Burckhardt Compression

# HALF-YEAR RESULTS FISCAL YEAR 2021

NOVEMBER 2, 2021, WINTERTHUR

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# Content


# 1. KEY HIGHLIGHTS AND MARKET DEVELOPMENT

## MARCEL PAWLICEK
## CEO

# Significantly higher order intake and profit margins, sales lower in line with expectations

| In CHF mn | BC Group 1HY FY 2021 | 1HY FY 2020 | Systems Division 1HY FY 2021 | 1HY FY 2020 | Services Division 1HY FY 2021 | 1HY FY 2020 |
|---|---|---|---|---|---|---|
| Order intake | 450.7 | 303.0 | 303.0 | 170.2 | 147.7 | 132.8 |
| Sales | 268.5 | 295.2 | 140.1 | 193.9 | 128.4 | 101.3 |
| EBIT | 26.3 | 26.0 | 5.7 | 17.1 | 24.0 | 10.5 |
| EBIT margin | 9.8% | 8.8% | 4.1% | 8.8% | 18.6% | 10.3% |

**HIGHLIGHTS**

- Significantly higher Order Intake
- Further improvement of profitability at group level despite lower sales
- Increasing activities in the hydrogen business
  - Received order to supply compressors for the world’s largest hydrogen liquifaction plant

**LOWLIGHTS**

- Challenging supply chain and logistics with no major financial impact in 1HY FY2021
- Ongoing low investment climate in the relevant US markets
- Corona-related travel restrictions continued to impact business especially in Field Service and Engineering/Revamp/Repair

# Successful business continuity during 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 continued, ease up of restrictions depending on local Government regulations

**Business continuity**

thanks to employee Mobilization, weekly monitoring of supply chain and logistics by Management. Increasing demand for digital products

# Continued positive market development in the gas business driven by environmental regulations

| | |
|---|---|
| Gas Gathering and Processing | • US political support for domestic gas production<br>• Changing energy mix leads to a globally increasing demand for natural gas<br>• Growth of middle-class in emerging countries driving the need for natural gas-based products |
| Gas Transport and Storage | • Changing global energy mix towards natural gas and other gases<br>• Importance of natural gas as a clean and less expensive source of energy<br>• More strict environmental regulations lead to clean energy solutions in marine and other applications<br>• Feedstock for the Petrochemical industry (LPG/LEG) |
| Refinery | • Growing demand for clean fuels due to environmental regulations (Euro V & VI)<br>• Flexibility to process in larger scale bio fuels, next to different crude oil qualities<br>• Strategic importance of refining capacity for independent supply<br>• Integration of large size refineries and petrochemical plants into single complexes → better economics |
| $H_2$ Mobility & Energy/ Industrial Gas | • World population growth leads to increasing demand for industrial gases (e.g. medical, food & beverage, fertilizers, inert gas)<br>• Hydrogen ($H_2$) to be used as fuel (busses, cars, trains, power plants)<br>• Environmental pressure to reduce $CO_2$ leads to commercial applications for $CO_2$ (e.g. e-fuels) |
| 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<br>• Shift of production to countries with lower feedstock price<br>• Increasing investments in China, CIS countries and Russia |

# 2. OPERATIONAL REVIEW

## MARCEL PAWLICEK
## CEO

# Systems Division: higher order intake, lower sales and EBIT

| in CHF mn | 1HY FY 2021 | 1 HY FY 2020 | Change |
|---|---|---|---|
| Order intake | 303.0 | 170.2 | +78.0% |
| Sales | 140.1 | 193.9 | -27.8% |
| Gross profit | 27.7 | 36.6 | -24.2% |
| In % of sales | 19.8% | 18.9% | |
| **EBIT** | **5.7** | **17.1** | |
| In % of sales | 4.1% | 8.8% | |
| Headcount (FTEs) | 1'638 | 1'552 | +5.5% |

- Order intake increased by 78%
  - With the exception of Gas Gathering & Processing and Refinery all businesses recovered and exceeded the pre-pandemic level
  - Further orders in the maritime sector (LNGM and LPGM)
  - Increasing order volume with $H_2$ mobility & energy
- Sales as expected below the strong prior-year level resulting from the corona-related lower order intake in 1HY FY2020
- Gross margin slightly above prior year due to more favorable product mix
  - Overall lower workload

- **Expected development over 2HY FY 2021**
  - Sales well above 1HY FY 2021
  - EBIT margin above 1HY FY 2021 level
    - Higher capacity utilization

# Services Division: higher order intake, sales and EBIT

| in CHF mn | 1HY FY 2021 | 1 HY FY 2020 | Change |
|---|---|---|---|
| Order intake | 147.7 | 132.8 | +11.2% |
| Sales | 128.4 | 101.3 | +26.7% |
| Gross profit | 54.8 | 37.1 | +47.5% |
| In % of sales | 42.7% | 36.7% | |
| **EBIT** | **24.0** | **10.5** | **+128.6%** |
| In % of sales | 18.6% | 10.3% | |
| Headcount (FTEs) | 1’097 | 1’076 | +2.0% |

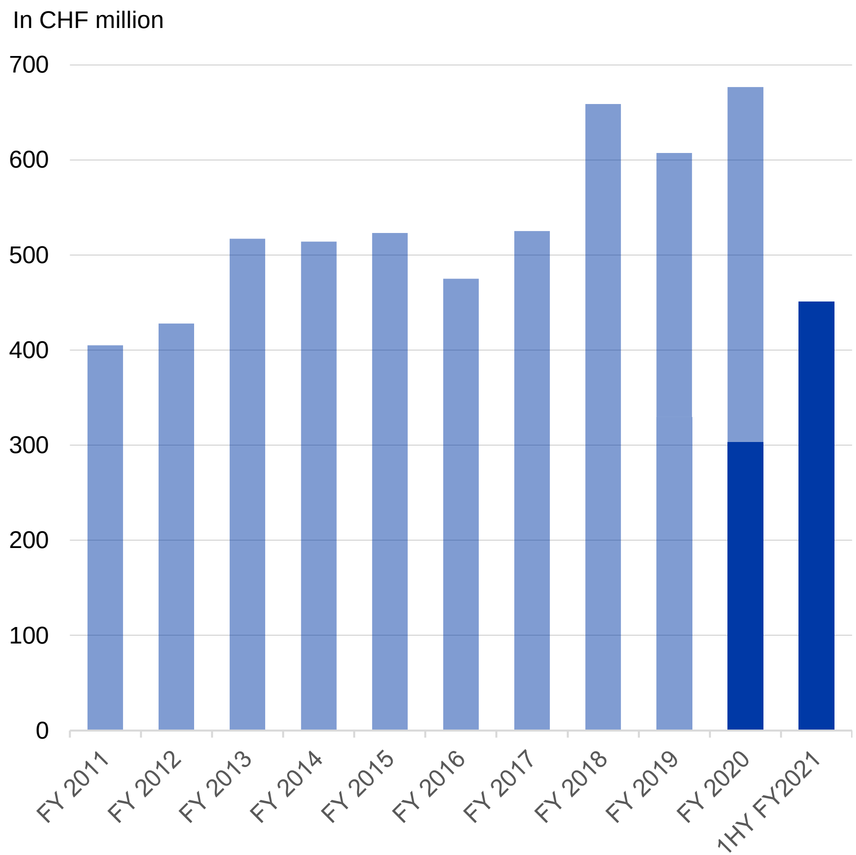
- Order intake increased by 11.2% (prior-year period included a 10-year agreement, low double-digit mn amount)
- Sales rose by 26.7%
  - Globally higher volume in Field Service and Engineering/Revamp/Repair compared to 1HY FY 2020
- Significant higher gross profit margin and EBIT margin
  - Margin improvement at Arkos with slightly positive EBIT
  - Higher capacity utilization

- **Expected development over 2HY FY 2021**
  - Significantly higher sales compared to 1HY FY 2021
  - EBIT margin above 1HY FY 2021, expecting an EBIT margin for the full year to be at last year’s level

# 3. FINANCIAL REVIEW

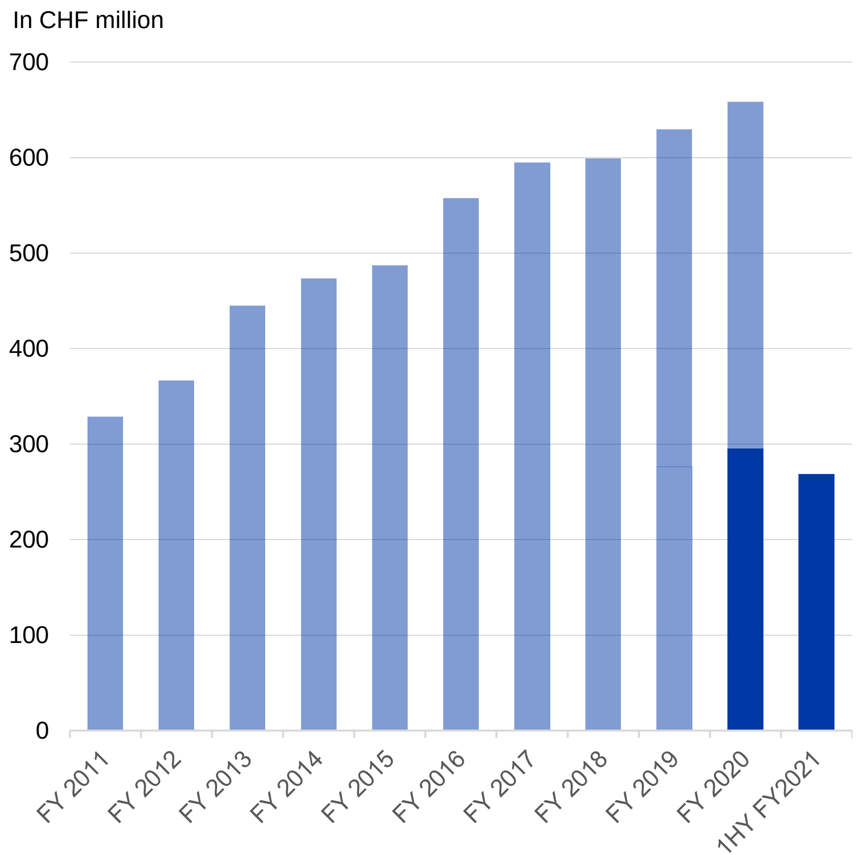
## ROLF BRAENDLI
## CFO

# Significantly higher order intake




- Significant increase of order intake to CHF 450.7 mn compared to prior-year level (+48.7% respectively +47.3% excluding the effects of currency translation)
- Systems Division: +78.0% to CHF 303.0 mn
  - With the exception of Gas Gathering & Processing and Refinery all businesses recovered and exceeded the pre-pandemic level
  - Further orders in the maritime sector (LNGM and LPGM)
  - Increasing order volume with $H_2$ mobility & energy
- Services Division: +11.2% to CHF 147.7 mn
  - Prior-year period included a 10-year agreement, low double-digit mn amount

# Lower sales in line with expectations




- Sales decreased overall by 9.1% (respectively -10.0% excluding effects of currency translation) to CHF 268.5 mn due to the corona-related lower order intake in the first half of FY 2020
- Systems Division: -27.8% to CHF 140.1 mn
  - Sales as expected below the strong prior-year level
- Services Division: +26.7% to CHF 128.4 mn
  - Globally higher volume in Field Service and Engineering/Revamp/Repair compared to 1HY FY 2020

# Key Figures: higher profit margins and significant increase of EPS

| in CHF mn | 1HY FY 2021 | 1 HY FY 2020 | Change |
|---|---|---|---|
| Order intake | 450.7 | 303.0 | +48.7% |
| Sales | 268.5 | 295.2 | -9.1% |
| Gross profit | 82.5 | 73.7 | +11.9% |
| In % of sales | 30.7% | 25.0% | |
| SG&A | -51.9 | -44.0 | +18.0% |
| R&D | -9.3 | -6.9 | +34.8% |
| Other operating income | 5.0 | 3.2 | +56.3% |
| EBIT | 26.3 | 26.0 | +1.2% |
| In % of sales | 9.8% | 8.8% | |
| EBT | 23.4 | 24.9 | -6.0% |
| Income tax expenses | -5.5 | -6.0 | |
| Net income incl. minorities | 17.9 | 19.0 | -5.7% |
| *Thereof minorities* | 0.1 | 3.0 | |
| EPS | 5.25 | 4.73 | +11.0% |

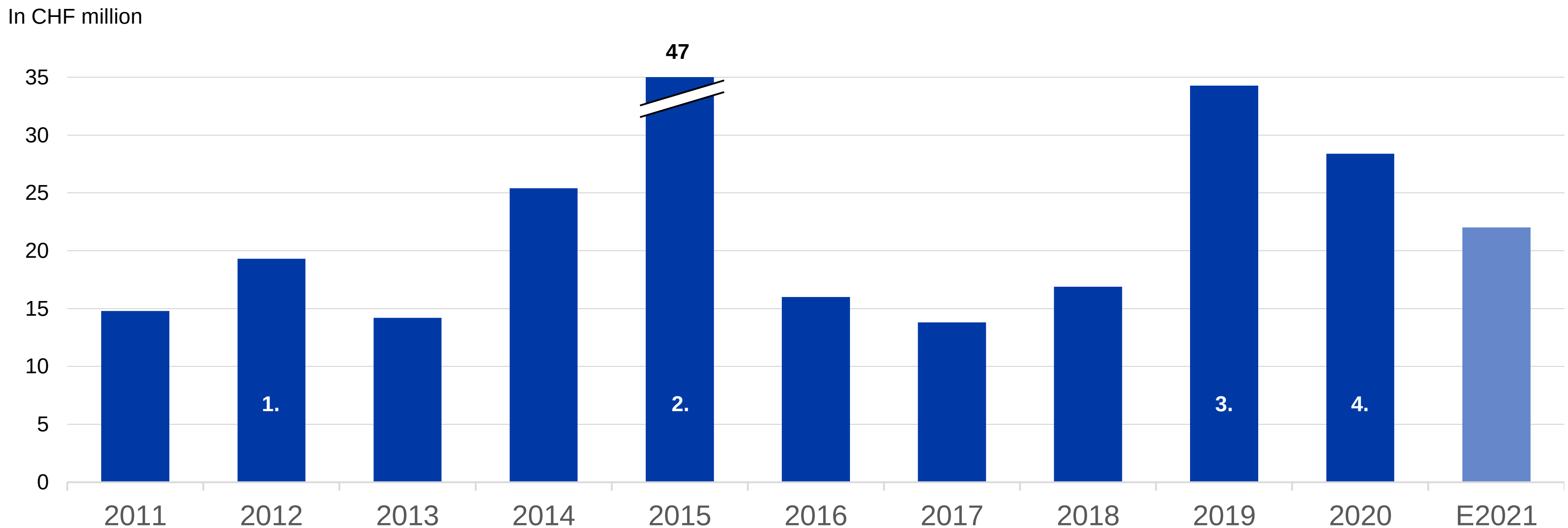
- Order intake 48.7% above prior year level
- Sales 9.1% below prior year in line with expectations
- Significantly higher gross profit margin of 30.7%
  - Significantly higher share of service business
  - Higher gross margin in the Services Division and slightly higher gross margin in the Systems Division
- SG&A at 19.3% of sales (1HY FY 2020: 14.9%)
  - Increased activities especially in $H_2$ applications
  - Slight increase in travelling
  - Prior-year period included cost deductions in the amount of CHF 2.0 mn from Government subsidies
- R&D up CHF 2.4 mn due to higher number of projects for innovative applications including $H_2$-based mobility & energy
- Oth. operating income up CHF 1.8 mn incl. one-off effects
- EBIT at 1HY FY 2020 level; lower Net Income due to higher financial exp. on the CHF 100 mn bond as well as FX effects
- Tax rate of 23.6% (1HY FY 2020: 23.8%)
- Higher EPS due to sharp reduction in minority interests

# Balance Sheet Positions: improved net financial position and net working capital

| in CHF mn | 1HY FY 2021 | 1HY FY 2020 |
|---|---|---|
| Property, Plant & Equipment | 176.2 | 201.8 |
| Inventories | 214.6 | 247.1 |
| - Thereof WIP | 107.3 | 145.7 |
| - Thereof Adv. Payments to Suppliers | 32.0 | 29.4 |
| Trade Receivables | 229.1 | 201.8 |
| Trade Payables | 89.6 | 81.1 |
| Adv. Payments from Customers | 189.7 | 140.2 |
| Shareholders Equity in % of Total Balance Sheet | 25.9% | 34.1% |
| Net financial position | -51.4 | -68.0 |

- Decrease of Property, Plant & Equipment by 12.7% mainly due to the netting of the real estate in Shenyang with related Government grants
- Increase in accounts receivable by CHF 27.3 mn compared to 1HY FY 2020 due to high volume of invoicing towards the end of 1HY FY 2021, but CHF 31.3 mn below year end FY 2020
- Equity ratio of 25.9% below prior year period (34.1%) after goodwill offset from the JSW acquisition and the remaining 40% of Shenyang Yuanda Compressor against equity
- Strong positive swing in balance between advance payments from customers and work in progress plus advance payments to suppliers of CHF 50.4 mn (prior year period CHF -34.9 mn)
- Improved net financial position mainly due to reductions in net working capital

# 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: further improvement of net financial position

| in CHF mn | 1HY FY 2021 | 1 HY FY 2020 |
|---|---|---|
| **Cash Initial Balance** | **75.4** | **90.3** |
| Cash Flow from Operating Activities | 62.8 | 76.9 |
| Cash Flow from Investing Activities | -9.7 | -31.3 |
| Cash Flow from Financing Activities | -1.5 | 4.6 |
| Currency Translation Differencies | -0.4 | -0.2 |
| **Cash Position** | **126.6** | **140.3** |
| Borrowings | -178.0 | -208.3 |
| **Net Financial Position** | **-51.4** | **-68.0** |

- Improved net financial position mainly due to reductions in net working capital
  - Slightly lower cash flow from operating activities
  - Less cash out from investing activities: 1HY FY 2020 was including the acquisition of the compressor business of JSW
  - Dividend payment of CHF 6.50/share for FY 2020 (reported under financing activities)
  - Reduction of borrowings by CHF 30.3 mn to CHF 178.0 mn, including CHF 100 mn bond


# 4. OUTLOOK

## MARCEL PAWLICEK
## CEO

# Key Priorities for 2HY FY 2021

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

- Systems Division
  - Ensure supply chain and logistics in a challenging environment
  - 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)

- Services Division
  - Further improve financial performance of Arkos
  - Push digital products together with tailor-made service and maintenance concepts
  - Continue to move, localize and adjust resources
  - 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** | Above FY 2020<br>2nd semester FY 2021 above 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

Compressors for a Lifetime™