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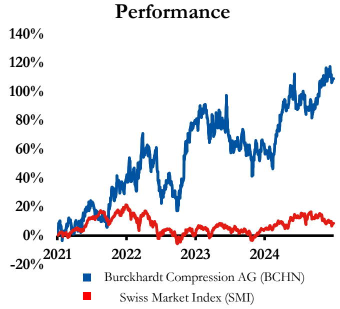
Burckhardt Compression

Ticker:	BCHN
Exchange:	SIX Swiss Exchange
Industry:	Compressors
Current Price:	648.00 CHF (30/12/2024)
Target Price:	772.39 CHF
Upside:	19.20%
Recommendation:	BUY

Figure 1: BCHN Share Price Performance



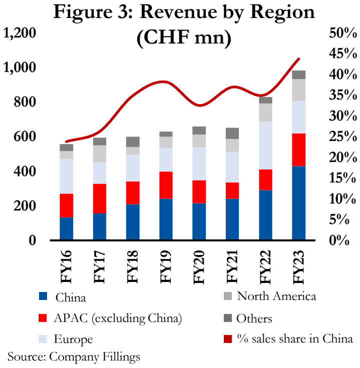
Source: S&P Capital IQ

Figure 2: BCHN Valuation Summary

Market Data	
Share Price	CHF 648.00
Capitalization	CHF 2.19 bn
Shares Outstanding	3.39 mm
52-week Low	CHF 450.00
52-week High	CHF 682.00
Valuation results	**Implied Price**
DCF - Terminal Growth (40%)	CHF 770.50
DCF - Exit Multiple (40%)	CHF 792.72
EV/NTM EBITDA (10%)	CHF 698.75
Price/Forward EPS (10%)	CHF 772.29
Target Price (12-months)	**CHF 772.39**
Implied Return (12-months)	19.20%

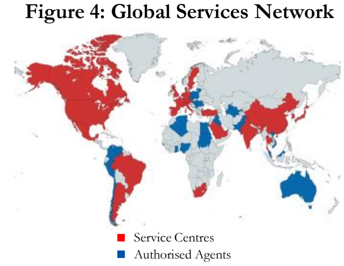
Source: S&P Capital IQ/Midas Capital Analysis

Figure 3: Revenue by Region (CHF mn)



Source: Company Fillings

Figure 4: Global Services Network



Source: Company Website

Burckhardt Compression AG is a global leader in the reciprocating compressors market, providing integrated and reliable compression solutions across industries served. Driven by its extensive expertise, reliability, and client-focused approach, the company and its value grow steadily, supported by favorable industry developments and strong demand for its products.

Investment Summary

We issue a BUY recommendation for the company with a 12-month target price of CHF 772.39, suggesting a potential 19.20% upside compared to its closing price of CHF 648.00 as of 30th December 2024. We believe Burckhardt Compression and its share price will perform well despite the challenging and uncertain market environment. Our target price is determined based on the weighted average of discounted cash flow (DCF) models (80%) and relative valuation method (20%) **(Figure 2)**, supported by the following qualitative factors.

Growth – Global expansion and energy transition are boosting revenue growth

Geographic Expansion. Burckhardt Compression's geographic expansion is a significant driver behind its future revenue growth, with a CAGR of 5.5% until FY32. Strategic steps undertaken by BCHN in the last decade helped to increase its presence in markets outside Europe. In 2016, the firm acquired 60% of Shenyang Yuanda Compressors for CHF 110 mm, strengthening its position in China, which accounted for 44% of the firm's total revenue in FY23 **(Figure 3)**, compared to 24% in FY16. BCHN aims to maintain its strong position in its established markets and expand to more countries in the Asia-Pacific Region (APAC), which accounts for 63% of its revenue and is forecasted to be the fastest-growing market.

Energy Transition. To benefit from an accelerating energy transition, the company regularly updates its products and services to meet the most stringent regulatory requirements. Furthermore, it expands to new sustainable markets to exercise new growth venues. *Established markets*. The growing demand for transitional fuels, such as natural gas, is expected to contribute to Burckhardt's revenue growth as the company manufactures products used across the LPG, CNG, and LNG value chains. *New Markets*. Hydrogen, biofuels, and solar panels are the most promising sustainable product and services markets expected to contribute to the company's future revenue growth. By 2027, BCHN aims to generate 40% of its new order intake from applications that positively contribute to energy transition.

Quality – Deep industry expertise helps preserve a strong customer base

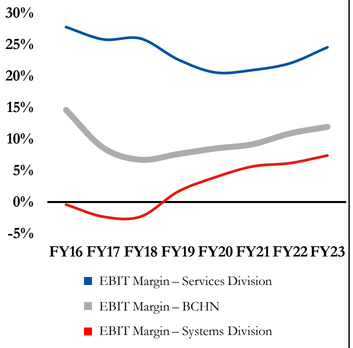
Burckhardt possesses deep industry expertise, reflected in high customer retention and good client feedback. From initial inquiry through post-warranty maintenance, the company offers a range of solutions developed in close collaboration with its clients to address their needs.

Integrated Business Model. BCHN offers solutions covering the whole lifecycle of its products. Thanks to its integrated business model, it builds long-lasting relations with its clients, as the average lifetime of its compressors is 40 years. Burckhardt is expanding its global service centre network **(Figure 4)**, offering worldwide support to its customers.

Customer Feedback. High customer satisfaction is crucial for Burckhardt to maintain its leadership position. The company surveys its clients at multiple stages of its projects to collect feedback for improvement. By ensuring client loyalty, BCHN creates a strategic moat against its competitors. High customer satisfaction is reflected in our customer survey **(Appendix 22)**.

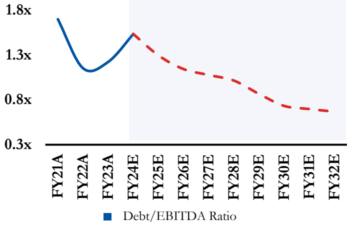
Growing installed base. Thanks to its record order intake, the company has installed many new compressors worldwide, effectively increasing BCHN's compressors installed base. Most of these compressors are expected to be serviced by the company, resulting in a growing contribution of recurring revenue generated by the company's service division.

Figure 5: Improving EBIT Margins



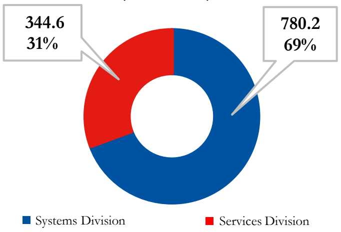
Source: Company Fillings/Midas Capital Analysis

Figure 6: Debt/EBITDA Ratio



Source: Company Fillings/Midas Capital Analysis

Figure 7: Order Intake in FY23 (CHF mn)



Source: Company Fillings

Figure 8: Integrated Business Model

	Phase	Division in charge
1-3 years	Evaluation and start of construction	Systems Division
10-22 months	Manufacturing of compressor system	
1-12 months	Compressor installation	Systems Division supported by Services Division
1-2 months	Compressor start-up	
2 years (avg)	Warranty Period	Services Division
20-40 years (avg)	Post Warranty	

Source: Company Fillings

Figure 9: Strategic M&A Activity

Company	Year	Division	Country
Mark Van Schaick	2021	Services	Netherlands
The Japan Steel Works	2020	Systems	Japan
Arkos Field Services	2019	Services	US
CSM Canada	2017	Services	Canada
Shenyang Yuanda Compressor	2016	Systems	China

Source: Company Fillings

Profitability - Strong financial position further improves company's prospects

Since the management buyout (MBO) in 2002, the company has updated its strategy every five years to align with evolving industry, economic, and political conditions. This approach keeps Burckhardt Compression competitive in the reciprocating compressors market while enhancing its operational and financial performance, reflected in its financial statements.

Strong profit margin. Driven by increasing returns to scale, caused by significant revenue growth in recent years and effective cost management, we expect the operating profit margin to remain above 10% **(Figure 5)**. The company's expansion into new industries and the extended lifespan of its products are expected to generate significant long-term benefits from the provision of maintenance services to Burckhardt's clients. The expanding services division is forecasted to be an important driver behind improving profitability margins.

Leverage Flexibility. The company's notable financial flexibility is underscored by its low leverage, evidenced by the Total Gross Debt/EBITDA ratio forecasted to decline **(Figure 6)**, which enables the company to take on additional debt for strategic investments without facing substantial financial strain. This capability improves its position for pursuing growth opportunities, such as new M&A targets or production expansion to new countries.

Consistent Dividend Policy. BCHN consistently maintains a 50–70% dividend payout ratio, adhering to management's guidance. Consistent dividends remain an important aspect for investors; they also support a stable share price and show the company's commitment to sustained growth of investors' wealth. We believe that BCHN can sustain its dividend payments moving forward with a long-term payout ratio of 70%.

Business Description

Burckhardt Compression AG (BCHN.SW) is a global reciprocating compressor systems manufacturer headquartered in Winterthur, Switzerland. Since the production of its first compressor in 1883, the company has established itself as a key player in the industry with a global market share of 30%. The company is present in more than 80 countries, employs over 3000 people, and operates factories in Switzerland, China, and India. In FY23, it reported a record revenue of CHF 982 mm and new orders of CHF 1125 mm **(Figure 7)**.

Complete reciprocating compressors portfolio with advanced services support

The company has two divisions that cover the entire lifecycle of reciprocating compressors **(Figure 8)**. The systems division is responsible for the evaluation of customers' initial inquiries and the production and installation of compressors **(Appendix 1)**. It has six main product lines **(Appendix 2)** and has installed around 7000 compressors up to date. Its offer ranges from simple standardized compressors, starting at CHF 10000, to complex compressor systems costing up to CHF 20 mm. The services division provides extensive warranty and out-of-warranty services **(Appendix 3)**. Both divisions were profitable, with a 7.4% EBIT margin for systems and a 24.6% EBIT margin for services in FY23.

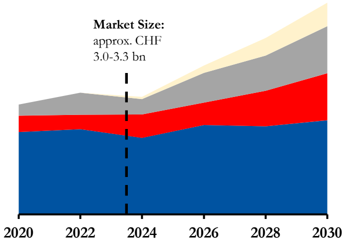
Diversified customer base and global multi-industry reach

Thanks to its comprehensive offerings, industry expertise, and reliability, the firm retains a customer base of over 100 companies across the six industries it serves **(Appendix 4)**. A recent customer satisfaction survey conducted by our team revealed a high level of satisfaction with the company's services **(Appendix 22)**. With its global presence supported by over ten subsidiaries and a broad product portfolio, the company's revenue is well-diversified, reducing the potential impact of sales declines in any specific region or industry. To enhance supply chain resilience, the company primarily sources materials locally for its factories and strategically focuses on selling products within regional markets. The company's three primary geographic markets are APAC, Europe, and North America, accounting for 60%, 20%, and 10% of its goods and services sales, respectively.

Strategic M&A activities supporting Burckhardt's leading position

To maintain its leadership in the industry, the company actively pursues strategic acquisitions to expand its global presence, enhance know-how, and improve service quality **(Figure 9)**. Over the past 20 years, notable acquisitions included Arkos Group in the US and the compressor division of Japan Steel Works headquartered in Tokyo, which strengthened its compressor servicing network and expanded its serviced compressor base. To expand petrochemical and maritime services, BCHN acquired Mark Van Schaick in Rotterdam, a specialist in mechanical machining. To expand its technological solutions offer, the company acquired Prognost in 2006, which added, in recent years advanced diagnostic and monitoring software for rotating equipment to Burckhardt's portfolio. Looking ahead, the company plans to acquire more service-oriented entities to boost operational margins and enhance customer offerings. Additional details on past M&A activity can be found in **(Appendix 5)**.

Figure 10: BCHN's Market Estimates



Source: Company Fillings/Midas Capital Analysis

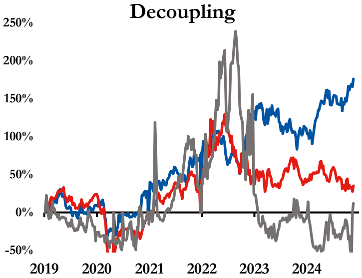
Figure 11: Herfindahl – Hirschman index

0.34

A value above 0.25 indicates high market concentration, typical for oligopolistic and monopolistic markets.

Source: Midas Capital Analysis

Figure 12: BCHN Share Price Decoupling



Source: S&P Capital IQ/Midas Capital Analysis

Since May 2022, BCHN's share price has decoupled from LNG and oil prices, implying that the company's portfolio is well-diversified and less reliant on its traditional markets (such as refineries).

Figure 13: Key Market Players

Company	Market Share
Burckhardt Compression	30%
NEA Group	20%
Dresser-Rand, A Siemens Business	10%
Nuovo	10%

Source: Midas Capital Analysis

Figure 14: Industries Served by BCHN

Industry	Position	Market Share
T&S	Leader	50%
Ref	Top 5	15%
PCI	Leader	40%
IG	Top 3	20%
HME	Top 3	20%
G&P	Below Top 5	5%

T&S – Gas Transport and Storage, **Ref**– Refinery, **PCI** – Petrochemical/Chemical Industry, **IG** - Industrial Gases, **HME** - Hydrogen Mobility & Energy, **G&P** – Gas gathering and Processing

Source: Company Presentation/Midas Capital Analysis

Industry Overview

The reciprocating compressor industry is an oligopolistic niche market characterized by high barriers to entry and market concentration. It is vulnerable to economic downturns and experiences periods of overcapacity. Furthermore, the high level of innovation within the sector attracts niche players looking to compete with larger, established companies.

Energy transition and stricter regulatory norms boost demand for compressors

The ongoing energy transition leads to stricter emission requirements, prompting many companies to modernize or replace their compressors to meet regulatory standards. Additionally, increased investment in sustainable energy sources, such as solar farms, biogas, and hydrogen infrastructure, drives demand for reciprocating compressors, as these technologies require gas compression during production, storage, or transportation processes. Consequently, BCHN positions itself to benefit from the increasing importance of sustainable technologies, expected to account for 50% of the total market size by 2030 **(Figure 10)**.

Technological developments may attract new players to enter the market

Despite the high barriers to entry—such as significant initial investment, specialized expertise, and an established customer base—the market may still attract new competitors if BCHN underperforms. Rather than challenging the entire product portfolio, these entrants might target a specific product line seeking to capitalize on niche opportunities (such as one of Burckhardt's portfolio product lines). To expand its market share, BCHN closely cooperates with its clients to ensure its products meet their needs and the latest technological standards.

Cyclicality of industries served drives demand for reciprocating compressors

Companies requiring reciprocating compressors operate in cyclical industries, characterised by fluctuating demand that depends on their investment expenditures. When faced with dire economic conditions, reciprocating compressor producers face lower sales caused by lower demand. Although the global economy experienced a slowdown, Burckhardt Compression achieved record sales. Its geographic and multi-industrial presence provides a natural hedge, partially protecting the company against economic downturns. **(Figure 12)** provides additional evidence supporting the company's strive for resilience.

Competitive Positioning

Burckhardt Compression has a strong position in 5 out of 6 industries it serves **(Figure 14)**. Its main competitors include Neumann & Esser, Dresser-Rand, and Nuovo Pignone **(Figure 13, Appendix 6)**. Additionally, there are around 20 smaller manufacturers specializing in products for a limited range of applications. The company serves companies operating in traditional markets (such as refineries) and new developing markets (such as hydrogen or biogases).

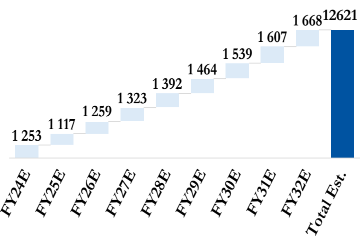
Burckhardt Compression maintains a strong position in most industries served

Systems Division. The market for reciprocating compressors is estimated to be between 1.2-1.7 bn CHF (**Appendix 1**). In FY23, the company covered approximately 40% of the market for reciprocating compressors, with sales of CHF 642.8 mm. The company competes with its peers, remaining a leader in gas transportation & storage and petrochemical & chemical industries **(Figure 14).** To increase its market share in the following years, the company tries to enhance its innovation edge with R&D. **Services Division.** The reciprocating compressors servicing and spare parts market is approx. CHF 1.6 bn. Burckhardt's services division sales accounted for CHF 339.2 mm, around 20% of the total annual demand. The company expects its services division to grow at a much higher rate than the systems division. We forecast this division to account for approximately 40% of the total firm's sales by FY32, thanks to the firm's growing installed compressor base. Overall**,** with its total revenue accounting for CHF 982 mm in FY23, the company covers approximately 30% of the market, estimated to be between CHF 2.8 bn and CHF 3.3 bn. BCHN is the largest firm in the industry, followed by Neumann & Esser, covering an average of 20% of the annual market demand**.**

BCHN stays on the innovation frontier, leading new industrial developments

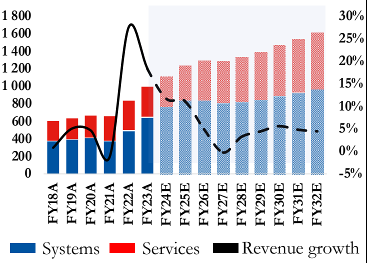
BCHN monitors ongoing macroeconomic, regulatory, and industry changes to effectively exercise new opportunities arising from the changing competitive landscape. In the systems division, its recent developments include developing new large non-lubricated compressors for hydrogen liquefication and updates to the capacity of its signature Laby® Compressors. In the services division, the company focused on expanding its hardware and software products portfolio and finding applications for AI in monitoring and diagnostic capabilities. All these actions aim at remaining ahead of competitors and maintaining competitive advantage.

Figure 15: Order Intake (CHF mm)



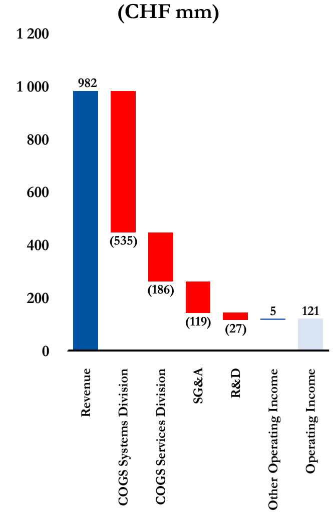
Source: Company Fillings/Midas Capital Analysis

Figure 16: Revenue (CHF mm)



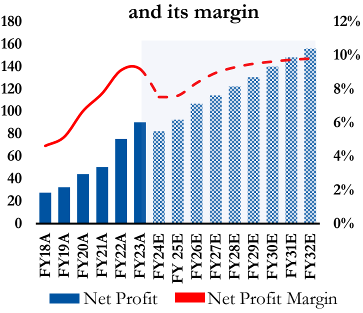
Source: Company Fillings/Midas Capital Analysis

Figure 17: Operating Costs FY23 (CHF mm)



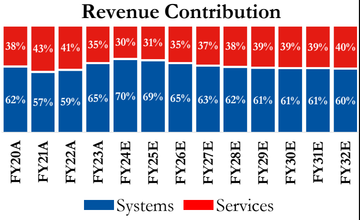
Source: Company Fillings

Figure 18: Net Profit (CHF mm) and its margin



Source: Company Fillings/Midas Capital Analysis

Figure 19: Systems / Services Revenue Contribution



Source: Company Fillings/Midas Capital Analysis

Financial Analysis

BCHN has achieved record-high revenues in recent years, fuelled by a surge in new orders across key markets. The company continues to leverage increasing returns to scale, reflected in its improving profit margins. While a slight decline in systems orders is expected in FY25-26, robust growth in the services division is set to offset this and sustain overall momentum.

New orders propel revenue momentum

Orders Intake. Since FY21, BCHN has experienced exceptional growth in new orders, driven by increasing demand in LNG transport, solar applications, and hydrogen mobility. New orders peaked at CHF 1,268 mm in FY22, followed by a decline to CHF 1,125 mm in FY23. With CHF 615 mm recorded in the first half of FY24, we forecast total orders for the year to reach CHF 1,253 mm based on historical H1/H2 ratios. The systems division orders growth is expected to slow down through FY26 before stabilising at a 4.4% CAGR through FY30, aligned with industry growth trends and supported by customers' CAPEX projections. The services division, however, is poised for strong growth in FY24-26, benefiting from previous M&A activities. Post FY26, services are projected to grow at a 6.6% CAGR until FY30, with growth tapering off, approaching the terminal period in FY32 **(Figure 16)**.

Revenue Growth. We developed a detailed model illustrating how orders transition into revenue, accounting for the multi-year recognition timeline **(Appendix 8)**. Between FY18 and FY23, the systems and services divisions achieved CAGRs of 11.3% and 8.7%, respectively, driven by major projects in China and Europe. By the end of FY27, we forecast total revenue to reach CHF 1.28 bn, exceeding management's estimate of CHF 1.2 bn, supported by strong order intake from FY21-FY24. The management has a history of keeping its estimates modest and has recently raised the guidance for FY24 by CHF 100 mm from CHF 1 bn to CHF 1.1 bn. Thus, forecasting a beat of the CHF 1.2 bn revenue target in FY27 is, in our view, realistic.

Effective cost engineering keeps expenses under control

In FY23, the cost of goods sold (COGS) comprised approximately 80% of the company's total costs, with CHF 534.5 mm generated by the systems division and CHF 185.4 mm by the services division **(Figure 17)**. Selling, General & Administrative (SG&A) expenses totalled around CHF 120 mm, while R&D costs amounted to CHF 26 mm.

COGS Systems Division. The company's business model relies on sourcing components for compressors and operating its factories as assembly lines, which limits cost-cutting opportunities due to dependence on external suppliers and a highly specialised workforce. As its compressors are mostly made of steel, its price represents an important factor that may affect the profitability of the systems division. To reduce expenses, the company optimises its supplier network and applies cost-engineering strategies.

COGS Services Division. The company operates service centres worldwide, where wages and plant expenses are the primary costs. This division provides significantly greater cost management flexibility, leading to a substantially higher operating profit margin.

SG&A. Selling, general and administrative costs amounted to CHF 119.4 mm in FY23 and represented 12.2% in relation to revenue compared to 14.1% in FY22, reflecting improving leverage of SG&A on total revenue.

Services division as the main driver in margins expansion

Profitability. The Systems division operates as a low-margin segment, with its EBIT margin expected to remain between 6% and 9%, constrained by intense competition and high production costs. In contrast, the Services division delivers substantially higher profitability, with a projected 22% to 25% EBIT margin. This division benefits from recurring revenue generated through regular maintenance and retrofitting services, contributing to the company's overall net profit margin, accounting for 9.9% in FY32 **(Figure 18).**

Business Division Mix. In FY23, the business mix comprised 65% systems and 35% services **(Figure 19).** As the strong systems division order intake backlog from FY21 to FY23 is recognized in revenue, this ratio is expected to decrease in FY24-25 before gradually increasing in favor of the service segment **(Figure 19)**. The Services division is well-positioned for sustained profitability and margin growth, supported by a large installed base of compressors, record-breaking orders, and new digital solutions like BC Activate for optimisation assessments.

Expanding Services Division. With compressor lifecycles spanning over 40–50 years and regular maintenance needs, such as biennial parts replacement, the service segment benefits from stable and predictable revenue streams. Furthermore, the expansion of digital service offerings is expected to fuel continued growth in this profitable area.

	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Gross Margin	29,3%	29,5%	26,7%	26,8%	26,8%	27,6%	28,3%	28,6%	28,8%	28,9%	28,9%	29,0%
EBITDA Margin	13,4%	14,5%	13,9%	12,2%	12,2%	13,0%	13,7%	14,0%	14,2%	14,2%	14,2%	14,2%
EBIT Margin	10,8%	12,3%	12,4%	10,6%	10,6%	11,4%	12,1%	12,4%	12,6%	12,7%	12,7%	12,8%
Tax burden (%)	23,2%	23,2%	23,7%	24,8%	23,3%	23,3%	23,3%	23,3%	23,3%	23,3%	23,3%	23,3%
Net Profit Margin (%)	7,7%	9,1%	9,2%	7,7%	8,0%	8,6%	9,1%	9,4%	9,6%	9,7%	9,8%	9,9%
Asset Turnover (x)	0,82	0,93	0,98	0,90	1,12	1,08	1,04	1,03	1,03	1,03	1,02	1,01
Return on Assets (%)	6,3%	8,5%	9,0%	7,0%	8,9%	9,3%	9,4%	9,7%	9,9%	10,1%	10,0%	10,0%
Financial Leverage (A/E)	3,45	3,60	3,58	3,83	3,68	3,44	3,16	3,00	2,85	2,75	2,69	2,63
Return on Equity (%)	21,8%	30,5%	32,1%	26,8%	32,8%	32,0%	29,9%	29,1%	28,2%	27,7%	27,0%	26,2%
Liquidity Indicators												
Current Ratio (x)	1,4	1,4	1,3	1,5	1,5	1,5	1,5	1,3	1,6	1,6	1,6	1,6
Quick Ratio (x)	0,9	0,8	0,8	0,9	0,9	0,9	0,8	1,0	1,0	1,0	1,1	1,1
Leverage Indicators												
Debt/Equity (x)	0,69	0,56	0,61	0,57	0,50	0,44	0,39	0,36	0,29	0,24	0,23	0,21
Net Debt/Equity (x)	0,27	0,07	0,25	0,11	0,05	(0,01)	(0,09)	(0,14)	(0,18)	(0,22)	(0,26)	(0,29)
Debt Ratios												
Interest Coverage Ratio	21,1	29,2	29,6	27,4	37,1	41,9	44,1	50,1	57,4	75,3	103,7	108,7
Net Debt/EBITDA	0,8	0,2	0,6	0,3	0,3	(0,0)	(0,3)	(0,4)	(0,6)	(0,7)	(0,8)	(1,0)

Leverage & Liquidity

Burckhardt Compression maintains a conservative financial position, evidenced by a **net debt of just CHF 66.2 million** and a Net Debt/EBITDA ratio of less than 1x. This robust balance sheet is underscored by an **interest coverage ratio consistently exceeding 20x**, indicating strong earnings relative to interest obligations and a low risk of financial distress. The company's liquidity is equally strong, with a current ratio consistently above 1, ensuring it can comfortably meet short-term liabilities. This is complemented by steady cash flows, enhancing its operational and financial agility. Burckhardt's **Leverage Flexibility** is notable; the low leverage allows it to increase debt for strategic investments without significant financial strain. This capacity enhances its financial flexibility, positioning it well for growth opportunities. Additionally, the **Altman Z-score of 3.51** as of FY23, historically within this range, confirms the company's financial stability and low bankruptcy risk.

Net Working Capital

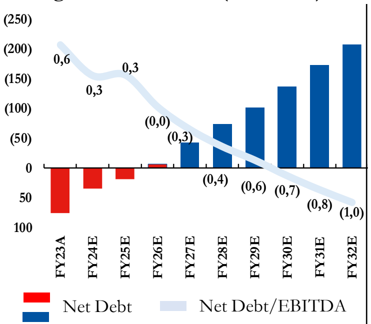
Accounts receivable represent the largest component of the company's net working capital, with an average collection period of 152.1 days as of 1H24. **Inventory levels are significant**, amounting to CHF 346.4 million, with a turnover period of approximately 206.4 days, reflecting a long cycle before inventory is converted into cash. In contrast, **accounts payable** have an average payment period of just 82 days, creating a mismatch that contributes to a **high cash conversion cycle (CCC)**.

The high CCC is especially problematic for BCHN due to the long-term nature of its projects, which increases the risk of funding gaps during economic downturns or periods of reduced credit availability. While the company has historically managed a high CCC without major issues, its **current level warrants closer monitoring** to ensure liquidity and operational efficiency are not compromised. The most problematic issue is the inventory values**; customer advance payments do not sufficiently offset inventory levels**, increasing by only CHF 46 million from FY22 to FY23, while inventory levels rose by more than CHF 100 million. As a result, advance payments now offset less than one-third of the inventory value (**Appendix 16**). In comparison, competitor **Neumann & Esser** fully offset its inventory with customer advance payments in FY23 and around 64% in FY22.

Sustainable dividend policy

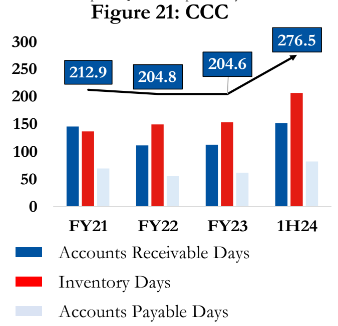
BCHN maintains a **steady dividend payout ratio** in the 50–70% range, aligning with management's guidance. The firm's commitment to this policy was evident in FY23 when a dividend was paid despite negative cash flow. This outcome was not due to an inability to generate cash flow but rather the impact of an increase in working capital. Despite this, we believe the company has the capacity to sustain its dividend payments moving forward. Management is currently evaluating **five potential M&A targets**. However, if none of these deals materialise, management does not foresee a need to retain **excess cash** on the balance sheet. This cash could help address temporary cash flow gaps if negative cash flow arises again due to poor CCC management. This risk underscores the importance of sustained attention to CCC efficiency, particularly as growth opportunities diminish. We believe a **long-term dividend payout ratio of 70%** is achievable but contingent on improving CCC efficiency.

Figure 20: Net Debt (mm CHF)



Source: S&P Capital IQ/Midas Capital Analysis

Figure 21: CCC



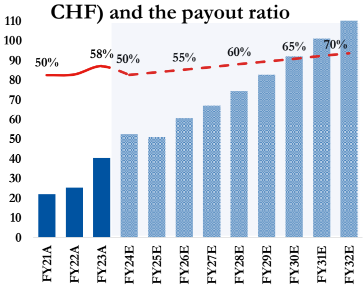
Source: S&P Capital IQ/Bloomberg/Midas Capital Analysis

Figure 22: Inventory by category

Category	FY23	FY22
Raw materials, supplies and consumables	59,1	70,0
Work in progress	140,7	120,5
Finished products and trade merchandise	82,7	76,2
Advance payments to suppliers	56,8	41,6
Valuation allowance	(22,6)	(22,1)
Total inventories	**316,8**	**286,2**

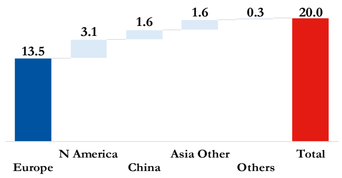
Source: Company fillings/Midas Capital Analysis

Figure 23: Dividends paid (mm CHF) and the payout ratio



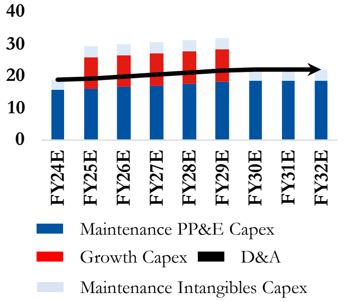
Source: S&P Capital IQ/Midas Capital Analysis

Figure 24: CAPEX FY23 Per Region (CHF mm)



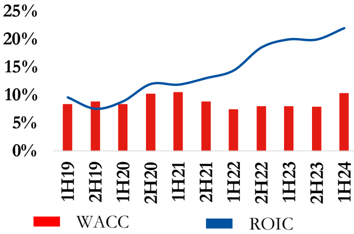
Source: S&P Capital IQ/Midas Capital Analysis

Figure 25: Future CAPEX and D&A



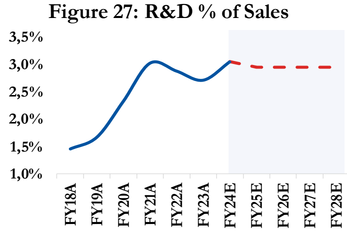
Source: S&P Capital IQ/Midas Capital Analysis

Figure 26: Historic ROIC/WACC



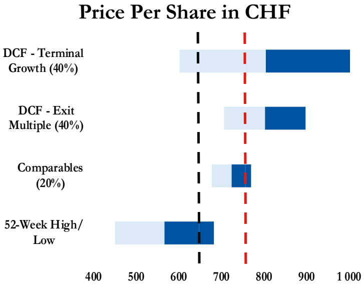
Source: Bloomberg/Midas Capital Analysis

Figure 27: R&D % of Sales



Source: S&P Capital IQ/Midas Capital Analysis

Figure 28: Football Field Chart of Price Per Share in CHF



Current | 648

Target | 772.4

Source: Midas Capital Analysis

Figure 29: WACC Buildup

Pre-tax cost of debt	1,56%
Tax rate	23,34%
After-tax Cost of Debt	**1,20%**
Risk-free rate	0,32%
Market risk Premium	6,00%
Levered Beta	1,17
Country Risk Premium	0,64%
Cost of Equity	**7,95%**
Net Debt	66,2
Market Value of Equity	2 194,0
Enterprise Value	2 260,2
WACC	**7,75%**

Source: Aswath Damodaran/S&P Capital IQ/Bloomberg

Efficiency-focused capex strategy

In FY18-20, BCHN focused on expanding capacity in China. Despite significant sales growth in recent years, BCHN has not made any other major investments, instead focusing on efficiency gains and factory optimisation. **Maintenance capex** remains aligned with **D&A as per management guidance** and is primarily concentrated in **Europe**. BCHN plans to **expand production capacity in India** over the next five years to support increasing order volumes. The projected cost of tearing down the existing Indian factory and building a new factory is guided at **CHF 30–50 mm**. Given BCHN's sales target of CHF 1.2bn by FY27 (CHF 1.28bn in our analysis), we expect **the upper range of the guidance** to be required, forecasting **CHF 50 mm** in growth capex. Maintenance capex is projected to **remain in line with the depreciation** of both the existing asset base and the new investments, ensuring operational continuity while meeting future demand.

Increasing returns for investors

Since 2019, BCHN has historically **outperformed** its WACC on the ROIC metric. This suggests that BCHN invests capital in projects and operations that yield a higher return than the company's cost of funds. Therefore, BCHN consistently creates value for its shareholders. Moreover, BCHN appears to be highly effective in its M&A activities, specifically in the services division, which drives further profitability growth.

Furthermore, a higher ROIC, particularly in the last year relative to WACC, **suggests better** competitive positioning in the growing markets of hydrogen and solar panels. Previously, WACC and ROIC were more in line. As the company **l**everages these synergies, it further strengthens its position to **capitalise on emerging industry trends.**

R&D as a key component in future success

BCHN is targeting **R&D spending between 2% and 3% of sales**. Historical 5-year levels average around 2.52%, and recent data show an increase to 3.16% in the first half of FY24. Burckhardt Compression's R&D efforts are **centred on advancing the energy transition** and tapping into **high-growth markets** like **hydrogen energy** and **LNG propulsion**. A substantial portion of this investment is directed toward the development of innovative reciprocating compressor solutions, such as high-speed and diaphragm compressors, designed for specialised industrial applications. The company also prioritises enhancing its **high-margin service business**. These strategic initiatives position BCHN to leverage opportunities in clean energy markets, high-pressure petrochemical applications, and the emerging hydrogen mobility sector. As a result, BCHN is well-poised to secure an **increasing share of these growing markets**.

Valuation

Using a combination of a three-stage DCF model (weighted 80%) and public comparables (20%), we arrived at a one-year price target of CHF 772.39. For the DCF, we developed detailed schedules for Debt, D&A, CAPEX, and NWC forecasts; for more details, refer to (Appendix 9-11). For the FY24-26 period, revenue forecasts are based on the existing order backlog and our data-backed assumptions about revenue recognition timing. Industry growth rates are anticipated to drive system orders and impact system revenues in later periods. Service revenue growth is mainly driven by recent M&A activity, along with the expansion of the installed base (Appendix 8). Profitability forecasts account for the evolving mix between systems and services, shaped by expected order intake and changing sales dynamics. We incorporated ESG into our valuation both qualitatively and quantitively (Appendix 8).

WACC

Cost of Debt: Burckhardt Compression recently issued a bond valued at CHF 150 million, featuring a coupon rate of 1.5606% and maturing on September 30, 2028. The bond was issued at par, reflecting 100% of the nominal value. Given the company's recent issuance, stable target structure, and strong liquidity and solvency ratios, we believe this rate accurately represents the company's cost of debt.

Cost of Equity: The cost of equity is calculated using the 10-year yield of Swiss government bonds to determine the risk-free rate. The levered beta, used to account for the stock's systematic risk, is derived from a regression of 5-year monthly returns against the SPI. Additionally, the country's risk premium has been adjusted according to the revenue geographic split of FY23.

WACC: At its current target leverage ratio, Burckhardt Compression's WACC is calculated to be 7.75%. This incorporates a cost of equity at 7.95% and an after-tax cost of debt at 1.20%.

Terminal Growth Rate and Exit Multiple

To estimate the Terminal Growth Rate for Burckhardt Compression, a **weighted average of nominal GDP growth rates** across its primary markets was applied, using the FY23 sales **mix** as a basis. South Korea was chosen as a proxy for "Other Asia and Australia," while Saudi Arabia represented the Middle East, as we believe these countries are the most significant contributors from their respective regions based on the company's annual reports.

Nominal GDP growth rates were calculated by combining real GDP growth projections with inflation targets. We used data from the OECD and corresponding central bank inflation targets for the United States, the European Union, and South Korea. For **China**, we relied on **IMF forecasts**. For **Saudi Arabia**, a study by **PwC** provided the long-term growth rate. Aggregating these inputs, the **forecasted terminal growth rate** is **3.3%**. For the **Exit Multiple Approach**, we reviewed BCHN's 5-year historical average EV/EBITDA multiple of 14.20x and averaged it with the peer company multiples. This analysis led us to determine an **appropriate terminal EV/EBITDA multiple of 15.35x**.

Case Scenarios

Bull/Bear Scenario. Bull and Bear case scenarios were created by adjusting the key assumptions driving our model, including order intake growth, margins, cash conversion cycle improvements, and ESG considerations. The bull scenario (**Appendix 20**) results in a valuation of CHF 908.31, implying an upside of 40.17%, driven mainly by improved CCC and operational efficiencies. In contrast, the bear scenario (**Appendix 19**) accounts for potential downside risks and yields a valuation of CHF 665.7, an upside of 2.73%.

Monte Carlo & Sensitivity Analysis

The robustness of the **BUY recommendation** was demonstrated through a sensitivity analysis of the WACC and Terminal Growth Rate and the WACC and Exit Multiple (**Appendix 14**). The **Tornado Chart (Figure 32)** illustrates the 1-year target price sensitivity to various input assumptions. Moreover, the **Monte Carlo DCF Simulation** model aims to address the inherent uncertainty in valuation by incorporating variability in key assumptions. Instead of relying solely on static inputs, the model introduces randomness to critical variables, including the Order Intake Growth Rate, D&A, Changes in NWC, WACC, and the Terminal Growth Rate. Each parameter is modelled using a normal distribution, where the mean and standard deviation are derived from assumptions within the original DCF model. The Monte Carlo approach generates a range of potential outcomes by simulating these variables. The simulation is run 10,000 times to ensure a comprehensive exploration of possibilities, providing a robust understanding of the valuation's sensitivity to input fluctuations. The range of outcomes spans from a minimum value of 438 to a maximum value of 1675 and has a median price estimate of 701 CHF, which is 8.18% higher than the current price. A total of 70% of the simulation is above the current price.

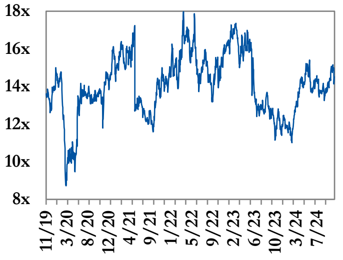
Relative Valuation Confirms Undervaluation

The reciprocating compressor industry is dominated by a **limited number of competitors**, with most companies apart from Burckhardt Compression **being privately held or subsidiaries of larger conglomerates, making comparable data inaccessible**. To address this, **a peer group of companies within the air and gas compressor industry** was selected based on similarities in revenue and cost drivers, profitability margins, size, and recent revenue growth trends (**Appendix 15**). For valuation purposes, we utilised EV/NTM EBITDA and Price/Forward EPS multiples of the peers to estimate a one-year price target.

EV/NTM EBITDA. The peer median EV/NTM EBITDA is 16.30, compared to Burckhardt Compression's 15.39. This suggests an upside of **5.9%** and a 1-year share price target of 698.75 CHF, indicating that the company is slightly undervalued relative to peers. EV/NTM EBITDA is appropriate for the compressor industry as it reflects core operational performance and is a proxy for cash flow generation while avoiding distortions from management decisions of depreciation, amortisation, and differences in capital structure.

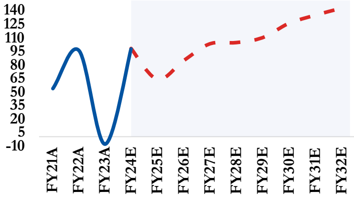
Price/Forward EPS. Price/Forward EPS incorporates the effects of taxes, depreciation, and financial expenses, making it reflective of net income and equity returns and is a valuable complement to EV/NTM EBITDA multiple. The peer's median Price/Forward EPS is 27.16, compared to Burckhardt Compression's 22.79, indicating a **19.2%** upside and suggesting a 1-year share price target of CHF 772.29.

Figure 30: TEV/EBITDA



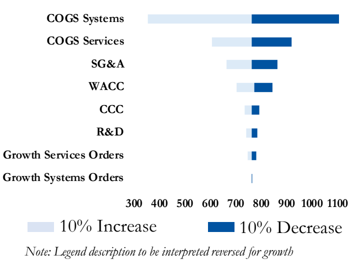
Source: S&P Capital IQ

Figure 31: UFCF in (mm CHF)



Source: S&P Capital IQ/Midas Capital Analysis

Figure 32: Tornado Chart



Note: Legend description to be interpreted reversed for growth

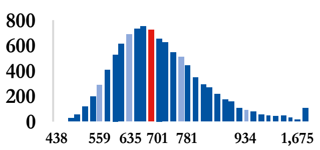
Source: Midas Capital Analysis

Figure 33: Monte Carlo Percentiles

MIN	CHF 438
5%	559
25%	635
50%	701
75%	781
95%	934
MAX	1675

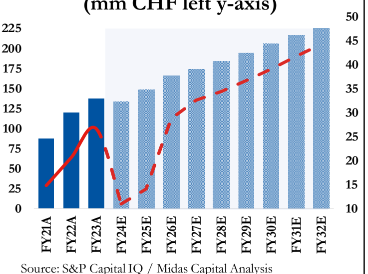
Source: Midas Capital Analysis

Figure 34: Monte Carlo DCF Simulation Distribution



Source: Midas Capital Analysis

Figure 35: EPS (CHF) & EBITDA (mm CHF left y-axis)



Source: S&P Capital IQ / Midas Capital Analysis

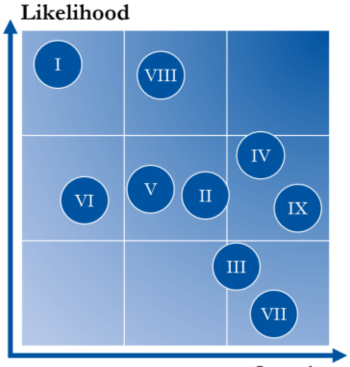
Figure 36: Beneish M-score

-2.73

The **Beneish M-Score** is a financial forensic tool used to detect earnings manipulation. Our score of -2.73 suggests that the company's financials are likely reliable.

Source: Midas Capital Analysis

Figure 37: Risk Matrix



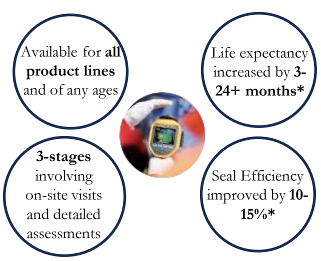
Source: Midas Capital Analysis

Figure 38: Maturity Profile of Trade Receivables (CHF mm)

Category	FY23	FY22
Not Due	166.4	223.8
Overdue 1-30 days	20.4	55.1
Overdue 31-60 days	11.9	29.8
Overdue 61-90 days	2.5	9.4
Overdue more than 90 days	44.4	41.9
Total Trade Receivables	**245.6**	**360.0**

Source: Company Fillings

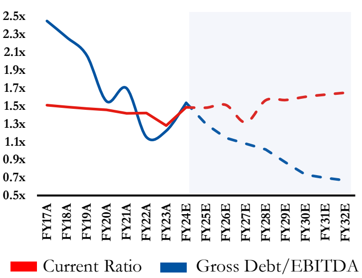
Figure 39: BC ACTIVATE program



BC ACTIVATE is an assessment program designed to optimize compressor performance by eliminating negative factors such as gas leakages, excessive vibration, and inefficient energy use.

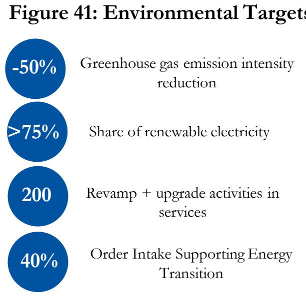
Source: Company Website

Figure 40: BCHN's Selected Ratios



Source: Company Fillings / Midas Capital Analysis

Figure 41: Environmental Targets



Source: Company Fillings

Investment Risk

Burckhardt Compression operates in industrial environments that encompass a wide range of risks, each with the potential to impact the company significantly. Effective risk management and mitigation are essential to ensure stability and safeguard the firm's operations against these challenges. **(Figure 37)** summarizes the likelihood and severity of the risks recognized.

Market Risks

I. Currency translation. Over 80% of the company's sales in FY23 were generated outside Europe, exposing the company to currency translation risk during the consolidation of financial statements. For the company, fluctuations in exchange rates between operating currencies and the reporting currency can lead to volatility in reported earnings, particularly during periods of significant currency movements. **Mitigation**: BCHN hedges all major USD-denominated sales transactions to mitigate currency risk. For other transactions, the company's highly localized supply chain, production, and sales structure limit its exposure to currency translation risk primarily to financial reporting, with minimal operational impact. The group treasury regularly monitors foreign exchange flows, and significant sales and purchase transactions are hedged on a case-by-case basis. Additionally, hedging policies are reviewed and adjusted as necessary to address evolving market conditions.

II. Global Economic Downturn. BCHN primarily serves companies operating in cyclical industries. The combination of worsening economic conditions over the past year and high interest rates could lead to a decline in orders during the second half of FY24 and the next financial year. **Mitigation:** The company diversifies its operations geographically to benefit from stronger economic momentum in developing countries in the APAC region. Additionally, it constantly updates its product portfolio to serve most industries that require reciprocating compressors. To further enhance diversification, BCHN moves its revenue mix toward the services division, which has a much higher net profit margin.

III. Difficulty in paying dividends. The firm's commitment to its dividend policy was demonstrated in FY23 when it paid a dividend despite experiencing negative cash flow. This was not due to an inability to generate cash but was instead driven by an increase in working capital, partially caused by overdue trade receivables **(Figure 38).** However, the company's elevated CCC increases the risk of funding shortfalls for operations during economic downturns. Failure by management to adhere to its dividend guidelines could lead to significant volatility in BCHN's share price. **Mitigation**: Burckhardt Compression can strengthen credit control measures, including tighter payment terms and enhanced monitoring of clients' creditworthiness, to protect cash flow and reduce exposure to non-payment risks.

Operational Risk

IV. Underperforming Services Division. The services division provides an attractive business model, with a net profit margin of approximately 22–25% FY23. BCHN is actively developing a global network of service centres to support its extensive installed base of reciprocating compressors. However, failure to capture a significant share of the services market could limit the company's ability to meet its financial targets and erode its competitive advantage over rivals. **Mitigation:** Close cooperation and generous references from its customers help the company secure its leading position in the industry. The launch of initiatives like BC ACTIVATE **(Figure 39)**, which helps clients optimize sustainability and operational efficiency, is poised to enhance long-term customer engagement.

V. Inefficient cost management. Due to the nature of its business model, the company has limited opportunities for cost reductions in its systems division, where COGS account for approximately 60% of the company's total operating costs. Inefficient management decisions or external factors could significantly increase the COGS in this division, leading to an erosion in the company's profit margins. **Mitigation**: Burckhardt Compression implements cost engineering strategies aimed at building resilient supply chains and optimizing costs across its divisions. These efforts are reflected in the improving leverage and liquidity **(Figure 40).**

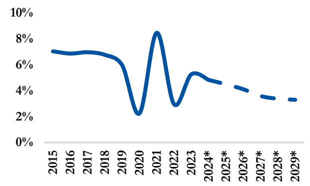
VI. Not meeting ESG goals. The company is actively participating in the energy transition by setting ambitious internal green targets **(Figure 41)**. However, failing to achieve ESG goals could lead to significant repercussions, including higher financing and operational costs, as well as reduced employee morale. The likelihood of this risk has increased recently due to the upcoming government shift in the US, which is expected to adopt a more sceptical stance on environmental matters. **Mitigation:** The company monitors political developments and adapts its policies and product portfolio to minimize exposure to potential adverse political impacts.

Figure 42: Proposed Republican Policies

I. **Paris Agreement Withdrawal** by 2025
II. **Dismantling Climate Legislation** that could halt over 40% of current renewable energy contributions.
III. **Energy Production Expansion** from conventional energy sources.
IV. **25% tariffs** on goods imported from Mexico and Canada.
V. Additional **10%** tariffs on goods imported from China.

Source: Reuters

Figure 43: China GDP Growth Rate



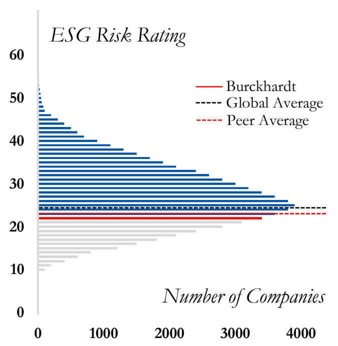
Source: Statista

Figure 44: ESG Scorecard

	ESG Score	E	S	G
Bloomberg	4.74/10	3.37	5.51	6.17
S&P Global	35/100	27	42	36
MorningStar	22.0 (Medium Risk)	N/A	N/A	N/A
Refinitiv	C+	C	B+	C+

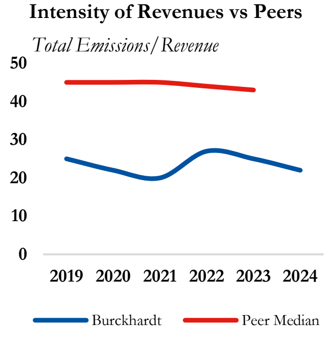
Source: Bloomberg, WRDS

Figure 45: ESG Risk Ranking Global



Source: Pitchbook

Figure 46: Scope 1+2 Emissions Intensity of Revenues vs Peers



Source: Bloomberg

VII. M&A Integration risks. As part of its strategy to expand its services division and expand its services portfolio, the company acquires businesses within its industry. However, choosing a poor acquisition target could lead to integration challenges, resulting in significant losses for the company due to adverse synergies. **Mitigation:** The company undertakes rigorous screening efforts before initiating an M&A process. Its focus is on acquiring businesses with proven industry expertise or a substantial portfolio of maintenance contracts.

Geopolitical and Country Risks

VIII. Elections in the US. A Republican victory in the US elections could signal a significant shift in green policies, potentially leading to a substantial slowdown in the energy transition within the country **(Figure 42)**. Such a scenario may result in slower sales growth in North America, where the company has heavily invested in service infrastructure to support renewable energy initiatives. **Mitigation:** Burckhardt Compression has a diversified services portfolio, enabling it to adjust its offer to conventional energy applications. Additionally, the ongoing green projects are not expected to be terminated, limiting potential losses.

IX. Dependency on China. The increasing share of revenue generated in China poses a potential risk for the company amid the ongoing economic slowdown in the country. Strong dependency on sales from China raises concerns about future revenue growth, particularly if industrial activity remains subdued. Additionally, escalating geopolitical tensions could result in sanctions against China, adding further uncertainty to BCHN's revenue stream from this market. **Mitigation**: The company's strategic investments in Southeast Asia, where the economy is in a better shape, provide a natural hedge, as the company may make up for the lost sales in China. BCHN could further develop its manufacturing/assembly and service subsidiaries in these areas.

ESG

Based on a consensus across multiple ESG rating agencies **(Figure 44)**, we agree Burckhardt's ESG risk is lower than moderate **(**22/100 by Pitchbook, **Figure 45)**. Due to the nature of its business, environmental factors are relatively weak among the three dimensions. Since 2021, the company has identified eight key sustainability issues and set targets for 2027 for each of them. By the end of FY23, half of these targets had been met ahead of schedule **(**Appendix 23**)**. Given the company's continuous improvements, we expect its strong performance to persist. ESG topics were also qualitatively and quantitatively included in our valuation.

Environmental

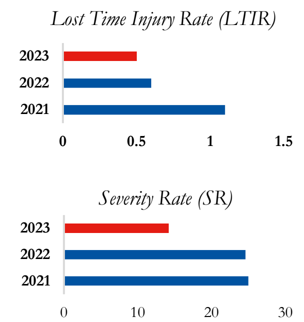
Burckhardt Compression is progressively achieving its sustainability goals by reducing GHG emissions throughout its product life cycle and optimizing its energy mix.

GHG Emissions. In FY23, Burckhardt reduced its Scope 1 and Scope 2 GHG emissions by 5.1% to 19,037 tons of CO_2e, with Scope 2 accounting for over 60% of total emissions. Thanks to its avoidance and savings programs during production, logistics, and product usage stages, its GHG emissions intensity per work hour decreased by 11.8%, significantly below the peer average **(Figure 46).** The company has committed to achieving net-zero emissions by 2035, in line with the Paris Agreement, and we believe its progress is on track.

Clean Energy Transition. In FY23, Burckhardt's total energy consumption and energy intensity decreased by 4.96% and 12.87%, respectively. The transition to clean energy was one of the key drivers of this trend, for example, Prognost in Germany meets around 40% of its energy demand through solar power, generating 9,557.10 kWh per month. Currently, 22% of the company's total energy (or 34% excluding the foundry business) comes from clean energy. The company has pledged to raise the share of renewable electricity in its non-foundry business to 75% by 2027. In the short term, Burckhardt plans to significantly scale up solar capacity in China, Switzerland, and South Korea to meet this goal.

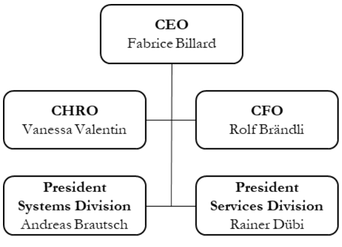
Product Optimization and Customer Service. Burckhardt acknowledges that compressors' GHG emissions during use are a major contributor to their environmental footprint. As such, it is focused on optimizing its products' environmental performance, which includes reducing energy consumption and emissions, and minimizing material waste through extended product life cycles. Its innovative BC ACTIVATE service offers diagnostics based on equipment installation, helping customers reduce emissions and improve operational efficiency. PERSISTO materials and REDURA sealing systems ensure equipment longevity, enabling operation for 30 to 50 years. Over 95% of Burckhardt compressors are made from steel, which is highly recyclable after decommissioning.

Figure 47: Workplace Safety Indicators



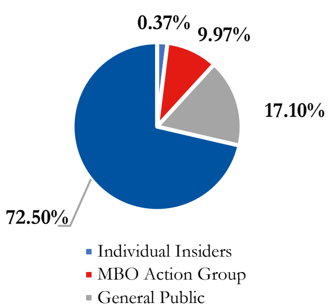
Source: Company Data

Figure 48: Executive Management



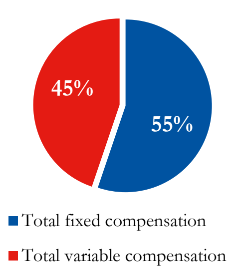
Source: Company Data

Figure 49: Shareholders



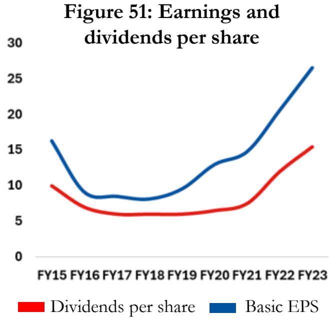
Source: Company Data

Figure 50: Executive's Compensation Composition



Source: Company Data

Figure 51: Earnings and dividends per share



Source: Midas Capital Analysis

Social

Workplace Health and Safety. Burckhardt is committed to promoting health and safety compliance, with working conditions that surpass international labor standards. The company was ranked as one of the most attractive employers in Switzerland's machinery and equipment engineering sector for 2024, securing the 11th spot. Burckhardt has eliminated significant pay gaps for equivalent positions and supports flexible work-from-home policies. According to a Likert scale survey, employee engagement scored 4.1/5, and job satisfaction scored 4.2/5, both above industry benchmarks. The company promotes transparent communication with its employees through multiple channels, with 62% of its global workforce under collective agreements. In the last 3 years, the company's Lost Time Injury Rate dropped from 1.1 to 0.5, while its severity rate declined sharply from 25 to 14.2 **(Figure 47)**, both remaining well below the mid-term target. In FY23, employee turnover fell to 10.4%, with voluntary turnover at 6.6%, a significant improvement from 7.5%. The average employee tenure stands at 7.8 years, demonstrating strong loyalty and commitment.

Diversity and Inclusion. Burckhardt's disclosures show that women make up 33.3% of its board of directors and 20% of its executive management team. The global workforce is 15.8% female, a slight increase from 15.6% in 2021. Additionally, 48% of employees are from the APAC region and 9% from the Americas, reflecting a diverse global workforce **(Appendix 24)**.

Employee Training and Development. Burckhardt provides financial support for individual training through annual reviews and performance assessments. In FY23, the company offered an average of 15.4 hours of internal training per full-time employee, covering 89% of its workforce. Apprenticeships are a key channel for attracting and nurturing new talent, with 51 apprentices in Switzerland and 20 in India across eight professions. As a founding member, the company participates in an initiative launched by Switzerland's Federal Office for Professional Education and Technology to promote the Swiss apprenticeship model in India. Burckhardt is also a corporate sponsor of Switzerland's AZW Winterthur training center, supporting the development of vocational education.

Governance

Executive Management. Burckhardt Compression's executive management team consists of five members with a strong mix of engineering and business backgrounds, bringing extensive experience from within the company and comparable firms. The average tenure is 6.8 years, with the CFO having served for 16 years, providing deep company knowledge but also presenting potential continuity risk **(Appendix 25, Figure 48).**

Board of Directors. Burckhardt Compression's board comprises six members, split between engineering and business expertise. In 2024, there is one personnel change: Dr. Monika Krüsi was succeeded by Tatiana Gillitzer, whose 25+ years of management experience in international organizations and technology-based businesses is expected to positively impact the board's capabilities. All board members are independent, receiving fixed remuneration only to maintain unbiased governance. Half of the members have a tenure of two years or less, while the other half bring more established experience, ranging between 4 and 10 years. Female representation is 33.3%, reflecting the company's commitment to diversity **(Appendix 26).**

Shareholders. Burckhardt Compression Holding AG has 3.4 million shares registered with a nominal value of CHF 2.50 each. 72.5% of BCHN shares are held by large institutions, with voting rights capped at 5.0%, limiting any single institution's influence on corporate policies. This stable institutional ownership helps reduce stock price volatility by minimizing frequent trading. The MBO group remains the largest shareholder with 9.97% of voting rights, ensuring strong alignment between management and shareholder interests, which supports effective leadership and accountability. This relationship is further governed by the renewal of the shareholders' agreement every 5 years, and the MBO shareholding has steadily declined over the past 16 years since the initial buyout **(Appendix 27).**

Remuneration. At Burckhardt, Board and Executive Management compensation align with Swiss Code requirements. The **Board** receives fixed remuneration (80% cash, 20% shares) to ensure independence, while **Executive Management** compensation includes a balanced mix of fixed and variable elements: Annual Base Salary, Short-Term Incentive, Long-Term Incentive, and Pension and Insurance **(Figure 50)**. From 2023, **Executive Management** must hold a minimum multiple of their base salary in company shares, fostering long- and short-term incentives aligned with performance and shareholder interests. And the CEO compensation is about the average of the Swiss companies with similar size in the industry.

Appendices

Appendix Map

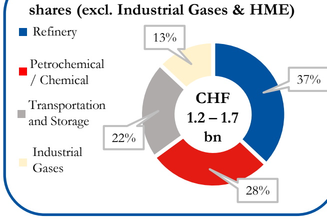
Appendix 1 - Systems Division

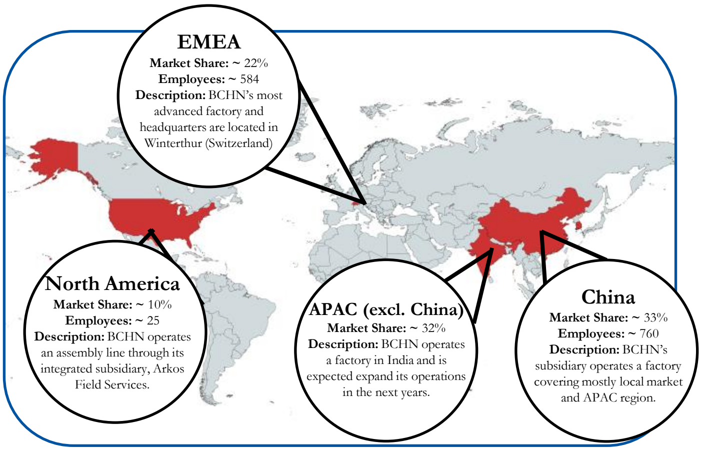
The systems division is responsible for processing initial project requests and designing and manufacturing compressors. Together with the services division, it installs and conducts the start-up of compressors in clients' locations. It operates factories in Switzerland (Winterthur), China (Shenyang) and India (Pune) and assembly lines in South Korea (Busan) and the United States (Houston).

Recent developments:

- Expanding assembly line in Winterthur for large process gas compressors
- Expanding workforce and optimizing process on the assembly line in South Korea
- New test beds for process gas compressors in BCHN's plant in India
- Extensive plans for a new factory in India (CAPEX CHF 30-50 mm)

Estimated market size with industry shares (excl. Industrial Gases & HME)





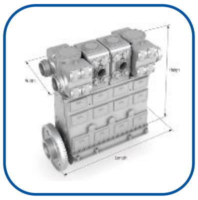
Source: Company Fillings / Midas Capital Analysis

Appendix 2 - Product Lines (Systems Division)

Compressor is a mechanical or electronic device, constructed to increase pressure and decrease volume of gas for a wide range of applications. Burckhardt Compression AG specializes in the production and manufacturing of reciprocating compressors, which comprise a separate category of compressors, characterised by unique design and working principle.

High Pressure Compressors

Within this line, the company produces two types: standard high-pressure and marine high-pressure compressors. These are produced in standardized packages with a fixed configuration. They are light, mobile and have many applications.

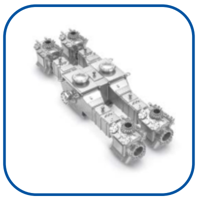


Laby® Compressors

The line is characterised by specialized labyrinth seal on the pistons and piston rods, ensuring a completely oil-free, contactless seal. Its design prevents piston ring debris from contaminating the gas and eliminates friction-induced hot spots, resulting in enhanced product lifetime.

Diaphragm Compressors

Compressors in this line thanks to their structure and construction are firmly clamped and require no lubrication. Thanks to high pressure they can achieve, they are used for the production of high-purity gases, such as hydrogen.

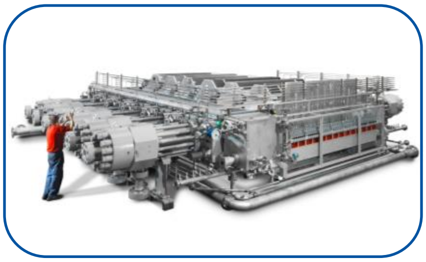


Process Gas Compressor

These compressors are similar to the Laby® line, however, they have less complex specifications, making them suitable for various applications. For this line, The company produces non-lubricated, lubricated, horizontal and vertical versions.

High-speed Compressors

This lines is characterised by high-speed piston, desgined to handle a variety of gas. These compressors are widely used in the oil and gas industry during exploration (upstream), transportation and storage (misdtream).



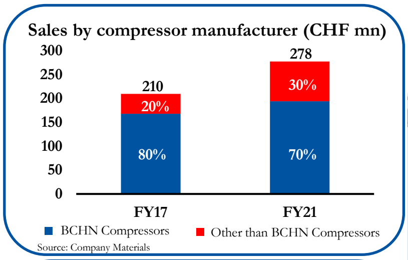
Hyper Compressors

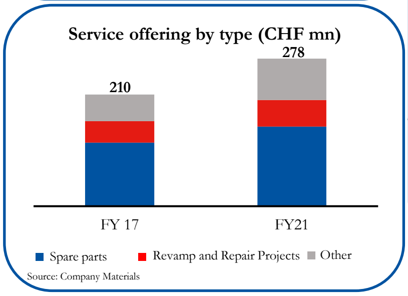
The product line encompasses large scale compressors, charaterised with discharge pressures of up to 3500 bar. These compressors are tailor-made and are used in the production of ethylene-vinyl acetate (EVA), applied for the cell coatings of solar panels. Hyper compressors are manufactured in Swiss plant and require special transportation logistics to reach their buyers.

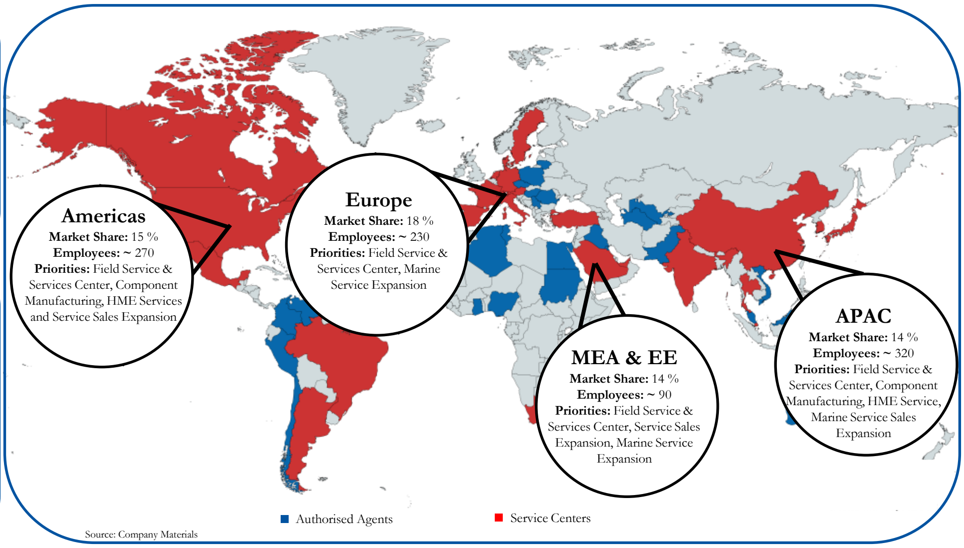
Source: Company Fillings / Midas Capital Analysis

Appendix 3 - Services Division

Burckhardt's services Division provides comprehensive warranty and post-warranty services for users of its compressors (70% of sales) and for clients owning other compressors (30% of sales). In FY 21, more than 50% of its revenue was generated from sales of spare parts, approx 20% from revamp and systems updates, and rest from other services. The company offers 24/7 callout service, field servicing, engine rebuilds and equipment test runs and commisioning. Additionally, it has a variety of supporting software, such as BCActive, myFleet, PROGNOST®-NT and PROGNOST®.







Source: Company Fillings/Midas Capital Analysis

Appendix 4 - Industries Covered

Burckhardt Compression specilizes in reciprocating compressors covering six major industries with its products during different stages of processes. Petrochemical/ chemical and gas transportation & storage represent two most important markets for the company with approx. 60% of revenue generated from these two industries. The company actively develops new solutions for each of the markets with a focus on sustainability.

Industry	Description	Position within Industry	Approx. Sales Generated in FY23	Key Drivers	Implied CAGR (2024-2032)
Petrochemical /chemical	The company offers solutions ranging from oil and natural gas to polyolefins and ethylene vinyl acetate (EVA) which is used for solar panel production. It is one of two most important segments for the company.	Leader (40% industry share)	CHF 300 mm **(30%)**	Growth of population and purchase power, demand for lighter materials	**3.34%**
Gas transport and storage	It is one of key industries served by the firm. The company's solutions focus on compression and liquefication of natural gas (LPG, LNG, CNG). In this segment, compressors for LNG tankers and other types of ships represent an important part of sales.	Leader (50% industry share)	CHF 300 mm **(30%)**	Increasing global energy demand, drive towards greener fuel due to environmental regulation	**2.80%**
Hydrogen mobility and energy	Hydrogen may play an important role in an energy transition and represents an attractive opportunity for potential revenue growth. The company's products may prove vital in the hydrogen value chain. Some applications include green hydrogen and green ammonia.	Top 3	CHF 90 mm **(8%)**	GDP and population growth, environmental regulation, Transport Industry	**12.58%**
Industrial gas	The industry is characterized by a wide range of potential applications of the company's compressors. Some of them include metal processing, air separation or production of polysilicon.	Top 3 (20% industry share)	CHF 150 mm **(15%)**	GDP and population growth, environmental regulation	**4.35%**
Refinery	The company's products are used in refineries for oil refining processes that require reciprocating compressors. Its strong focus of the firm remains on sustainable refinery fuels in Europe.	Top 5 (15% industry share)	CHF 150 mm **(15%)**	CAPEX spend, technology, consolidation of capacity, emission requirements	**5.20%**
Gas gathering and processing	Company's compressors are applied for gas and oil production as well as biogas gathering and processing. Burckhardt Compression offers products for onshore and offshore applications.	Below Top 5	CHF 20 mm **(2%)**	Age of oil fields, CAPEX spend, extraction technologies, oil price	**4.80%**

Source: Company Fillings/Statista/Bloomberg/Midas Capital Analysis

Appendix 5 - M&A Activity

Target	Country	Year	Division	Description
Mark van Schaick	Netherlands	2021	Services	Mark van Schaick is a Dutch company, specialising in complex servicing and repair of machinery in petrochemical and marine industry. In 2020, the company reported sales of approx. CHF 9 mn.
Japan Steel Works (compressors division)	Japan	2020	Services	The compressors division of JSW specilizes in servicing of compressors and holds maintanance contracts for approx. 1000 compresors.
Arkos Field Services	United States	2019 (60%, remaining 40% acquired in 2015)	Services	Arkos Field Services specilizes in servicing of engines,compressors and related products as well as monitoring, diagnostics and technical advice.
CSM Compressor Supplies and Machine Work	Canada	2017	Services	CSM is a Candian machinery component supplier and services provider focused on upstream service market. In 2016, it reported sales of approx. CHF 5.7 mn.
IKS Industries- und Kompressorservice	Germany	2016	Services	The company provides industrial and compressor maintanance services, as well as planning and advisory services in Europe.
Shanyang Yuanda Compressor	China	2016 (60%)	Systems	Shanyang Yuanda Compressor manufactures reciprocating piston compressors and spare parts. The company operates a factory in China.
SAMR Société d'Application du Métal Rouge	France	2014	Systems	The company designes and manufactures sliding bearings, burshings, labyrinth seals and other parts for different types of compressors.
Selltech – Compressor Pumps & Engine Products	United States	2009	Systems	Selltech specializes in servicing and spare parts for compressors.
MT Sealing Technology	Switzerland	2007	Services	The company manufactures sealing components for diesel engines and reciprocating compressors.
PROGNOST Systems GmbH	Germany	2006	Services & Systems	Prognost designs author software and technology for monitoring of rotating equipment.

Source: Company Fillings/S&P Capital IQ/Midas Capital Analysis

Appendix 6 – Main Competitors

Neumann & Esser Group

- Privately owned company established in 1830, headquartered in Übach-Palenberg, Germany.
- Products and Services: Offers range of reciprocating and diaphragm compressors, hydrogen refuelling stations and rpost warranty services.
- Operates in oil & gas, hydrogen, food & beverages, chemicals and industrial sector.
- In 2024, recorded a revenue of EUR 411 mm, and gross profit of EUR 204 mm.
- Workforce of over 1600 people with operations in approx. 14 countries worldwide.

Dresser-Rand

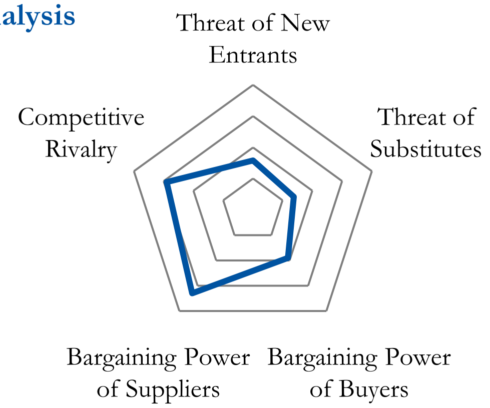
- Founded in 2004 in Delaware, acquired by Siemens in 2014 for USD 7.6 bn.
- Products: Offers a portfolio of centrifugal and reciprocating compressors, steam turbines, gas turbines and engines.
- Services: Offers post warranty services including maintanance, retrofitting, monitoring and diagnostics.
- Operates in approx. 30 countries, with 70 sales offices, 50 service centers, and 14 manufacturing locations.
- In FY14, reported revenue of $ 2,812 mm, EBITDA of $ 401 mm, and net profit of $123 mm.

Nuovo Pignone

- Established in 1842, now subsidiary of Bakers Hughes, United States.
- Products: Manufactures reciprocating, centrifugal pumps, turboexpanders, and valves, specializing in refinery, natural gas and petrochemical industries.
- Services: Offers post-warranty services including machinery performance optimization, on-site maintanance and spare parts.
- Since 1986, installed approx. 600 compressors globally.
- Serves customers in more than 100 countries.

Source: Company Fillings/S&P Capital IQ/Bloomberg/Midas Capital Analysis

Appendix 7 – Porter's Five Forces Systems Division and SWOT Analysis



Threat of New Entrants: 1.6 (Low)

High initial capital requirements for setting up production lines and the need for deep industry knowledge in traditional markets act as significant barriers to new entrants.

Threat of Substitutes: 1.4 (Low)

Large switching costs due to customised parameters and qualities of compressors.

Bargaining Power of Buyers: 1.9 (Low)

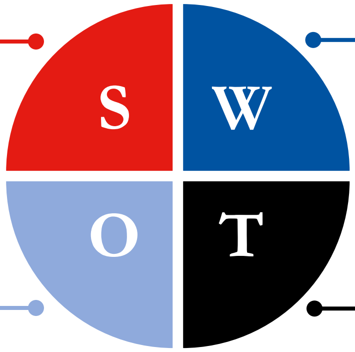
Customers are moderately price-sensitive and accept higher prices for products in exchange for the company's expertise and the quality of its products.

Bargaining Power of Suppliers: 3.3 (Medium)

The products offered by suppliers are moderately unique, offering the companies limited space for potential supplier changes.

Competitive Rivalry: 2.9 (Medium)

Four main competitors pursuing aggressive pricing strategies on generic compressors



Strengths

- Industry leader with 30% market share
- High customer retention
- Quality and range of products
- Integrated business model
- Robust financial position
- Specialised workforce and low emissions
- Track record of successful M&A

Weaknesses

- Long Cash Conversion Cycle
- Narrow margin for error
- Exposure to currency fluctuations
- Reliance on the Chinese market
- Inelastic costs of labour (due to specialisation and expertise)

Opportunities

- Energy transition and sustainability trends
- Expansion of the services division
- Accessing new markets through M&A
- Digitalisation of products and services
- Geographical expansion into emerging markets

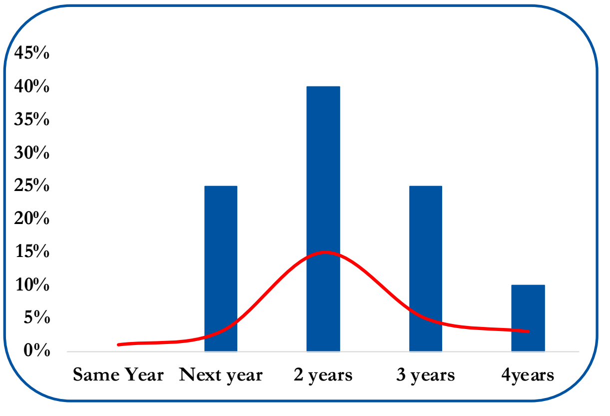
Threats

- Changes in the regulatory environment
- Geopolitical tensions, especially between the U.S. and China
- Cyclicality of industries served
- New entrants into niche parts of the industry

Source: Company Fillings/Midas Capital Analysis

Appendix 8 – Base Case

Waterfall of orders into revenue



In the Base Case scenario, **order intake** is a critical driver for revenue projections. For the **services division**, revenue recognition aligns almost **1:1 with orders, meaning revenue and orders are recognised in the same year**, reflecting the nature of the business. In contrast, revenue recognition from orders typically spans 1–5 years for the systems division, making predictions more complex. Based on annual reports, we observed that most projects are recognised within **2 years**, enabling us to build a **waterfall model** for revenue recognition: **10% of revenue comes from orders in t-4, 25% from t-3, 40% from t-2, and 25% from t-1**. This method aligns closely with historical trends, with only minor deviations. With data available until **1H24**, revenue projections for the remainder of **2024** and **2025** are relatively straightforward, while forecasts for **2026** remain reliable.

For **2025 system orders**, we accounted for an uncertain economic environment, anticipating reduced CAPEX spending as companies delay investments while waiting for lower interest rates. Order intake for **2025** is based on historical trends, incorporating a **-20% adjustment from FY24 levels** (in line with BCHN's historical post-growth slowdowns, e.g., FY13–FY15), averaged with the **5-year average order intake** as a normalisation proxy. For **2026 system orders**, we used a similar methodology. We applied a **14% rebound in order intake**, consistent with the recovery observed in FY16–FY17 following previous slowdown and averaged this with the **5-year average order intake** for normalisation. For the **services division**, we expect a **14% increase in revenue** in both **2025 and 2026**, supported by several growth drivers. Management anticipates contributions from recent M&A activity starting in 2024-2026, alongside the acquisition of thousands of technical drawings from an Indian compressor manufacturer. This acquisition positions BCHN as the **preferred service partner** for more than 250 compressors, contributing **almost 4% growth** to its existing base of 7,000 compressors.

Furthermore, historically, after strong M&A periods, BCHN saw increases of around 11% in services revenue (e.g., FY18-FY21). Beyond **2026**, we assume system order growth aligns with the **CAGR of the industries BCHN serves**, with **services growing at 6.6%** due to the new installed base needing maintanence, recurring nature and ongoing management focus, supported by M&A initiatives. Post-2030, growth rates gradually decline, converging toward the terminal growth rate.

Source: Midas Capital Analysis/Statista/Roedl

Appendices

There are no assumptions of cost reductions in the Base Case scenario. Operating costs, including **R&D**, **SG&A**, **Other Operating Expenses/(Income)**, and **COGS** for each division, are projected based on the averages of the last three fiscal years with the exception of SG&A, combined with data from **1H24**. This ensures consistency with historical performance and reflects the company's current cost structure. Assumptions regarding **NWC** and depreciation are addressed in subsequent sections, and CAPEX and WACC assumptions can be found in the text.

In the base case, BCHN's **strong ESG performance** underpins its market leadership, which is driven by high employee satisfaction and long tenures. This is particularly important given the need to retain skilled and highly specialised employees across both divisions. Additionally, low emissions are expected to increase the attractiveness of choosing BCHN products, especially with the introduction of the EU's Corporate Sustainability Reporting Directive. Quantitatively, refinancing the 2028 bond might be done 20% cheaper, based on comparable issuances, and therefore we adjust the refinancing rate.

Appendix 9 – Debt Schedule

BCHN operates with minimal debt but aims to grow through M&A. Therefore, an assumption was made that the outstanding bond would be refinanced at a 20% lower rate of 1.25% due to ESG benefit. We believe the other unspecified non-current financial liabilities are mortgages. BCHN has some assets pledged as collateral, and mortgages were mentioned before in annual reports; therefore, those are not assumed to be refinanced.

Period Debt Schedule (mm CHF)	1H24A	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
150 mm CHF bond due Sep 2028										
Beginning balance	150,0	150,0	150,0	150,0	150,0	150,0	-	-	-	-
Mandatory Repayments	-	-	-	-	-	(150,0)	-	-	-	-
Ending balance	150,0	150,0	150,0	150,0	150,0	-	-	-	-	-
Coupon (Interest Expense) 1,56%	-	1,2	2,3	2,3	2,3	1,2	-	-	-	-
Unspecified non-current financial liabilities										
Beginning balance	34,7	34,7	34,7	34,7	34,7	34,7	34,7	17,4	-	-
Mandatory Repayments	-						(17,4)	(17,4)	-	-
Ending balance	34,7	34,7	34,7	34,7	34,7	34,7	17,4	-	-	-
Interest Expense 3,29%	-	1,1	1,1	1,1	1,1	1,1	1,1	0,6	-	-
150 mm CHF bond refinancing Sep 2028										
Beginning balance	-	-	-	-	-	150,0	150,0	150,0	150,0	150,0
Mandatory Repayments	-	-	-	-	-	-	-	-	-	-
Ending balance	-	-	-	-	-	150,0	150,0	150,0	150,0	150,0
Coupon (Interest Expense) 1,25%	-	-	-	-	-	0,9	1,9	1,9	1,9	1,9
Total Interest Expense	-	**2**	**3**	**3**	**3**	**3**	**3**	**2**	**2**	**2**
Total Issuance	-	-	-	-	-	**150**	-	-	-	-
Total Repayments	-	-	-	-	-	**(150)**	**(17)**	**(17)**	-	-

Source: Midas Capital Analysis/Company filings/Roedl/ S&P Capital IQ

Appendix 10 – NWC Schedule

The NWC schedule was built based on the previous three fiscal years and the first half year of 2024, and the average values for each current asset and current liabilities were used.

Period NWC schedule (mm CHF)	FY21A	FY22A	FY23A	1H24A	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Total Revenue	650,7	829,7	982,0	436,8	659,4	1 218,3	1 278,2	1 275,6	1 316,6	1 375,6	1 452,7	1 523,2	1 591,6
COGS	459,9	585,2	719,9	308,9	493,4	891,6	925,1	915,2	940,3	979,7	1 033,2	1 082,2	1 130,1
Values													
Accounts Receivable	259,0	245,5	360,0	360,9	403,9	448,8	470,9	470,0	485,1	506,8	535,2	561,2	586,4
Inventory	192,4	286,2	316,8	346,4	382,7	425,3	441,3	436,6	448,6	467,4	492,9	516,3	539,1
Other Receivables	49,6	51,5	51,1	63,1	71,9	79,9	83,9	83,7	86,4	90,3	95,3	99,9	104,4
Notes Receivable	12,3	11,8	0,7	-	9,3	10,3	10,8	10,8	11,1	11,6	12,3	12,9	13,5
Prepaid Exp.	3,3	5,8	8,0	5,7	9,1	10,1	10,6	10,6	11,0	11,5	12,1	12,7	13,2
Other Current Assets	3,3	5,2	13,7	-	6,9	7,7	8,1	8,1	8,3	8,7	9,2	9,6	10,1
Accounts Payable	97,3	109,1	143,2	137,6	164,4	182,7	189,5	187,5	192,7	200,7	211,7	221,7	231,6
Accrued Exp	26,1	36,2	49,9	111,6	74,0	82,2	85,3	84,4	86,7	90,3	95,2	99,8	104,2
Curr. Income Taxes Payable	8,3	11,6	12,8	-	11,2	12,4	12,9	12,8	13,1	13,7	14,4	15,1	15,8
Other Current Liabilities	268,1	345,8	344,2	354,7	446,5	496,2	514,9	509,4	523,4	545,3	575,1	602,3	629,0
NWC	**120,0**	**103,4**	**200,1**	**172,4**	**187,8**	**208,8**	**223,1**	**225,8**	**234,7**	**246,3**	**260,6**	**273,7**	**286,3**
Changes in NWC	**(2,7)**	**(16,6)**	**96,7**	**(27,7)**	**15,4**	**20,9**	**14,3**	**2,7**	**8,9**	**11,6**	**14,3**	**13,1**	**12,6**

Source: Midas Capital Analysis/Company filings/S&P Capital IQ

Appendix 11 – D&A Schedule

The depreciation schedule was modelled based on the assumption that management will keep CAPEX at a maintenance level with depreciation. The new capex was depreciated based on the estimated useful lifetime of each asset category based on the last four years data. BCHN capex is allocated almost 70% to assets under construction; these assets are, on average, reclassified into a depreciated category after a year. We assume reclassification is based on previous behaviour for the new CAPEX.

Depreciation from Land and Buildings	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
NEW CAPEX	-	0,3	0,3	0,3	0,3	0,3	-	-	-
New CAPEX reclassification	-	-	1,8	1,8	1,8	1,8	1,8	-	-
Combined	**-**	**0,3**	**2,1**	**2,1**	**2,1**	**2,1**	**1,8**	**-**	**-**
Useful life	36,6								
Depreciation	**-**	**0,0**	**0,1**	**0,1**	**0,2**	**0,2**	**0,3**	**0,3**	**0,3**

Depreciation from Machinery and Equipment	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
NEW CAPEX	-	3,2	3,2	3,2	3,2	3,2	-	-	-
New CAPEX reclassification	-	-	2,4	2,4	2,4	2,4	2,4	-	-
Combined	**-**	**3,2**	**5,6**	**5,6**	**5,6**	**5,6**	**2,4**	**-**	**-**
Useful life	14,9								
Depreciation	**-**	**0,2**	**0,6**	**1,0**	**1,3**	**1,7**	**1,9**	**1,9**	**1,9**

Appendices

Depreciation from Other business Assets	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
NEW CAPEX	-	1,1	1,1	1,1	1,1	1,1	-	-	-
New CAPEX reclassification	-	-	1,1	1,1	1,1	1,1	1,1	-	-
Combined	**-**	**1,1**	**2,2**	**2,2**	**2,2**	**2,2**	**1,1**	**-**	**-**
Useful life	12,3								
Depreciation	**-**	**0,1**	**0,3**	**0,5**	**0,6**	**0,8**	**0,9**	**0,9**	**0,9**

Old depreciation schedule	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Machinery		10,3	10,3	10,3	10,3	10,3	10,3	10,3	10,3
Land and Buildings		3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,7
Other business assets		1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,5
Software		3,3	3,3	3,3	3,3	3,3	3,3	3,3	3,3
Other intangibles		0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
New and Old Depreciation		**19,2**	**19,8**	**20,5**	**21,1**	**21,7**	**22,0**	**22,0**	**22,0**

Source: Midas Capital Analysis/Company filings

Appendix 12 – DCF Base Case

Period Income Statement (mm CHF)	1H24A	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	
Revenue	436,8	659,4	1 218,3	1 278,2	1 275,6	1 316,6	1 375,6	1 452,7	1 523,2	1 591,6	**Terminal**
EBIT	51,7	64,8	129,3	146,1	153,8	163,0	173,1	184,1	194,2	203,6	
Tax	12,3	15,1	30,2	34,1	35,9	38,0	40,4	43,0	45,3	47,5	
Net Income	**37,2**	**49,7**	**99,2**	**112,0**	**117,9**	**124,9**	**132,7**	**141,2**	**148,9**	**156,1**	

Period Unlevered Free Cash Flow (mm CHF)	1H24A	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Net income	37,2	49,7	99,2	112,0	117,9	124,9	132,7	141,2	148,9	156,1
(+) D&A	11,2	7,7	19,2	19,8	20,5	21,1	21,7	22,0	22,0	22,0
(-) Change in NWC	(27,7)	15,4	20,9	14,3	2,7	8,9	11,6	14,3	13,1	12,6
(-) CAPEX PP&E Maintanence	(9,3)	(6,2)	(15,8)	(16,4)	(17,0)	(17,6)	(18,2)	(18,5)	(18,5)	(18,5)
(-) CAPEX PP&E growth			(10,0)	(10,0)	(10,0)	(10,0)	(10,0)	-	-	-
(-) CAPEX intangibles Maintanence	(1,7)	(1,7)	(3,4)	(3,4)	(3,4)	(3,4)	(3,4)	(3,4)	(3,4)	(3,4)
Unlevered FCF	**65,2**	**34,0**	**68,2**	**87,7**	**105,2**	**106,0**	**111,1**	**126,8**	**135,8**	**143,5**
Present Value of FCF		**32,8**	**63,3**	**75,5**	**84,1**	**78,7**	**76,5**	**81,0**	**80,5**	**79,0**

Source: Midas Capital Analysis/Company filings/S&P Capital IQ

Exit Multiple Method (mm CHF)	
WACC	7,7%
Exit Multiple	15,35
Implied Growth Rate	3,46%
PV UFCF	651,5
Terminal Value	3 463,1
PV Terminal Value	1 906,4
Enterprise Value	2 557,8
(+) Cash	120,1
(-) Debt	186,3
(-) Minority Interest	0,4
Equity Value	2 491,3
Implied Price	735,72 CHF
1-Year Target	792,72 CHF
Current Price	648,00 CHF
Implied Return	22%

Terminal Growth Method (mm CHF)	
WACC	7,7%
Terminal Growth Rate	3,3%
Implied Exit Multiple	14,79
PV UFCF	651,5
Terminal Value	3 336,3
PV Terminal Value	1 836,5
Enterprise Value	2 488,0
(+) Cash	120,1
(-) Debt	186,3
(-) Minority Interest	0,4
Equity Value	2 421,4
Implied Price	715,09 CHF
1-Year Target	770,50 CHF
Current Price	648,00 CHF
Implied Return	19%

Appendix 13 – TGR

Country	Nominal GDP Growth Rate	Weights
US	3,2%	13%
Europe	3,4%	19%
China	3,5%	44%
South Korea	2,8%	19%
Saudi Arabia	3,0%	4%
Weighted Terminal Growth Rate		**3,30%**

Source: OECD/IMF/PwC

Note: The GDP Growth of China was averaged with the central bank's long-term inflation target

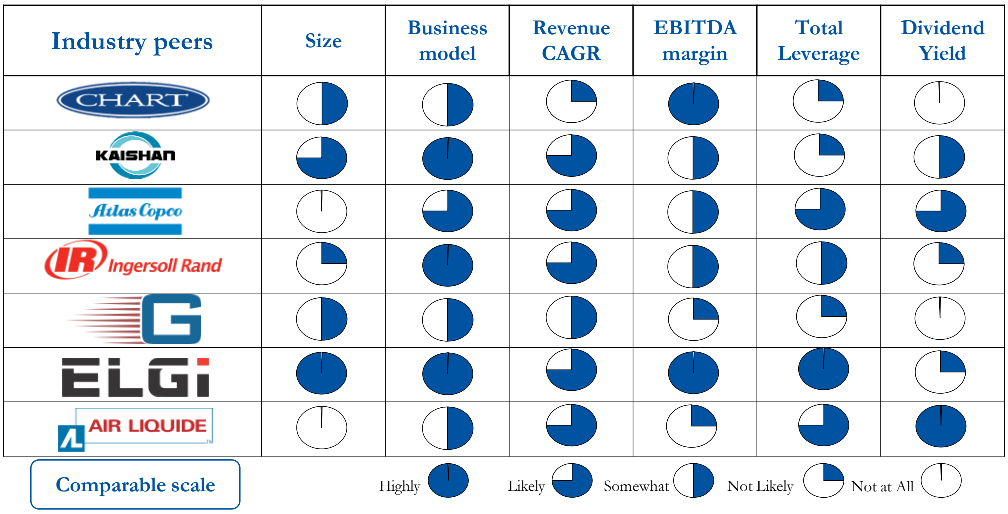
Appendix 14 – Sensitivity Analysis

WACC/TGR Implied 1-Year Return					
	7,1%	**7,4%**	**7,7%**	**8,0%**	**8,3%**
2,9%	27%	19%	11%	5%	-1%
3,1%	33%	23%	15%	8%	2%
3,3%	38%	28%	19%	11%	5%
3,5%	44%	33%	24%	15%	8%
3,7%	51%	39%	29%	20%	12%

WACC/ EV/NTM EBITDA Exit Multiple Implied 1-Year Return					
	7,1%	**7,4%**	**7,7%**	**8,0%**	**8,3%**
13,4x	14%	12%	10%	8%	6%
14,4x	20%	18%	16%	14%	12%
15,4x	27%	25%	22%	20%	18%
16,4x	33%	31%	29%	26%	24%
17,4x	39%	37%	35%	32%	30%

Source: Midas Capital Analysis

Appendix 15 – Relative Valuation Peers Group



Source: Midas Capital Analysis/S&P Capital IQ/Bloomberg

Appendix 16 – Customers Advance Payments for Inventory

	FY23 (mm CHF)		FY22 (mm CHF)	
	Inventories	Customers Advance Payments	Inventories	Customers Advance Payments
Gross Amounts	458,3	351,3	381,3	317,9
Offsetting of customers' advanced payments	141,5	141,5	95,1	95,1
Net Amounts	**316,8**	**209,8**	**286,2**	**222,8**

Source: Midas Capital Analysis/Company filings

Appendix 17 – Cash Flow Statement Base Case

Period Cash Flow Statement (mm CHF)	FY21A	FY22A	FY23A	1H24A	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Net Income	50,2	75,4	90,0	37,2	47,7	97,2	110,2	116,4	124,0	132,3	141,3	149,6	157,3
Depreciation & Amort.	16,8	18,0	15,5	9,3	7,7	19,2	19,8	20,5	21,1	21,7	22,0	22,0	22,0
Amort. of Goodwill and Intangibles	10,9	10,5	10,6	1,9	-	-	-	-	-	-	-	-	-
Depreciation & Amort., Total	**27,6**	**28,5**	**26,1**	**11,2**	**7,7**	**19,2**	**19,8**	**20,5**	**21,1**	**21,7**	**22,0**	**22,0**	**22,0**
Other Amortization	3,2	3,7	3,3	-	-	-	-	-	-	-	-	-	-
Other Operating Activities	(7,1)	(5,2)	(2,6)	11,6	-	-	-	-	-	-	-	-	-
(-) Change in Acc. Receivable	1,6	0,6	(122,1)	(12,5)	(42,9)	(45,0)	(22,1)	1,0	(15,1)	(21,7)	(28,4)	(26,0)	(25,2)
(-) Change In Inventories	(41,4)	(86,6)	(84,1)	(38,9)	(36,3)	(42,6)	(16,0)	4,7	(12,0)	(18,8)	(25,5)	(23,4)	(22,9)
(+) Change in Acc. Payable	4,8	17,1	37,5	(2,2)	26,8	18,3	6,9	(2,0)	5,1	8,1	11,0	10,0	9,8
(-) Change in Other Operating Assets	95,7	82,6	69,7	58,1	(28,5)	(10,8)	(5,3)	0,2	(3,6)	(5,2)	(6,8)	(6,3)	(6,1)
(+) Change in Other Operating Liabilities	-	-	-	-	65,3	59,2	22,2	(6,6)	16,6	26,1	35,5	32,5	31,7
Cash from Ops.	**134,7**	**116,0**	**17,8**	**64,5**	**39,8**	**95,5**	**115,7**	**134,2**	**136,2**	**142,3**	**149,0**	**158,6**	**166,7**
Capital Expenditure	(17,7)	(16,2)	(19,1)	(9,3)	(6,2)	(25,8)	(26,4)	(27,0)	(27,6)	(28,2)	(18,5)	(18,5)	(18,5)
Sale of Property, Plant, and Equipment	0,5	4,2	0,1	0,2	-	-	-	-	-	-	-	-	-
Cash Acquisitions	(11,8)	-	-	-	-	-	-	-	-	-	-	-	-
Divestitures	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale (Purchase) of Intangible assets	(5,1)	(4,3)	(3,4)	(1,7)	(1,7)	(3,4)	(3,4)	(3,4)	(3,4)	(3,4)	(3,4)	(3,4)	(3,4)
Invest. in Marketable & Equity Securt.	-	-	-	-	-	-	-	-	-	-	-	-	-
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Investing Activities	-	3,2	(2,9)	-	-	-	-	-	-	-	-	-	-
Cash from Investing	**(34,1)**	**(13,1)**	**(25,3)**	**(10,8)**	**(7,9)**	**(29,2)**	**(29,8)**	**(30,5)**	**(31,1)**	**(31,7)**	**(22,0)**	**(22,0)**	**(22,0)**
Short Term Debt Issued	-	-	-	-		-	-	-	-	-	-	-	-
Long-Term Debt Issued	22,4	3,9	34,8	150,0	-	-	-	-	150,0	-	-	-	-
Total Debt Issued	22,4	3,9	34,8	150,0	-	-	-	-	150,0	-	-	-	-
Short Term Debt Repaid	-	-	-	-	(1,6)	-	-	-	-	-	-	-	-
Long-Term Debt Repaid	(22,6)	(25,8)	(1,8)	(133,2)	-	-	-	-	(150,0)	(17,4)	(17,4)	-	-
Total Debt Repaid	(22,6)	(25,8)	(1,8)	(133,2)	(1,6)	-	-	-	(150,0)	(17,4)	(17,4)	-	-
Repurchase of Common Stock	-	(13,7)	(,5)	-	-	-	-	-	-	-	-	-	-
Common Dividends Paid	(22,0)	(25,4)	(40,4)	(52,5)	-	(51,0)	(60,6)	(66,9)	(74,4)	(82,7)	(91,9)	(101,0)	(110,1)
Other Financing Activities	(51,6)	(,2)	-	-	-	-	-	-	-	-	-	-	-
Cash from Financing	**(73,9)**	**(61,2)**	**(7,9)**	**(35,7)**	**(1,6)**	**(51,0)**	**(60,6)**	**(66,9)**	**(74,4)**	**(100,0)**	**(109,2)**	**(101,0)**	**(110,1)**
Foreign Exchange Rate Adj.	(1,1)	(8,3)	(6,4)	(5,1)	-	-	-	-	-	-	-	-	-
Net Change in Cash	**25,6**	**33,4**	**(21,8)**	**12,9**	**30,2**	**15,3**	**25,3**	**36,8**	**30,7**	**10,6**	**17,8**	**35,6**	**34,6**

Source: Midas Capital Analysis/Company filings/S&P Capital IQ

Appendix 18 – Income Statement Base Case

Period Income statement (mm CHF)	FY21A	FY22A	FY23A	1H24A	2H24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Systems division	372,7	489,7	642,8	270,6	492,2	834,8	837,2	805,7	815,7	841,8	883,9	922,6	961,4
Services division	278,0	340,0	339,2	166,2	167,3	383,5	441,0	470,0	500,9	533,8	568,8	600,6	630,2
Total Revenue	**650,7**	**829,7**	**982,0**	**436,8**	**659,4**	**1 218,3**	**1 278,2**	**1 275,6**	**1 316,6**	**1 375,6**	**1 452,7**	**1 523,2**	**1 591,6**
Cost Of Goods Systems divison	301,4	393,4	534,5	220,2	401,8	681,4	683,4	657,6	665,8	687,1	721,5	753,1	784,7
Cost Of Goods Services divison	158,5	191,9	185,4	88,6	91,7	210,2	241,7	257,6	274,5	292,5	311,8	329,2	345,4
Gross Profit	**190,8**	**244,5**	**262,1**	**127,9**	**166,0**	**326,7**	**353,1**	**360,4**	**376,2**	**395,9**	**419,5**	**440,9**	**461,4**
Selling and marketing expenses	57,2	62,7	70,6	37,2	46,3	92,7	97,3	97,1	100,2	104,7	110,6	115,9	121,1
General and administrative expenses	49,7	54,3	48,9	26,3	37,8	71,2	74,7	74,6	77,0	80,4	84,9	89,0	93,0
R&D Exp.	19,7	23,9	26,6	13,8	18,5	35,9	37,7	37,6	38,8	40,5	42,8	44,9	46,9
Other Operating Expense/(Income)	6,1	(8,6)	5,4	1,1	1,3	2,5	2,6	2,6	2,7	2,8	3,0	3,1	3,2
Non-recurring costs	-	7,1	-	-	-	-	-	-	-	-	-	-	-
Operating Income	**70,3**	**102,1**	**121,4**	**51,7**	**64,8**	**129,3**	**146,1**	**153,8**	**163,0**	**173,1**	**184,1**	**194,2**	**203,6**
Interest Expense	(3,4)	(3,4)	(4,2)	(1,9)	(2,3)	(3,5)	(3,5)	(3,5)	(3,2)	(3,0)	(2,4)	(1,9)	(1,9)
Interest and Invest. Income	0,4	1,1	1,9	1,0	0,8	2,1	2,3	2,7	3,2	3,7	3,8	4,1	4,6
Other financial income (+) and expenses (–)	(1,7)	(1,5)	(1,1)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)
Total financial income and expenses	**(4,7)**	**(3,8)**	**(3,4)**	**(2,1)**	**(2,6)**	**(2,5)**	**(2,3)**	**(2,0)**	**(1,2)**	**(0,5)**	**0,2**	**1,0**	**1,5**
EBT	**65,6**	**98,3**	**118,0**	**49,5**	**62,2**	**126,8**	**143,8**	**151,8**	**161,8**	**172,5**	**184,3**	**195,2**	**205,1**
Income Tax Expense	15,2	22,8	27,9	12,3	14,5	29,6	33,6	35,4	37,8	40,3	43,0	45,6	47,9
Net Income	**50,4**	**75,5**	**90,1**	**37,2**	**47,7**	**97,2**	**110,2**	**116,4**	**124,0**	**132,3**	**141,3**	**149,6**	**157,3**
BCHN Shareholders	50,2	75,4	90,0	37,1	47,6	97,1	110,1	116,3	123,9	132,2	141,2	149,5	157,2
Minority Interest	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1

Source: Midas Capital Analysis/Company filings/S&P Capital IQ

Appendix 19 – Bear Case

For the **Bear Case**, we maintain the FY24–FY26 revenue predictions based on historical order intake, with margin assumptions derived from the systems/services mix observed historically. In this scenario, we identify major valuation risks stemming from slower revenue growth in the services division and a reduction in terminal growth due to not successfully pivoting into growing markets. We project that **industry growth rates for the systems division could decrease significantly** if the hydrogen market does not develop as expected. The hydrogen market depends on government subsidies, and any failure in these policies could result in lower-than-anticipated growth. To account for this, we apply a **50% discount to the projected hydrogen market CAGR**, leaving systems order growth steady at **3,96%**, reflecting broader market trends. Additionally, we project that the **services division** will grow **only at the same rate as the systems division**, driven by reduced M&A activity and potentially lower adaptability of BCHN's technology solutions and complications of servicing other compressors.
Regarding the **Cash Conversion Cycle**, we assume it remains unchanged from the base case, with no improvements in efficiency. Additionally, the assumption that BCHN will not grow with the nominal GDP growth rate (we assume this in the base case everywhere besides China) is made. Instead, we forecast the terminal growth only in line with inflation, resulting in a growth rate of **2,4%.** Furthermore, recent political shifts, such as the Republican victory in the U.S. and the rise of far-right parties in Germany and the Netherlands, could reduce the global push for sustainability initiatives. This, in turn, could lower investor enthusiasm for ESG-compliant investments, and as a result, we assume no benefit from the refinancing of the bond maturing in 2028.

Source: Midas Capital Analysis/Statista/Company filings

Appendix 20 – Bull Case

For the **Bull Case**, we maintain the FY24–FY26 revenue predictions based on historical order intake, with margin assumptions derived from the systems/services mix observed historically. We see the COGS of services improving **slightly by 1%** due to service increased usage of technology solutions (BC Active). In this scenario, we identify major valuation drivers stemming from changes in the revenue growth of the services division. We project industry growth rates for the systems division to remain steady at **4.38%**, reflecting broader market trends. However, we anticipate the **services division** to grow **10% faster than the base case**, driven by BCHN's increasing expertise in servicing compressors for other companies via acquisitions. Additionally, we see improvements in the **cash conversion cycle (CCC)**, particularly in China, BCHN's largest market. We project the CCC to gradually decrease to **175 days** due to improved customer relationships, with customer advance payments offsetting 50% of inventory and accounts receivable days improving slightly. This assumption is supported by competitors like Neumann & Esser, which have maintained an average CCC of **87 days over the last two fiscal years**.
Moreover, **ESG initiatives** represent a potential value driver. If ESG becomes a more prominent industry metric for investments, we anticipate BCHN's WACC will improve by -0.1% because of our above-average ESG performance, which reflects a lower cost of capital. Other ESG considerations remain the same as in the Base Case.

Source: Midas Capital Analysis/Statista/Bundestag/Company filings/Roedl

Appendix 21 – Beneish M-score

The 5-variable Beneish M-score model was chosen instead of the 8-variable model due to concerns about the latter's tendency to overemphasise the Total Accrual to Total Assets (TATA) variable. In our case, TATA was significantly influenced by a big change in receivables, which, however, are not overdue. This disproportionate impact skews the overall score and can lead to potentially misleading conclusions. In our analysis, the 8-variable model yielded a score of -1.85, indicating a higher risk of earnings manipulation, primarily driven by the weighting of TATA. In contrast, the 5-variable model provides, in our opinion, a more balanced evaluation, with a score of -2.733, indicating the data are reliable.

Beneish M-score				
DSRI	GMI	AQI	SGI	TATA
1,1	1,1	0,9	1,2	0,1

Source: Midas Capital Analysis/Company filings/S&P Capital IQ

Appendix 22 – Customer Surveys

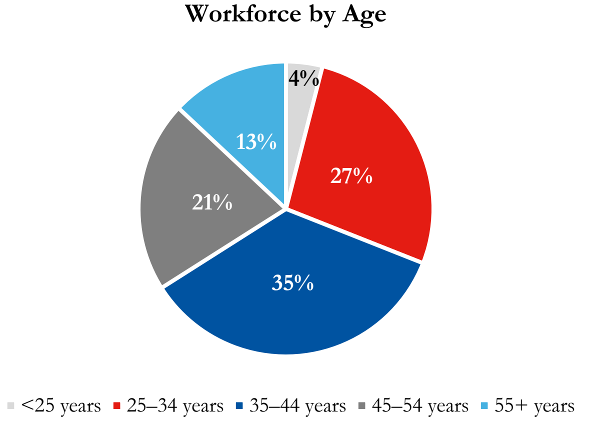
Source: Midas Capital Survey

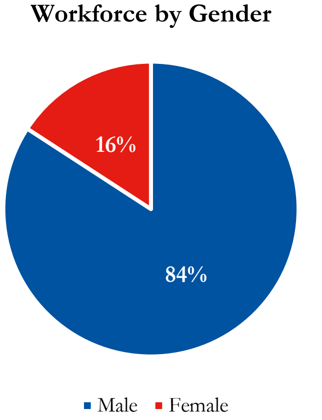
Appendix 23 – ESG Material Topics

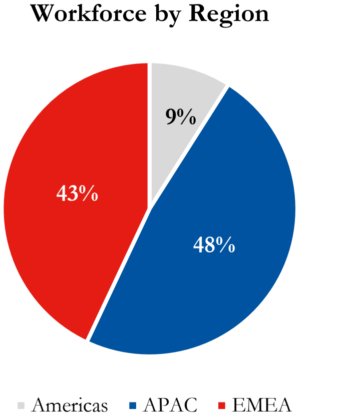
Material Topic	KPI and Target for 2027	Status in 2023	Value Chain Impacts (Supply, Own, Use/End-of-life)
1. Climate	Greenhouse gas emission intensity -50% (2021: 2.1 kg CO_2e/h)	-0% (On track, -9% vs. FY2022)	● ● ●
2. Energy	Share of renewable electricity >75% (2021: 23%)	34% (On track)	● ● ●
3. Longevity/Cyclability	Revamp + upgrades activities in Services Index: 200 (2021: 100)	152 (On track)	● ● ●
4. Application Purpose	Order intake supporting energy transition 40% (2021: 16%)	33% (On track)	○ ● ●
5. Working Conditions	Engagement score >4.0 (2024 Jan: 4.1)	4.1 (Achieved for FY2023)	● ● ○
6. Health & Safety	Lost Time Injury Rate <0.7 (2021: 1.1)	0.5 (Achieved for FY2023)	● ● ●
7. Product Safety	Incidents related to product safety: 0 (2021: 0)	0 (Achieved for FY2023)	○ ● ●
8. Business Conduct	Incidents related to corruption: 0 (2021: 0)	0 (Achieved for FY2023)	● ● ●

Source: Midas Capital Analysis/Company filings

Appendix 24 – Workforce distribution







Source: Midas Capital Analysis/Company filings

Appendix 25 – Executive Management

Name	Nationality	Function	Age	Tenure (Years)	Education	Pay Value (in CHF 1'000 gross)	Shares Held (by March 31th 2024)
Fabrice Billard	CH/FR	CEO	54	7.9	Aeronautics and Aerospace Engineering (M)	1045	1900
Rolf Brändli	CH	CFO	56	16	Business Administration		1880
Vanessa Valentin	CH	CHRO	45	2.3	Human Resources (M), Developmental Psychology (B)	2556	137
Andreas Brautsch	DE	President Systems Division	50	1.9	Mechanical Engineering (D&M)		110
Rainer Dübi	CH	President Services Division	55	5.6	Mechanical Engineering		981

Source: Company filings

Appendix 26 – Board of Directors

Name	Nationality	Position	Independent	Age	Tenure (Years)	Year Joined	Education	Pay Value	Shares Held (by March 31th 2024)	Other Positions
Ton Büchner	CH/NL	Chair, non-executive; Chair SSC	Y	59	4	2020	MBA, Civil Engineering (M)	212	5251	BoD, Novartis AG, Swiss Prime Site AG; Advisor, Ammega;
Kaspar Kelterborn	CH	Member, non-executive; member AC	Y	60	1	2023	Economics (M)	75	150	BoD, Ruag International AG, Wipf Holding AG, CPH Chemie + Papier Holding AG, Karl Bubenhofer AG;
Dr. Monika Krüsi	CH/IT	Member, non-executive; member SSC, Chair NCC	Y	62	12	2012	Business Informatics (D), MBA	112	1230	BoD Chair, Repower AG; BoD, Energy 360° AG, Accelleron Industries AG; Board of Trustees, Ernst Göhner Stiftung;
Dr. Stephan Bross	DE	Member, non-executive; member NCC	Y	62	10	2014	Mechanical Engineering (D)	101	460	Managing Director, KSB Management SE; BoD, KSB Ltd., India
David Dean	CH	Member, non-executive; Chair AC	Y	65	5	2019	Swiss certified Expert for Accounting and Controlling	103	519	BoD, Bossard Holding AG, Komax Holding AG, BRUGG Group AG, Metall Zug AG;
Maria Teresa Vacalli	CH	Member, non-executive; member AC; member NCC	Y	53	2	2022	Industrial Management and Manufacturing (M)	109	22	BoD, Kardex Holding AG, Die Schweizerische Post AG, PostFinance AG;

Name	Strategy and Sustainability Committee	Audit Committee	Nomination and Compensation Committee
Ton Büchner	C		
Kaspar Kelterborn		M	
Dr. Monika Krüsi	M		C
Dr. Stephan Bross			M
David Dean		C	
Maria Teresa Vacalli		M	M

Note: C stands for Chair; M stands for Member.

Source: Company filings

Appendix 27 – Significant shareholders

Name	Country	of shares in %	Voting rights in %
MBO Action Group	CH	9.97	9.97
NN Group N.V.*	NL	9.86	5.00
The Goldman Sachs Group, Inc.**	US	6.45	5.00
UBS Fund Management (Switzerland) AG	CH	5.06	5.00
Credit Suisse Funds AG	CH	3.24	3.24
BlackRock, Inc.	US	3.07	3.07
Swisscanto Fondsleitung AG	CH	3.01	3.01

Source: Company filings

Appendix 28 – References

Source 1: S&P Global. (2024). Burckhardt Compression Company Profile. Available at: https://www.capitaliq.spglobal.com/web/client#company/profile?id=4991524

Source 2: Bloomberg Terminal. (2024). Burckhardt Compression Analysis and Market Data. Available via Bloomberg Terminal.

Source 3: Bundestag Lobby Register. (2023). NEA Group Annual Report 2023. Available at: https://www.lobbyregister.bundestag.de/media/13/10/316825/NEAVB_Konzern_Englisch_Testat_2023.pdf

Source 4: OECD. (December, 2023). Real GDP Long-Term Forecasts. Available at: https://www.oecd.org/en/data/indicators/real-gdp-long-term-forecast.html

Source 5: Damodaran, A. (January 5, 2024). Country Risk Premiums and Cost of Equity. NYU Stern. Available at: https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html

Source 6: PitchBook. (2024). Burckhardt Compression Company Profile. Available at: https://my.pitchbook.com/profile/58029-58/company/profile

Source 7: PwC. (n.d.). The World in 2050: A Long-Term Global Growth Perspective. Available at: https://www.pwc.com/gx/en/research-insights/economy/the-world-in-2050.html

Source 8: Statista. (n.d.). GDP Growth Rate in China (2000–2024). Available at: https://www.statista.com/statistics/263616/gross-domestic-product-gdp-growth-rate-in-china/

Source 9: Rödl & Partner. (n.d.). ESG Considerations in Capital Costs and Company Valuation. Available at: https://www.roedl.com/insights/capital-costs/esg-consideration-capital-costs-company-valuation

Source 10: Sustainalytics. (n.d.). ESG Rating: Burckhardt Compression Holding AG. Available at: https://www.sustainalytics.com/esg-rating/burckhardt-compression-holding-ag/1009331337

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Source 12: S&P Global. (n.d.). ESG Scores: Burckhardt Compression Holding AG. Available at: https://www.spglobal.com/esg/scores/results?cid=4991524

Source 13: Burckhardt Compression. (2022). Capital Market Day 2022 Presentation. Available at: https://www.burckhardtcompression.com/wpcontent/uploads/2022/11/BC_CMD2022_Web-1.pdf