

Ad hoc release of June 1, 2021

Burckhardt Compression closes fiscal year with higher sales, improved operating result and significantly higher net profit

- **Higher order intake of CHF 676.6 mn (+11.4% year-on-year), with both Divisions above prior year: Systems Division +12.0%, Services Division +10.5%**
- **Increased EBIT margin from 8.7% to 9.2%, driven by a relevant increase in the EBIT margin of the Systems Division**
- **Significant increase in earnings per share to CHF 13.00 (+36.0% year-on-year)**
- **Substantial increase in activity in hydrogen mobility and energy business**
- **Guidance for fiscal year 2021: sales between CHF 620 mn and CHF 650 mn, as well as slightly higher profit margins compared with the previous year, medium-term targets on Group level for fiscal year 2022 confirmed**

Despite the coronavirus pandemic, 2020 was characterized by higher sales, a further improvement in operating income and a clear year-on-year increase in net income. Order intake also went up in spite of the challenges. The company was quick to activate a comprehensive crisis management program, allowing it to counter the effects of the coronavirus pandemic effectively. Its highest priority at all times has been to safeguard the health of its employees and their families, as well as that of its customers and business partners.

Markets recover at different speeds

Temporary lockdowns in all parts of the world dominated the entire 2020 fiscal year. Asian markets, especially China, but also Central Asia, recovered the fastest. European business also regained ground and produced interesting contracts for us. The USA was comparatively hard hit by the pandemic-related economic downturn and only slowly began to recover toward the end of the 2020 fiscal year.

Group: further improvement in profitability

Despite the coronavirus pandemic, Group order intake in 2020 rose 11.4% year-on-year to CHF 676.6 mn – or 8.5% before the acquisitions of Arkos Field Services (Arkos) and the compressor business of The Japan Steel Works (JSW). Sales for the 2020 fiscal year amounted to CHF 658.6 mn, an increase of 4.6% on the previous year (1.6% before acquisitions). Gross profit increased by 10.9% to CHF 166.2 mn, giving a higher gross profit margin of 25.2% (previous year 23.8%).

Consolidated operating profit (EBIT) rose to CHF 60.8 mn (previous year CHF 54.8 mn), representing an EBIT margin of 9.2% (previous year 8.7%). Group net income came to CHF 47.2 mn, beating the prior-year figure of CHF 39.9 mn by a substantial 18.4%. Owing to the improved financial results and the acquisition of all the remaining shares of Shenyang Yuanda Compressor in January 2021, earnings per share for shareholders in Burckhardt Compression Group increased significantly from CHF 9.56 to CHF 13.00.

Selling, marketing and general administrative expenses amounted to CHF 93.1 mn (14.1% of sales). Despite the inclusion of a full year of Arkos Field Services (previous year only four months), this is CHF 0.1 mn less than in fiscal year 2019. Research and development expenses rose by CHF 4.8 mn to CHF 15.4 mn due to the higher number of ongoing projects, including those involving innovative applications such as new marine solutions and H₂ mobility and energy. Other operating income came to CHF 3.1 mn. This reduction of CHF 5.6 mn compared to the previous year is largely attributable to currency translation effects and lower state subsidies in China.

Total assets at the end of March 2021 amounted to CHF 797.5 mn, which is 9.7% lower than at the end of March 2020 (close of the 2019 fiscal year). This reduction was mainly due to a reduction of property, plant and equipment as well as inventories. The net financial position at the end of the 2020 fiscal year amounted to CHF –82.4 mn (CHF –91.7 mn at the close of the 2019 fiscal year). Work in progress pre-financed by customer advance payments improved to CHF 11.5 mn from CHF –47.0 mn at the end of March 2020. The equity ratio lowered to 27.5% (previous year: 36.0%) mainly as a result of the derecognition of minorities from the acquisition of the remaining 40% of Shenyang Yuanda and the goodwill offset from the acquisition of the JSW compressor business.

Systems Division:

Higher order intake, increased sales and significantly higher EBIT

After a weak first half, order intake at the Systems Division increased significantly in the second half of the year to reach CHF 404.6 mn (+12.0%, no impact from acquisitions). This will lead to much higher capacity utilization in the second half of the 2021 fiscal year. Owing to the high back-log in recent years, sales during the 2020 fiscal year increased by 5.5% (no impact from acquisitions) to CHF 409.8 mn. Gross profit went up 38.1% to CHF 59.1 mn, resulting in a gross profit margin of 14.4% (previous year 11.0%, incl. final additional costs incurred in the LNGM business). The division more than doubled its EBIT margin from 1.7% in the previous year to 3.9% for the 2020 fiscal year. As expected, the figure was much lower in the second half of the year than in the first.

Services Division:

Higher order intake and sales, slightly lower EBIT

Order intake at the Services Division rose to CHF 272.1 mn, which is 10.5% higher compared to the previous year (increase of 3.1% before acquisitions). The prior-year figure does not include the compressor business of JSW and only includes four months of Arkos. As already mentioned in the half-year report, the order intake figure includes several major orders in the engineering/revamp/repair sector, as well as one order for a 10-year service partnership in the marine business. Pandemic-related travel restrictions had a significant impact, especially in the first quarter of the financial year. They had a particularly strong effect on the field services business and on the Service Centers, some of which had to be closed temporarily. In the USA, the unfavorable business environment was made even worse by the coronavirus, leading to a significant drop in demand in segments traditionally targeted by Arkos. Their downstream business, by contrast, expanded slightly.

Sales in the Services Division grew by 3.1% (–5.1% before acquisitions) to CHF 248.8 mn. As expected, profit margins in the second half of 2020 were higher than in the first half but could not match the previous year's figures. Gross profit remained almost unchanged at CHF 107.1 mn (previous year CHF 107.0 mn). The division's gross profit margin slipped from 44.3% to 43.0%, mainly because of margin dilution resulting from the Arkos consolidation. EBIT fell by CHF 3.5 mn and includes a negative contribution from Arkos of CHF –2.0 mn. The EBIT margin decreased from 22.7% to 20.6%, mainly due to lower sales in the wake of the coronavirus pandemic, especially in Field Services, and to the temporary closure of some Service Centers. This inevitably led to lower gross profit as well as reduced capacity utilization.

Acquisitions

The organizational integration of Arkos Field Services is on track despite corona-related restrictions. In addition to structural adjustments, two underutilized and unprofitable sites were closed. Arkos will continue to expand its downstream business in order to improve profitability. The results of the subsidiaries in the US include a contribution from corona-related government support programs.

Following the completion on schedule at the end of September 2020 of Shenyang Yuanda Compressor's new factory in Shenyang, China, the company acquired the remaining shares of Shenyang Yuanda Compressor in February 2021, so the company is now a wholly owned subsidiary. The change of management went smoothly, as did further operational integration of the business into the Chinese and global management structures.

On April 21, 2020 Burckhardt Compression completed the acquisition of JSW's global compressor business, and is now in the final phase of its integration.

Main application areas and innovations

Business with the petrochemical/chemical industry, gas transport and storage, and industrial gas, has recovered and returned to pre-pandemic levels. Burckhardt Compression also took further orders in the LNGM and LPGM maritime sector and achieved initial successes with the newly developed compact marine compressor.

Hydrogen Mobility and Energy – an application area that is growing in importance for Burckhardt Compression – saw a substantial increase in activity during the 2020 fiscal year. Some orders have already been taken for H₂ mobility and energy applications.

Expanded focus on sustainability and ESG

Burckhardt Compression has a consistent and comprehensive commitment to sustainability, which is reflected in its strategic objectives as well as in its operating business. The company is aware of its economic, social, and environmental responsibilities. Burckhardt Compression is further developing a sustainability strategy for the coming years. Based on a materiality analysis, the company has augmented and expanded its previous goals, which focused mainly on improving the product portfolio, services, and attractiveness as an employer. The next annual report will be the first to include a Sustainability Report that will be revised and structured in accordance with international standards and that takes account of various ESG (environmental, social and governance) ratings.

Outlook for the 2021 fiscal year as a whole

Based on expected delivery dates for orders received in fiscal years 2019 and 2020, Burckhardt Compression currently expects group sales of between CHF 620 mn and CHF 650 mn for fiscal year 2021 as a whole, as well as slightly higher profit margins compared with the previous year. This is based on the assumptions that there is no further major outbreak of the coronavirus in markets relevant to Burckhardt Compression and that the economic recovery continues.

Due to the distribution of order intake in the Systems Division in fiscal year 2020, sales in 2021 will be second-half loaded. Since the coronavirus impacted the order intake in the first half of fiscal year 2020 significantly, sales for the same period in 2021 will be lower.

The company expects the Services Division to record greater order intake as well as higher sales in the 2021 fiscal year following the easing of travel restrictions. The field service business and Service Centers in particular will see better capacity utilization, while profitability at Arkos will continue to improve.

Mid-Range Plan 2018 – 2022

Under the assumptions that there is no further major outbreak of the coronavirus in markets relevant to Burckhardt Compression and that the economy will continue to recover, Burckhardt Compression is confirming its sales target for the 2022 fiscal year of CHF 700 mn and its EBIT margin target of between 10% and 15%. The company expects the sales split between the two divisions to shift from the original expectation, with the proportion contributed by the Systems Division overtaking that of the Services Division.

Dividend

The Board of Directors will propose a dividend of CHF 6.50 per share (CHF 6.00 in the previous year) at the annual general meeting. This corresponds to a payout ratio of 50.0% of net income per share (previous year: 62.8%). Due to the desire to strengthen the future equity ratio the payout ratio is at the lower end of the target range of 50% to 70%.

The annual report 2020 and further information on the fiscal year 2020 are available on the website on: www.burckhardtcompression.com/financial-reports.

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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 gas gathering and processing, gas transport and storage, refinery, chemical, petrochemical as well as in the industrial gas and hydrogen mobility and energy 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

Further information at 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 2021 and 2022

FIGURES AT A GLANCE

		2019	2020	Change 2019/2020
in CHF mn				
Order intake:				
– Systems Division		361.2	404.6	12.0%
– Services Division		246.1	272.1	10.5%
Total		607.3	676.6	11.4%
Sales and gross profit:				
– Systems Division	Sales	388.3	409.8	5.5%
	Gross profit	42.8	59.1	38.1%
	in % of sales	11.0%	14.4%	
– Services Division	Sales	241.3	248.8	3.1%
	Gross profit	107.0	107.1	0.1%
	in % of sales	44.3%	43.0%	
Total	Sales	629.6	658.6	4.6%
	Gross profit	149.8	166.2	10.9%
	in % of sales	23.8%	25.2%	
Operating income (EBIT):				
– Systems Division	Operating income (EBIT)	6.4	16.2	151.2%
	in % of sales	1.7%	3.9%	
– Services Division	Operating income (EBIT)	54.7	51.2	-6.3%
	in % of sales	22.7%	20.6%	
Total	Operating income (EBIT)	54.8	60.8	11.0%
	in % of sales	8.7%	9.2%	
Net income				
		39.9	47.2	18.4%
in % of sales				
		6.3%	7.2%	
Depreciation and amortization				
		20.5	21.1	2.7%
Cash flow:				
– from operating activities		50.7	132.2	160.7%
– from investing activities		-49.7	-40.4	
– from financing activities (incl. translation differences)		6.3	-106.7	
Total		7.3	-14.9	
Total balance sheet assets				
		883.0	797.5	-9.7%
Non-current assets				
		234.1	211.0	-9.9%
Current assets				
		648.9	586.5	-9.6%
Shareholders' equity				
		317.5	219.6	-30.8%
in % of total balance sheet assets				
		36.0%	27.5%	
Net financial position (in CHF mn)				
		-91.7	-82.4	
Headcount as per end of fiscal year (full-time equivalents)				
		2'621	2'538	-3.2%
Total remuneration Board of Directors (in TCHF)				
		573	610	6.5%
Total remuneration Executive Management (in TCHF)				
		2'893	3'147	8.8%
Share price as per end of fiscal year (in CHF)				
		192.40	315.00	63.7%
Market capitalization (in CHF mn)				
		654.2	1'071.0	63.7%
Market capitalization/shareholders' equity (ratio)				
		2.1	4.9	136.7%
Net income per share (EPS) (in CHF)				
		9.56	13.00	36.0%
Dividend per share (in CHF)				
		6.00	6.50 ¹	8.3%
Number of issued shares				
		3'400'000	3'400'000	

¹ Motion to the Annual General Meeting

CONSOLIDATED INCOME STATEMENT

	2020	2019
in CHF '000		
Sales	658'580	629'585
Cost of goods sold	-492'423	-479'800
Gross Profit	166'157	149'785
Selling and marketing expenses	-47'997	-50'455
General and administrative expenses	-45'064	-42'753
Research and development expenses	-15'358	-10'513
Other operating income	21'055	41'955
Other operating expenses	-17'977	-33'224
Operating income	60'816	54'795
Share of results of associates	-	-2'494
Financial income and expenses	-1'616	-4'741
Earnings before taxes	59'200	47'560
Income tax expenses	-11'999	-7'689
Net income	47'201	39'871
Share of net income attributable to shareholders of Burckhardt Compression Holding AG	44'034	32'390
Share of net income attributable to non-controlling interests	3'167	7'481
Basic earnings per share (in CHF)	13.00	9.56
Diluted earnings per share (in CHF)	13.00	9.56

CONSOLIDATED BALANCE SHEET

	03/31/2021	03/31/2020
in CHF 1'000		
Non-current assets		
Intangible assets	12'351	12'943
Property, plant and equipment	180'080	202'632
Investment in associates	–	–
Deferred tax assets	14'514	14'513
Other financial assets	4'005	4'034
Total non-current assets	210'950	234'122
Current assets		
Inventories	190'435	264'479
Trade receivables	260'395	256'121
Other current receivables	56'981	33'377
Prepaid expenses and accrued income	3'366	4'584
Cash and cash equivalents	75'370	90'319
Total current assets	586'547	648'880
Total assets	797'497	883'002
Equity		
Share capital	8'500	8'500
Capital reserves	486	435
Treasury shares	–2'206	–5'216
Retained earnings and other reserves	212'324	269'763
Equity attributable to shareholders of Burckhardt Compression Holding AG	219'104	273'482
Non-controlling interests	499	44'024
Total equity	219'603	317'506
Liabilities		
Non-current liabilities		
Non-current financial liabilities	133'070	88'713
Deferred tax liabilities	11'097	13'620
Non-current provisions	14'485	14'311
Other non-current liabilities	3'916	7'616
Total non-current liabilities	162'568	124'260
Current liabilities		
Current financial liabilities	24'726	93'259
Trade payables	92'474	91'337
Customers' advance payments	131'677	145'297
Other current liabilities	73'817	13'895
Accrued liabilities and deferred income	66'065	77'122
Current provisions	26'567	20'326
Total current liabilities	415'326	441'236
Total liabilities	577'894	565'496
Total equity and liabilities	797'497	883'002

CONSOLIDATED CASH FLOW STATEMENT

	2020	2019
in CHF 1'000		
Cash flow from operating activities		
Net income	47'201	39'871
Income tax expenses	11'999	7'689
Financial income and expenses	1'616	4'741
Share of results of associates	–	2'494
Depreciation	17'476	17'416
Amortization	3'632	3'133
Change in inventories	77'305	–36'129
Change in trade receivables	3'906	5'331
Change in other current assets	10'902	–6'544
Change in trade payables	–1'448	1'180
Change in customers' advance payments	–17'977	23'494
Change in provisions	4'045	–70
Change in other liabilities	–20'517	1'947
Adjustment for non-cash items	6'435	2'455
Interest received	449	227
Interest paid	–2'365	–2'865
Income taxes paid	–10'464	–13'627
Total cash flow from operating activities	132'195	50'743
Cash flow from investing activities		
Purchase of property, plant and equipment	–17'425	–29'484
Sale of property, plant and equipment	1'226	2'555
Purchase of intangible assets	–2'938	–4'851
Increase in financial assets	–	–2'100
Acquisition of group companies net of cash acquired	–21'227	–15'783
Total cash flow from investing activities	–40'364	–49'663
Cash flow from financing activities		
Increase in financial liabilities	100'154	43'010
Decrease in financial liabilities	–126'109	–5'710
Purchase of treasury shares	–3'153	–3'735
Acquisition of non-controlling interests	–50'400	–
Dividends paid	–29'954	–22'289
Total cash flow from financing activities	–109'462	11'276
Currency translation differences on cash and cash equivalents	2'682	–5'047
Net change in cash and cash equivalents	–14'949	7'309
Cash and cash equivalents at beginning of period	90'319	83'010
Cash and cash equivalents at end of period	75'370	90'319
Net change in cash and cash equivalents	–14'949	7'309

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 04/01/2019	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 (provision in equity)							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
Balance at 04/01/2020	8'500	435	-5'216	-616	-13'315	-121'835	405'529	273'482	44'024	317'506
Result for the period							44'034	44'034	3'167	47'201
Currency translation differences					10'186			10'186	308	10'494
Changes of cash flow hedges				374				374		374
Dividends paid							-20'180	-20'180	-9'774	-29'954
Changes in treasury shares			-3'153					-3'153		-3'153
Share-based payments (distributed)		51	6'163				-6'214	-		-
Share-based payments (provision in equity)							3'907	3'907		3'907
Goodwill on acquisition						-24'872		-24'872		-24'872
Acquisition of non-controlling interests							-64'674	-64'674	-37'226	-101'900
Balance at 03/31/2021	8'500	486	-2'206	-242	-3'129	-146'707	362'402	219'104	499	219'603

SEGMENT REPORTING

in CHF 1'000	Systems Division		Services Division		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Sales	409'793	388'256	248'787	241'329	–	–	658'580	629'585
Cost of goods sold	–350'731	–345'482	–141'692	–134'318	–	–	–492'423	–479'800
Gross profit	59'062	42'774	107'095	107'011	–	–	166'157	149'785
Gross profit as % of sales	14.4%	11.0%	43.0%	44.3%	–	–	25.2%	23.8%
Operating income	16'182	6'443	51'246	54'692	–6'612	–6'340	60'816	54'795
Operating income as % of sales	3.9%	1.7%	20.6%	22.7%	–	–	9.2%	8.7%

KEY DATES FOR 2021 AND 2022

July 2, 2021

Annual General Meeting (virtual)

November 2, 2021

Results for the first half of 2021 (closing September 30, 2021)

June 8, 2022

2021 Annual Report (closing March 31, 2022)

July 1, 2022

Annual General Meeting