sub>2</sub>
- Stricter environmental regulations lead to clean energy solutions in marine applications
- Clean fuels

## Technology



- Phase out of less efficient technologies triggers replacement cycles
- Digitalization, IoT
- Flexibility to process different crude oil qualities and upgrading the bottom of the barrel (heavy crude)

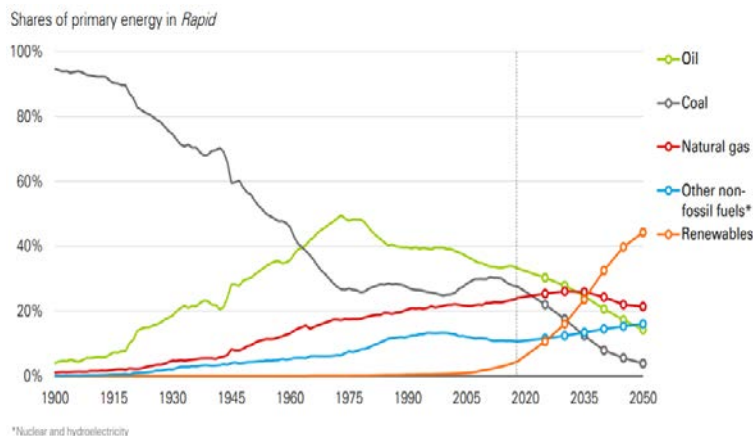
## Regional dynamics



- Shift of gas production to countries with lower feed stock price (e.g. US)
- Increasing PCI investments in CIS countries and Russia
- China to increase PCI capacities to cover their own demand
- Additional LNG import terminals under planning or construction in several countries
- Integration of large size refineries and petrochemical plants into single complexes (greater economics)
- Strategic importance of refining capacity for independent supply

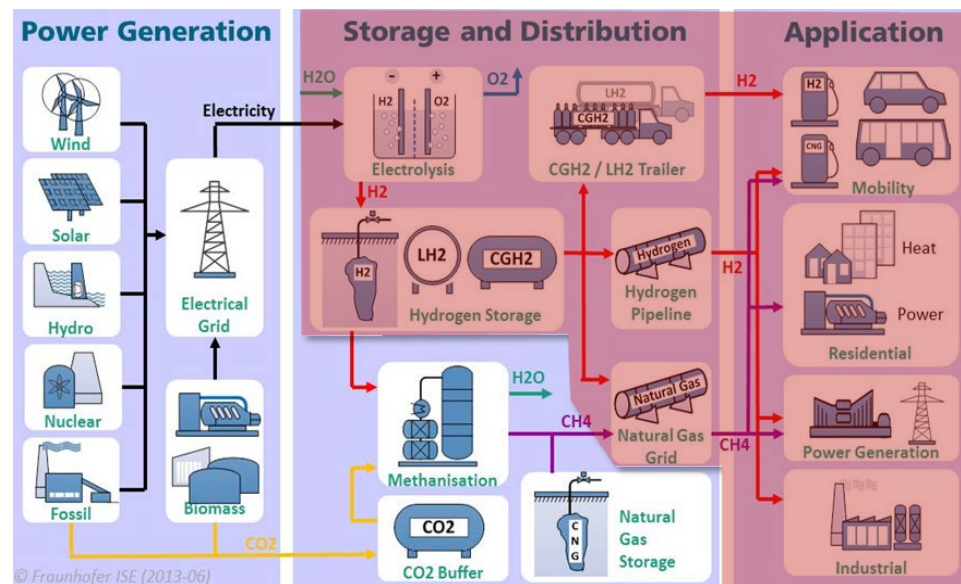
# Megatrends: Changing energy mix supports natural gas and hydrogen demand

Energy mix shift towards natural gas (and renewables)



Source: BP Energy Outlook 2020 Edition

H<sub>2</sub> mobility and energy market provides new opportunities



# Market dynamics inform strategic approach



## SYSTEMS DIVISION

- Broadly stable markets with strong market share and positioning but growth opportunities exist in specific regions and segments
- Varied drivers across segments necessitates selective approach to protect margin
- Strategic focus is to defend position in core markets whilst selectively pursuing profitable growth opportunities

## SERVICES DIVISION

- Significant potential to grow from current 9% market share within a fragmented competitive landscape
- Market opportunity linked to installed base of BC compressors, service proposition and penetration in OBC

**Supportive megatrends underpin long-term security whilst energy transition presents near-term opportunities**



# 4. Strategic Framework

Marcel Pawlicek



# Performance ambition: Vision for acknowledged market leadership



## Vision & Focus

To be our customers' first choice for gas compression solutions across the entire product life cycle.

Deliver on our key priorities with clear goals defined by our performance ambition and measure progress:

Credibility  
and  
Trust

Dedicated  
People

Value  
Creation

Profitable  
Growth

# Core strategic objectives remain unchanged, but priorities refined to drive improved growth and value creation

## 2022 Strategic priorities

**01**

Achieve revenue growth and margin expansion

**02**

Ensure SYST maintains profitable growth trajectory

**03**

Deliver on Arkos ambitions, OBC opportunity and enhanced service offering

**04**

Prepare the organization for the future: Markets; Innovation and Sustainability

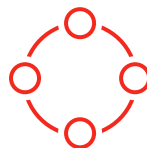
**05**

Enter new markets (e.g. H<sub>2</sub> mobility & energy)

**06**

Maintain financial discipline

**Enabling  
Accelerators**



Innovation and product offering

Digitalization drive

Sustainability focus

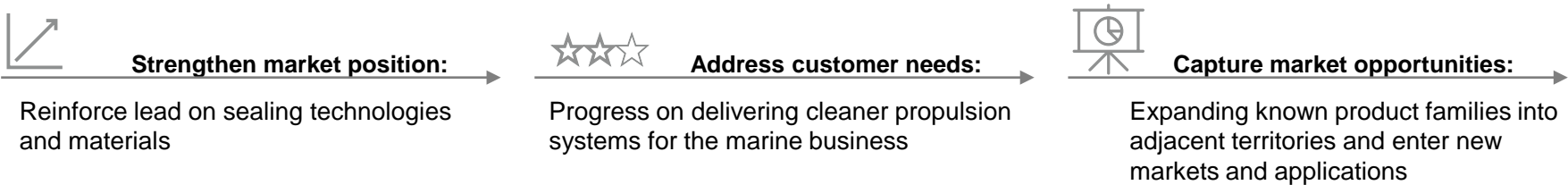
SYCC, JSW and Arkos

Customer centricity

Operational efficiency

Strategic M&A

# Continuous innovation and improvements the key to success



More than 35 active patents, relevant for reciprocating compressors

New Compressors					Persisto® Polymer Materials				
Cylinders and Capital Parts					Systems and Auxiliary				
Compressor Valves					Monitoring and Control				
Redura Rings And Packing									

# Digitalization offers new sources of competitive advantage



## Improved customer offering

- New ways to interact with customers
- New services
- New business models possible



## Process optimizations

- Improved availability of real-time data at the right place
- More efficient delivery of services
- Improved collaboration tools



## Smart factory

- Application of new technologies to reduce waste and increase efficiency
- Real time production planning throughout the supply chain

## SYSTEMS DIVISION

- Back office/client servicing
  - Data capturing
- Cost optimizing
  - Remote assistance/maintenance prediction
- Customer engagement

### GROUP

#### CRM/ERP

Fostering collaborations  
Speed and operational excellence  
Reduction complexity/bureaucracy  
Brand awareness and marketing/communication

## SERVICES DIVISION

- Data accessibility and use
- Communication
  - Customer portal
- Business processes
  - Remote monitoring solutions

# Embedding sustainability into our strategic thinking

***“ To be customers' first choice for gas compression solutions across the entire product life cycle ”***

**01**

**Live by our guiding principles**

**Our Values**

- Partnership
- Performance
- Cooperation
- Dedication

**Our Behaviours**

- Think Customer
- Take ownership
- Act Decisively
- Build Engagement
- Break Barriers
- Champion Change

**02**

**Address risks and opportunities**

- Goal setting into strategic planning
- Measuring along ESG criteria and GRI (in progress)

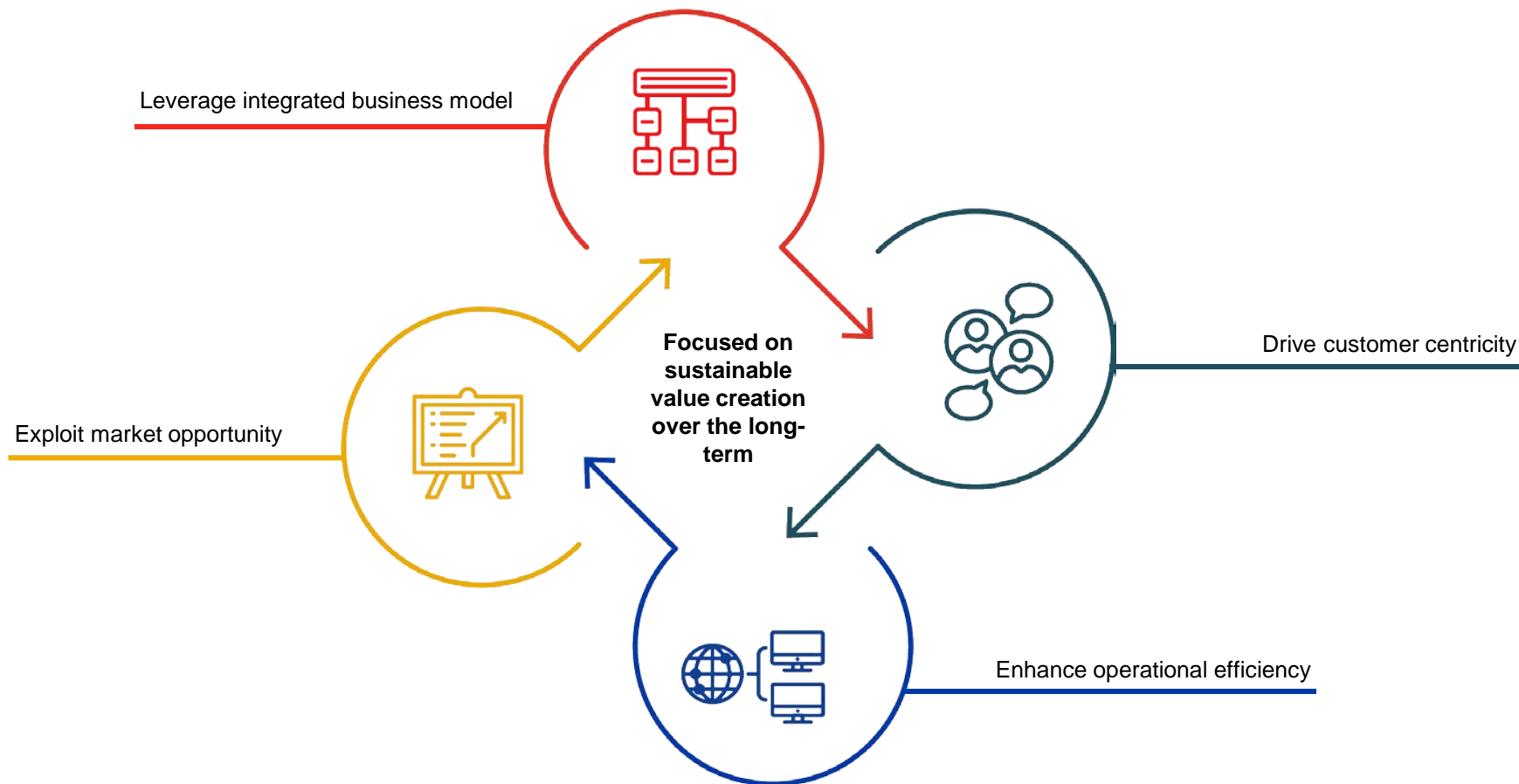
**03**

**Continue building a competitive advantage**

- Support changing energy mix with solutions for H<sub>2</sub> mobility & energy, LNG transport
- Human capital as cornerstone



# Our core priorities beyond 2022



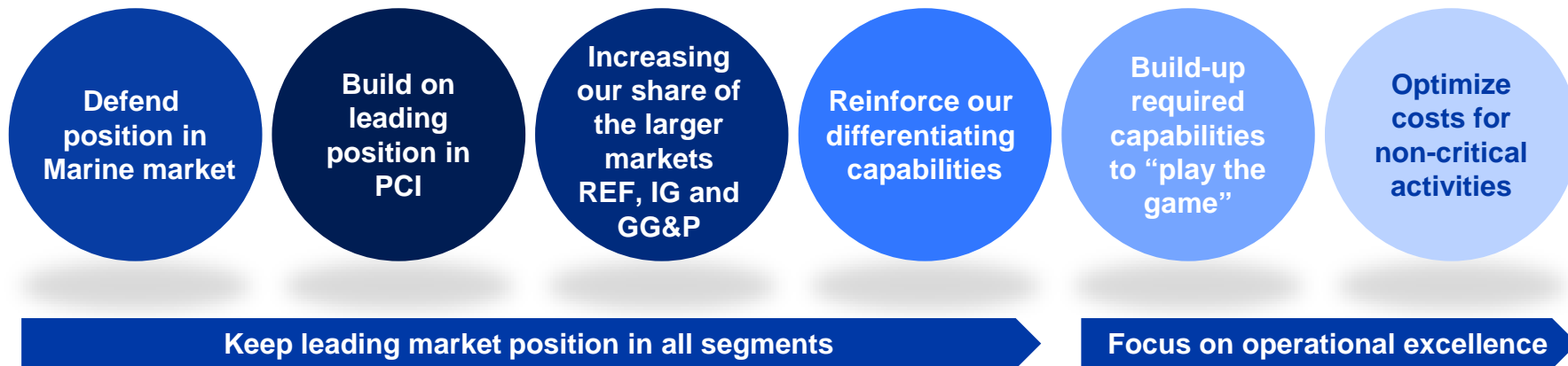
The background image shows a large industrial facility, likely a manufacturing plant. A massive, cylindrical metal component, possibly a compressor or turbine part, is being hoisted by a crane using thick red lifting straps. A worker in a red shirt is visible in the lower left, interacting with the component. The scene is set within a large hall with a complex steel truss roof structure. A diagonal blue line cuts across the image from the top right towards the bottom left, separating the title area from the main visual content.

# 5. Systems Division

**Fabrice Billard**

# Progress towards our strategic priorities since 2018

## Investor Day 2018



## Progress to date

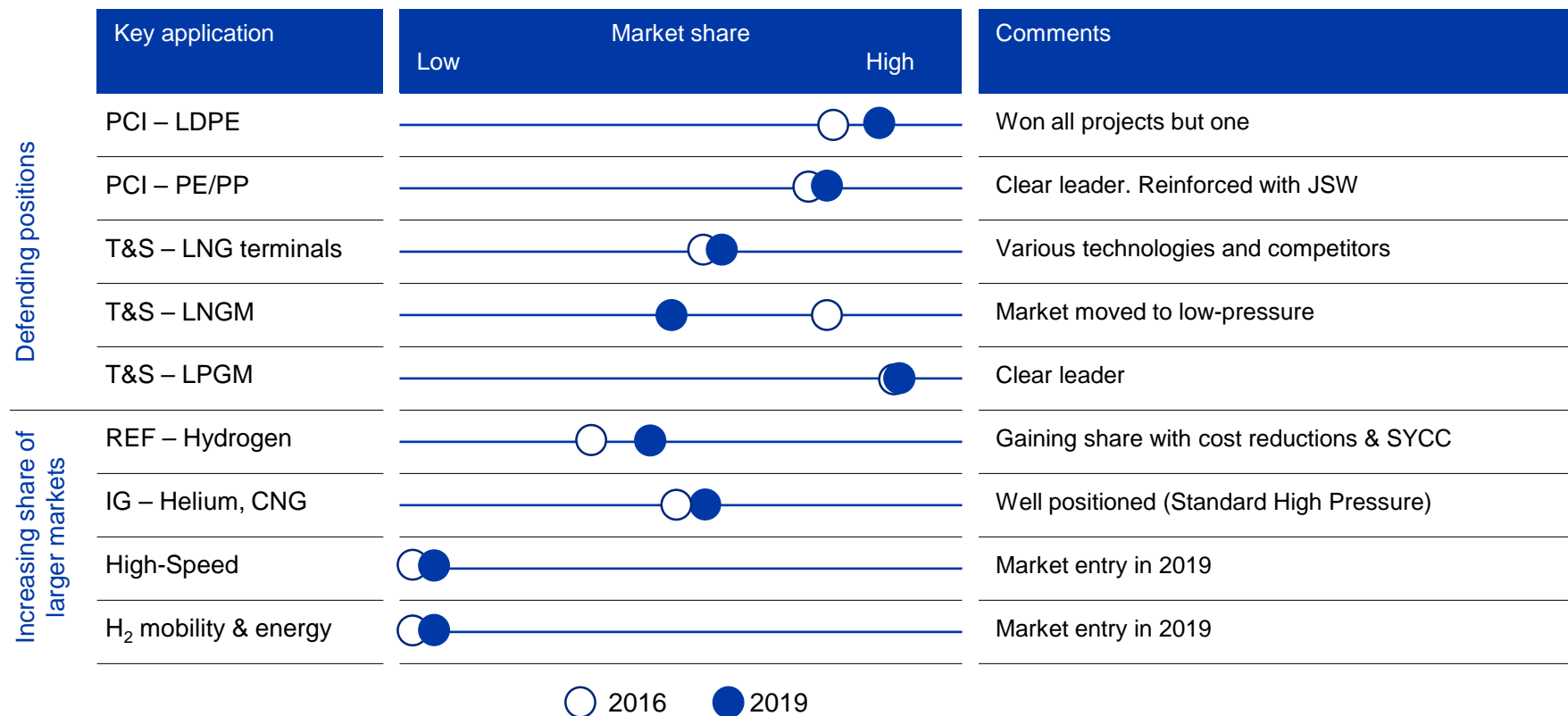
- Market development broadly positive until coronavirus impact; Marine an exception due to market switch to low pressure technology for LNGM
- Kept our leading position in our strongest segment Petrochemical/Chem. Industry, and in our largest market China
- Good progress in Refinery and entered new markets: High-speed, Hydrogen mobility & energy
- Strengthened differentiation with new products (e.g. new Marine applications), and advanced sealing and material technology
- Operational excellence has been our priority and the key to the profitability improvements
- Program “Pulling Systems Together” completed, including 30 initiatives

# On track to reach MRP targets

## Strategic goal

Sales CHF 340 mn	Currently ahead of MRP 2022 targets
Keep leading market position in all segments	Reinforced leading position in key applications; Entered new markets
Use strong global presence and SYCC	Platform established to deliver despite early integration challenges
Focus on operational excellence	Strong progress through the “Pulling Systems Together” program supporting EBIT impact
EBIT Margin of 0 – 5%	Back to profitability in FY19; Strong H1 2020

# Reinforced leading position in key applications



# Benefits of critical scale and leadership in recip niches





# SYCC acquisition strengthens our position...

## SYCC in a nutshell

- Leading local player in Refinery and Petrochemical/Chemical Industry market
- 650 highly dedicated employees
- Cost competitive, highly integrated manufacturing with own foundry
- Competitive local supply chain
- Brand new factory with capacity for future growth



## Major benefits from the acquisition

- For BC:
  - Stronger penetration of Chinese customer base
  - Expand product range: High-Speed and Diaphragm compressor
  - SYCC as supplier for compressors parts globally
  - Leverage of SYCC supplier base in procurement
- For SYCC:
  - Association with BC brand improved the perception of SYCC in local market
  - Support from BC to improve quality
- For both BC and SYCC
  - Consolidation of the China market
  - Provides new cost-competitive products for BC to export out of China ("BCS Compressor")

# ... and ability to capture additional opportunities

Entering new markets with global presence & SYCC products

High-Speed Compressors for Eastern Europe  
through Korean EPC (Nov. 2019)



2x High-Speed compressor from SYCC



Offering package deal to increase share of wallet

Combined package for customer in CIS country  
(Sept. 2020)



1x Laby®



2x PL2 from SYCC



2x Diaphragm



# Driving operational excellence through a focused approach

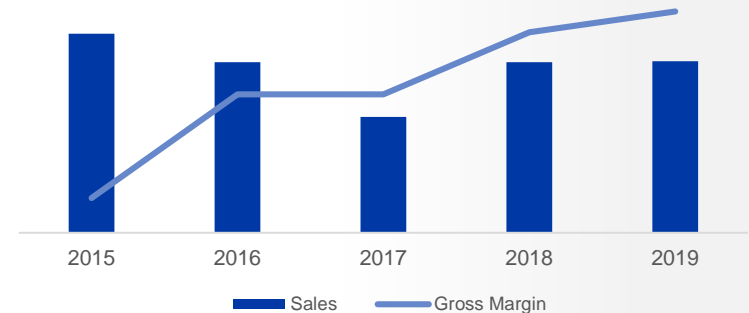
Cost for LNGM skid reduced by 10 – 35%

- 40 **value engineering measures**, such as:
  - Re-defined design parameters (e.g. temperature)
  - Changed material of construction
  - Re-designed heat exchanger
  - Simplified / re-routed piping system
- **Reduction of assembly and test time** by 15%
- **Non-lube compressor version** requires fewer parts and generate additional savings



Strong increase of Gross margin for Process Gas compressors

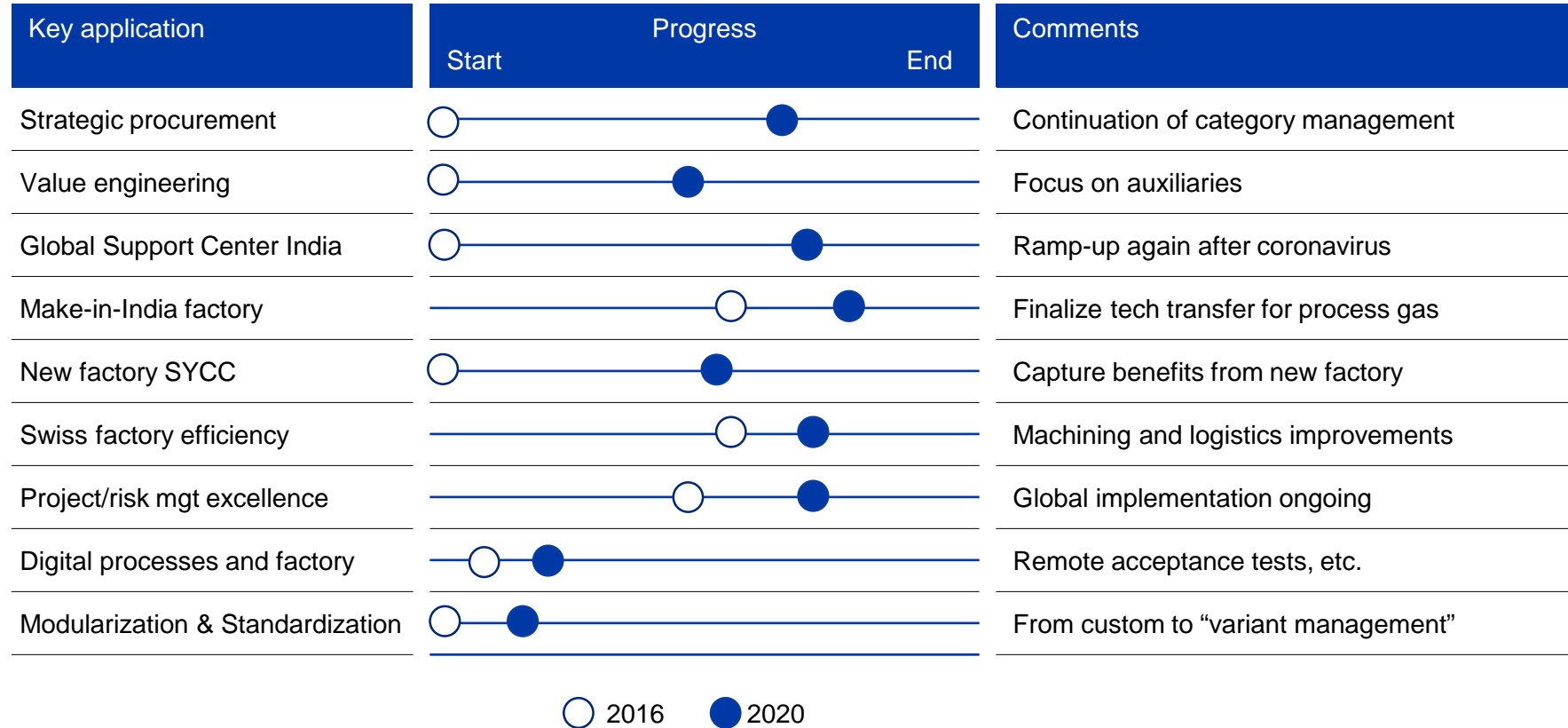
- **Pricing discipline** through delegation of authority
- **Global strategic procurement** driving cost efficiencies
- **Make-in-India:** Techno transfer, larger frames available in India
- **Value engineering** on BA product line
- **Global Support Center** in India: 100 employees supporting globally on Engineering, R&D and IT activities
- **New project management processes**
- PULL@BC: Implementation of **Lean principles** in our factories



# Way forward: Continued focus on execution of strategic initiatives to achieve short- and long-term objectives



# Operational excellence: Tangible progress made. Further optimization activities to continue over the short- and mid-term



# Focused on developing differentiating capabilities at multiple levels accross the organization

## Engineering excellence for demanding applications



- “Capability matrix” to structure regional and global resources
- Knowledge management by newly created Project Engineering Office
- Co-development with customers (e.g. oil free LNGM, H<sub>2</sub> mobility & energy)

## Unique products with strong references



- Reinforce lead on sealing technologies and materials
- Expand existing product families into adjacent territories
- Develop new generation products (e.g. New Marine Compressor, High-pressure H<sub>2</sub> oil free)

## “Service-ready” digital products



- Easy data capture and connection to cloud services
- Ready for remote assistance
- Quick identification of spare parts, incl. for auxiliaries
- Customer access to drawings

## Empowered employees with “BC spirit”



- Keeping our entrepreneur culture despite globalization – “One voice” corporate program in 2019
- Defining broader responsibilities and empowering employees – “Strong & Sustainable” program launched in 2020



# New Marine applications for cleaner propulsion systems



## Four new Marine applications developments since start of MRP



Oil free high pres.  
LP250 for ME-GI LNG  
tankers. New in 2020.  
**In operation**



Marine High-pressure  
for small MEGI ships.  
New in 2018.  
**In operation**



New Laby Compressor  
for X-DF merchant  
ships.  
**Launched Sept. 2020**



Low pressure  
Laby package for  
cruise ship.  
**Delivered 2020**

## Two different markets

- Target market 1: LNG tankers 1
  - Small number of large compressors
  - Current focus on high-pressure (ME-GI)
  - NEW: Oil free for lower costs and easier gas processing
  - Developments ongoing for low pressure (X-DF)
  - Importance of Korean shipyards/presence

- Target market 2 (NEW): Merchant and cruise ships reducing CO<sub>2</sub> and particle emissions with LNG 2
  - Large number of small compressors
  - Both low pressure and high pressure
  - Bunker ships to feed them
  - Importance of Chinese shipyards/presence

# High-Speed compressors offer potential upside

A variety of targets markets and references from SYCC.



Offshore gas platform  
Customer: CNOOC  
Power: 280 kW



Natural gas pipeline  
Customer: Sinopec  
Power: 3 MW



CNG standard station  
Customer: Xindi  
Energy  
Power: 160 kW



Chemical plant  
Customer: Shanxi  
Huayang  
Power: 800 kW

Now available for export, with differentiated market approach

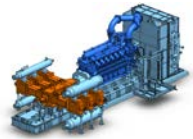


- Two business models in parallel

1) Bare shaft compressor  
to packager/distributor



2) Full package to end-  
user or EPC



- Different approach depending on region

1) Outside USA

- Agreements with local packagers
- BC competence center in Italy
- BC as service provider

2) In USA

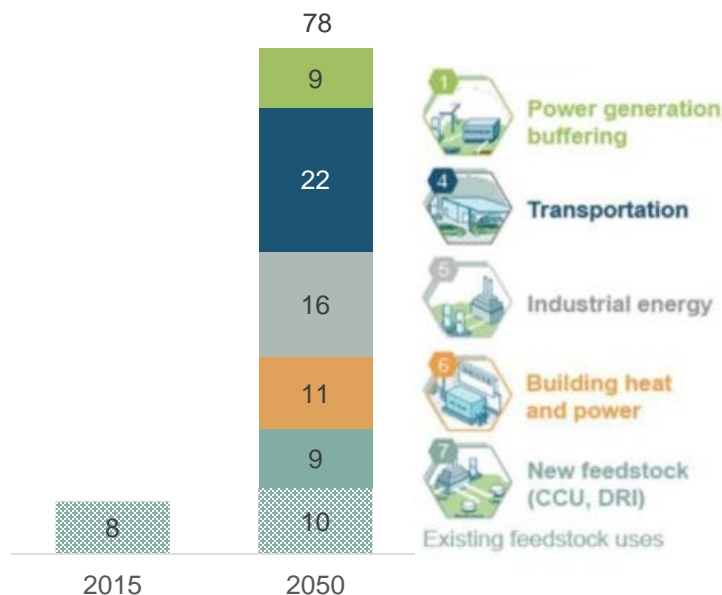
- Arkos as distributor, packager and service provider

# Hydrogen mobility and energy can become a game changer

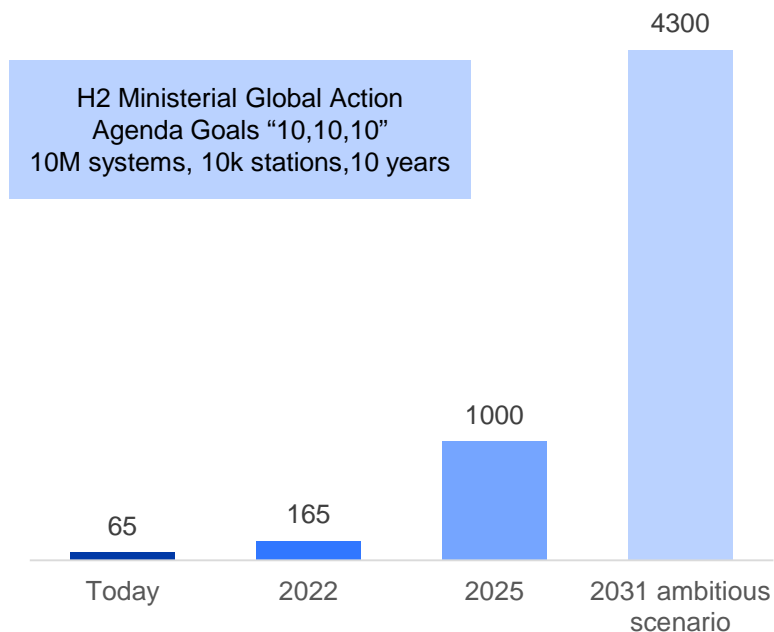
H<sub>2</sub> production expected to increase 10-fold in next 30 years

Transportation: # and size of fuel stations in the US expected to increase fast

Global energy demand supplied with hydrogen, EJ



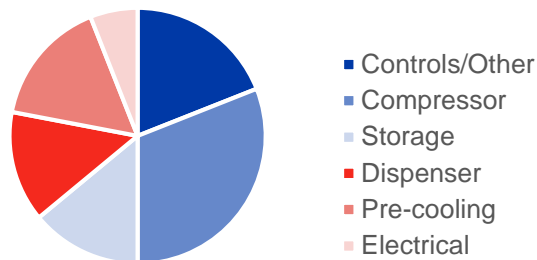
# of hydrogen fueling stations in the US



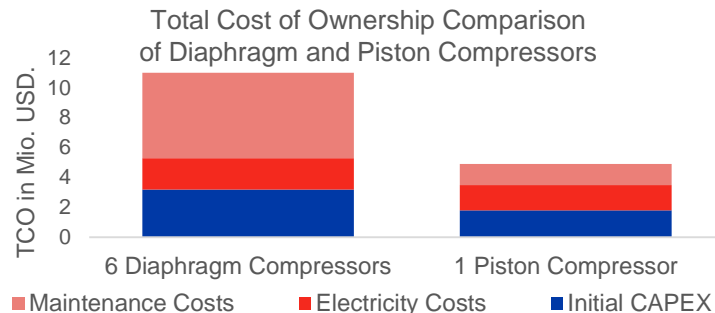
# Compressors a key component in the H<sub>2</sub> infrastructure we can support this industry to ramp up volumes and lower costs

Transportation: Compressor is a key component and cost factor for H<sub>2</sub> infrastructure

Hydrogen Infrastructure Cost (700 Bar Hydrogen Station)



Our compressors come into play when fuel stations and filling stations become larger



## H<sub>2</sub> liquefaction plants / Pipeline transport

- Large volumes (10 to 100 t/day)
- Medium pressure (20 to 100 bar)
- Compressors available
- USP: Longer MTBO



- ✓ Flagship reference in the Netherlands
- ✓ Ongoing project for USA

## H<sub>2</sub> trailer-filling plants and large fuel stations

- Medium volumes (1.5 to 20 t/day)
- High pressure (200 to 900 bar)
- Technology available for 450 bar
- Concept available for 900 bar
- USP: Longer MTBO, costs



- ✓ References in Germany and China
- ✓ Ongoing project for California

## Small H<sub>2</sub> fuel stations

- Small volumes (0.2 to 1.5 t/day)
- High pressure (350 to 900 bar)
- Compressors avail. (BC/SYCC)
- USP: Longer MTBO, costs



- ✓ Several references in China

# Maintain progress and navigate challenging operating environment

Strategic goal	Outlook
Sales CHF 340 mn	Top line progression dependent on coronavirus impact and timing of new applications
Keep leading market position in all segments	Maintain current leadership positions; Accelerate in new markets
Use strong global presence and SYCC	Aggressively leverage SYCC platform and capabilities
Focus on operational excellence	Short-term measures continue whilst standardization/modularization is underway
EBIT margin of 0 – 5%	On track, margin level influenced by volume and mix





## 6. Services Division

Rainer Duebi

# Progress towards our strategic priorities since 2018

## Investor Day 2018



## Progress to date

- Executed 50+ larger projects for partial or complete revamp of compressor systems
- Introduced compressor condition assessment methodology, remote monitoring and assistance solutions
- 20 – 50% improvement in standard lead times for spare parts
- Developed partnerships with majority of LNG marine customers, resulting in long-term service contracts
- Installed new management team at Arkos
- Integrated JSW compressor business
- Expanded global footprint (excl. Arkos) with 5 authorized service partners and 1 service center
- Implemented regional set-up with local responsibilities
- Digitalized spare parts business, rolled out CRM opportunity management
- Further improved perception amongst customers



# Current status of MRP goals

## Strategic goal

Sales CHF 360 mn, grow  
6 – 8% per year

Slower progression than anticipated within the context of challenging environment

Becoming a leading  
service provider in our  
industry

Improved customer perception (+11% vs. FY18), with ca. 50% business volume in 'purely' services (i.e. excluding spare parts)

Organic growth on BC  
and OBC business

Increased coverage of own installed base; Increased share of sales with OBC close to 30%

Further growth  
through acquisitions (OBC)

Started full integration of Arkos; Integration of JSW compressor business and expansion of business activities in Japan on track; Integrated local providers in CA/DE

EBIT margin of 20 – 25%

Operating within MRP range

# Continual improvement in enhancing our service brand identity

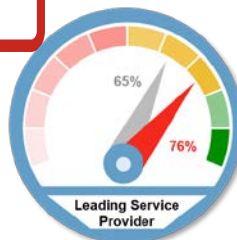
"We got excellent response from the local team of X during our recent repairs. All three of our gas compressors received contaminated gas and sustained extensive damage to compressor internals. **The team went above and beyond to get us back in service. Well done!**"

"We improved our MTBR/F for two reciprocating compressors thanks to a **very deep and carefully maintenance** of our equipment."

"Effective and efficient response to troubleshooting. **Field service is extraordinarily competent.** One focal point from Burckhardt."

"**Proactive approach to site needs** (viz. Maintenance scheduling, spare management etc.), **Sharing of upgraded technology** and parallel applications to other make compressors adherence to maintenance schedule at site and equipment reliability ownership thereafter."

"I was very pleased at the **willingness to provide new options** for our compressors which the OEM could not. Thanks for the support!"



Burckhardt Compression is a leading service provider for me

**BC substantially improved its perception of being a leading service provider versus 2018**

## KEY ACTIONS IN 2020

Utilized local organizations to immediately address customer needs significantly improving response times

Adopted structured approach to leverage results from survey into immediate call to action to further refine service portfolio

Enhanced organizational mindset to adopt a holistic approach to addressing customer requirements

# Shifting customer priorities creates additional service opportunities

## Customer Dynamics

### Change from reactive to proactive maintenance strategies:

*"We have the clear goal to better predict and plan maintenance interventions. Planned interventions are always shorter than unplanned interventions."*

### Less internal availability of skills:

*"In our region, we see a loss of technical skills. Increased (also remote) assistance for local interventions beyond the manual is appreciated."*

### Push in service contracts to share risks and benefits:

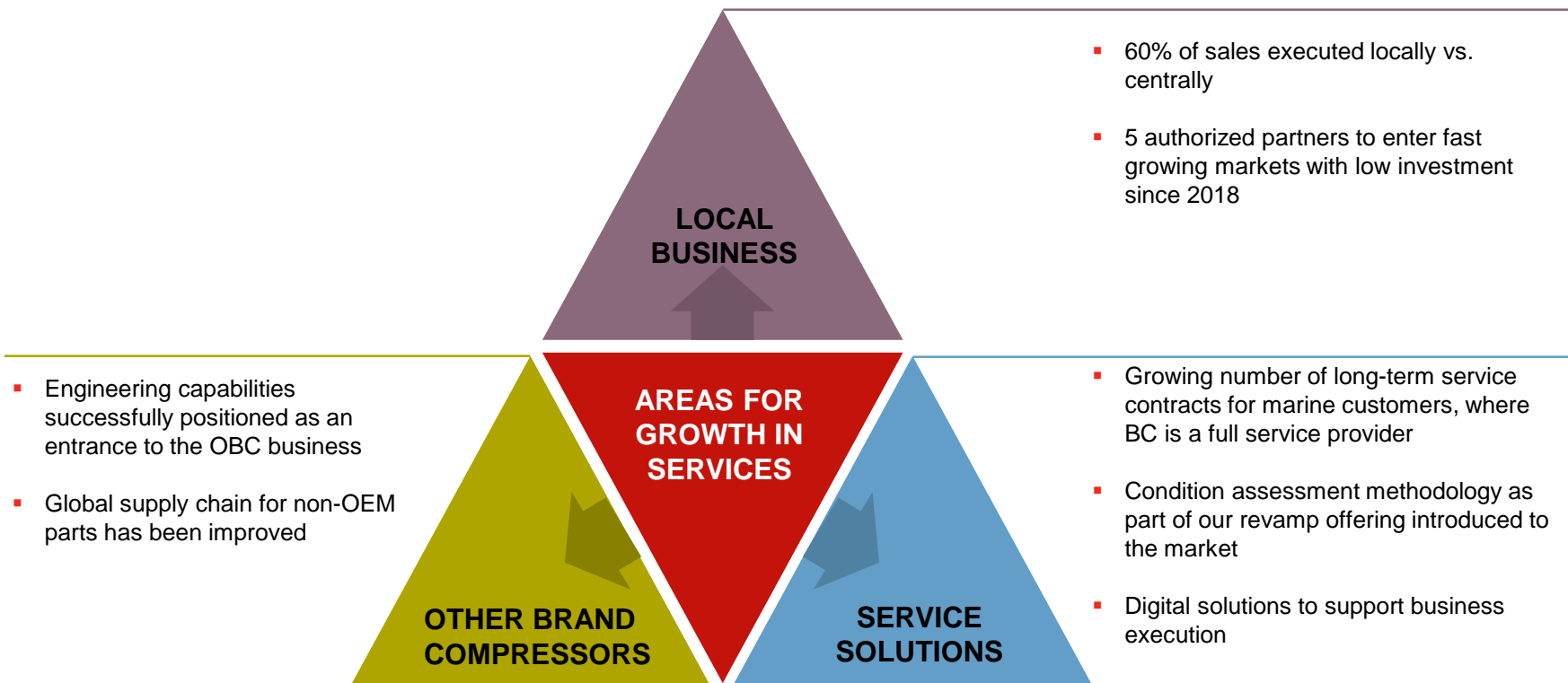
*"Actually we want a warranty over the full life cycle of the product. Let's work together and share the risks but also benefits."*

## BC Opportunity

- Offer flexible maintenance solutions that are based on the operating condition rather than fixed time intervals
- Complete maintenance solutions as a package
- Supervision and remote assistance for troubleshooting and training
- Consulting services such as risk assessments
- Long-term service contracts aiming for full collaboration between the customer and BC, based on data and shared knowledge

- Preventive Maintenance
- Installation & Commissioning
- Corrective Maintenance
- Monitoring and Diagnostics
- Revamp and Upgrade
- Customer Training
  - Spare Parts
  - Parts Repair
  - Overhaul

# Offering services locally, solutions for other brand compressors and services beyond parts represent key growth drivers



# Providing our customers with local resources whilst leveraging global capabilities

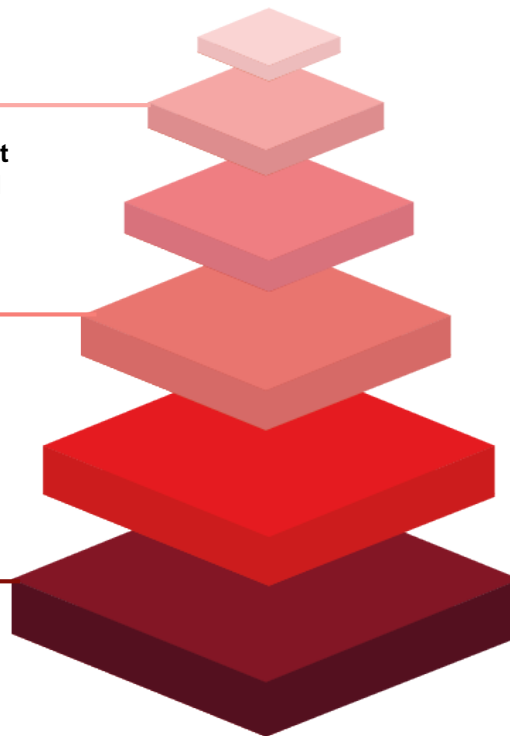


## Be GLOBAL, Act LOCAL

Local process responsibility for customer account management, project solutions, field services and repair

Global process accountability by regional heads

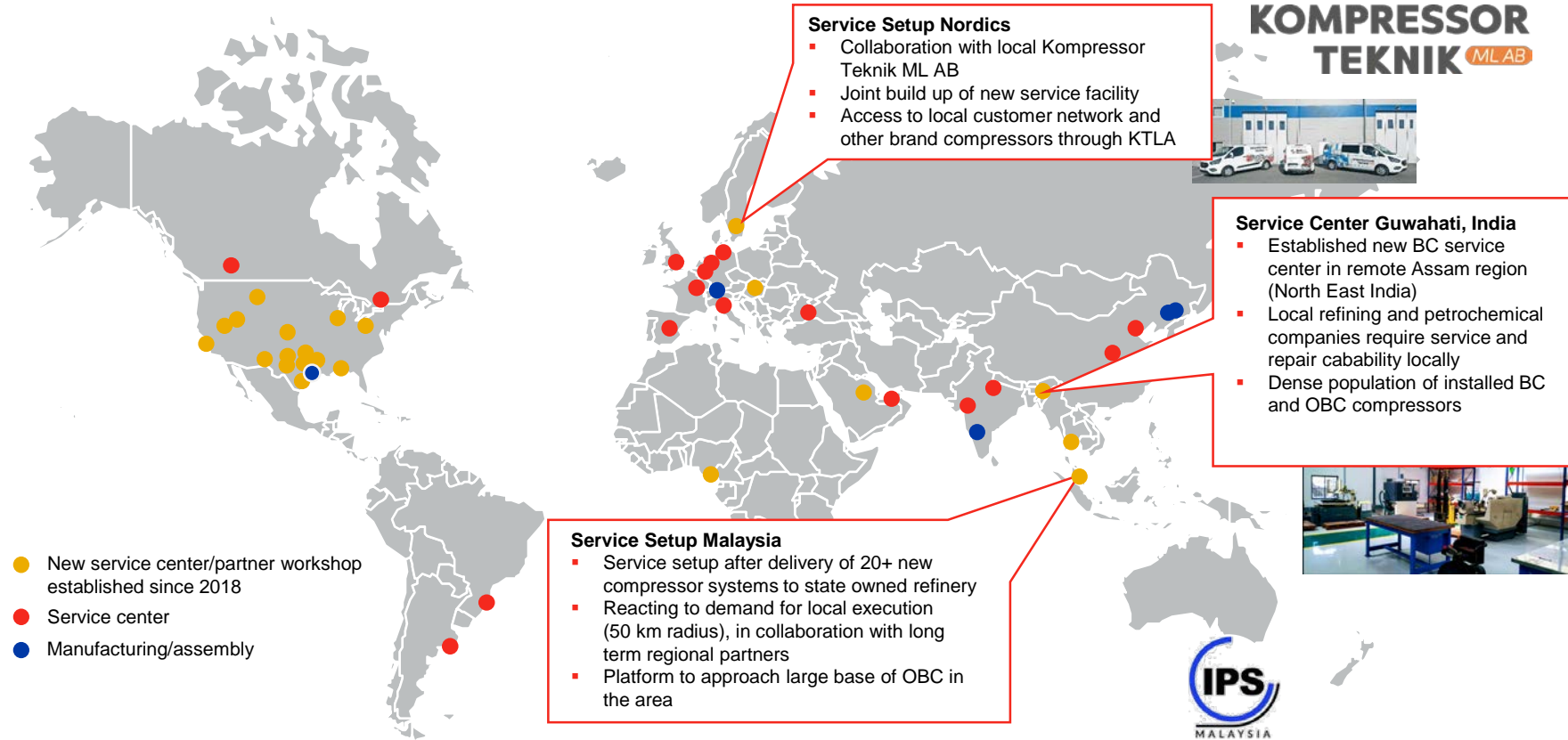
Global process responsibility and accountability for compressor components



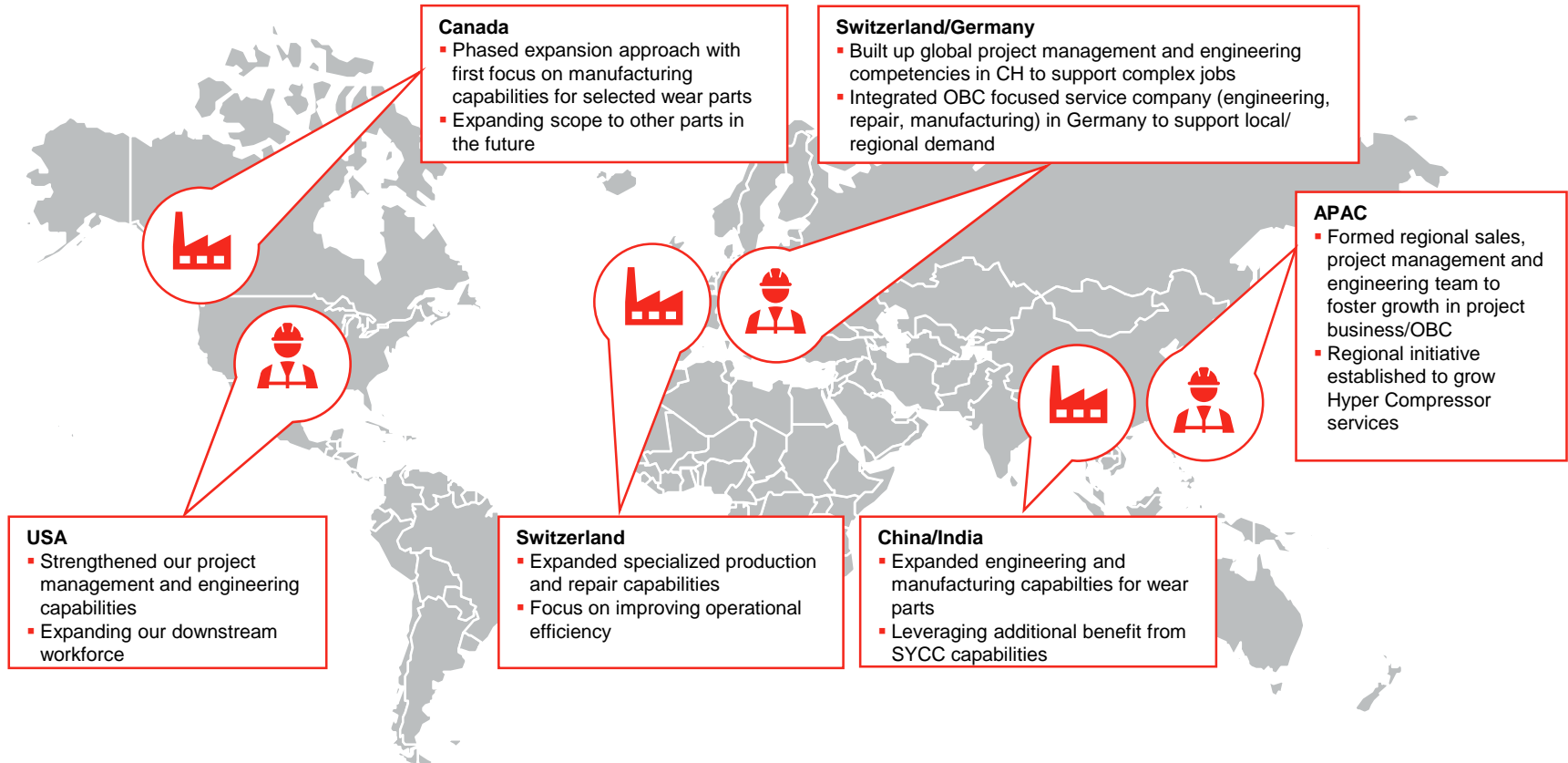
## Uniform IT platform to support all processes

- Newly developed **Customer Portal** digitalizes spare parts business process for customers and internal sales organization globally
- **CRM opportunity management** aligns focus and collaboration on revamp and engineering solutions globally
- Connection to **central master data platform** will ensure consistency of data across systems and locations and allows for certain flexibility of local solutions

# Expansion of the local service footprint is crucial to cover our installed base and capture OBC opportunity



# Strengthening regional capabilities supports customer orientation and provides resilience to market turbulence





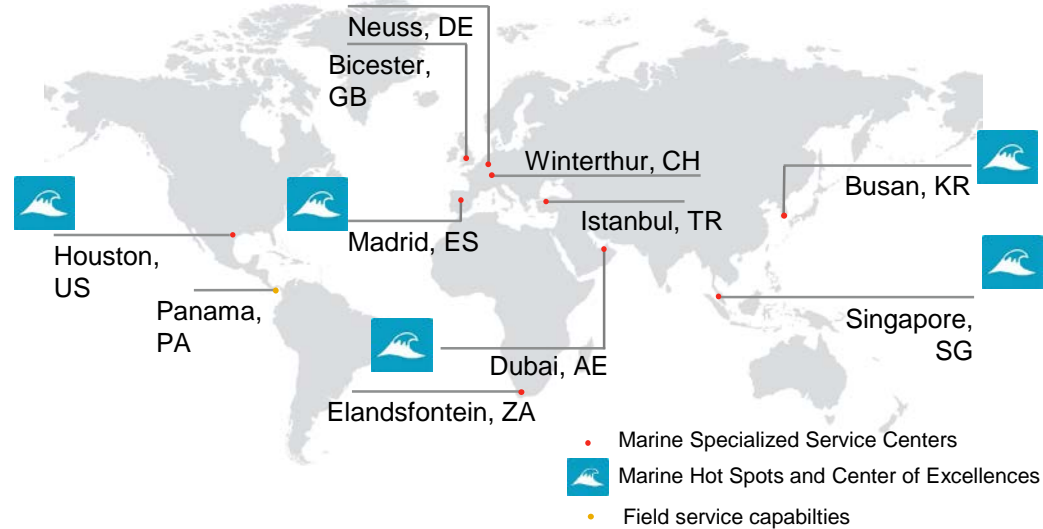
# Marine after sales market is growing thanks to an increased service offering

2013		2016 – 2020		Premium fleet service agreement		
Phase	Systems Division sell first LNGM compressors	Services enters first LTSA* and deploys after sales strategy for more complex scope		Prior Vessel operation	Vessel in operation	Dry-docking after 5 years of operation
Customer needs				Start planning and preparation of vessel operations	<ul style="list-style-type: none"><li>Keep compressor skid operational 8000 – 8400 hrs/year</li><li>Get replacements for defect parts</li><li>Have the right parts on board for preventive crew-services</li><li>Smooth execution of on-board preventive and corrective service interventions by BC considering gas load, routes, people and parts</li><li>Shortest possible reaction time to incidents anywhere in the world</li></ul>	Overhaul skid in dry-dock and fulfill class requirements
BC offering				Risk assessment and recommendation of strategic on-board spare parts, tailoring of premium fleet service agreement	<p>Fleet management services</p> <ul style="list-style-type: none"><li>Single point of contact for fleet operations</li><li>Coordination of interventions with all work groups</li><li>Incident tracking and follow up checks with customer</li><li>Regular operations assessment with vessel operators/superintendents</li><li>1st level 24/7 technical support and remote assistance</li><li>Condition monitoring</li></ul> <p>Preventive maintenance recommendation and execution</p> <ul style="list-style-type: none"><li>Tracking of operational hours</li><li>Claim evaluation</li><li>Labour arrangement and training</li><li>Preliminary parts logistics</li><li>Inventory consulting</li><li>Spare parts/swing sets</li><li>Component overhaul and repair</li></ul>	<p>Project planning and project management</p> <ul style="list-style-type: none"><li>Supervision, site management</li><li>Labour arrangement and training</li><li>Parts supply and logistics</li></ul>

# Marine business is supported by a dedicated organizational setup



**MARINE SERVICE CAPABILITIES HAVE BEEN LOCATED BASED ON STRATEGIC MARINE HOT SPOTS**



## 24/7 Availability of Technical Support

Global Technical Support Center

Technical Service Desk

Technical Major Event Management

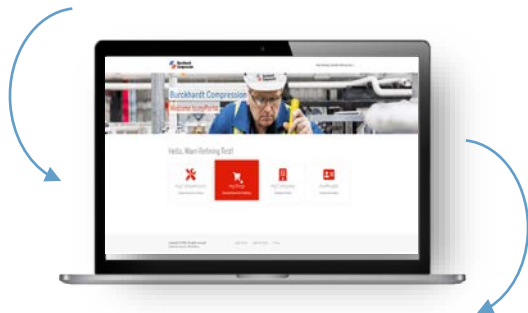
Technical Improvement

# By further digitalizing our services we create speed and convenience for our customers

## DIGITAL CUSTOMER PORTAL

### Before

- Customers order parts and services via e-mail, phone or fax
- Manual parts identification is complex and prone to errors



### Now

- Digital portal for customers to place their orders and manage their installed base. First launch of functionality in December 20

## REMOTE MONITORING/CLOUD DASHBOARD

### Before

- Service crews need access to local site/control systems to assess compressor operating conditions



### Now

- Performance data is sent to a cloud platform
- Prognost provides a simplified dashboard with automated analytics but also further diagnostic services

## REMOTE ASSISTANCE USING AUGMENTED REALITY

### Before

- Troubleshooting needs to be done on-site which requires the appropriate specialist in a certain place and is a significant challenge in the marine industry



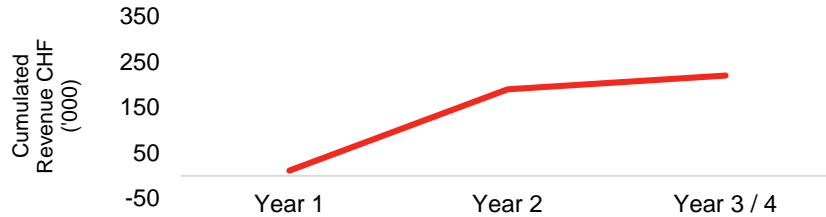
### Now

- Customer crews share their perspective and interact together with our specialists using video and augmented/virtual reality tools to solve urgent issues

# Engineering offerings for other brand compressors create sustainable revenue streams

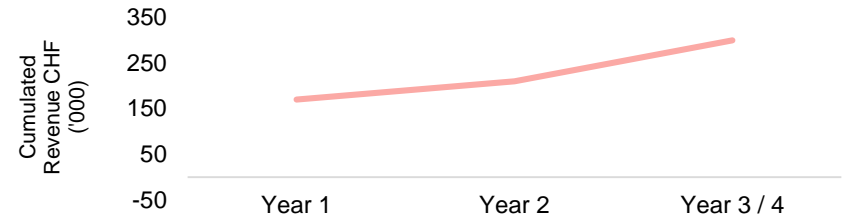
## Case Study 1: Customer faces urgent technical issue with other brand compressor

- BC can solve the issue by applying a unique/special technology or product
- After successful operation and earned trust, BC is requested to revamp part of system
- Revamp generates continued demand for BC spare parts



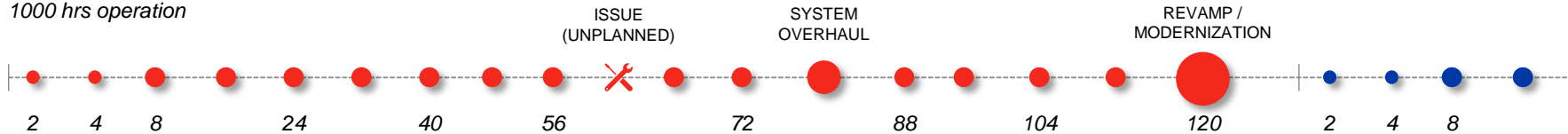
## Case Study 2: Customer wants to revamp part of compressor system (other brand)

- BC can offer solution as one-stop shop with local/regional capabilities
- Revamp generates continued demand for BC spare parts



## Exemplary Land Based Recip Maintenance Lifecycle

1000 hrs operation



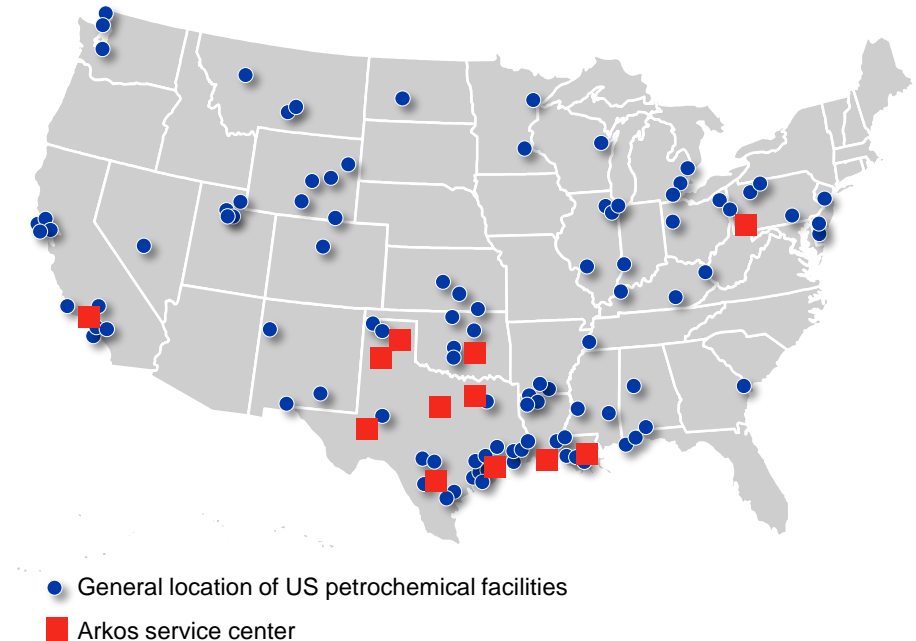
# Rationale for Arkos acquisition remains valid but challenges exist to extract full potential in the short-term

## Clear acquisition rationale and multi-faceted opportunities:

- Platform to sell new equipment in the US
- Ability to enter downstream service business and regain own installed base – Arkos setup matches very well with major customer locations in the downstream industry
- Enter Gas Gathering & Processing service business

## Short-term challenges essentially evolve around:

- Soft business environment in historic markets, compounded by current crisis has impacted demand
- Focusing on insourcing of spare parts to address historic supply chain inefficiencies



# Arkos: proactively addressing market opportunities whilst also focusing on driving underlying profitability

Downstream opportunity:  
Increase coverage of installed base and expand OBC

## Action plan:

- Increase sales coverage for downstream customers
- Expand Field Service team and capabilities
- Increase downstream repair capabilities (incl. specialty gases) in selected facilities
- Develop revamp/upgrade engineering service offerings
- Further develop local supply chain

Gas Gathering & Processing challenges:  
Improve profitability and grow revenue

## Action plan:

- Assumed full control and aligning organizational structure
- Refine customer acquisition strategy
- Re-negotiate rates and pricing when renewing unfavorable service agreements
- Implement targeted cost-saving program
- Explore shared services opportunities with Burckhardt Compression US
- Introduce new services and products

# Accelerate progress to achieve MRP ambitions

Strategic goal	Outlook
Sales CHF 360 mn, grow 6 – 8% per year	Magnitude of top line growth dependant on regional macro economic dynamics
Becoming a leading service provider in our industry	Maintain momentum in driving visibility and sentiment to the customer
Organic growth on BC and OBC business	Platform established to accelerate revenue capture
Further growth through acquisitions (OBC)	Complete integration and leverage revenue synergies
EBIT Margin of 20 – 25%	Maintain margin within the range with a focus to deliver on Arkos margin improvement



# Looking beyond the plan: The leading service provider in our industry



## Enhance differentiating capabilities

- Build up project management and engineering capabilities in the US and expand in APAC
- Implement global standards for field service where helpful, and support with modern IT solutions



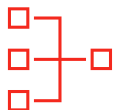
## Improve speed to market

- Further globalize spare parts supply chain for BC and OBC with close collaboration between the engineering and manufacturing sites incl. SYCC
- Standardize processes where helpful and support with additional elements of our IT platform



## Think customer, act service

- Expand digital customer portal functionalities (e.g. performance data integration, other service offerings)
- Continue to implement regular customer satisfaction feedback in product/project portfolio



## Develop service setup and offering

- Increase share of sales with revamp and engineering solutions
- Increase share of sales with full service solutions resp. long-term service agreements
- Expand repair footprint with additional service setups (e.g. Africa, SEA) or own service centers



## Develop service brand

- Work on customer perception of BC as a leading service provider (aim for > 90%)
- Push visibility in virtual exhibitions and continue hosting of digital and physical techXchange events



# 7. Financial Review

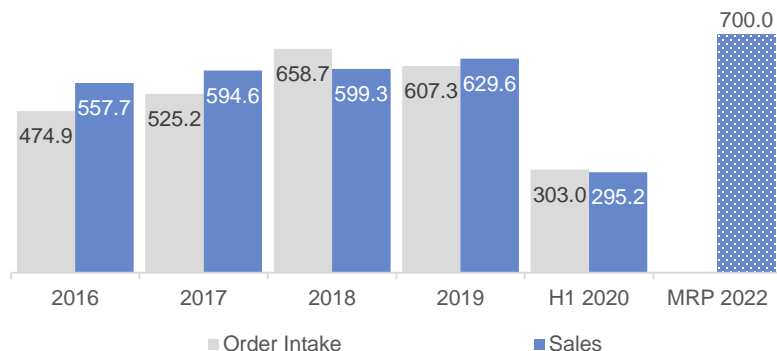
Rolf Braendli

# MRP 2022 macro assumptions remain largely valid but pandemic has created layer of additional complexity

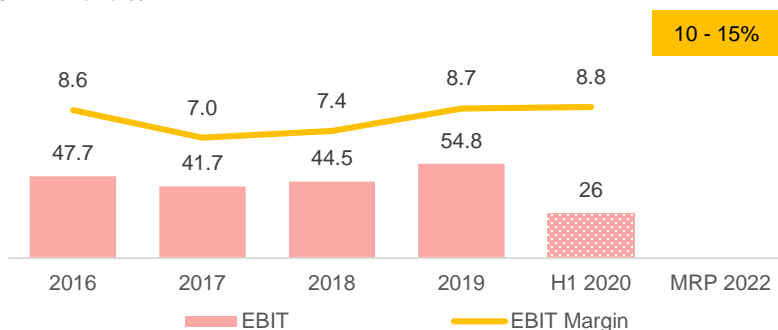
2018 assumptions	Status Update*																		
Oil price (WTI) within a range of USD 40 – 60/barrel	2018: USD 65 2019: USD 57 2020: USD 35-40 (October)																		
Gas price (Henry Hub natural gas spot price) within a range of USD 3 – 5/MMBtu	2018: USD 3.16 2019: USD 2.62 2020: USD 1.96 (rolling 12-month average October 2020)																		
No inflations both in cost and sales volume: inflation in Switzerland is comparatively low	Inflation <table> <tr> <td></td><td>CH</td><td>CN:</td><td>US:</td></tr> <tr> <td>2018:</td><td>0.9%</td><td>2.1%</td><td>2.4%</td></tr> <tr> <td>2019:</td><td>0.4%</td><td>2.9%</td><td>1.8%</td></tr> <tr> <td>E2020:</td><td>-0.7%</td><td>2.8%</td><td>2.5%</td></tr> </table>				CH	CN:	US:	2018:	0.9%	2.1%	2.4%	2019:	0.4%	2.9%	1.8%	E2020:	-0.7%	2.8%	2.5%
	CH	CN:	US:																
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No exchange rate fluctuation	2018 2019 2020 Oct	EUR/CHF 1.18 1.11 1.07	USD/CHF 0.98 0.99 0.92																
No major change in interest rates	The SNB keeps the interest rate at -0.75% US interest rate peaked at 2.5% in 2018 and is now at 0.25%																		
No new sanctions, nor the lifting of any existing ones	Sanctions have been imposed on Iran in October 2018																		
No major change in global political environment	Trade war China – USA																		
	Global economic slowdown triggered by coronavirus																		

# MRP group ambitions re-iterated; Divisional mix and contribution dictated by market conditions and operational developments

CHF mn



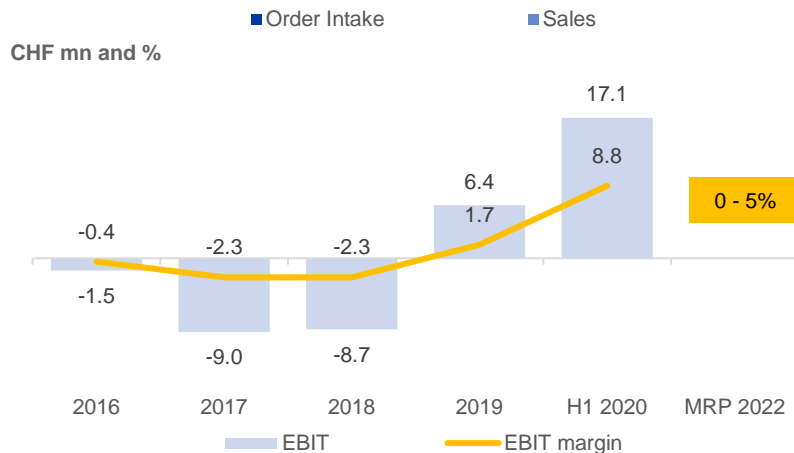
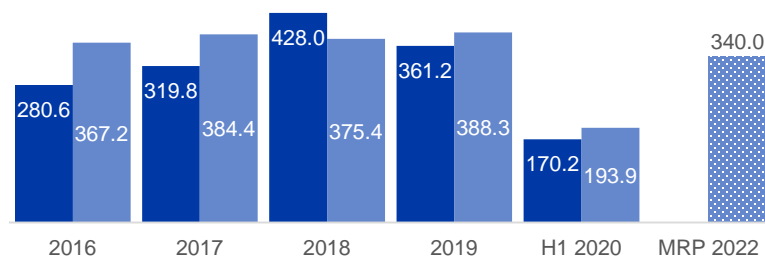
CHF mn and %



- Record order intake levels in FY18 and 19 in Systems Division
- Order backlog provides visibility into future sales pipeline
- Further progression of Systems Division sales dependent on coronavirus impact and timing of new applications
- Magnitude of Services Division top line growth dependent on regional macro economic dynamics
- Strong Systems Division sales to generate further growth momentum towards end of the MRP and beyond
- EBIT temporarily impacted by additional LNGM costs until FY19 and coronavirus impact in FY20
- Systems Division EBIT margin level to remain within the 0 – 5% range depending on volume and mix
- Services Division EBIT margin to return to pre-coronavirus levels (20 – 25% incl. Arkos)
- SG&A expenses at approx. 15 – 17% of sale:
  - Over proportional investments into global Services sales
  - Stable at Systems Division, unchanged lean Corporate structure
- R&D expenses to amount to approx. CHF 10 – 12 mn annually
  - Focus on value engineering, marine applications, hydrogen mobility & energy among other selective product developments

# Systems Division to maintain margins within MRP target-range and seek profitable growth

CHF mn



## Sales Drivers

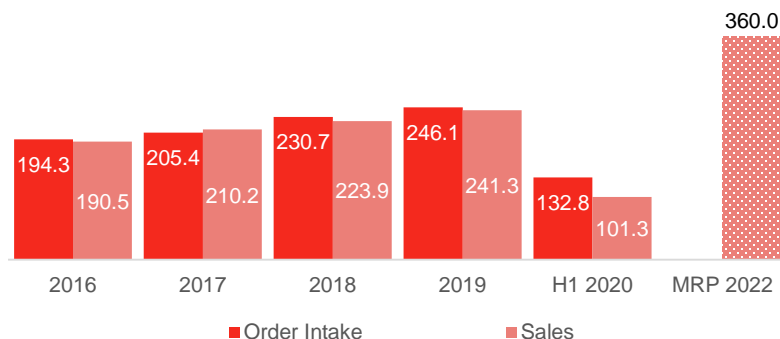
- Current top line strongly supported by the high order backlog from FY18 and FY19
- Temporary negative effects of coronavirus related impact on order intake and future sales to be mitigated by market share growth and launch of new applications

## EBIT Drivers

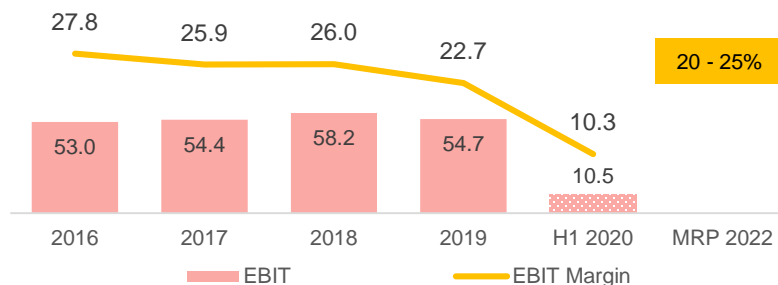
- Gross margin partly influenced by volume and product mix
- Maintain momentum on driving operational excellence:
  - Pricing discipline
  - Global strategic procurement
  - Global Support Center India
  - Make-in-India
  - Swiss factory efficiency
  - Project management excellence
  - Value engineering
  - Standardization and modularization
  - Digitalization of processes

# Ambitious MRP growth target in Services Division with long-term growth trajectory in place

CHF mn



CHF mn and %



## Sales Drivers

- MRP 2022 targets include Arkos and further OBC growth
- Arkos recovery with main focus on more profitable downstream business
- Increasing base of installed BC machines, supported by high Systems Division sales over the past few years
- Long-term supply agreements
- Engineering offerings for other brand compressors

## EBIT Drivers

- Deliver on Arkos margin improvements by increasing the downstream business. Adjusted strategy, new management and experienced people are in place
- Economy of scale from the upfront investments in SG&A to support the further growth within the global footprint
- Expansion of business in Japan (JSW)
- Digitalizing processes and services

# Drivers of Free Cash Flow

## EBITDA

- EBIT MRP objectives, stable depreciation and amortization

## Change in NWC

- Collection of overdue A/R, mainly in China
- General improvement in DSO and DPO from according Group-wide target settings (FY20E → DSO -20d; DPO +10d), implemented into monthly divisional leadership cycles
- Advance payments from customers to finance work in progress

## CAPEX

- Stable CAPEX at similar level as depreciation and amortization (SYCC factory cash neutral through government subsidy)
- RONOA > WACC as key criteria for CAPEX applications, together with NPV and payback

## Cash interest expenses

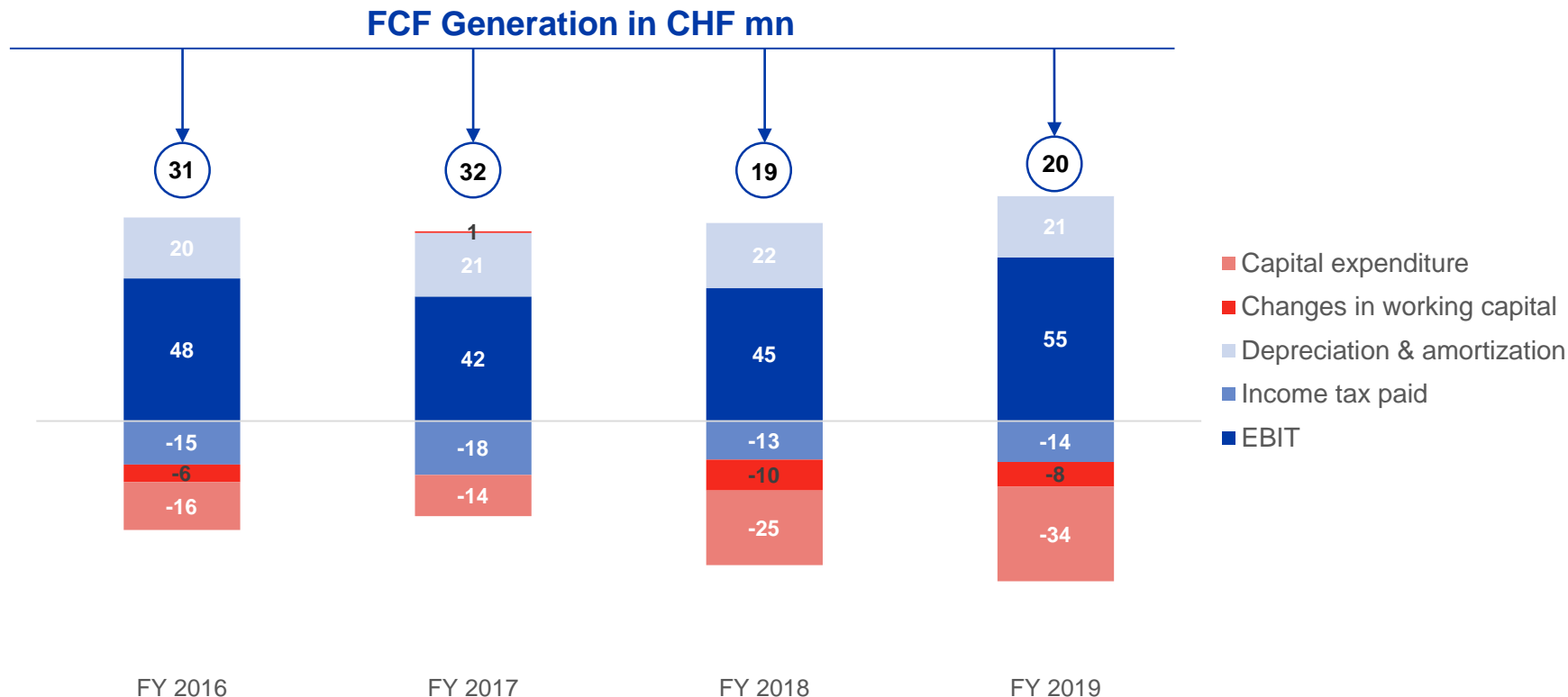
- Cost of debt → refinancing and consolidation of bilateral uncommitted credit agreements to bond financing. Slightly higher financing expenses but with commitment and more independence over next four years (term of bond)

## Cash taxes

- Overall declining tax rates



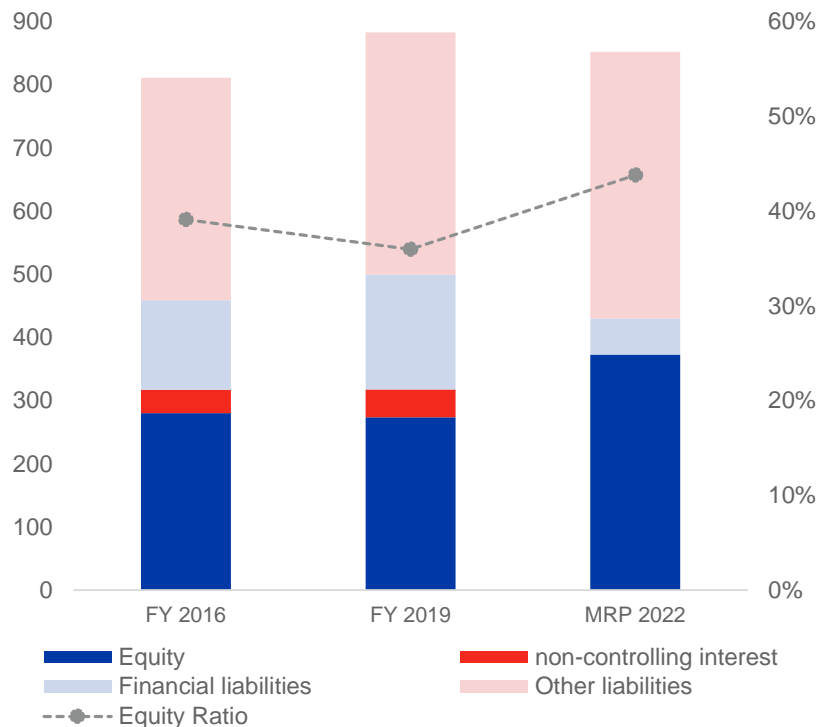
# Normalization of CAPEX spend bundled with EBIT growth and NWC management to drive FCF generation going forward



# Balance sheet profile reflects recent acquisitions; Committed to 35 – 40% equity ratio by end of MRP 2022

## Equity & Liabilities

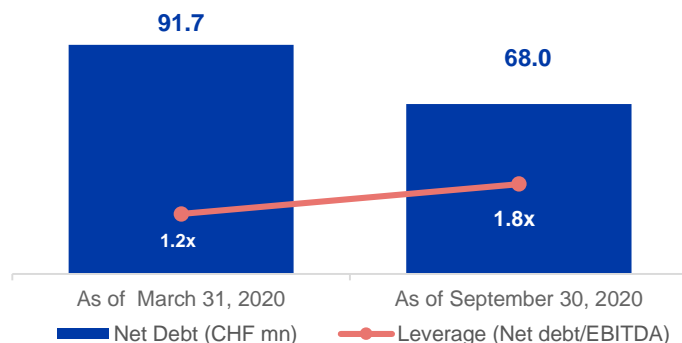
CHF mn



- Structural changes after acquisitions (60% Arkos; 40% SYCC; JSW 100%):
  - Offset of goodwill against equity (in line with Swiss GAAP FER)
  - Equity ratio by the end of MRP at 35 – 40%
- Refinancing of debt with a Bond (CHF 100 mn over 4 years)
- Overall liquidity secured, with adequate bank credit lines available
- SYCC factory building subsidized by local government

# Sufficient liquidity headroom to deliver on strategic initiatives

## Net Debt and Financial Leverage



## Net Financial Position

IN CHF mn	FY 2019	H1 2020
Borrowings	-182.0	-108.3
Bond	0.0	-100.0
Cash and cash equivalents	90.3	140.3
Total net financial debt	-91.7	-68.0

## Situation Pre Bond:

Flexible bilateral credit agreements with several banks

Low-cost financing through hedged fixed advances in USD in order to break through the zero-floor for CHF financing: hedge gain > delta in USD/CHF interest rates

Separate mortgage loans with terms until 2021

## Situation Post Bond:

Low-cost financing is fading out with the drop of USD interest rates

Re-financing of acquisitions (Arkos 60% ahead of schedule; 100% JSW compressor business; 40% remaining SYCC) with a non-investment-grade bond (CHF 100 mn; maturity 4 yrs; coupon 1.5%)

Higher safety/independence versus slightly higher financing expenses

# RONOA > WACC a key metric for capital discipline

	FY 2016	FY 2017	FY 2018	FY 2019
Net Operating Assets (NOA)*	355.4	363.7	361.3	404.2
EBIT	47.7	41.7	44.5	54.8
Tax rate	25.1%	23.5%	21.6%	16.2%
Net operating profit after tax	35.7	31.9	34.9	45.9
<b>RONOA</b>	<b>10.1%</b>	<b>8.8%</b>	<b>9.7%</b>	<b>11.4%</b>

## Key drivers

EBIT performance, in line with MRP

Focus on NOA/NWC management (DSO/DPO)

Optimization of advance payments from customers to finance work in progress

Disciplined CAPEX and M&A process

Approx. ≤ 20% tax rate (Swiss tax reform, mix impact of local tax rates)

# Stringent and selective approach to acquisition



## Our Strategic Rationale

- Focus on reciprocating compressor business
- Strengthening local presence/regional expansion
- Adding on capabilities/product-range



## Our Financial Rationale

- Adequate market and competitive dynamics (growth, entry barriers, etc.)
- Financial performance: mid-term ROS  $\geq$  BC Ø
- Enterprise value and impact; (EBIT/Acquisition Price) > WACC



## Further M&A Criteria

- Committed management and key personnel
- Ability to integrate
- Similar culture and values as BC

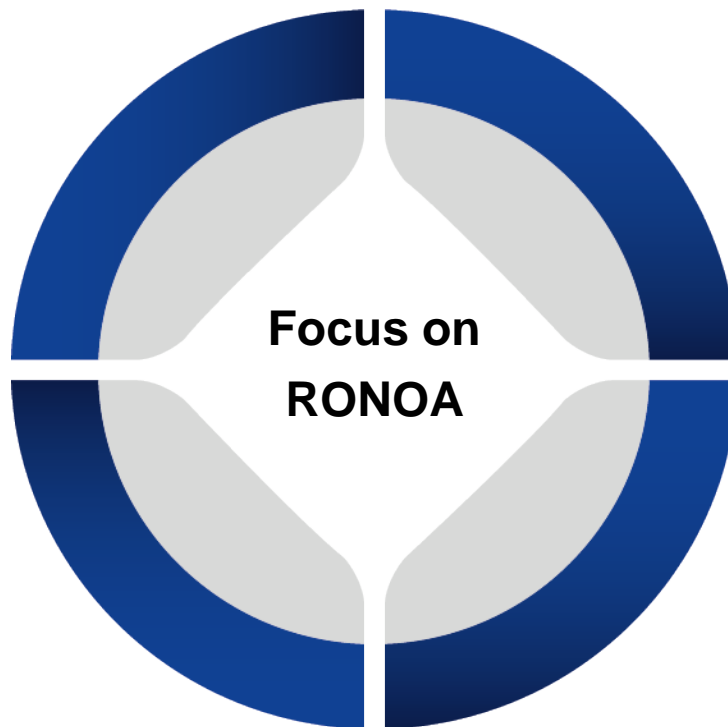
# Disciplined approach to capital allocation

## Organic investment

- No major Capex above depreciation level required during the ongoing MRP-period
- $RONOA > WACC$  set as one of the key-criteria for CAPEX applications

## Dividend

- Committed to redistributing profit back to shareholders
- Dividend policy implies payout ratio of 50 – 70% of Net Income



## M&A

- Stringent and selective approach to acquisitions
- Strategic fit, management profile and financial track record as key initial considerations
- Clear financial midterm-guidelines:  $(EBIT / Acquisition Price) > WACC$

## Rating / leverage

- Equity ratio 35 – 40% by end of MRP 2022
- Committed to investment grade rating in the long term

# 8. Conclusion

Marcel Pawlicek





# Committed to FY 2020 and MRP 2022 targets



## Guidance FY 2020\*

<b>Sales</b>	> CHF 650 mn
<b>EBIT Margin</b>	Stable
<b>Dividend Policy</b>	Payout ratio between 50 – 70% of net profit

## MRP 2022\*\*

<b>Sales</b>	CHF 700 mn
<b>EBIT Margin</b>	10 – 15%

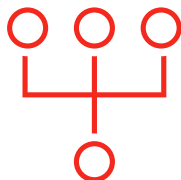
\* Even though many countries are currently dealing with a second wave of coronavirus, we have experienced a recovery in economic activities in certain regions in recent months. On the other hand, currencies have been fluctuating significantly recently. From today's perspective, we are still expecting to achieve sales of more than CHF 650 mn for fiscal 2020, as well as profit margins around the prior-year level.

\*\* Provided that the coronavirus does not lead to a further significant deterioration in the business environment

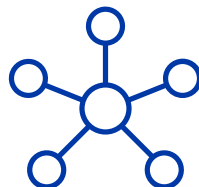
# Five key messages



Geographical positioning and large customer base offer **scale benefits** for future growth



The integrated Systems and Services business model provides **overall stability** across the entire value chain



Well positioned to participate and **benefit from** new applications and the **changing energy mix**



Committed to **reach MRP 2022 group targets** and further drive profitable growth



**Disciplined approach to capital allocation** underpins strategic execution and value creation objectives

**Focused on sustainable value creation for all stakeholders within MRP period and beyond**



# **Burckhardt Compression**

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Compressors for a Lifetime™