Burckhardt Compression

COMPANY OVERVIEW

OCTOBER 31, 2023

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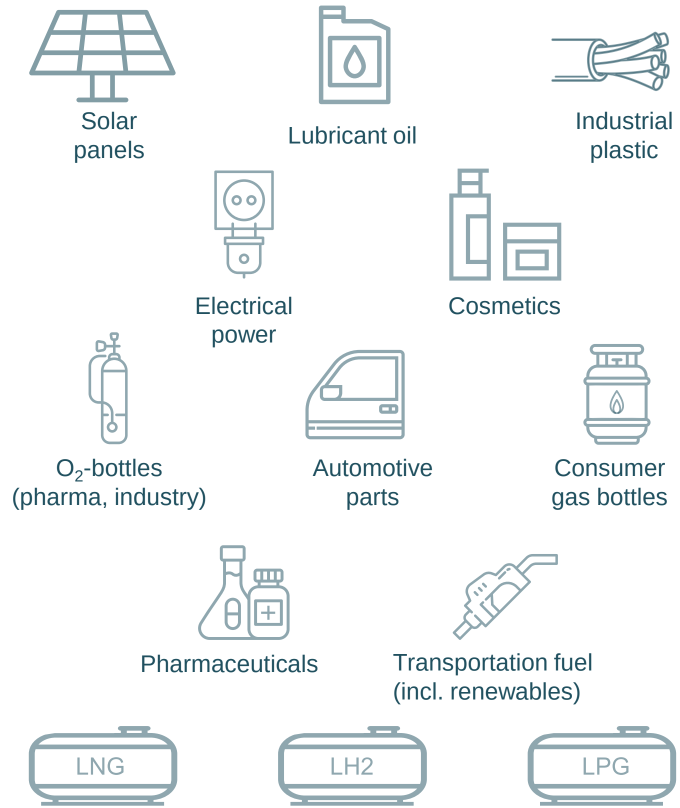
Our Purpose

We create leading compression solutions for a sustainable energy future

Burckhardt Compression solutions make gas usable and transportable for the industry and energy generation



O_2 – Oxygen, CO_2 – Carbon dioxide; C_2H_6 – Ethane; N_2 – Nitrogen; CH_4 – Methane; C_3H_8 – Propane; H_2 – Hydrogen; C_2H_4 – Ethylene; C_4H_{10} – Butane

We are wherever gases are compressed

Petrochemical and chemical industry

Gas transport and storage

H_2 mobility and energy

Industrial gas

Refinery

Gas gathering and processing

Our strong Order Intake growth of the past 18 months is driven by 3 markets

SOLAR PANEL

H2 MOBILITY & ENERGY

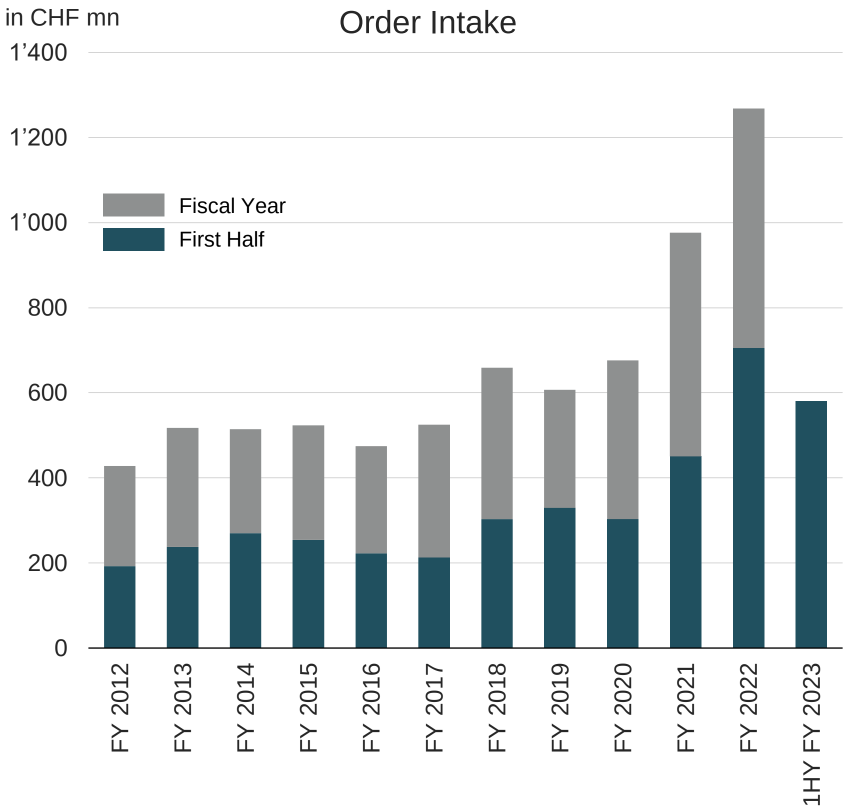
LNG

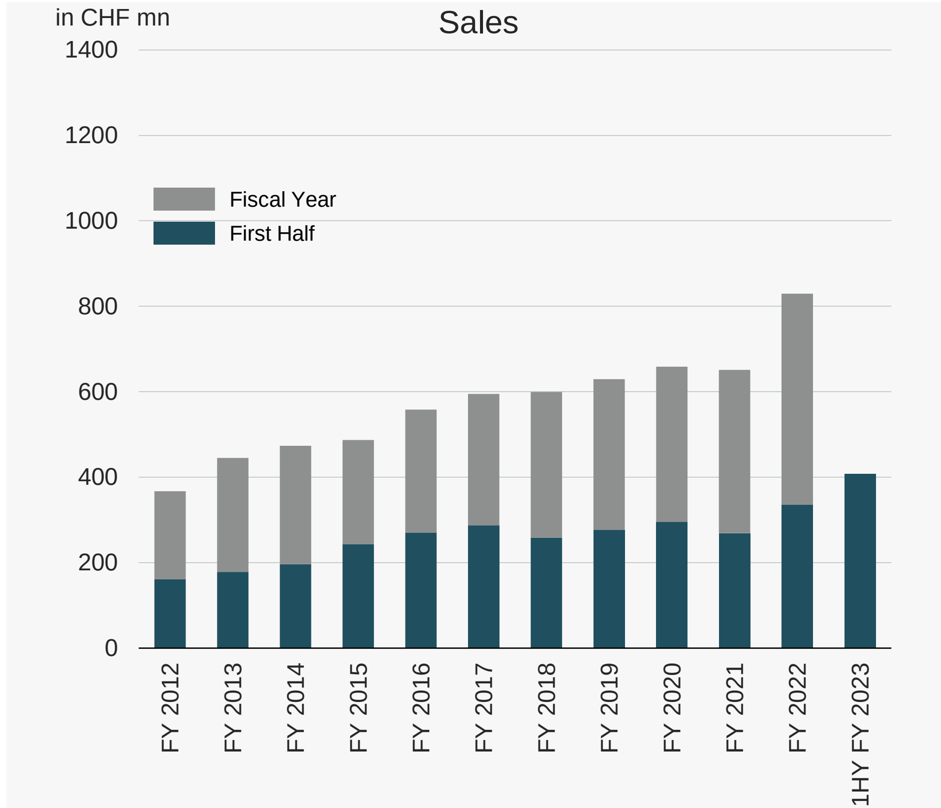
Burckhardt Compression

FINANCIAL REVIEW

HALF YEAR RESULTS FY 2023

Strong growth momentum - High backlog for coming 2-3 years





Systems Division: Strong ramp-up in deliveries and sales

	1HY FY 2023[1]	Change YoY
Order Intake	409.4	-23.0%
Sales	247.9	+37.3%
EBIT/ EBIT margin	13.6 5.5%	+69.0% +1.0pp

- Strong order intake, down 23% on exceptionally high prior year period
  - Repeat order for large H_2 compressors in the US
  - Renewed demand for LPG marine compressors driven by energy transition & energy security
- Sales increased by 37.3%
  - Strong delivery following extraordinary order volumes over past 18 months
- Gross profit down 8.1%
  - Less favorable product mix versus 1HY FY 2022
  - Additional costs to handle exceptionally high volume/support launch of new products
- EBIT increased by 69.0%
  - SG&A leverage
  - CHF 10 mn one-off costs/provisions in 1HY FY 2022

[1] CHF mn

Services Division:
Further growth and substantial increase in profitability

	1HY FY 2023[1]	Change YoY
Order Intake	171.9	-1.9%
Sales	159.8	+2.9%
EBIT/ EBIT margin	36.9 23.1%	+15.1% +2.5pp

- Order Intake decreased by 1.9%
  - Significant FX impact (~6% on order intake)
  - Growth in the US and Asia
  - Economic slowdown in Europe, especially in Germany
  - Strong growth of digital products & services
- Sales increased by 2.9%
  - Significant FX impact (~6% on sales)
  - USA, China & India remained strong
- Gross profit up 1.8%
  - Driven by higher sales volume
- EBIT margin increased to 23.1%
  - SG&A leverage resulting from higher sales in local currencies
  - Recovery of bad debt from a large project executed in FY 2020

[1]*CHF mn*

Continued strong growth of EBIT and EPS

in CHF mn	1HY FY 2023	1HY FY 2022	Change
Order intake	581.3	706.7	-17.8%
Sales	407.7	335.8	21.4%
Gross profit	109.0	111.3	-2.1%
In % of sales	26.7%	33.2%	-6.5 pp
SG&A	-59.1	-55.6	+6.3%
R&D	-13.3	-11.2	+18.8%
Other operating income	8.4	-9.1	
EBIT	44.9	35.5	26.4%
In % of sales	11.0%	10.6%	+0.4 pp
EBT	43.4	32.8	32.3%
Income tax expenses	-11.0	-8.2	34.1%
Net income incl. minorities	32.4	24.5	32.2%
Thereof minorities	0.0	0.1	
EPS	9.61	7.23	32.9%

- Gross margin down 6.5pp due to:
  - Higher share of SYST business (61% in 1HY FY 2023 vs. 54% in 1HY FY 2022)
  - Less favorable SYST product mix vs 1HY FY 2022
- SG&A at 14.5% of sales (1HY FY 2022: 16.5%)
  - Operational leverage
- R&D up CHF 2.1 mn to further develop innovative solutions for marine & HME markets & digital solutions
- Other operating income increased by CHF 17.5 mn
  - One-off costs & provisions of CHF 10 mn for Russian projects in 1HY FY 2022
  - Recovery of bad debt
- Growth in EPS by 32.9%
  - Financial expenses below 1HY FY 2022
  - Tax rate at 25.3% (similar to prior year period)

Solid Balance Sheet

in CHF mn	1HY FY 2023	1HY FY 2022
Property, Plant & Equipment	170.8	177.0
Inventories - Thereof WIP - Thereof Adv. Payments to Suppliers	334.4 123.0 59.6	217.4 102.4 22.6
Trade Receivables	260.4	223.5
Trade Payables	116.9	95.5
Adv. Payments from Customers	243.9	173.7
Shareholders Equity in % of Total Balance Sheet	24.6%	27.4%
Net financial position	-52.0	-50.9

- Property, Plant & Equipment slightly decreased
- Balance between advance payments from customers & WIP & advance payments to suppliers further increased, leaving temporary positive balance of CHF 61.4 mn (1HY FY 2022: CHF 48.7 mn)
- Trade receivables:
  - Overdue >90 days trending lower at 23.3% (1HY FY 2022: 33.2%); percentage from China further decreasing
- Equity ratio lower at 24.6% (1HY FY 2022: 27.4%):
  - High volume of adv. payments from customers increasing overall balance sheet total & high amount of cash which cannot be offset with outstanding bond (CHF 100 mn until Sept 2024)
  - Higher dividend paid in 1HY FY 2023
  - High FX effects on investments in subsidiaries
- Net financial position stable at CHF -52.0 mn (1HY FY 2022: CHF -50.9 mn)

NEW MID-RANGE PLAN STARTED

Embracing the next chapter in the Company's growth agenda

From MBO to IPO

2002 -2006

Re-creating conditions for success:
- Independence
- Entrepreneurship
- Customer orientation

Niche player

2006 -2010

Strong focus on highly profitable niches

Strengthening leadership positions in Petrochemical and Oxygen markets

Global leadership

2010 -2016

Expanding product portfolio for Marine and Refinery

Expanding in USA and Korea

Acquisition SYCC in China (initiation)

Platform strengthening

2017 -2022

Two divisions, Systems and Services
- One integrated business model
- Two strategic focuses

Stronger structures and processes

Accelerated innovation and sustainability agenda

2023 -2027

Transforming for a sustainable energy future

Note: Slide as presented at the Capital Market Day in November 2022

Objectives 2027

Key business objectives

- Long-term **customer partnerships**
- Approx. 40% of business supports **energy transition**
- **Employer of choice**
- Own GHG **emission intensity reduced** by >50%
- **One connected company** & customer oriented **digital services**

Financial targets 2027

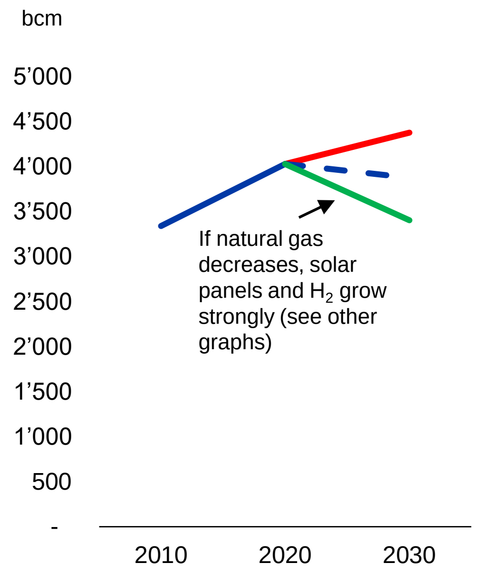
- **~1.1 bn** Sales (9% CAGR[1])
- **12% - 15%** EBIT margin
- **>25%** RONOA

50% - 70% dividend payout ratio

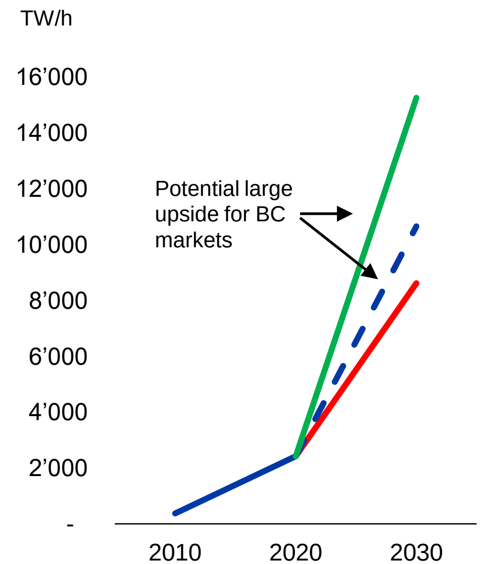
[1]CAGR from FY 21 to FY 27

Strong dynamics in market supporting the energy transition
BC market expected to grow in any scenario

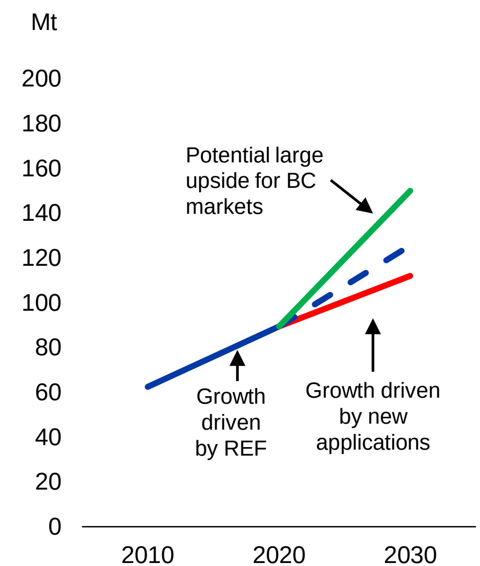
NATURAL GAS DEMAND BY SCENARIO



SOLAR PV & WIND GENERATION BY SCENARIO



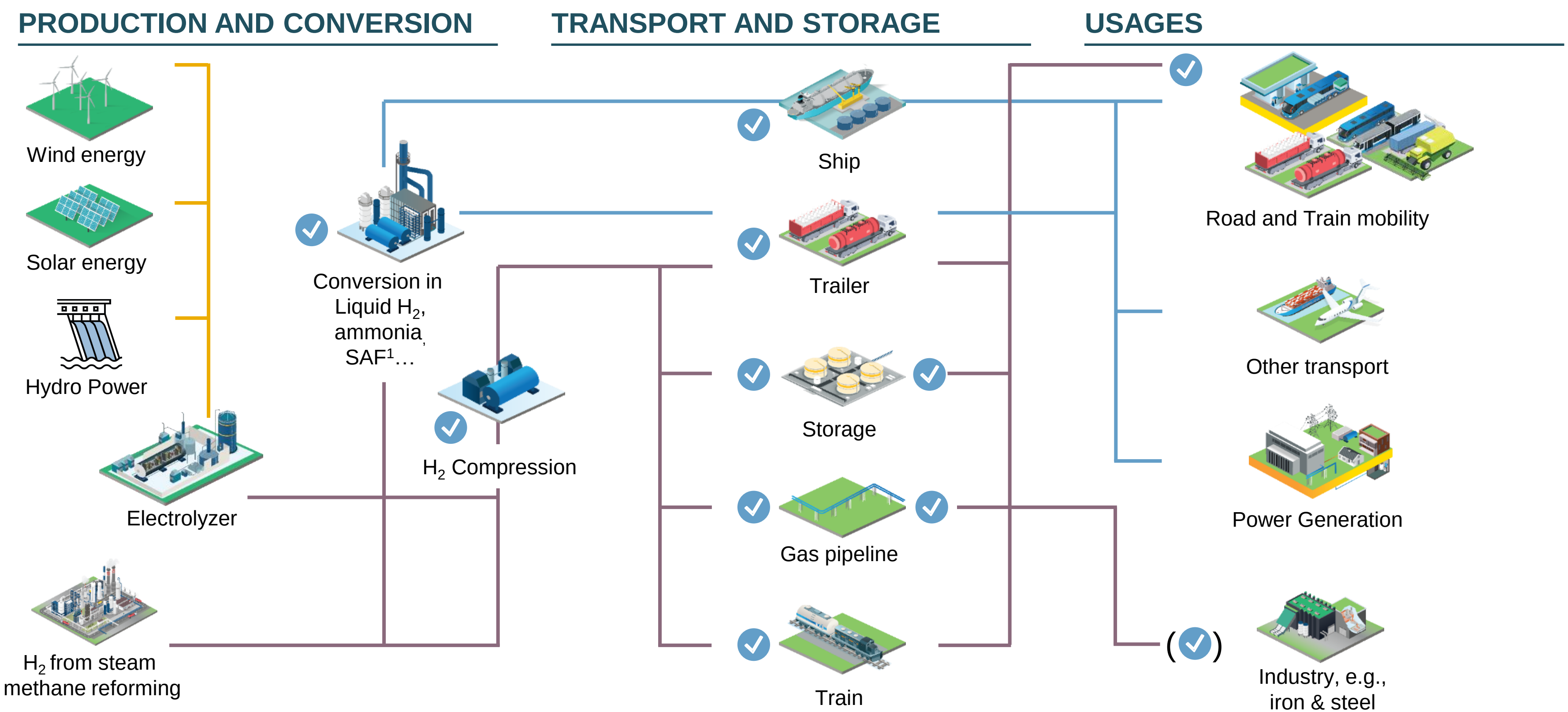
HYDROGEN DEMAND BY SCENARIO



Historical
Stated Policies Scenario
Announced Pledges Scenario
Net Zero Scenario by 2050 (2023 update)

Source: IEA
Note: IEA updated the NZE scenario by 2050 in 2023. No 2023 update could be retrieved for the Stated Policies Scenario and Announced Pledges Scenario until date.

The hydrogen value chain requires reciprocating compressors at different stages

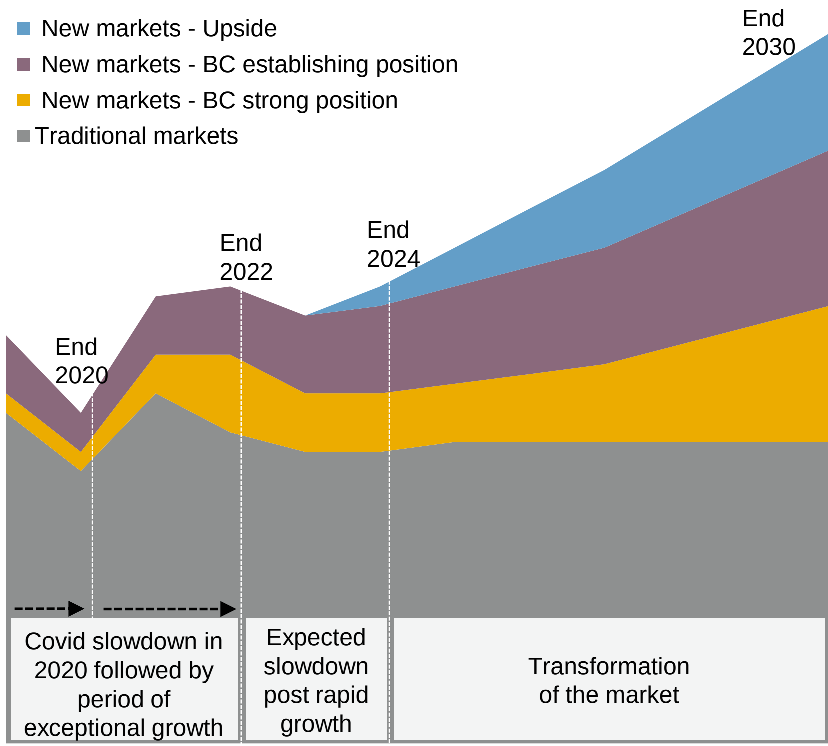


Electricity — Flow of gaseous H_2 — Flow of converted H_2 — Reciprocating compressors required

[1] *Sustainable Aviation Fuel*

Slowdown on orders expected following period of exceptional growth- End-market dynamics support growth in SYST post 2024

SYSTEMS MARKET SIZE - INDICATIVE



Upside outside MRP targets – To be monitored to trigger investments in capacity and drive growth

Establishing positions on future-oriented markets – Focus Hydrogen

Traditional markets (e.g. REF) expected to flatten or slightly decline, replaced by markets where BC already has strong positions (e.g. solar panel, LNG and Liquid H_2 production applications)

Speed of transition from traditional to new markets uncertain but BC is “hedged”

Note: Excl. High speed

Note: Slide as presented at the Capital Market Day in November 2022

BC ACTIVATE – a standard approach to enhance the sustainability and reliability of reciprocating compressors (BC and OBC)

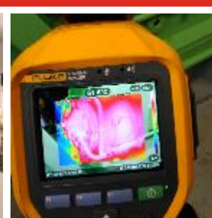
Scope of diagnostic

- Fit-for-purpose?
- Reliability, longevity, maintainability
- Energy efficiency & utility consumption
- CO_2 Gas emissions & environmental aspects

Standard approach

1. **Planning** – Dates, scope, duration, site preparation Proposal for ACTIVATE
2. **Collection of data** – By site inspection measurements, etc
3. **Analysis**
4. **Report** – Case-specific improvement advice
5. **Alignment discussion**
6. **Proposal for solutions implementation**





✓ Execution by BC experts

✓ Follow-up after implementation of countermeasures

Typical results after implementation of recommendations

- Up to 700% increase in the lifetime of critical components. E.g. sealing system lifetime increased from 3 to 24 months
- Up to x20+ times MTBF (mean time between failures) increase for compressors. E.g. from 400 to 8000+ hours
- Up to 15% reduction in specific power consumption (kW-h/ton gas)
- Up to 20% reduction of valve losses
- 100% (complete) elimination of oil leakages in operation for safety and environment
- Up to 5 times reduction in vibration levels for long term reliability and longevity
- Increase in precision of maintenance activities

Impact oriented sustainability strategy with clear commitments to the UN Sustainable Development Goals

Material topic	KPI
GHG emissions & climate change	GHG emissions intensity scope 1 + 2
Energy use and - efficiency	Share of renewable energy in operations
Longevity & cyclability	Sales in revamps & upgrades
Environmental impacts of application purpose	Sustainability project rating
Working conditions	Employee survey engagement score[3]
Occupational health & safety	LTIR (lost time injury rate)
Product safety	Incidents related to product safety
Business conduct	Incidents related to corruption & antitrust

UN SDG goals

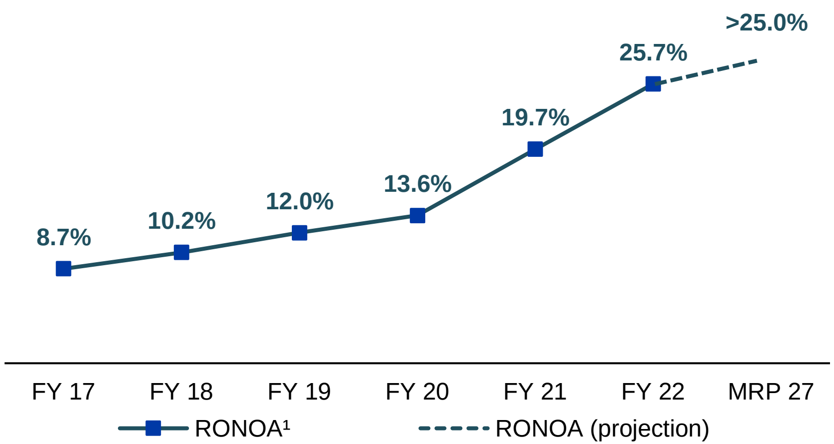
- 3 GOOD HEALTH AND WELL-BEING
- 8 DECENT WORK AND ECONOMIC GROWTH
- 13 CLIMATE ACTION
- 7 AFFORDABLE AND CLEAN ENERGY
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

	Burckhardt Compression targets
Environment	Approx. 40% of business supporting energy transition in 2027
	Reduce GHG emission intensity by 50% by 2027[2]
	% of renewable electricity > 75% by 2027[2]
	Aspirations for net-zero by 2035[1]
Social & Governance	Product safety = maintain zero incidents
	Corruption/antirust cases = zero

[1]*Scope 1 and 2* [2]Excluding the Shenyang foundry where we rely on renewable grid electricity or technological developments to achieve our ambitions (power requirements for furnaces and night shifts). We are committed to reduce emissions and increase renewable energy at the foundry as far as possible today and buy renewable grid energy or other options as soon as available. [3]*Based on current survey methodology.*

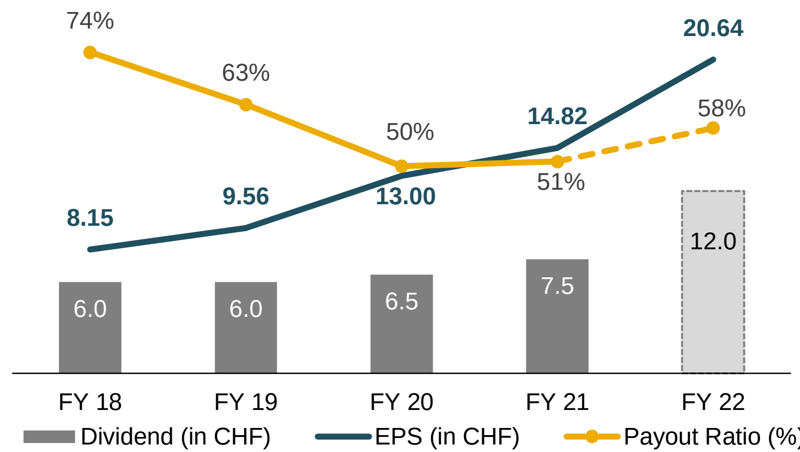
Strong value creation, with disciplined approach to capital allocation; Dividend of CHF 12.00 in FY22, up 60%

CONTINUOUS RONOA[1] GROWTH



- Key valuation drivers:
  - EBIT performance as per MRP objectives
  - Focus on NOA/NWC management (DSO/DPO)
  - Disciplined CAPEX and M&A process
  - Tax rate < 25%

DIVIDEND & RESILIENCE THROUGH THE CYCLE



- 26.2% annual EPS growth since FY 2018
- Dividend paid every year since IPO in FY 2006
- Proposed dividend of CHF 12.00, up 60.0% vs. previous year
- Dividend payout ratio throughout MRP 2023-27 considered within range of 50% – 70%

[1] *RONOA (Return on Net Operating Assets) = Net Operating Profit After Taxes (NOPAT) divided by average Net Operating Assets (NOA).*

Disciplined and balanced approach to capital allocation with focus on RONOA

Organic growth CAPEX

- Maintenance CAPEX similar to level of depreciation & amortization
- Dedicated investments to support MRP initiatives (factory expansions, digitalization)
- RONOA > WACC as key criteria for CAPEX applications

Dividend

- Committed to redistributing profit back to shareholders
- Dividend policy implies payout ratio of 50% - 70% of EPS

M&A

- Bolt-on acquisitions with selective and disciplined approach
- Strategic fit, management profile and financial track record as key initial considerations
- Clear financial mid-term guidelines: EBIT/Acquisition Price > WACC

Financial leverage

- Aiming for a long-term equity ratio above 30%[1]
- Optimizing debt structure and financial expenses

[1] *Excluding large acquisitions*

FY 2023 guidance confirmed
On track to achieve our Mid-Range Plan 2023-2027

FY 2023 Guidance

Sales:
CHF 950 mn – 1 bn

EBIT margin:
Similar level to FY 2022
Stronger H2 vs H1

2027 Financial Targets

Sales	**CHF ~1.1 bn**
EBIT margin	**12 – 15%**
EBIT range[3]	**CHF ~ 132-165 mn**
RONOA	**>25%**
Dividend payout ratio	**50 – 70%**

[1]As per Capital Markets Day November 2022
[2]Excluding Shenyang foundry where we rely on renewable grid electricity or technological developments to achieve our ambitions (power requirements for furnaces and night shifts). We are committed to reduce emissions and increase renewable energy at the foundry as far as possible today and buy renewable grid energy or other options as soon as available.
[3]Implied from the targets on the EBIT margin range.

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