

## **Ad hoc announcement pursuant to Art. 53 LR of November 1, 2022**

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# **New Mid-Range Plan: Creating leading compression solutions for a sustainable energy future – Growing to CHF 1.1 bn sales and doubling EBIT**

Burckhardt Compression today will outline its new Mid-Range Plan. In a dynamic market context, where the transition towards a new energy economy plays an increasing role, the executive leadership team will highlight its new ambitions and strategy. It will outline its strong commitment to value creation and communicate new, clearly higher financial and ESG targets for 2027.

### **Key highlights:**

- **Group sales to grow at 9% CAGR until 2027 to approx. CHF 1.1 bn**
- **Of which, approximately 40% from applications that support the world's energy transition**
- **Raising the bar, with EBIT margin growing to a range of 12% to 15%, representing at the mid-point value more than a doubling of absolute EBIT versus fiscal year 2021**
- **A clear commitment to value creation with RONOA above 25% by fiscal year 2027**
- **Attractive dividend policy maintained, with 50% to 70% pay-out ratio**
- **Reduction of greenhouse gas emission intensity by more than 50% (Scope 1 and 2)**
- **Continuing investments in innovation and digitalization as enabler for future growth**

Fabrice Billard, CEO, commented:

“In the last years, we have strengthened our leading market position and remain on course to successfully deliver on our Mid-Range Plan 2022 targets. We have enhanced our positioning in traditional markets through an unwavering focus on operational excellence and innovation, supported by targeted acquisitions. Amid the global drive towards energy security and sustainability, we have established strong positions in new markets. Our new Mid-Range Plan 2023-2027 builds on these solid foundations, and we enter this new strategic period with resilience and strong growth momentum.

In a highly dynamic market, we are growing fast in applications related to the transition towards sustainable and secure energy sources. While the pace of transformation remains uncertain, all scenarios from the International Energy Agency (IEA) support growth in our market, with the use of gases set to increase. This positive trend is already materializing in our order book, and we are optimally positioned across both divisions to further grow in hydrogen mobility & energy and other sustainability-related applications. Going forward, we will maintain our leadership in key traditional applications, further drive competitiveness through a continued focus on operational excellence, and innovate to keep our growth momentum in new, faster-growing markets. We are also prepared to capture a potential upside if the energy transition accelerates. Furthermore, with our newly defined purpose and values, we will continue to build an organization that is passionate, customer-oriented, performance driven and mindful of its responsibilities towards the environment and society at large.

We are raising the bar for our Mid-Range Plan targets. By 2027, we aim to grow sales to approx. CHF 1.1 bn, double our EBIT versus 2021, create strong value with a return on net operating assets above 25% and reduce our greenhouse gas emission intensity by more than 50%. By 2035, we will become a GHG net zero company (Scope 1 and 2).”

## **Key highlights to be presented at the Capital Markets Day 2022**

### **Systems Division: Growing sales to CHF 620 mn and doubling EBIT with new energy markets**

The Systems Division aims to grow sales at 9% CAGR to approx. CHF 620 mn in fiscal year 2027. The company aims for a higher divisional EBIT margin range of 5% to 8%, representing at the mid-point value approximatively a doubling of EBIT versus fiscal year 2021.

In the past years, the Systems Division has reinforced its position as market leader and is on track to clearly overachieve its Mid-Range Plan targets 2022. Going forward, the energy transition presents many new opportunities. While the speed of the transition remains uncertain, Burckhardt Compression is intrinsically hedged for all scenarios, with strong positions in both traditional and new applications. Until fiscal year 2027, the company aims to reach approximately 40% of revenues in applications that support the world’s energy transition and is prepared to capture a potential upside should the energy transition towards a net-zero scenario accelerate.

The Systems Division is positioning itself for success in all scenarios. It will maintain its share in traditional markets whilst growing stronger in new markets. Alongside the focus on hydrogen mobility and energy, the fastest-growing segment, Burckhardt Compression will strengthen its market share in low-emission marine fuels and solar-industry driven applications. From a regional perspective, Burckhardt Compression will maintain its leading position in China and accelerate its growth in the USA and East Asia. The company will realize this transformation by building on customer partnerships, technological leadership and, as importantly, a strong regional Service presence, which is a critical customer requirement for new applications.

Strong sales growth is expected in an early phase of the Mid-Range Plan, on the back of the exceptionally high order volume of the past 18 months. From an operational perspective, delivering on this is a key priority and will be supported by leveraging the existing factories and supply chain, by flexible project allocation between sites.

### **Services Division: Growing sales to CHF 480mn and doubling EBIT while becoming a full-service provider**

The Services Division aims to grow sales at 9.5% CAGR to approx. CHF 480mn in fiscal year 2027. The company aims for a higher divisional EBIT margin range of 22% to 25%, representing at the mid-point value approximatively a doubling of EBIT versus fiscal year 2021.

In the past years, the Services Division has reinforced its position as market leader for reciprocating compressors services, with its global footprint and unique technological expertise. In the new Mid-Range Plan period, it will capitalize on the growing Burckhardt Compression’s

installed base. Additionally, the accessible OBC (Other Brand Compressors) market and new services related to digitalization as well as the energy transition offer significant opportunities.

The company remains committed to its overarching strategy of building the division into a full-service provider of gas compression service solutions. In the new Mid-Range Plan period, it will focus on improving coverage of its installed base, expanding its marine offering and increasing its presence in the USA, APAC and other selected markets. As part of its growth strategy in the USA, Burckhardt Compression will combine Arkos Field Service and the local Systems organization into one Burckhardt Compression company to maximize its ability to capture the downstream services market and support new customers of the Systems Division.

New market opportunities also arise from supporting existing customers to reduce their greenhouse gas emissions by upgrading their equipment. In new markets such as hydrogen mobility and energy, offering full-service solutions is often a key differentiating factor and will open new opportunities as the installed base grows. In addition, Burckhardt Compression will further scale its customer digital services, which are already at commercial or pilot status: remote support (UP! Remote Support), equipment monitoring (UP! Monitor), predictive maintenance (UP! Predict) and other services to further increase the reliability of compressors.

On the operational side, the company will continue to improve process efficiency, realize internal digitalization potentials, and increase overall spare parts performance. Combined with a further leverage of SG&A expenses, this will lead to an increase of the division's profitability.

#### **Group functions: Strong innovation, talent management and sustainability agenda**

Group functions will continue to gear up their capabilities to support the business strategy with a particular emphasis on R&D, HR and Sustainability.

Accelerating the innovation and globalization of the R&D process will enable Burckhardt Compression to maintain technological leadership in existing markets while developing new services, components, and compressors for new markets. Following a strong increase in the past three years, R&D expenses are expected to remain at 2.5% to 3% of sales to support these developments.

With a clear ambition to be the employer of choice in its industry, the company is implementing a proactive talent management strategy by adopting a strong partnership approach between business leaders and HR. Allied to this, it is continually guiding the operational leaders to raise ESG standards, with sustainability related KPIs becoming a key part of the next long-term incentives (LTI) targets. In particular, the company commits to reducing its GHG emission intensity by 50% by 2027 and aspires to become net zero by 2035 (Scope 1 and 2).

#### **Disciplined capital allocation and strong commitment to value creation**

Burckhardt Compression is significantly raising the bar on all its financial targets. It expects a strong sales growth in the early phase of the Mid-Range Plan, on the back of the exceptional order intake of the previous 18 months. The increase of the overall EBIT-margin will materialize in the following years, with the evolution of the mix between the divisions. Throughout the Mid-Range

Plan period, operational leverage and leverage of SG&A will increase as divisions are growing. Besides reaching an EBIT margin of 12% to 15% and approximately doubling absolute EBIT vs. 2021, the company aims for substantial value creation with RONOA growing above 25% thanks to an operational focus on net working capital and a disciplined approach to capital allocation. A solid balance sheet with sufficient headroom for financing is in place to support the Mid-Range Plan, aiming for a long-term equity ratio above 30%. Finally, the company is committed to redistribute profit to shareholders with an attractive dividend pay-out ratio of 50% to 70% of earnings per share.

Further information on the Capital Market Day 2022 and the Mid-Range Plan 2023-2027 are available on the website on: [www.burckhardtcompression.com/investorday](http://www.burckhardtcompression.com/investorday)

The half-year report 2022 and further information on the half-year results 2022 are available on the website on: [www.burckhardtcompression.com/financial-reports](http://www.burckhardtcompression.com/financial-reports)

#### **Further information**

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#### **About Burckhardt Compression**

Burckhardt Compression creates leading compression solutions for a sustainable energy future and the long-term success of its customers. Together with its brands Burckhardt Compression, PROGNOST, SAMR Métal Rouge and Shenyang Yuanda Compressor, the Group is the only global manufacturer that covers a full range of reciprocating compressor technologies and services. Its customized and modularized compressor systems are used in the Chemical/Petrochemical, Gas Transport & Storage, Hydrogen Mobility & Energy and Industrial Gas sectors as well as for applications in Refinery and Gas Gathering & Processing. Since 1844 its passionate, customer-oriented and solution-driven workforce has set the benchmark in the gas compression industry.

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Further information at [www.burckhardtcompression.com](http://www.burckhardtcompression.com), [Twitter](#), [LinkedIn](#)

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