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Ad hoc announcement pursuant to Art. 53 LR of October 31, 2023

Burckhardt Compression delivers strong sales growth despite significant currency effects, and a substantial increase in operating profit and net income

In the first half of 2023, Burckhardt Compression delivered a strong sales growth of 21% despite significant currency effects. The Group also substantially increased operating income by 26% and net income by 32%. For the fiscal year 2023, Burckhardt Compression confirms its guidance and remains on track to achieve its Mid-Range Plan 2023-2027.

Following a period of exceptional growth driven by a robust post-pandemic recovery and bolstered by upfront investments in the energy transition, the markets of the Group are normalizing. This is in line with the Group's expectations and is reflected in the order intake for the period, which now excludes exceptional orders. In this dynamic market that is transitioning towards a sustainable energy future, Burckhardt Compression continues to innovate and benefit from the strong position of its compression solutions. From an operational standpoint, the Group remains focused on delivering the extraordinary volume of orders recorded in the past 18 months. This translated into considerable sales growth in the Systems Division and creates a positive operating leverage at Group level. The resulting operating profit and net income increased significantly compared to the previous year period. As stated before, due to the distribution of project deliveries, Burckhardt Compression expects to see a stronger second half of the year. The Group confirms its fiscal year guidance and remains on track to achieve its 2023-2027 Mid-Range Plan targets.

Markets are normalizing

Amidst a normalizing market environment backdrop, demand trends varied across the Group's end markets and applications. The Hydrogen Mobility and Energy (HME) market has been advancing further, aided by growing clarity over the implementation of the Inflation Reduction Act in the US and the Delegation Act in Europe. Burckhardt Compression's progress in this market continues to support its ambitions to reinforce its position in applications supporting the energy transition and rebalancing its exposure towards the USA. As expected, the demand for low-density polyethylene (LDPE), ethylene-vinyl acetate (EVA), and polysilicon used for solar panels normalized from its peak, following unprecedented growth and capacity build-up. Similarly, demand for LNG (Liquefied Natural Gas) applications receded from its historical highs, especially on the marine side, as shipyards producing LNG tankers now stand fully loaded for the next couple of years. Conversely, the markets for LPG ships and Gas Gathering and Processing applications have grown significantly, buoyed by the rising global energy demand and the resulting need to transport gases from the producing countries to the consumption locations.

The service market continued to grow, with regional disparities reflecting the local economic situation. The USA, China, and India remained strong, while the European market decreased due to the economic slowdown, especially in Germany.

Group: Strong growth in sales, operating profit, and net income
For the first half of the fiscal year 2023, Burckhardt Compression could further grow its backlog with a strong Group order intake of CHF 581.3 mn. This order intake stands 17.8% below the exceptional previous year period. The impact of the stronger Swiss franc is noticeable, with the decrease in order intake limited to -12.9% net of currency translation effects.

The strong sales growth of 21.4% to CHF 407.7 mn (+28.5% net of currency translation effects) is underpinned by a substantial ramp-up of deliveries in the Systems Division and a slight growth in the Services Division. The resulting higher share of the Systems business at the Group level as well as a less favorable product mix within the Systems Division were two important factors impacting the gross margin. Gross profit of CHF 109.0 mn was 2.1% below the prior year period, yielding a gross profit margin of 26.7% (previous year: 33.2%).

Research & Development expenses increased by CHF 2.1 mn to CHF 13.3 mn (3.3% of Sales) as Burckhardt Compression continues to develop innovative solutions for the marine and Hydrogen Mobility and Energy markets, as well as for digital products and services. Within the Systems Division, these efforts have resulted in the launch of a new standard diaphragm compressor package for Europe to serve the hydrogen mobility market and a new generation of process gas compressors for hydrogen liquefaction plants.

Overall, consolidated operating income (EBIT) increased by 26.4% to CHF 44.9 mn, leading to an EBIT margin of 11.0%, slightly ahead of the previous year's period of 10.6%.

With slightly lower financial expenses than the previous year period and a tax rate of 25.3% (previous year: 25.2%), the Group's net income strongly increased to CHF 32.4 mn (+32.2% year-on-year).

Systems Division: Strong ramp-up in deliveries and sales
After 18 months of an exceptionally high volume of orders, the Systems Division achieved a strong order intake of CHF 409.4 mn in the first half of the fiscal year 2023. This is 23.0% below the exceptionally high prior year period and down 18.5% net of currency translation effects. This figure includes a repeat order for large hydrogen compressors for Plug Power Systems, which has positioned itself to become a leading supplier of liquid hydrogen systems in the US. It also incorporates a renewed growth of orders for LPG marine compressors after low activity in fiscal year 2022.

The Systems Division continued to increase capacity and automation as well as improve processes within its existing factories to ramp up project deliveries. This yielded sales of CHF 247.9 mn in the period under review, translating into a substantial growth of +37.3%. As expected, the temporary and highly favorable product mix that bolstered the gross margin in the previous year did not repeat. Moreover, additional costs were required to expand capacity within existing factories and handle the strongly growing volume. These factors led to an 8.1% year-on-year decrease in gross profit and a gross margin of 16.3% (previous year: 24.4%).

The operating profit of the Systems Division reached CHF 13.6 mn, a 69.0% increase versus the previous year period, which at that time included one-off costs and provisions in the amount of CHF 10.0 mn related to the Group-wide exit from the Russian market. The resulting EBIT margin of 5.5% was slightly higher than in the previous year (4.5%).

Services Division: Further growth and substantial increase in profitability
In the first half of the fiscal year 2023, order intake for the Services Division fell by 1.9% to CHF 171.9 mn, predominately reflecting currency translation headwinds. Adjusting for currency translation effects, order intake grew by 4.1%. The main drivers for this growth were the USA, China, and India, while Europe and the Middle East were lower than in the previous year. Digital products and services performed well globally.

Sales rose 2.9% year-on-year to CHF 159.8 mn (+9.1% net of currency translation effects). Gross profit increased by 1.8% to CHF 68.5 mn, resulting in a gross margin of 42.8% (43.3% in the previous year). The EBIT in the first half of the fiscal year 2023 reached CHF 36.9 mn, a 15.1% increase compared to the previous year's period, thanks to operational leverage resulting from higher sales in local currencies. This led to a substantial increase in the EBIT margin to 23.1% (previous year: 20.6%).

During the period under review, the Services Division strengthened its position in Asia by fully integrating the acquired team and business of its agent in Thailand. It also acquired thousands of drawings from an Indian compressor manufacturer to become the preferred service partner for more than 250 compressors in India. In line with its strategic objectives, this supports the Group's ongoing efforts to grow in "white spot" areas, increase its presence in Asia, and improve its coverage of the installed base. In the Group's ongoing endeavors to support its customers in their CO_2 emission-reduction efforts, the division also launched the new service BC ACTIVATE, which provides customers with diagnostics of their installed base and invaluable insights to aid emission reduction and increase uptime. Finally, Burckhardt Compression expanded its digital customer portal myFleet with additional features and onboarded new customers to provide them with a seamless experience and a real-time overview of all their compressors.

Further progress on the Group's sustainability roadmap
Sustainability continues to be at the center of Burckhardt Compression's strategy, with implications on target markets, Research & Development projects, CAPEX investments, operational KPIs, and long-term incentive plans for senior management.

The Group successfully initiated the group-wide Mid-Range Plan initiatives to reduce greenhouse gas emissions in its operations and drive energy efficiency. In the Group's facility in China, a daily electricity monitoring and control system to capitalize on energy savings were implemented. Burckhardt Compression advanced several solar panel projects to the next stage, specifically in China and Switzerland, and completed a project on its facilities in Rheine, Germany, which covers around 40% of the site's electricity. Stringent and ongoing adherence to Health and Safety led to a Lost Time Injury Rate of 0.31, in the first half of calendar year 2023. This is well below the Group's target of <0.7, which is a particular focus point during the ramp-up of its deliveries.

Outlook for fiscal year 2023 confirmed

With the strong order intake of the first half year, Burckhardt Compression's backlog continued to grow, providing additional visibility and confidence in delivering on its fiscal year 2023 guidance. As the Group grows its sales, especially in the Systems Division, it will continue to focus on operational excellence. As previously communicated, Burckhardt Compression expects the second half of fiscal year 2023 to be stronger than the first half in terms of Group sales and EBIT due to the distribution of project deliveries. It confirms its guidance for Group sales of CHF 950 mn to 1 bn for the fiscal year 2023. It also expects to reach an EBIT margin similar to the previous fiscal year. Going forward, the Group will continue its journey towards a sustainable energy future by prioritizing customer orientation, innovation, and operational excellence to reach its Mid-Range Plan targets. Burckhardt Compression will also continue its proactive monitoring of the ever-changing global political situation and its potential impacts on its business.

The half-year report 2023 and further information on the half-year results 2023 are available on the website on: www.burckhardtcompression.com/financial-reports

Information on the Capital Market Day 2022 and the Mid-Range Plan 2023-2027 are available on the website on: www.burckhardtcompression.com/investorday

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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, Twitter, LinkedIn

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