Burckhardt Compression

YEAR-END RESULTS FISCAL YEAR 2020

JUNE 1, 2021, WINTERTHUR

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Content

1. KEY HIGHLIGHTS

MARCEL PAWLICEK
CEO

Sales and EBIT significantly higher compared to prior year levels; temporary margin fluctuations at divisional level

In CHF mn	BC Group FY 2020	FY 2019	Systems Division FY 2020	FY 2019	Services Division FY 2020	FY 2019
Order intake	676.6	607.3	404.6	361.2	272.1	246.1
Sales	658.6	629.6	409.8	388.3	248.8	241.3
EBIT	60.8	54.8	16.2	6.4	51.2	54.7
EBIT margin	9.2%	8.7%	3.9%	1.7%	20.6%	22.7%

HIGHLIGHTS

- Further improvement of Group financial performance
- Overall increase in order intake
- First orders for Hydrogen Mobility & Energy
- Successful launch of new marine compressors
- Remaining 40% acquisition of Shenyang Yuanda Compressor completed

LOWLIGHTS

- Coronavirus impact:
  - SYST significant drop of capacity utilization in second half on the back of lower order intake in 1HY as expected
  - SERV slightly lower EBIT margin due to underperformance of Arkos and underutilization in Field Service and Engineering/Revamp/Repair due to travel restrictions

Market dynamics in FY 2020

Gas Gathering and Processing	• Low activities due to low crude oil and gas prices as a result of lower demand
Gas Transport and Storage	• Positive development due to continuing and recently even stronger trend towards more environmental friendly and cost-effective energy, onshore as well as in the marine business
Refinery	• Projects deferred in the fiscal year likely to catch up demand in fiscal year 2021 and beyond, supported by efforts to comply with stricter environmental standards
Industrial Gas and H_2 Mobility & Energy	• Increasing importance of hydrogen solutions for mobility and energy • Since heavily influenced by global economic growth, activities in 2HY FY2020 increased again
Petro-chemical/ Chemical Industry	• Further growing worldwide demand for products made of industrial plastics continued in fiscal year 2020, mainly in China but also in Central Asia

Successful business continuity despite global coronavirus pandemic

Crisis team

continued crisis management under the leadership of CEO, ongoing updates on global situation to ensure appropriate and timely response

Adequate actions

to protect health and wellbeing of employees, work from home, physical distancing and hygiene measures intensified, travel and visitor bans continued, shift work scheduled to avoid large groups

Business continuity

thanks to employee mobilization and supply chain management, most BC locations were fully operational, weekly monitoring of supply chain by Strategic Procurement, communication with customers through digital channels

2. MARKET DYNAMICS

MARCEL PAWLICEK
CEO

Positive market outlook in the gas business mainly driven by environmental regulations

Gas Gathering and Processing	• US political support for domestic gas production • Changing energy mix leads to a globally increasing demand for natural gas • Growth of middle-class in emerging countries driving the need for natural gas-based products
Gas Transport and Storage	• Changing global energy mix towards gas • Importance of natural gas as a clean and less expensive source of energy • More strict environmental regulations lead to clean energy solutions in marine applications • Feedstock for the Petrochemical industry changing to low-cost LPG/LEG (e.g. in the US)
Refinery	• Growing demand for clean fuels due to environmental regulations (Euro V & VI) • Flexibility to process different crude oil qualities and upgrading the bottom of the barrel (heavy crude) • Strategic importance of refining capacity for independent supply • Integration of large size refineries and petrochemical plants into single complexes → better economics
Industrial Gas and H_2 Mobility & Energy	• World population growth leads to increasing demand for industrial gases (e.g. medical, food & beverage, fertilizers (CO_2), inert gas) • Hydrogen to be used as fuel (busses, cars, trains, fuel cell power plants) • Environmental pressure to reduce CO_2 leads to commercial applications for CO_2
Petro-chemical/ Chemical Industry	• Annual demand growth for petrochemical- and chemical products for industrial- and consumer products based on increased world population and middle class growth • Shift of production to countries with lower feed stock price (e.g. US) • Increasing investments in CIS countries and Russia • Older technologies/less efficient plants will be replaced by state-of-the-art facilities which are more profitable

3. OPERATIONAL REVIEW

MARCEL PAWLICEK
CEO

Systems Division: Stronger Order Intake, Sales and EBIT

in CHF mn	FY 2020	FY 2019	Change
Order intake	404.6	361.2	+12.0%
Sales	409.8	388.3	+5.5%
Gross profit	59.1	42.8	+38.1%
In % of sales	14.4%	11.0%	
EBIT	**16.2**	**6.4**	**151.2%**
In % of sales	3.9%	1.7%	
Headcount (FTEs)	1’429	1’517	-5.8%

- Order intake above prior-year with 2HY FY 2020 ending very strong
  - Further successes with BCS Compressor (Export out of China)
  - First successes with H_2 Mobility & Energy
  - Strong recovery of the Chinese market as well as the performance of the Petrochemical/Chemical Industry and Gas Transport and Storage sectors
- Growth in Sales mainly benefitting from high order intake in prior years
- Gross margin above prior year despite low capacity utilization in 2HY FY 2020
  - No more LNGM extra costs (all solved in FY 2019)

- **Expected development for FY 2021**
  - Lower Sales compared to FY 2020 with a second-half loading
  - Sales 1HY FY 2021 lower than 1HY FY 2020
  - Still low capacity utilization in 1HY FY 2021 following the significantly lower order intake in 1HY FY 2020

Services Division: Higher Order Intake, slightly higher Sales and slightly lower EBIT → Underperformance of Arkos and coronavirus impact

in CHF mn	FY 2020	FY 2019	Change
Order intake	272.1	246.1	+10.5%
Sales	248.8	241.3	+3.1%
Gross profit	107.1	107.0	+0.1%
In % of sales	43.0%	44.3%	
EBIT	**51.2**	**54.7**	**-6.3%**
In % of sales	20.6%	22.7%	
Headcount (FTEs)	1’095	1’093	0.2%

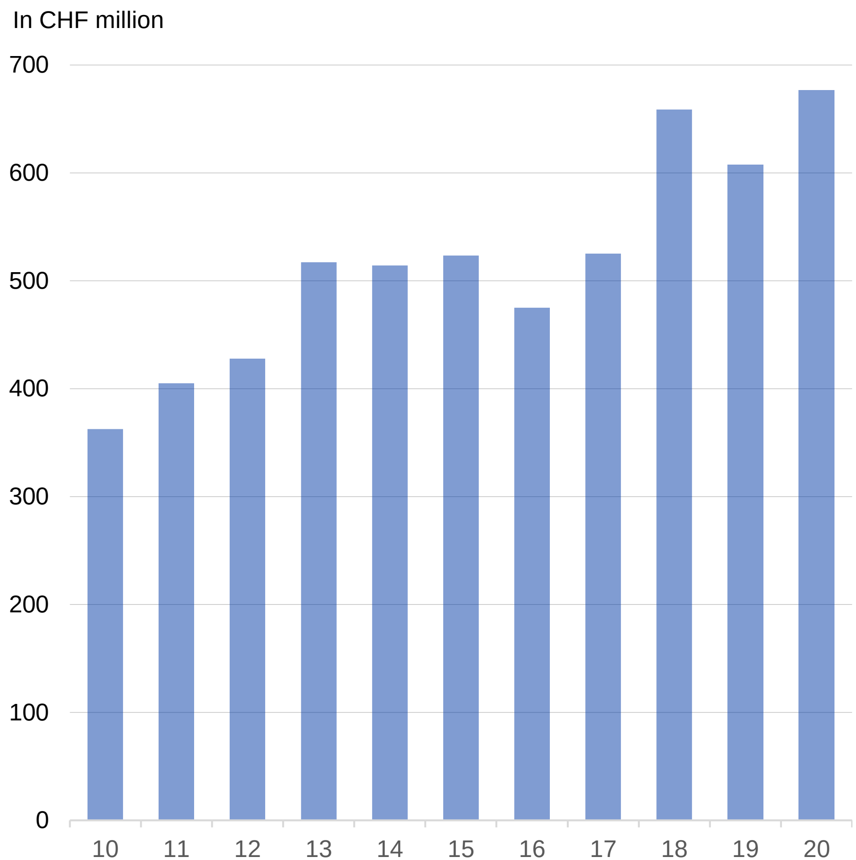
- Order intake at CHF 272.1 mn, 10.5% above prior year (resp. CHF 235.6 mn, +3.1% y-o-y net of acquisition)
  - 10-year agreement (low double-digit mn amount) signed in the Marine business
- Sales at CHF 248.8 mn, 3.1% above prior year (resp. CHF 212.3 mn, -5.1% below y-o-y net of acquisition)
  - Significantly lower load in Field Service at Arkos/USA but also in other regions and temporary closure of some Service Centers due to the coronavirus
- Slightly lower gross profit and EBIT:
  - Full year EBIT margin above 20%, as expected
  - Temporary set-back at Arkos (CHF -2.0 mn EBIT, net of US government grants)
  - Lower capacity utilization due to coronavirus in 1HY

- **Expected development for FY 2021**
  - Higher sales
  - Further improvement of capacity utilization due to easing of travel restrictions
  - Improved profitability at Arkos (continued optimization of the mid-stream business and growth in the down-stream business)

4. FINANCIAL REVIEW

ROLF BRAENDLI
CFO

Higher Order Intake with strong momentum in 2HY FY 2020

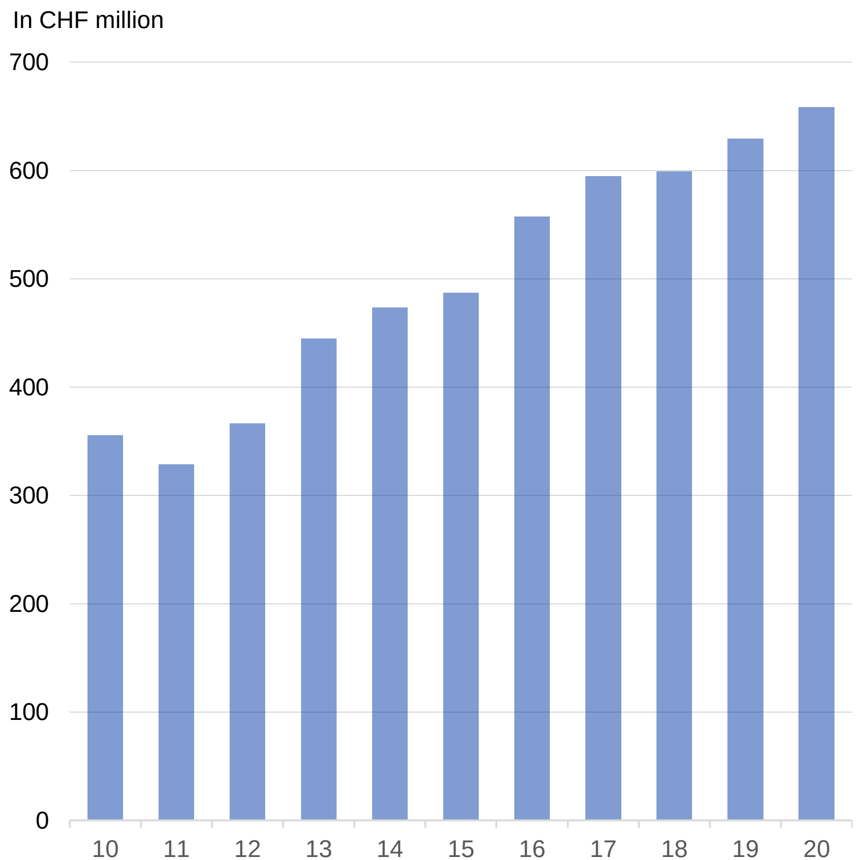


- Order intake at CHF 676.6 mn, 11.4% above prior-year level (+9.9% net of currency translation effects and acquisitions)

- Systems Division: +12.0% to CHF 404.6 mn
  - Further successes with BCS Compressor (Export out of China)
  - First successes with H_2 Mobility & Energy
  - Strong recovery of the Chinese market as well as the performance of the Petrochemical/Chemical Industry and Gas Transport and Storage sectors

- Services Division: +10.5% to CHF 272.1 mn (+3.1% net of acquisitions)
  - Several major orders for Engineering/Revamp/Repair
  - 10-year agreement (low double-digit mn amount) signed in the Marine business

Higher Sales with both Divisions above prior year



- Sales up overall by 4.6% to CHF 658.6 mn (+4.4% net of currency translation effects and acquisitions)

- Systems Division: +5.5% to CHF 409.8 mn
  - Benefitting from high order backlog

- Services Division: +3.1% to CHF 248.8 mn
  - -5.1% net of acquisitions
  - Underperformance of Arkos
  - Lower load in Field Service and temporary closure of some Service Centers due to the Coronavirus

Key Figures: Higher Order Intake, Sales, EBIT, Net Income

in CHF mn	FY 2020	FY 2019	Change
Order intake	676.6	607.3	+11.4%
Sales	658.6	629.6	+4.6%
Gross profit	166.2	149.8	+10.9%
In % of sales	25.2%	23.8%	
SG&A	-93.1	-93.2	-0.1%
R&D	-15.4	-10.5	+46.7%
Other operating income	3.1	8.7	-64.4%
EBIT	60.8	54.8	+11.0%
In % of sales	9.2%	8.7%	
EBT	59.2	47.6	+24.4%
Income tax expenses	-12.0	-7.7	
Net income incl. minorities	47.2	39.9	+18.4%
Thereof minorities	3.2	7.5	-57.7%
EPS	13.00	9.56	+36.0%

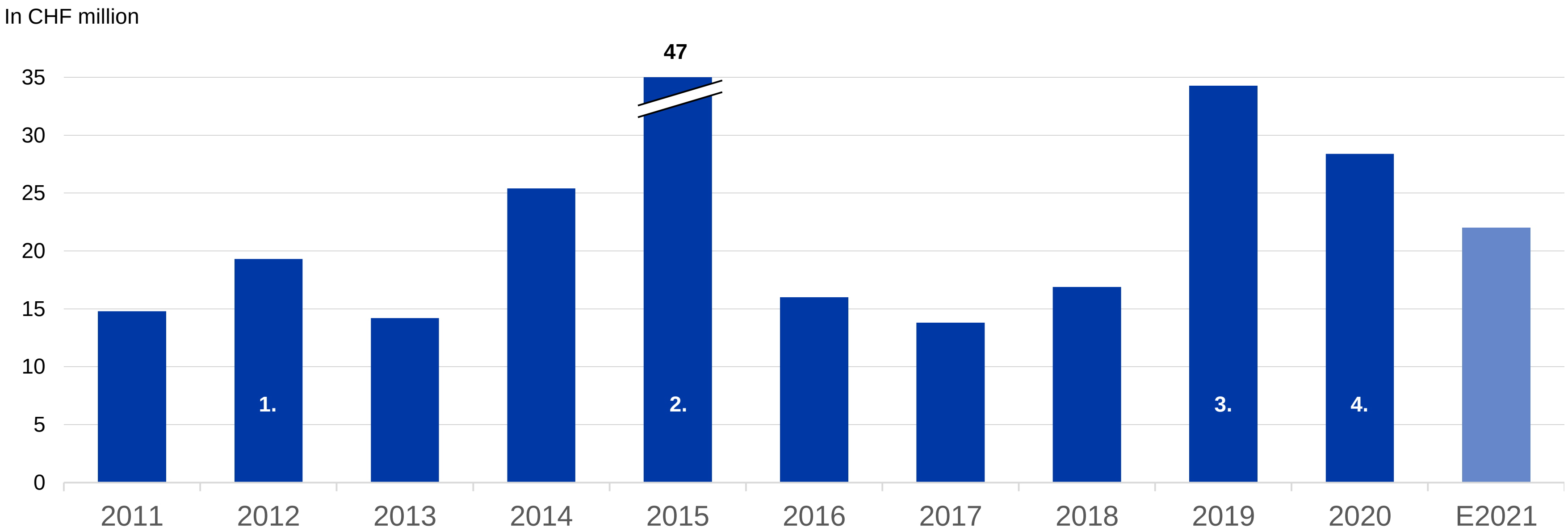
- Sales 4.6% ahead of prior year, driven by strong order backlog in SYST; higher SERV Sales due to consolidation of Arkos for 12 vs. 4 months in FY 2019
- Gross margin up 1.4 percentage points
  - No more LNGM extra costs (all solved in FY 2019)
  - Lower gross margin in SERV due to low performance of Arkos and impact of Coronavirus
- SG&A at 14.1% of sales (FY 2019: 14.8%)
  - Same level of SG&A despite full inclusion of Arkos
  - Significantly lower travelling expenses
- R&D up CHF 4.9 mn
  - Development and improvement of marine solutions and enhancing compressor solutions for H_2 applications
  - Development of digital solutions
- Other operating income down by CHF 5.6 mn
  - Mainly due to less government grants in China
- Tax rate at 20.3% (FY 2019: 16.8% incl. one-off effects from the Swiss tax reform)
- Significantly higher EPS: lower minority stake (acquisition of the remaining shares of SYCC per January 2021)

Balance Sheet Positions: Decrease of Property, Plant & Equipment

in CHF mn	FY 2020	FY 2019
Property, Plant & Equipment	180.1	202.6
Inventories	190.4	264.5
- Thereof WIP	100.6	164.7
- Thereof Adv. Payments to Suppliers	19.6	27.6
Trade Receivables	260.4	256.1
Trade Payables	92.5	91.3
Adv. Payments from Customers	131.7	145.3
Shareholders Equity in % of Total Balance Sheet	28%	36%
Net financial position	-82.4	-91.7

- Decrease of Property, Plant & Equipment by 11.1% mainly due to the netting of the new real estate in Shenyang with related government grants
- Slightly higher trade receivables due to high volume of invoicing towards the end of the fiscal year; further improvement of aging structure (mainly in China)
- Balance between advance payments from customers and work in progress plus advance payments to suppliers at CHF 11.5 mn (prior year CHF -47.0 mn)
- Temporary reduction of equity ratio to 28% after goodwill offset from the acquisitions of JSW and the remaining 40% of Shenyang Yuanda Compressor against equity
- Net financial position of CHF -82.4 mn
  - Re-financing of recent acquisitions through a bond (CHF 100 mn at 1.5% with a term of 4 years)
  - Liquidity secured through bond and adequate credit lines

Capital Investments (additions to Fixed Assets)



1) Including CHF 5.8 mn investments in real estate (construction of a new building of Prognost in Germany and several modifications to the factory in Winterthur)
2) Including assembly sites USA, South Korea and building expansion in Winterthur as well as early replacement of machining tools in Winterthur and globalization of IT infrastructure
3) Including CHF 17.0 mn assets under construction for the relocation project of Shenyang Yuanda Compressor (shown in balance sheet net of the related government subsidies)
4) Including CHF 13.9 mn for the relocation project of Shenyang Yuanda Compressor (shown in balance sheet net of the related government subsidies)

Cash Flow and Net Financial Position: Higher Net Financial Position and (re-)financing with Bond

in CHF mn	FY 2020	FY 2019
Cash Initial Balance	**90.3**	**83.0**
Cash Flow from Operating Activities	132.2	50.7
Cash Flow from Investing Activities	-40.4	-49.7
Cash Flow from Financing Activities	-109.5	11.3
Currency Translation Differencies	2.8	-5.0
Cash Position	**75.4**	**90.3**
Borrowings	-157.8	-182.0
Net Financial Position	**-82.4**	**-91.7**

- Improved net financial position (net debt) of CHF -82.4 mn
  - Cash flow from operating activities increased by CHF 81.5 mn, mainly due to changes in net working capital
  - Cash flow from financing activities including bond emission over CHF 100 mn, repayment of financial liabilities and partially deferred payment of the remaining 40% acquisition of Shenyang Yuanda Compressor
  - Dividend payment of CHF 6.00/share for FY 2019 (reported under financing activities)
  - Decreased borrowings, including the CHF 100 mn bond and the temporary financing of the Shenyang Yuanda Compressor relocation project

5. OUTLOOK

MARCEL PAWLICEK
CEO

Key Priorities for FY 2021

Materialize benefits from acquisitions, push Sustainability and Digitalization and further improve the Financial Performance towards MRP 2022 Targets

− Systems Division
  - Further optimize cost level through procurement, process optimization and variant management
  - Further push hydrogen in mobility and energy by increasing the sales force
  - Further push Shenyang Yuanda Compressor export products (BCS Compressor)
  - Mitigate the negative impact from the low capacity utilization in 1HY FY 2021

− Services Division
  - Improve financial performance of Arkos supported by a further increase of the downstream business in the USA
  - Push digital products together with tailor-made service and maintenance concepts
  - Continue to move, localize and adjust resources adapted to the corona situation
  - Further materialize service volume on the installed base of the acquired JSW business

Financial guidance

	Guidance FY 2021	Guidance FY 2022
Sales	CHF 620 – 650 mn	CHF 700 mn
EBIT Margin	Slightly above FY 2020 2nd semester FY 2021 significantly higher than 1st semester FY 2021	10 – 15%

This is based on the assumption that there is no further major outbreak of the coronavirus in for Burckhardt Compression relevant markets and the economic recovery continues.

Burckhardt Compression

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