Burckhardt Compression continues to deliver strong growth and increased profitability

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Burckhardt Compression Annual Report 2024

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• Burckhardt Compression achieved
the following record results in fiscal year 2024:
• Sales of CHF 1'095.6 mn, +12.6% year-on-year
• Operating income (EBIT) of CHF 140.8 mn, +23.2% year-on-year
• Earnings per share of CHF 31.20, +24.9% year-on-year
• Book-to-bill ratio above 1, with order intake of CHF 1'151.2 mn (+2.4% year-on-year)
• Profitability increased in both divisions
• Operating cash flow of CHF 212.8 mn
• Dividend of CHF 18.00 proposed, an increase of 16.1% year-on-year
• 40.0% reduction in the Group's greenhouse gas emission intensity (Scope 1 and 2)
• Upcoming changes in the Board of Directors
• Guidance for fiscal year 2025: sales and EBIT margin at a similar level as in fiscal year 2024; volatile markets and exchange rates expected in the near future

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>
> *Fabrice Billard, CEO of Burckhardt Compression*

In fiscal year 2024, Burckhardt Compression continued on its growth path and delivered strong financials in volatile markets with diverse trends across segments and regions. Fabrice Billard, CEO of Burckhardt Compression, says: "The company delivered record financials, surpassing CHF 1 bn sales and CHF 100 mn net income for the first time. Both divisions contributed to these results. This reflects our strong positioning and ongoing success in markets aligned with global megatrends." The company benefits from a strong order backlog, a solid balance sheet and strong customer relationships. Despite current uncertainty related to the geopolitical landscape and tariffs, it expects fiscal year 2025 to be at a similar level as 2024.

Strong sales growth – Profitability increase in both divisions and at the Group level
Order intake for the Group reached CHF 1’151.2 mn, an increase of 2.4%, respectively 3.5% net of currency translation effects. Starting in fiscal year 2024, the accounting policy for the recognition of revenue for large projects has been changed from "Completed Contract Method" to "Percentage of Completion" (PoC) to better reflect the value creation process and to increase stability in revenue recognition*. To enable comparison with the year under review, prior year numbers are restated for PoC accounting. Sales were up by 12.6%, at CHF 1'095.6 mn, driven by an 18.2% growth in the Systems Division. Gross profit margin reached 28.0%, up 1.8pp year-on-year, due to a more favorable product mix in both divisions, the higher capacity utilization in all manufacturing and assembly facilities and the closure of low-profit service locations in the US. Research & Development expenses increased by 12.8% to CHF 30.1 mn, to support the development of new applications. Selling, marketing, and general administrative expenses amounted to 11.9% of sales, a reduction of 0.4pp compared to the previous year. This highlights the leverage and effectiveness of SG&A spend, which is part of the Mid-Range Plan. Other operating income and expenses amounted to CHF -5.6 mn (net), mainly consisting of negative FX effects and bad debt provisions (prior year: CHF 5.4 mn, including the recovery of bad debt provisions). The consolidated operating income (EBIT) recorded a substantial increase of 23.2% to CHF 140.8 mn. Both the Systems and Services Divisions increased their EBIT margins, by 2.7 and 0.1 percentage points respectively, resulting in an overall Group EBIT margin of 12.9%, up from 11.7% in the previous year.

Value creation further enhanced – Dividend of CHF 18.00 proposed
Financial expenses in line with the previous year and a similar tax rate of 23.2% (compared to 23.8% last year) resulted in a net income of CHF 105.6 mn, which exceeded the previous year’s figure by 25.0%*. Accordingly, earnings per share attributable to Burckhardt Compression Group shareholders rose from CHF 24.98 to CHF 31.20.

Value creation was further enhanced, with Return on Net Operating Assets (RONOA) increasing from 28.3% to 32.6%. Total equity increased to CHF 340.2 mn (CHF +43.8 mn), while the equity ratio increased to 29.1%. Based on these results, the Board of Directors will propose to the Annual General Meeting a dividend of CHF 18.00 per share, an increase of 16.1% compared with the previous year. This is within the Group’s overall attractive dividend policy of a 50% to 70% payout ratio.

Continued new equipment growth

Following a peak in 2022, the global Systems market further normalized in 2024, with a decrease predominantly driven by policy shifts in the Hydrogen Mobility and Energy segment. Despite this, the Systems Division's leading position in growing sub-segments of the market resulted in a strong order intake of CHF 825.4 mn, representing a 5.8% increase over the previous year.

Marine applications like LPG, ammonia and LNG tankers have been growing at a good pace, driven by the increasing global energy trade as well as new regulations promoting sustainable shipping fuels. Linked to the expected further growth of solar panels and to geopolitics, the demand for Hyper Compressors used in the production of ethylene-vinyl acetate (EVA) remained high. Conversely, after rapid growth in the past years, the renewable hydrogen economy entered a period of recalibration. This shift is a direct response to higher-than-expected project costs, delays in finalizing regulations and subsidies, and the uncertainty created by elections in Europe and the US. Other new energy applications, like biogas and sustainable aviation fuels, continued to progress.

Focus on high-margin services in a market showing regional disparities

The Services markets have been strongly influenced by local economic conditions. The European market decreased due to economic and political uncertainty. On the positive side, Asia-Pacific and the regions of the Middle East, Central Asia, and Eastern Europe grew at a good pace, driven by the installed base and large upgrade projects. In the US, the market was stable with regional disparities, but order intake decreased due to the closure of three low-profit service centers, as announced in the first-half year report. On a global basis, the Services Division's presence in the marine market is further increasing, benefiting from a growing installed base, a strong service network, and new offerings. Against this backdrop, order intake for the Services Division fell by 5.4% (-4.5% net of currency translation effects) to CHF 325.8 mn.

Further progress in the company's transformation

The fiscal year 2024 marks another successful step in the implementation of the company's Mid-Range Plan, which was communicated in November 2022, with an increase of the mid-range guidance in June 2024. It is based on four pillars: strengthening the core business, transforming and building new growth avenues, operational excellence, and further enhancing the business foundations. Burckhardt Compression made tangible progress across these pillars. For instance, with its focus on transforming and building new growth avenues, the company launched the new digital services UP! Insight and UP! Detect to help its customers optimize their compressor fleet's reliability and uptime. With regards to operational excellence, the company has further leveraged its asset base in all factories to increase sales by more than 18% in the Systems Division without significant capital investments. To further enhance its business foundations, Burckhardt Compression reduced its greenhouse gas emission intensity (Scope 1 and 2) by 40.0%, a giant step forward on its path towards reaching net zero (Scope 1 and 2) in 2035.

Upcoming changes in the Board of Directors

Ton Büchner has decided to reduce his portfolio of mandates towards the end of 2025. As part of a planned and managed succession, Jacques Sanche will be proposed to the Annual General Meeting on July 5, 2025, as a new and additional member of the Board of Directors of Burckhardt Compression. The Board of Directors will additionally propose Jacques Sanche as its new Chair, effective December 15, 2025, following a transition period of over five months. At that time, Ton Büchner will step down from the Board of Directors, bringing the total number of Board Members back to six.

Jacques Sanche is a recognized industrial leader who currently holds the CEO position at Bucher Industries AG and has been the CEO of Belimo Holding AG. The 59-year-old Swiss-Canadian has announced his retirement from his current position as CEO for April 2026, when he will hand over to an internal successor. Ton Büchner states, "We are very pleased to propose Jacques Sanche to our Board of Directors, and I look forward to working with him during the transition phase. Having been a public CEO for 17 years, he will add considerable value". Jacques Sanche states: "I have admired the key role that Burckhardt Compression is playing as the world diversifies its energy sources. With its strategic focus on a more sustainable future, the company has a strong momentum. It would be an honor to support the great team at Burckhardt Compression by joining the Board of Directors".

Guidance for fiscal year 2025 – At a similar level as in fiscal year 2024

Burckhardt Compression has entered the fiscal year 2025 amid a dynamic operating environment characterized by uncertainties surrounding global trade tariffs and currency exchange rates. While these developments have led to downward revisions in global GDP growth forecasts, the company remains confident in its strategy and ability to navigate evolving market conditions. The robust order backlog, coupled with a solid balance sheet and strong customer relationships, provides stability. Assuming there is no further escalation in trade disputes and macroeconomic conditions remain relatively stable, the company expects:

- Sales at around CHF 1.1 bn at the Group level
- EBIT margin similar to fiscal year 2024
- Stronger profitability in the second half due to the product and service mix

The Group will continue to actively monitor the macro environment and any potential impact it may have on the business.

Global megatrends underpin Mid-Range Plan trajectory

Beyond short-term uncertainties, Burckhardt Compression's strategy is supported by global megatrends. A growing global population, especially the middle class, creates increased demand for essential products like fertilizers and polymers and for investment in energy infrastructure. Ensuring a stable and secure energy supply in a rapidly evolving geopolitical landscape with growing intermittent energy sources requires significant investment in energy storage, gas pipelines and transportation infrastructure, e.g. for LNG or LPG. In addition, the energy transition increases the share of natural gas in the energy mix and requires significant investments in renewable energy infrastructure, which includes solar panels and low-carbon fuels. All these applications require compressors. With its increased R&D activities and the ability to develop innovative solutions in partnership with its customers, Burckhardt Compression stands at the forefront of these developments.

* The accounting policy for the recognition of revenue for projects above CHF 7 mn and lasting more than 1 year has been changed from "Completed Contract Method" to "Percentage of Completion" (PoC) to better reflect the value creation process and to increase stability in revenue recognition.

The annual report 2024 and further information on the fiscal year 2024 are available on the website on: www.burckhardtcompression.com/financial-reports.

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