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Burckhardt Compression

Khydr Arus
Tang Thi Lan Huong
Elisabeth Pauli
Shanth Vidyababu
Jan Anusiewicz

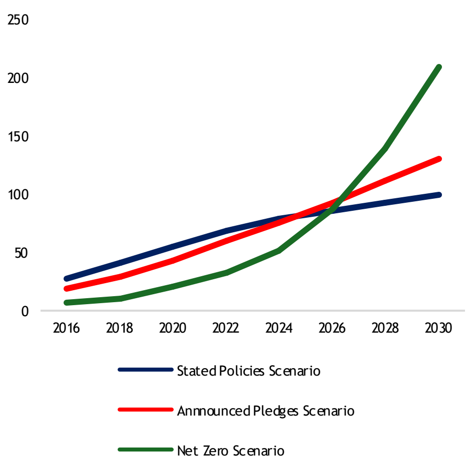
Engineered For Tomorrow

unine
Université de Neuchâtel

RECOMMENDATION	BUY
DATE	30.12.2024
Current Price	CHF 650
Target Price	CHF 845
Upside	30%
Industry	Machinery
Ticker	BCHN.SW
Stock Exchange	SIX
Shares Outstanding	3.4 Million
Market Capitalisation	2.3 Billion
EPS (2023)	CHF 26
Free Float	3 Million

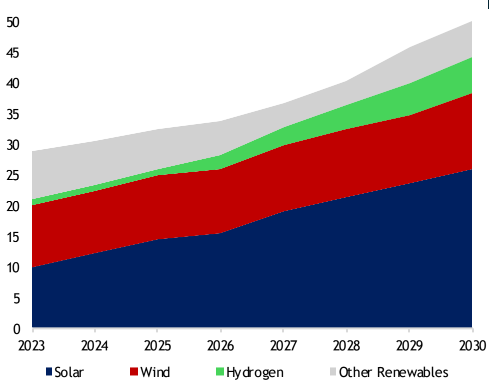
Source: Company Reports & Team Analysis

Figure 1: Hydrogen demand Scenarios



Source: IEA & Team Analysis

Figure 2: Renewables share in energy mix



Source: Company Reports & Team Analysis

Burckhardt Compression is a global leader in the design, manufacturing, and servicing of high-performance reciprocating compressors for gas transport, petrochemical, and industrial applications. Known for its technical excellence and operational efficiency, Burckhardt is well-positioned to capitalize on the growing demand for green technologies supported by a favorable increase in the revenue share if its Services division.

INVESTMENT SUMMARY

We initiate coverage on Burckhardt Compression Holding AG (BCHN.SW) with a **BUY** recommendation, based on a 12-month price target of 845 CHF, which represents a 30% upside. This target is derived using both intrinsic and relative valuation methods. Our recommendation is based on the following key theses: (1) The company is well-positioned to capture growth in key markets, (2), Strong services drive long-term revenue and (3) A niche technical moat unlocks higher sales and margins.

POSITIONED TO CAPTURE GROWTH IN GREEN ENERGY MARKETS

Burckhardt Compression is well-positioned to capitalize on the expanding green energy markets, with revenue growth driven by its superior products *(Appendix 5)* and geographic presence, where demand is accelerating. The company's expertise in high-pressure reciprocating compressors positions it as a leader in key energy transition segments, including hydrogen (H2), LNG, and solar energy. **Burckhardt's H2-related revenues are expected to grow at a compound annual growth rate (CAGR) of 11%,** driven by the increasing adoption of green hydrogen technologies *(Figure 1)*, with the market projected to reach $2.5 trillion by 2050. Similarly, its hyper-compression technology, critical for EVA film production for solar panels, is expected to generate CHF 250 million annually by 2029, **with the segment revenue achieving a CAGR of 10%, despite competitive pressures.** Additionally, **its LNG-related revenue is projected to grow at a CAGR of 8%,** contributing CHF 340 million annually by 2029, as global LNG infrastructure capacity expands by 50%. Burckhardt's diversified geographic presence enhances these growth opportunities. China, which is home to 80% of global solar manufacturing capacity, drives demand through $80 billion in annual renewable energy investments, while Europe's €50 billion hydrogen funding under the Green Deal supports regional expansion. In North America, the Inflation Reduction Act accelerates large-scale solar and hydrogen infrastructure projects. Burckhardt's global footprint, with operations in over 80 countries, ensures strong demand coverage in these high-growth regions.

Overall, the company's revenue is projected to grow from CHF 982 million in FY 2023 to CHF 1.3 billion by FY 2029, driven by growth in green energy markets *(Figure 2)*. The Systems Division, which contributes 65% of total revenue, will benefit from the increasing demand for its solutions, expanding the installed base, while the Services Division, will provide additional growth by servicing previously sold compressors.

STRONG SERVICES DRIVE LONG TERM REVENUE

Service Compatibility Enables Strategic Expansion into Other Brand Compressors (OBC) and Orphan Compressors, Driving Service Revenue Growth: Burckhardt Compressors currently account for 11% of the global reciprocating compressor installed base *(Figure 3)*. This modest market share provides a strategic advantage, allowing the company to target compressors beyond its own installations. These include compressors from competitors and peers (Other Brand Compressors, or OBC) and those no longer serviced by their original manufacturers (Orphan Compressors), both of which represent significant untapped growth opportunities as demand for trusted aftermarket service providers increases. Three primary factors explain the anticipated revenue growth from the OBC and orphan compressors market. First, service compatibility stands as a key differentiator for Burckhardt *(Appendix 7)*. As the company expands into a comprehensive service provider, it aims to support the entire lifecycle of reciprocating compressors from all brands. Second, the increasing number of orphan compressors in aging industrial infrastructure has created significant demand for third-party services. Third, as consumers increasingly prefer reliable full-spectrum support over fragmented, OEM-specific service, broader industry trends are shifting toward comprehensive solution providers. These factors strategically position Burckhardt to capture the opportunity to increase service coverage and drive additional revenue, with the **Services Division projected to grow its share from 35% (CHF 339 million) in 2024 to 40% (CHF 531 million) of total revenue by 2029**, supported by its emphasis on expanding into the OBC and orphan compressors market *(Figure 4)*.

Stable EBIT Margin through Customized Emission & Leakage Solutions and Advanced Digital Services: While competitors offer emission management services through embedded general services or are still in the early stages of investment in this field, Burckhardt differentiates itself by offering BC Activate *(Appendix 6)*, a standalone emission service that provides customized solutions targeting inefficiencies leading to increased carbon footprints, and the patented Redura® Sealing, which minimizes leakage at the lowest life-cycle costs. Furthermore, Burckhardt capitalizes on the growing demand for advanced digital services with UP! Solutions, leveraging AI for real-time monitoring and predictive maintenance to optimize uptime and facilitate early detection of anomalies. These efforts are expected to help the service division maintain a **stable EBIT margin at around 30%**.

Strong Flow of Recurring Services Revenue Fueled by Growing Installed Base and the Razorblade Model: The growing installed base from new compressor sales, particularly in high-demand sectors like LNG and petrochemicals, directly translates into increased demand for services, following a two-year lag between system sales and services. This dynamic is illustrated by the book-to-bill ratio *(Appendix 8)*, where significant system orders in 2023 and 2024 create a strong service pipeline in FY2025E and FY2026E, with a book-to-bill ratio exceeding 1. The Razorblade business model further strengthens this argument as new compressor sales are paired with 5- to 10-year maintenance contracts, ensuring predictable service income, even during slower sales periods. Moreover, the long 30- to 50-year lifespan of compressors, along with their essential maintenance needs every 12,000 to 14,000 operating hours, creates continuous service opportunities beyond the initial contract.

NICHE TECHNICAL MOAT UNLOCKS HIGHER SALES & MARGINS

Burckhardt Compression has established itself as a market leader in reciprocating compressors through its exclusive focus on this niche. **The company allocates 2.7% of revenue exclusively to R&D for reciprocating compressors**, outpacing competitors such as Baker Hughes (2.1%) and Chart Industries (1.2%) *(Appendix 3)*, whose budgets cover broader compressor categories. This singular focus drives advanced innovations in modularization and customization, delivering tailored solutions for its clients and meeting the growing demand for customized compressors. Cost reduction strategies, such as the standardization and modularization of components, alongside value engineering (VE) initiatives, are driving significant improvements in efficiency. In 2024, **VE* efforts reduced System Division COGS by CHF 6.8M, and these savings are expected to grow conservatively to CHF 29.2M by 2029** *(Figure 5)*, as more of its product portfolio benefits from these optimizations. Management has projected that the VE applied to the diaphragm compressor will achieve up to a 15% cost reduction. However, we believe this level of savings may not extend uniformly across all product lines. By 2029, System adjusted COGS are forecasted to reduce by 8% *(Appendix 3)* improving from CHF 534.2M in 2024 to CHF 618.5M in 2029 as system division revenues climb to CHF 803M. These strategies not only streamline production processes but also strengthen Burckhardt's ability to sustain profitability while meeting client demands. Simultaneously, **Burckhardt is increasing renewable energy usage from 30% in 2023 to 70% by 2028**, benefiting from declining energy costs below $20/MWh *(Figure 6)*, which supports both cost savings and sustainability goals. As a result, Burckhardt's 2023 gross profit margin of 26.7% exceeds the industry average of 25.6% and outpaces competitors like Baker Hughes Co. (21.1%). **By 2029, Gross Margins are projected to exceed 30%,** driven by sustained cost efficiencies, focused R&D, and a commitment to sustainability. These factors reinforce Burckhardt's leadership in the global compressor industry.

BUSINESS DESCRIPTION

Burckhardt's compressors and aftermarket services cater to customers across diverse industrial sectors. These include oil & gas, petrochemicals, responsible for producing EVA for solar panels and rapidly growing share of green energy applications like H2, shifting Systems revenue mix *(Figure 7)*.

The company's business model integrates two primary revenue streams: **Systems (65% of revenue) and Services (35% of revenue),** offering solutions that cover the entire compressor lifecycle from design and manufacturing to maintenance and upgrades. **Burckhardt's razor-blade model blends financial stability and growth.** While the Systems Division drives initial revenue through new compressor sales, the Services Division ensures long-term profitability with high-margin recurring income from aftermarket services. The service offering includes maintenance, spare parts, retrofits, and digital solutions such as BC Activate for emission monitoring, contributing to EBIT margin growth from 12,3% in FY 2023 to a projected 13,3% by FY 2028.

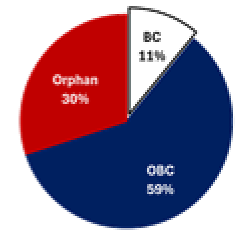
GEOGRAPHIC REVENUE AND REGIONAL TRENDS

Burckhardt Compression operates globally, with revenue contributions reflecting strong geographic diversification *(Appendix 4)*.

China: Contributing 44% of revenue, **it covers 80% of global solar panel production capacity** (Source: IEA), with $80 billion/year investments in renewables. H2 production targets 5 million tons by 2030, supported by net-zero 2060 goals.

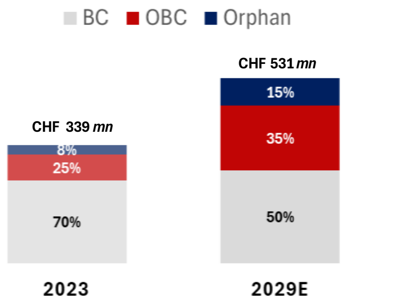
Europe: Contributing 19% of revenue, **backed by a $500 billion H2 strategy by 2050,** with

Figure 3: Reciprocating Compressor Installed Base by Category



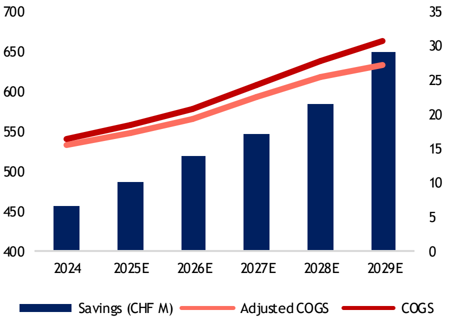
Source: Team Analysis

Figure 4: Projected Service Coverage by Category



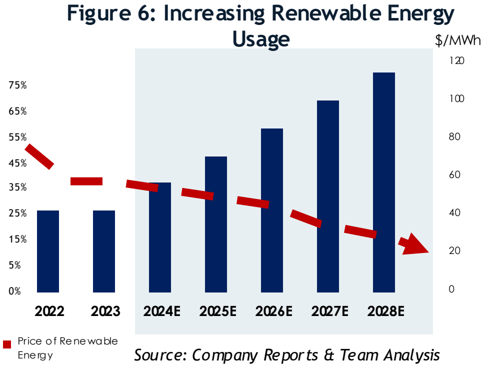
Source: Team Analysis

Figure 5: Value Engineering reduces System COGS



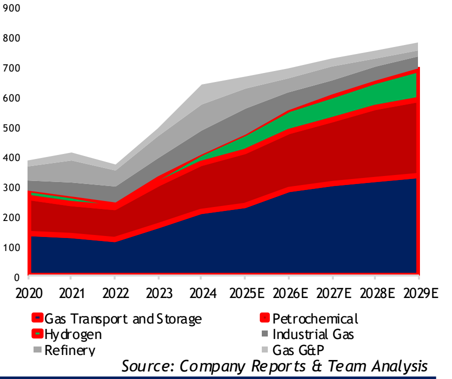
Source: Company Reports & Team Analysis

Figure 6: Increasing Renewable Energy Usage



Source: Company Reports & Team Analysis

Figure 7: Revenue (%) by Segment



Source: Company Reports & Team Analysis

* VE – Value engineering process

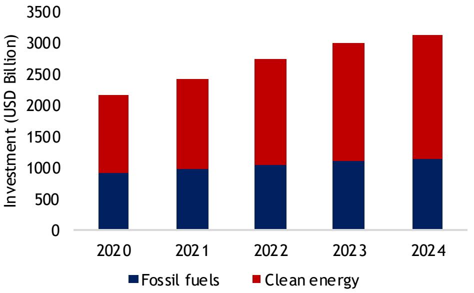
H2 funding to exceed €50 billion by 2030 under the Green Deal. LNG infrastructure includes €3 billion LNG terminal expansions in Germany.
North America: Accounting for 13% of revenue, boosted by the Inflation Reduction Act, supporting large-scale solar farms and solar manufacturing expansions. North America targets 10 million metric tons of H2 production annually by 2030. Alongside with the LNG export capacity expansion, **making the USA the world's biggest LNG exporter.**
Other Asia & Middle East: Together contributing 23% of revenue, leading global clean energy spending *(Appendix 10)*, with $100 billion to be invested in green H2 by 2030. Moreover, **Asia leads $1.3 trillion clean energy spending by 2035.**

EXPERTISE IN RECIPROCATING COMPRESSORS

R&D investments, 2.7% of annual sales, focus solely on reciprocating niche. **This specialization has led to technological advantage, enabling the company to produce unique compressors** *(Appendix 5)*. World's only solution of this class for handling boil-off-gas on LNG carriers and hyper-compression technology provide a competitive edge on competition. Together with their comprehensive services offerings, it enables Burckhardt to deliver additional growth outpacing the broader market. **Revenue, projected to grow at a CAGR of 5.4%,** with superior Systems offerings securing additional demand. Profitability, with a forecasted increase of **gross margins from 26.7% in FY2023 to 30.5% by FY 2028**, driven by operational efficiencies and higher-margin Service expansion. The **Services Division's projected CAGR of 7.8%** highlights its role as a stabilizing force, contributing significantly to recurring revenue streams.

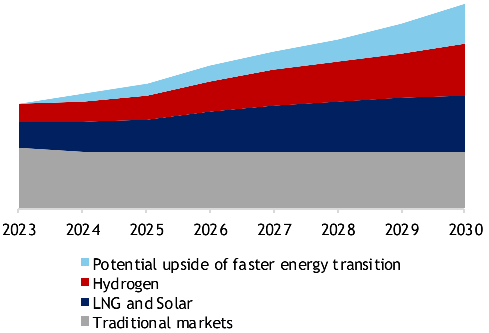
INDUSTRY OVERVIEW

Figure 8: Energy infrastructure investments



Source: IEA & Team Analysis

Figure 9: Indicative Systems Market Size



Source: Company Reports & Team Analysis

The energy transition is reshaping the compressor industry by driving demand for specialized, high-pressure solutions. They are critical to the infrastructure of clean energy markets, which are surpassing fossil fuels in terms of investments *(Figure 8)*.

IMPACT OF ENERGY TRANSITION ON THE COMPRESSOR INDUSTRY

Hydrogen Revolution: H2 is rapidly emerging as a cornerstone of the global energy transition. The market is expected to grow into a $2.5 trillion industry by 2050 *(Source: McKinsey)*, **supported by $100 billion in annual investments by 2030.** Compressors play a critical role in the H2 value chain. High-pressure reciprocating compressors, such as those provided by Burckhardt, are essential at **every** link, underscoring its strong positioning in this fast-growing segment. Given its technological leadership and focus, **Burckhardt is poised to grow its H2-related revenues at a CAGR of 11%**, as the adoption accelerates globally.
Solar Energy Expansion: Solar energy continues to dominate the renewable energy sector, with global capacity projected to triple by 2030. This expansion is supported by investments exceeding $1 trillion. The production of EVA films, a critical component of solar panels, requires highly specialized compressors. Burckhardt's leading hyper-compression technology, used in EVA film productions is critical to the solar panel supply chain. By capturing 15% of the global market, Burckhardt is set to generate CHF 250 million annually by 2029, **achieving a petrochemical segment's CAGR of 7%.**
LNG as a Transition Fuel: LNG continues to play a pivotal role as a transitional energy source during the global shift toward renewables. **Global LNG infrastructure capacity is expected to expand by 50% by 2030** *(Source: ACER)*. This growth is driven by mandates aiming to lower emissions and rising energy security needs in Europe and Asia, particularly in response to geopolitical shifts post-2022. Compressors are integral to LNG liquefaction, storage, and regasification processes. Particularly, high-efficiency compressors tailored for LNG applications, are in increasing demand. Burckhardt's innovative LNG compressors provide a competitive edge, particularly in niches such as marine LNG technologies. By focusing on these specialized applications, Burckhardt is expected to achieve a **segment revenue CAGR of 8%**, contributing CHF 340 million annually by 2029.

BURCKHARDT COMPRESSION CAPTURING KEY TRENDS

Technological Leadership: Burckhardt's compressors position it as a preferred supplier for energy transition-related applications, which accounted for 33% of its order intake in FY2023 and **are projected to account for 40% of orders by FY2027.**
Sustained Growth Opportunities: Energy transition-driven projects are set to boost demand for Burckhardt's solutions in all three segments, **possibly expanding the total addressable market by 30% by 2030** *(Figure 9)*. Burckhardt is set to capture the possibilities coming from the energy transition, generating long-term revenue and margin growth.

COMPETITIVE POSITIONING

Burckhardt competes in two primary divisions: Systems and Services. Despite its smaller scale, **Burckhardt leverages its niche expertise**, technological leadership, and value engineering to maintain a competitive edge and capture new opportunities *(Appendix 12)*. It excels in core segments, including LNG, solar energy, and hydrogen applications, **offering performance unmatched by competitors** *(Appendix 5)*. In the competitive analysis the most important factors are companies' technological focus and alignment with market trends. They enable the evaluation of influence of competitors' growth trajectories compared to Burckhardt, on top of other external factors affecting the company *(Appendix 11)*.

COMPETITIVE LANDSCAPE

Atlas Copco
Technological Focus: Atlas Copco specializes in a wide range of compressors, including oil-free and rotary technologies, designed for general industrial applications. However, it lacks a strong presence in high-pressure reciprocating compressors for niche markets like hydrogen mobility and solar manufacturing.
Market Alignment: The company's focus on diversified industrial markets means limited penetration into energy transition segments such as hydrogen and solar. Its broader portfolio dilutes its ability to specialize in decarbonization technologies.

Ingersoll Rand

Technological Focus: Ingersoll Rand offers a broad portfolio, including rotary and centrifugal compressors. Its focus is on low-maintenance and oil-free technologies. However, it lacks expertise in high-pressure reciprocating compressors

Market Alignment: The company primarily serves industrial and manufacturing sectors, with less focus on hydrogen mobility and solar panel production, key components of Burckhardt's energy transition strategy.

Siemens Energy

Technological Focus: Siemens Energy provides integrated energy systems, including turbines and compressors, with a focus on diversified energy solutions. However, this broad approach limits its depth in specialized high-pressure reciprocating compressors, a niche in which Burckhardt Compression excels.

Market Alignment: Although Siemens Energy has significant exposure to traditional energy markets, its lack of specialization in green hydrogen infrastructure and solar applications makes it less aligned with the key drivers of the energy transition, where Burckhardt is more focused.

Baker Hughes

Technological Focus: A leader in oilfield services and energy infrastructure but lacks a significant focus on reciprocating compressors for high-pressure hydrogen and LNG applications. Its compressor portfolio is more geared towards upstream oil and gas applications, as well as solar panel applications

Market Alignment: The company's core markets remain oil and gas-focused, with limited alignment to green hydrogen and solar energy projects, where Burckhardt Compression has a competitive advantage.

Sulzer

Technological Focus: Sulzer provides fluid engineering and compression solutions but lacks the technological depth in high-pressure reciprocating compressors that Burckhardt offers.

Market Alignment: While Sulzer serves diversified markets, its contribution to hydrogen infrastructure and solar panel production is limited compared to Burckhardt's focused efforts in these high-growth areas.

ENVIRONMENT, SOCIAL & GOVERNANCE

Burckhardt Compression's ESG profile is a crucial factor in evaluating its investment potential, especially as sustainability gains increasing importance among investors. Our analysis, which integrates both external ratings and our internally derived ESG score, provides a more balanced and nuanced view of the company's performance. As shown in (*Figure 10 & 11*), **Burckhardt Compression excels in governance, with the team's score of 85 significantly outperforming external ratings** such as LSEG's 68 and S&P's 36. The company's overall score of 78.3 also surpasses those from Sustainalytics (74) and S&P (35), indicating stronger sustainability performance than some third-party evaluations suggest. However, external ratings do highlight areas for improvement in environmental and social aspects, particularly with regard to Scope 2 emissions and diversity metrics. These remain critical opportunities for Burckhardt to better align with global sustainability trends.

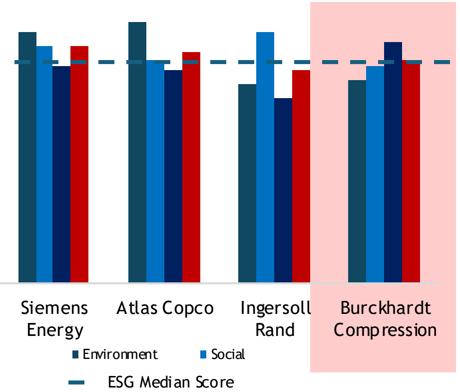
Figure 10: ESG Scorecard

Rating Provider	Overall Score	E	S	G
LSEG	49	36	47	68
Sustainalytics	74	N/A	N/A	N/A
S&P	35	27	42	36
TEAM	78.3	71.7	76.7	85

* Standardised for comparability

Source: Refinitiv, S&P, Sustainalytics & Team Analysis

Figure 11: Team 1 ESG Scorecard

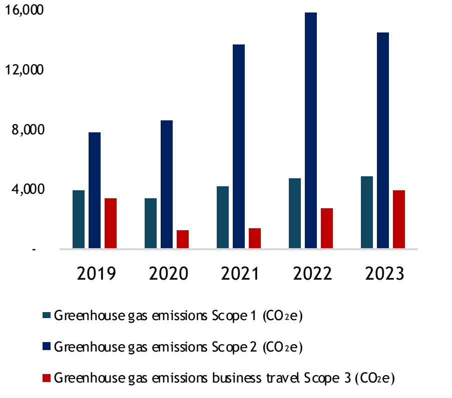


Source: Company Reports & Team Analysis

ENVIRONMENT

From an environmental perspective, Burckhardt Compression is actively managing its environmental impact while transitioning towards clean energy technologies. Key initiatives include a 5% reduction in absolute CO_2 emissions, the installation of electric furnaces at its Shenyang facility, and a four-year renewable energy agreement with Engie to purchase 4,656,000 kWh. However, a comparative analysis of Scope 1, 2, and 3 emissions reveals areas that require continued attention *(Figure 12)*. Burckhardt Compression's Scope 1 emissions are on par with peers such as Atlas Copco and Siemens Energy, indicating efficient operational emissions management *(Figure 13)*. However, its **Scope 2 emissions are significantly higher than competitors** like Siemens Energy and Sulzer AG, primarily due to energy-intensive production processes. Scope 3 emissions also exceed those of peers such as Atlas Copco, highlighting the challenge posed by the long lifecycle of its compressors *(Figure 13)*. This comparison underscores the importance of **Burckhardt's investment in hydrogen compression technologies and renewable energy initiatives to reduce lifecycle emissions**. The company's focus on hydrogen compression technologies, which accounted for 33% of its 2023 order intake, demonstrates a growing commitment to clean energy markets. By balancing its current operations with the transition towards sustainable solutions, Burckhardt is well-positioned for the future. However, continuous progress in emissions reduction will be essential to meet evolving regulatory and stakeholder expectations *(Appendix 10)*.

Figure 12: Historical Scope 1,2 & 3 Emissions

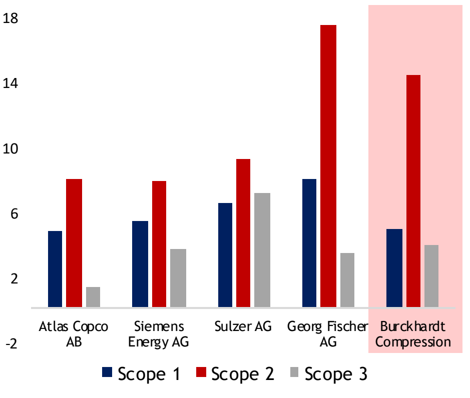


Source: Company Reports

SOCIAL

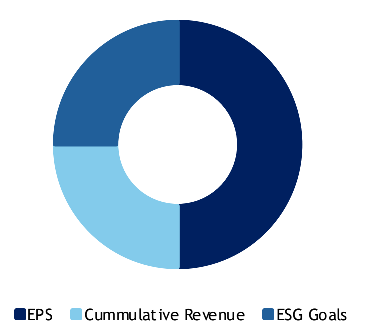
Burckhardt Compression is deeply committed to fostering a safe, diverse, and engaging workplace, reflected in its **Glassdoor rating of 4.1 and ranking as the 11th most attractive employer in its sector in Switzerland (Statista)**. In 2023, the company achieved a remarkable 93% participation rate in its employee engagement survey, emphasizing strong employee involvement. Burckhardt has steadily enhanced diversity, with women now comprising 15.8% of the workforce and 19.7% of new hires. Board-level gender diversity has reached 33%, though representation in executive roles remains at

Figure 13: Emission per Million



Source: Company Reports & Team Analysis

Figure 14: Remuneration Structure



Source: Company Reports

Figure 15: Institutional Ownership

Institutional Owners (2024)	% of shares
MBO Shareholder pool	9.97%
NN Group N.V,	9.86%
Goldman Sachs Group	6.45%
UBS Fund Management (Switzerland) AG	5.06%
Credit Suisse Funds AG	3.24%
BlackRock, Inc.	3.07%
Swisscanto Fondsleitung AG	3.01%

Source: Company Reports

20%, leaving room for growth. The company's "**Dr. BeWell" initiative has significantly improved workplace safety and well-being**, reducing the Lost Time Injury Rate (LTIR) to 0.5 (beating the target of 0.7) and lowering the Lost Work Time Rate (LWTR) by 72.3% to 7.7% since 2021. Additionally, Burckhardt offers a **unique certified apprenticeship program**, allowing technicians to gain advanced skills on its proprietary Laby Compressor. This initiative not only strengthens employee qualifications but also reinforces the company's competitive edge.

GOVERNANCE

Governance remains Burckhardt Compression's strongest ESG pillar, as evidenced by its high governance score of 85 *(Figure 15)*. The company benefits from a fully independent Board of Directors and the integration of ESG considerations into its strategic planning through the Mid-Range Plan 2027. In FY 2023, the introduction of a **Long-Term Incentive (LTI) plan, tied to Earnings per Share (50%), Revenue (25%), and ESG goals (25%),** reinforces the focus on both financial and non-financial growth *(Figure 14)*. Additionally, variable compensation for the Group aligns employee incentives with long-term performance. Executive Management (GEM) is linked to net income and ESG metrics, ensuring alignment with long-term, sustainable success. The 20% shareholding requirement for Board members strengthens the connection to shareholder interests. Institutional investors *(Figure 15)* are not only significant in terms of ownership but also play an active role in shaping the company's strategic direction and governance practices. The presence of prominent institutional investors enhances shareholder oversight and promotes long-term, sustainable growth. However, while the framework is robust, the tangible financial impact of these initiatives on long-term performance requires continuous monitoring. Overall, the company's governance structure positions it as a leader within its industry and reinforces its commitment to sustainable growth.

NO IMMINENT ESG RISK

Despite its exposure to oil and petrochemicals, Burckhardt Compression's strong governance practices, social initiatives, and increasing renewable energy exposure help mitigate any imminent ESG-related risks. **The company's focus on gas transport and petrochemicals (67% of operations) is balanced by its growing involvement in clean energy projects (33% of 2023 order intake)**, positioning it well for long-term sustainability. While the oil and gas sector faces evolving regulatory and market dynamics, Burckhardt's proactive governance and commitment to reducing its environmental footprint through emissions reduction and renewable energy initiatives further reduce potential ESG risks.

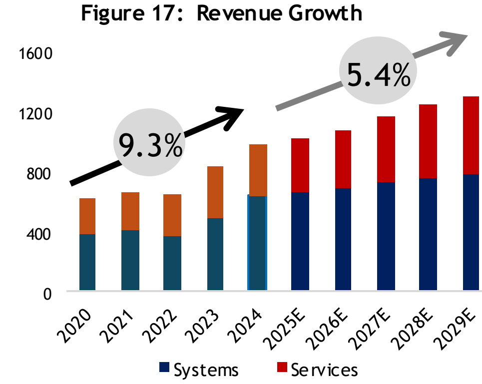
FINANCIAL ANALYSIS

Figure 16: Key Financial Metrics

Key Financials (mCHF)	Mar.20	Mar.21	Mar.22	Mar.23	Mar.24	Mar.25	Mar.26	Mar.27	Mar.28	Mar.29
Revenue	630	659	651	830	982	1028	1084	1161	1246	1334
EPS	12.6	14.0	14.8	20.7	26.5	29.6	31.4	33.8	37.1	40.0
Dividend per share (CHF)	6	6.5	7.5	12	15.5	17.4	18.6	19.9	21.9	23.7
Payout ratio (%)	51.2%	46.6%	50.8%	58.1%	58.5%	60.0%	60.0%	60.0%	60.0%	60.0%
PROFITABILITY										
Gross Margin	23.8%	25.2%	29.3%	29.5%	26.7%	27.4%	28.9%	29.5%	31.0%	31.4%
EBIT Margin	8.7%	9.1%	10.8%	11.5%	12.4%	12.4%	12.5%	12.6%	12.9%	13.0%
ROE	13.5%	17.8%	21.8%	27.9%	29.6%	30.0%	30.1%	31.0%	31.5%	31.2%
ROIC	9.3%	15.3%	16.6%	30.6%	22.6%	22.0%	23.0%	23.2%	23.5%	24.7%
LEVERAGE & LIQUIDITY										
Total Debt/ EBIT	3.4	2.7	2.4	1.5	1.8	2.1	1.9	1.8	1.7	1.9
Debt/Equity	64.1%	71.1%	71.0%	72.2%	72.1%	71.9%	69.8%	68.8%	67.7%	67.9%
OPERATIONAL FIGURES										
Order Intake	607.3	676.6	976.6	1268.3	1124.7	1130.9	1300.5	1392.9	1308.8	1374.3
Book to Bill	1.0	1.0	1.5	1.5	1.1	1.1	1.2	1.2	1.1	1.1
Asset Turnover	0.71	0.80	0.81	0.93	0.90	0.86	0.89	0.93	0.95	0.95
Capex	34	20	23	21	26	23	24	25	26	27

Source: Company Reports & Team Analysis

Figure 17: Revenue Growth



Source: Company Reports & Team Analysis

REVENUE INCREASE

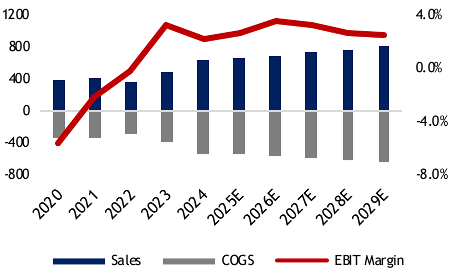
Burckhardt Compression has demonstrated robust growth momentum in recent years, driven by its dual focus on the Systems and Services divisions. We forecast total revenue to increase from CHF 982 million in FY 2023 to CHF 1,334 million by FY 2028, reflecting a **CAGR of 5.4% compared to the industry CAGR of 4.6%*** during this period *(Figure 17)*. The higher CAGR is supported by Burckhardt's superior technology and reputation helping it capture additional market share in the renewables and gas transport markets, while the Services division continues to capture new market share in orphan compressors and other brand compressors. **Both gross margins and EBIT margins are anticipated to improve, although at a slower pace than management's expectations.** Margin expansion is primarily attributed to a reduction in COGS within the Systems division through value engineering, coupled with a growing emphasis on the renewables sector. Furthermore, the **Services division's increasing contribution to total revenue, projected to rise from 35% in FY 2023 to 40% by FY 2028** *(Figure 20)*, will enhance profitability due to a more favourable product mix. Our revenue projections are based on contributions from the two divisions and segmented regional revenue contribution.

*Source: (*Reciprocating Compressors Market - Report, Trends, Share & Insights*, 2024b)

SYSTEMS DIVISION POISED FOR GROWTH AND MARGIN EXPANSION

The Systems division is expected to remain the primary contributor to Burckhardt Compression's overall revenue, with **sales projected to grow from CHF 642.7 million in FY2023 to CHF 803 million by FY2028**. This growth is supported by an expanding pipeline of orders in LNG transport, solar, and hydrogen markets, which reflects the division's exposure to structural trends in energy transition. Additionally, its position in the LDPE market, particularly in China, as well as recent contracts in the U.S., India, and Japan, provides a diversified base for sustained revenue growth *(Figure 18)*.
EBIT margins in the Systems division are forecasted to improve incrementally, rising from **2.2% in FY 2023 to 2.6% in FY 2028**. This improvement is attributed to ongoing value engineering initiatives aimed at reducing production costs *(Appendix 3)* and a strategic shift to using renewable energy in production process. While the division has historically faced challenges from cost pressures and demand volatility, operational improvements and a focus on high growth segments such as hydrogen and LNG are expected to drive long-term profitability. The division's growth outlook is further underpinned by its investments in advanced compressor technology and its ability to deliver customized solutions for high-stakes applications*(Appendix 5)*.Burckhardt's established relationships with global customers in renewable energy and industrial gas transport markets provide a competitive advantage, enabling the company to capture a larger share of market opportunities.

Figure 18: Systems Revenue & Margin

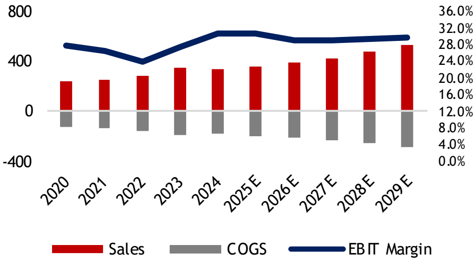


Source: Company Reports & Team Analysis

SCALING REVENUE SHARE THROUGH SERVICE EXCELLENCE

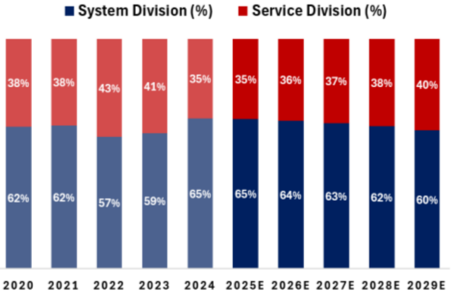
The Services division is capitalizing on growth opportunities in key markets such as India, where Burckhardt secured CHF 25 million in contracts to service aging compressor infrastructure across industries like petrochemicals and manufacturing. These wins highlight Burckhardt's competitive edge, driven by proprietary technologies such as the Redura® sealing systems, the UP! Connected Compressor platform, and Prognost® predictive analytics, which enhance reliability and reduce downtime. Together with initiatives like Burckhardt ACTIVATE, these innovations differentiate the company *(Appendix 6&7)*, enabling it to capture a larger share of the aftermarket services market. **Revenue from the division is expected to grow at a CAGR of 7.8%,** from CHF 340 million in FY2023 to CHF 531 million in FY2028.
By expanding its focus on other-brand compressors, Burckhardt is addressing an untapped market opportunity of CHF 200 million annually, particularly in Asia and North America. The **division's EBIT margin is projected to remain stable 30% till FY2028**. The Services division's **share of total revenue is projected to increase from 35% in FY2023 to 40%** by FY2029, reducing exposure to the cyclicality of the Systems division and ensuring greater revenue stability. This shift is expected to support group-level EBIT margin growth to 13.3% by FY2029, up from 12.4% in FY2023. The market has yet to fully account for Burckhardt's success in integrating advanced technologies such as BC Activate and securing recurring, high-margin revenue streams, solidifying the Services division's importance in the company's long-term strategy *(Figure 19 & 20)*.

Figure 19: Services Revenue & Margin



Source: Company Reports & Team Analysis

Figure 20: Revenue Shares by Division

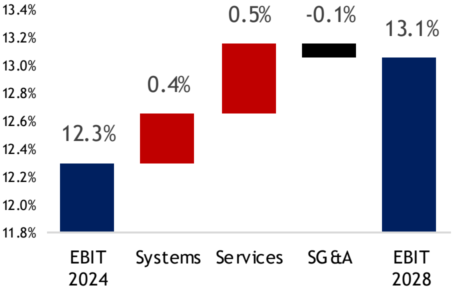


Source: Company Reports & Team Analysis

OPERATIONAL EFFICIENCY

Burckhardt Compression's operational efficiency is set to support margin expansion and free cash flow (FCF) growth, which the **market has yet to fully account for**. The company's focus on standardization and modularization of spare parts has already resulted in 30% sales growth in the Systems Division with minimal capital investment, and we expect **asset turnover to increase from 0.71 in FY2019 to 0.95 by FY2028** *(Figure 16)*. Additionally, the rollout of a Group-wide CRM system in the Services Division will enhance customer retention and improve margins. Despite rising wages, the impact on SG&A is expected to remain minimal due to the company's focus on productivity improvements, automation, and efficient resource allocation. As a result, EBIT margin is forecast to rise from 12.3% in FY24 to 13.1% by FY28, driven by 0.4% and 0.5% contributions from the Systems and Services Divisions respectively *(Figure 21)*.

Figure 21: EBIT Bridge

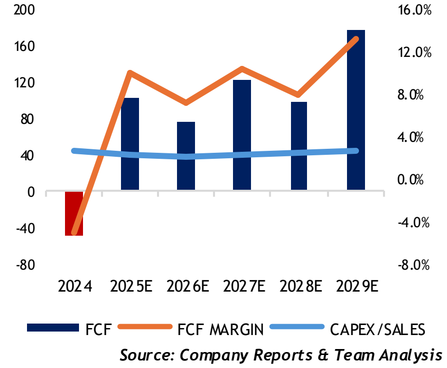


Source: Company Reports & Team Analysis

INCREASING FREE CASH FLOW

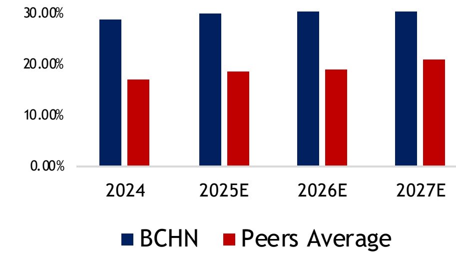
We believe Burckhardt Compression is set to see a strong recovery in free cash flow (FCF), moving from a **negative 49 million CHF in 2024 to 176 million CHF by 2029**. This is reflected in the improving FCF margin, expected to rise from -5.0% in 2024 to 13.3% by 2029, reflecting the company's enhanced operational efficiency and disciplined capital allocation *(Figure 22)*. As **the share of high-margin services revenue increases** *(Figure 20)*, it will provide more predictable and recurring revenue, supporting Burckhardt's ability to reinvest in high-growth areas like hydrogen and LNG, thereby improving the free cash flow of the company.
We expect Burckhardt Compression to maintain a **stable CAPEX-to-Sales ratio** of around **2.3%** while achieving strong revenue growth. This is due to the **company's ability to apply existing technologies, such as those used in hydrogen, LNG, and solar to newer, high-growth applications**. By leveraging its proven compression expertise in these expanding sectors, Burckhardt can drive revenue without significant increases in capital spending. This strategy should enable the company to scale efficiently, generating growth with minimal additional capital investment.

Figure 22: Free Cash Flow



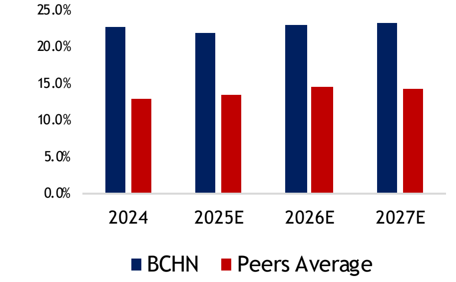
Source: Company Reports & Team Analysis

Figure 23: Return on Equity



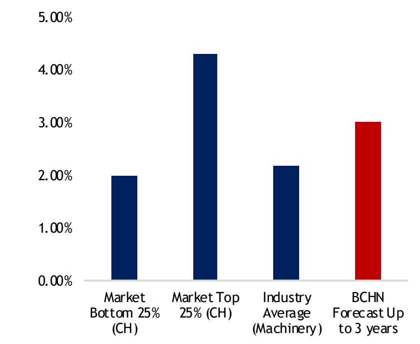
Source: Company Reports & Team Analysis

Figure 24: Return on Invested Capital



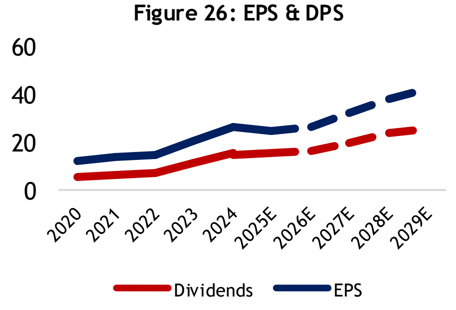
Source: Company Reports & Team Analysis

Figure 25: Dividend Yield Comparison



Source: Company Reports & Team Analysis

Figure 26: EPS & DPS



Source: Company Reports & Team Analysis

Figure 27 : WACC Inputs

Input	Rate	Source
Risk free rate	0.50%	Swiss 10-year treasury bond (High+Low)/2
Beta	1.23	Re-levered and Risk adjusted
Equity Risk premium	6%	Swiss machinery industry
Cost of equity	8.70%	CAPM
Cost of debt	1.30%	Corporate bond spread + Risk free rate
Tax rate	23%	Statutory tax(Switzerland)
Mkt D/E ratio	14%	Target level
WACC	7.52%	

Source: Refinitiv & Team Analysis

REWARDING SHAREHOLDERS

We expect Burckhardt to maintain an **ROE above 30% from 2025 onward**, while the peer group is projected to grow only modestly, from 16.9% in 2024 to 21.0% by 2027. The company's ability to reinvest in high-growth sectors such as hydrogen and LNG, while maintaining strong profit margins, allows it to deliver returns that are structurally higher than its peers. Similarly, Burckhardt's **ROIC is projected to increase from 22.6% in 2024, to 23.2% by 2027**, while the peer group's ROIC is expected to remain significantly lower, from 13% in 2024 to just 14.3% by 2027. This difference underscores Burckhardt's strategic focus on high-margin, recurring revenue streams such as aftermarket services, which not only enhance ROIC but also reduce volatility in cash flows *(Figure 23 & 24)*.

Dividend Yield: A Hidden Strength the Market Overlooks: Burckhardt Compression's projected dividend yield of 3.0% over the next three years *(Figure 25)* positions it on the higher end of the spectrum, comfortably outperforming the Industry Average (2.2%) and nearly bridging the gap with the Market Top 25% (4.3%) in Switzerland.

At a projected **60% payout ratio**, we expect the company to sustain high dividends while simultaneously reinvesting in high-growth areas such as hydrogen, LNG, and aftermarket services. This suggests a well-calibrated capital allocation strategy, where consistent free cash flow generation supports both shareholder returns and growth initiatives. The stability of its aftermarket services, offering recurring revenue and margin resilience, acts as a foundation, enabling a sustainable yield higher than the industry average despite the company's ongoing investment in future growth.

This signals a value proposition for income-focused investors. With Burckhardt providing a **dividend yield that rivals the Market Top 25%** while still delivering long-term growth potential, the market may be underestimating the quality of its earnings and its ability to maintain a competitive yield in the machinery sector.

The market appears to underappreciate the scalability of Burckhardt's high-margin services and its focus on sectors with secular growth tailwinds, such as energy transition technologies.

VALUATION

We issue a BUY recommendation on Burckhardt Compression (BC) with a **target price of CHF 845, representing a 30% upside** from the closing price of CHF 650 per share as of December 30, 2024. Our target price calculation is based on a mix of 80% Discounted Cash Flow (DCF) to firm model and 20% relative valuation, which supports our Buy recommendation.

DCF VALUATION

Our DCF model uses the Free Cash Flow to Firm (FCFF) methodology to determine an intrinsic value *(Appendix 21)*, effectively capturing the company's high growth potential while remaining unaffected by changes in the capital structure. Burckhardt Compression is strategically positioned to capitalize on synergies between its Systems and Services Divisions, enhancing efficiency and solidifying its market value proposition. Notably, sales have consistently exceeded consensus expectations. However, we project revenue growth at a more moderate CAGR of 5.4%, compared to the historical CAGR of 9.3%.

We expect **value engineering initiatives to significantly reduce COGS**, allowing the Systems Division to maintain positive EBIT margins. The **primary driver of EBIT margin expansion, however, is the growing revenue contribution from the high-margin Services Division. While management targets a Group-level EBIT margin of 12-15% by 2027, we forecast a more conservative range, expecting margins to approach, but not exceed, 14% within our forecast period**. With CAPEX remaining at maintenance levels and D&A in line with historical trends, we assume a stable tax rate of 23%, consistent with management guidance. This operational outlook supports our view of steady profitability improvements and underscores Burckhardt Compression's long-term value potential.

WACC & TERMINAL GROWTH

We calculate a **WACC of 7.5%** *(Figure 27)*. For the risk-free rate, we average the high and low of the Swiss 10-year bond to smooth out short-term market fluctuations and provide a more balanced estimate. This approach helps us capture a range of potential outcomes, reflecting market volatility. The **cost of equity of 8.7%** is determined using the CAPM model, with an equity risk premium of 6%. This reflects Burckhardt's position in the industrials sector **and exposure to both cyclical oil and gas markets and growth opportunities in renewable energy, where higher market risks justify a premium.**

The pre-tax cost of debt is calculated by adding the credit spread based on Burckhardt's bond rating to the risk-free rate. We expect the capital structure to remain stable, with the new bond issuance factored into the analysis to reflect the updated debt profile.

Our **terminal growth assumption of 3%** reflects the economic conditions of the countries in which Burckhardt Compression operates. While this might be considered optimistic, it is supported by a revenue-weighted approach based on GDP growth expectations for each respective country *(Appendix 22)*. This approach captures Burckhardt's global footprint and its exposure to both stable, mature markets and high-growth emerging markets.

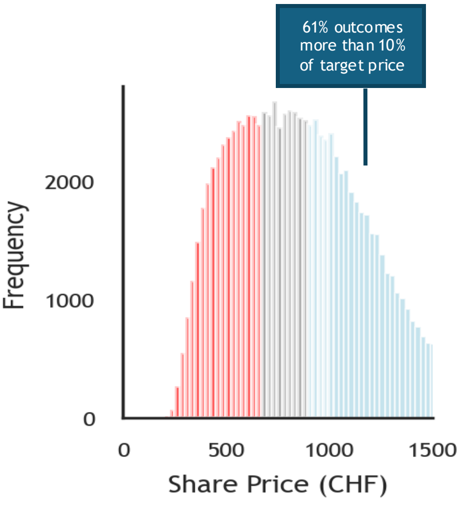
By aligning the terminal growth rate with the geographic distribution of revenues, we believe it provides a fair representation of the company's long-term potential.

SENSITIVITY ANALYSIS

Based on our assumptions, we conducted a sensitivity analysis to assess the robustness of our DCF model, focusing on the key inputs: WACC and terminal growth *(Appendix 23)*. The analysis indicates that our **valuation remains relatively stable within a WACC range of 6.9% to 8.1% and a terminal growth rate range of 2.6% to 3.4%,** supporting our positive recommendation. However, if the WACC were to increase by 0.6% and the terminal growth rate were to decrease by 0.5%, our recommendation would shift to a "sell."

We also conduct a **Monte Carlo simulation with 100,000 iterations** to gain a more probabilistic view of the share price, allowing us to assess the range of potential outcomes based on variations in key variables *(Figure 28; Appendix 24)*. By adjusting key assumptions such as terminal growth, WACC, revenue growth, and COGS expectations to one standard deviation, we model a wide range of scenarios that reflect different market conditions and company performance. This simulation allows us to estimate a **63% probability of achieving a minimum upside of 10% from the last close of CHF 650**, suggesting a favourable risk to reward outlook for the stock.

Figure 28: Monte Carlo Simulation



Source: Team Analysis

RELATIVE VALUATION

In valuing Burckhardt Compression (BCHN), we utilize 1 year forward **EV/EBIT as the primary multiple** due to its ability to neutralize differences in capital structures, taxation, and depreciation policies across companies. Given Burckhardt's mix of capital-intensive machinery manufacturing and high-margin aftermarket services, EV/EBIT provides a more holistic measure of operating profitability compared to P/E, which can be distorted by variations in leverage or one-off items.

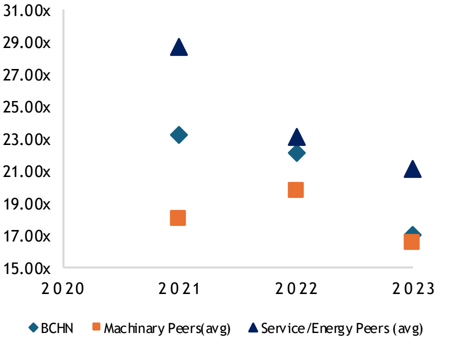
We have chosen **two peer groups: 1) traditional machinery peers and 2) service/energy peers** to reflect Burckhardt's unique positioning. Machinery peers provide a baseline for capital-intensive industrial companies, while service/energy peers capture the growing relevance of Burckhardt's asset-light aftermarket services and its alignment with the energy transition.

The peer group was selected based on six key criteria: size (EV), line of business, revenue growth (CAGR), EBITDA margin, total leverage, and dividend yield. Machinery peers, such as Atlas Copco, Ingersoll Rand, and Sulzer, were chosen for their comparable size and focus on industrial equipment. Service/energy peers, including Siemens Energy, Baker Hughes, and Technip Energies, were selected for their alignment with Burckhardt's growing aftermarket services and energy transition focus. This selection ensures a comprehensive comparison, capturing both operational and financial metrics relevant to Burckhardt's dual focus on machinery and high-margin services *(Appendix 25)*.

Burckhardt currently **trades at a premium to its traditional machinery peers**, with EV/EBIT multiples of 23.2x and 22.0x for 2023 and 2024E, compared to peer averages of 18.1x and 19.65x, respectively. This premium reflects Burckhardt's differentiated business model, **underpinned by its growing share of high-margin aftermarket services** and strong positioning in energy transition markets such as LNG and hydrogen. However, the valuation gap narrows over the forecast horizon, with Burckhardt trading at 17.0x EV/EBIT in 2025E, close to the peer average of 16.5x *(Appendix 25)*.

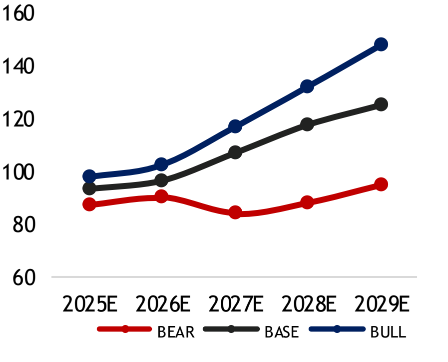
Compared to service and energy peers, Burckhardt trades at a discount (28.65x in 2023, 23.0x in 2024E), driven by its higher capital intensity and machinery focus. That said, the narrowing discount by 2025E (17.0x vs. 21.1x) reflects the increasing contribution of its asset-light aftermarket services, which enhance profitability and align Burckhardt more closely with service-oriented players. The decline in EV/EBIT multiples over the forecast period suggests the market anticipates EBIT growth outpacing enterprise value expansion, underpinned by operational efficiencies and sustained demand in its LNG and hydrogen segments. We expect this to yield a **target price of CHF 799 using a revenue-weighted approach** *(Figure 31)*.

Figure 29: Historical EV/EBIT



Source: Company Reports & Team Analysis

Figure 30: FCF Projections



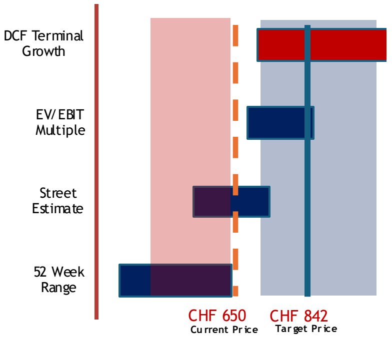
Source: Company Reports & Team Analysis

Figure 31: Relative Valuation Summary

Peer Group	# Peers	EV/SALES Average	EV/SALES Median	EV/EBIT Average	EV/EBIT Median	P/E Average	P/E Median
Compressor/Machinery	5	2.22x	2.51x	19.65x	22.40x	23.80x	20.00x
Energy and services	5	3.55x	2.19x	24.10x	18.70x	29.54x	28.30x
Burckhardt Compression		2.5x		22.20x		22.10x	
Revenue Weighted Multiple				21.30x		26.0x	
Implied target price		CHF 756		CHF 799		CHF 791	

Source: Refinitiv & Team Analysis

VALUATION SUMMARY



Action	Price Condition
Sell	Price < CHF 600
Hold	CHF 600 ≤ Current Price ≤ CHF 737
Buy	Price > CHF 737

Source: Team Analysis

Our **Target price of CHF 845** is derived using a blended approach, assigning 80% weight to a DCF model and 20% to relative valuation via the EV/EBIT multiple. The higher weight on the DCF reflects the limited pool of comparable peers, as Burckhardt Compression operates in a unique niche. The thresholds for our recommendations are based on valuation upside and downside relative to the current price of CHF 650. A **BUY** recommendation is warranted when the price exceeds CHF 737, reflecting more than 13% upside potential. Conversely, a **SELL** is advised if the price falls below CHF 600, implying a downside risk of over 8%. The **HOLD** range (CHF 600 to CHF 737) captures scenarios with more balanced risk and reward, where the current price aligns more closely with intrinsic value estimates

SCENARIO ANALYSIS

We conduct a scenario analysis to assess the risks to our recommendation. In the **Bear Case**, slower hydrogen adoption, rising competition, and underperformance in OBC service growth could lead to higher-than-expected FCF, as system sales CAGR and service sales CAGR would be below projections, with margins pressured by competitive dynamics. In the **Base Case**, steady market expansion, driven by green energy applications and a stable performance in OBC services, aligns with our FCF projections, supported by a moderate system sales CAGR and stable service sales CAGR, resulting in steady, stable cash flow generation. In the **Bull Case**, rapid adoption of hydrogen and solar technologies, coupled with a surge in OBC services, would drive robust system sales CAGR and service sales CAGR, enhancing gross margins and resulting in higher-than-expected FCF, as demand and margin expansion accelerate. These varying scenarios reflect how market dynamics, service performance, and technical advantages impact Burckhardt's ability to generate and sustain free cash flow, with the potential for significant upside in the Bull Case and a reasonable downside in the Bear Case *(Figure 30 & 32)*.

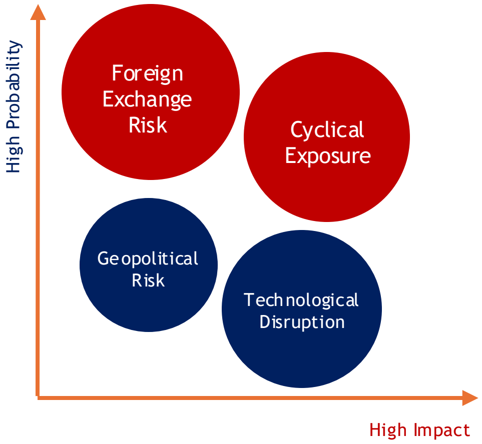
Figure 32: Scenario Analysis

Scenario	Bear Case	Base Case	Bull Case
Well-positioned To Benefit From Market Expansion	Slow hydrogen demand, rising competition	Capitalizes on green energy growth	Surge in hydrogen and solar adoption
System Sales CAGR	**2.5%**	**3.7%**	**5.1%**
Strong Services Drive Long-term Revenue	OBC service growth underperforms	Expands with digital and OBC services	OBC services exceed expectations
Service Sales CAGR	**5.3%**	**7.7%**	**9.2%**
Cost Efficiency	Increasing Input costs & less effective value engineering	VE* and cost reduction drives growth	Higher than expected decrease in input costs and VE* performs better than anticipated
EBIT Margin Average	**9.3%**	**12.7%**	**14.4%**

Source: Company Reports & Team Analysis

INVESTMENT RISKS

Figure 33: Key investment risks



Source: Company Reports & Team Analysis

Burckhardt Compression faces several key investment risks, including market volatility, technological disruption, geopolitical uncertainties, foreign exchange risk, and cyclical exposure. As a global leader in specialized compression technology, the company's operations are inherently exposed to these risks. While these threats may impact profitability and returns, we do not identify any high-probability, high-impact risks at present (**Figure 33**).

MARKET RISKS: FOREIGN EXCHANGE

R1 - Market Risks: Foreign Exchange Exposure
Probability: High | **Impact**: Moderate

As a global company operating in multiple currencies, Burckhardt Compression is exposed to foreign exchange fluctuations, particularly the impact of a strong Swiss Franc (CHF). A stronger CHF against key currencies, such as the US Dollar, Euro *(Figure 34)*, and the currencies of emerging markets *(Figure 35)*, pressures margins and reported earnings. **Significant currency volatility could affect earnings by 5-7% annually**. The company addresses these risks through natural hedging by matching revenues and costs in local currencies where possible and by using financial instruments to hedge large project exposures. Despite these efforts, FX fluctuations remain a material risk, particularly during prolonged periods of CHF appreciation.

R2 - Market Risks: Revenue Concentration in China
Probability: Moderate | **Impact**: Moderate

Burckhardt Compression's significant revenue exposure to China introduces risks associated with the country's economic fluctuations, regulatory changes, and geopolitical dynamics. As China remains a key market for industrial and infrastructure development, any slowdown in its economy or adverse policy shifts could materially impact Burckhardt's

* VE – Value engineering process

performance. **However, this risk is partially mitigated by Burckhardt's ownership of Shenyang Yuanda Compressor, an independent subsidiary in China**. The subsidiary enhances Burckhardt's local presence, providing competitive advantages through proximity to customers, localized manufacturing, and alignment with market-specific demands. This structure reduces operational risks and helps the company remain competitive against domestic players. While the subsidiary setup mitigates certain risks, the overall dependence on China for revenue still presents vulnerabilities, particularly given the unpredictable nature of macroeconomic and geopolitical factors.

OPERATIONAL RISKS

R3 - Operational Risks: Technological Disruption
Probability: Moderate | **Impact**: Moderate

The fast-paced evolution of compression technologies, particularly in hydrogen and LNG applications, poses a moderate risk to Burckhardt Compression. **Falling behind in innovation could lead to market share losses and a 10-15% decline in valuation**. To mitigate this, the company invests 2-3% of its sales annually in R&D, collaborating with research institutions and key customers to develop advanced solutions. This focus on innovation ensures Burckhardt remains competitive in addressing emerging industry demands, particularly in green energy technologies, strengthening its position in a niche, high-stakes market.

R4 - Operational Risks: Supply Chain Disruptions
Probability: Moderate | **Impact**: Low

Supply chain disruptions, such as delays in sourcing critical components, could lead to project delays and cost overruns, potentially reducing annual profits by 5-10%. To counter this, Burckhardt has diversified its supplier base, increased inventories of key components, and adopted advanced supply chain management systems. These measures enhance resilience, minimize disruptions, and ensure timely project delivery, mitigating the impact of supply chain volatility on the company's operations.

GEOPOLITICAL RISKS

R5 - Geopolitical Risks: International Operations
Probability: Low | **Impact**: High

Burckhardt Compression's global footprint exposes it to geopolitical risks, such as trade tensions, sanctions, and protectionist policies. **Severe trade restrictions or tariffs in key markets could reduce revenues by up to 10%**, with a similar impact on valuation. To mitigate these risks, the company maintains a geographically diverse manufacturing and service presence, enabling it to adapt to changing trade dynamics. Additionally, it closely monitors political developments to proactively adjust its strategies.

CYCLICAL EXPOSURE: END MARKET VOLATILITY

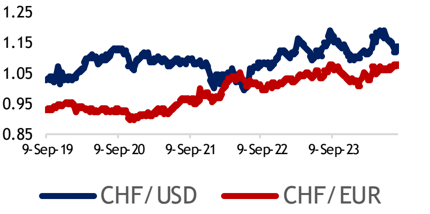
R6 - Cyclical Exposure: End-Market Volatility
Probability: High | **Impact**: Moderate

Burckhardt Compression's exposure to cyclical industries, such as oil and gas, petrochemicals, and industrial gases, makes it sensitive to economic and industry-specific downturns *(Figure 36)*. During such slumps, **order intake could decline by 20-30%, potentially leading to a 10-15% reduction in annual revenues**. However, this cyclicality is partially offset by the company's growing service business, which generates more stable and recurring revenue streams, accounting for an increasing share of total revenues. Additionally, Burckhardt is actively diversifying its portfolio by expanding into emerging markets and sustainable sectors, such as hydrogen and LNG. These initiatives aim to reduce dependency on highly cyclical industries while capitalizing on long-term growth opportunities in the green energy transition. Coupled with a strong balance sheet and disciplined capital allocation, Burckhardt is well-positioned to manage downturns effectively, ensuring resilience and adaptability in volatile market conditions.

Figure 38: Risk Heat Map

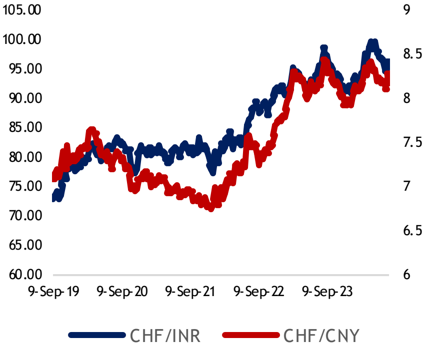
Source: Team Analysis

Figure 34: CHF/ USD & CHF/EUR



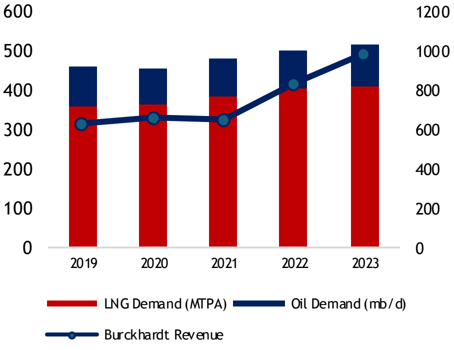
Source: Investing.com

Figure 35: CHF/ INR & CHF/CNY



Source: Investing.com

Figure 36: Burckhardt Revenue vs. End Market Demand



Source: World energy outlook & Company Reports

Figure 37: Summary of key risks

Risks	Mitigation Measures
Market Risks **[R1,R2]**	- Diversification into new markets and applications - Strong focus on service business - Natural hedging and financial instruments for FX risk
Operational Risks **[R3,R4]**	- Continuous investment in R&D - Supply chain diversification and management
Geopolitical Risks **[R5]**	- Geographically diverse manufacturing - Monitoring and adapting to political developments
Cyclical Exposure **[R6]**	- Expansion into stable sectors like hydrogen - Focus on growing service business

Source: Team Analysis

Appendix 1: Key Player of the Entire Gas Value Chain

UPSTREAM

MIDSTREAM

DOWNSTREAM

The company operates across the entire gas value chain, providing high-performance, reliable compressors and comprehensive services. This integrated approach ensures diversification, multiple revenue streams, and a strong competitive edge. Burckhardt is active in key segments, including petrochemicals, gas transport and storage, hydrogen mobility and energy, industrial gases, refineries, and gas gathering and processing. Sustainable applications are emerging across all these market segments.

Source: Company Reports

Appendix 2: Fully Committed to Reciprocating Type

Every year the company invests between 2.5% and 3% of sales in R&D to drive technological advancements to support the world's energy transition. It stands out for its dedicated focus on reciprocating competitors unlike its competitors.

Source: Team Analysis

Appendix 3: Operational Excellence – COGS Reduction – Improved EBIT Margins – Superior R&D

Systems division benefits from value engineering

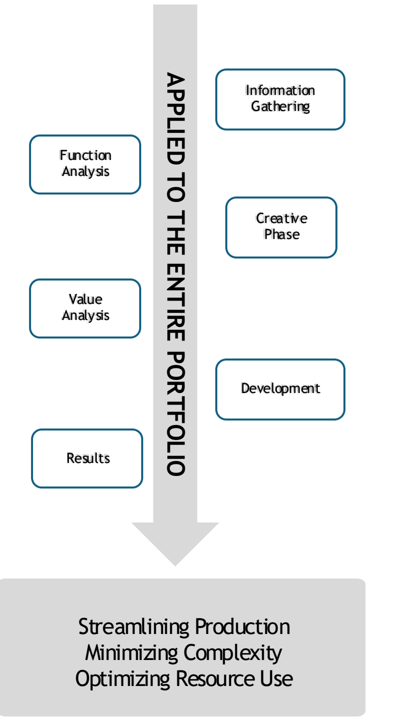
In CHF mil	2024	2025E	2026E	2027E	2028E	2029E
Revenues	642.8	668.5	697.3	735.6	772.4	803.3
COGS	541	558.5	579.0	609.0	639.0	664.0
% of Revenue	84.16%	83.54%	82.90%	82.86%	82.73%	82.66%
% of Product Covered by VE	25%	30%	37%	40%	45%	55%
COGS of VE products	135.3	167.5	214.0	244.0	288.0	365.0
COGS reduction %	5%	6.00%	6.50%	7.00%	7.50%	8.00%
Savings	6.8	10.0	13.9	17.1	21.6	29.2
Adjusted COGS	534.0	548.2	564.8	592.2	617.9	634.6
% of Revenue	83.11%	82.04%	80.90%	80.54%	79.94%	79.02%

R&D Comparison across peers

Company	Revenue	Revenue from compressor division	Total R&D	R&D for compressors	R&D % of compressor sales
Baker Hughs	22477	611	586	13.60	2.2%
Atlas Copco	14064	320	540	12.3	3.84%
Hangzhou	1640	508	41	12.7	2.50%
Chart Industries	3340	800	23	9.8	1.22%
Burckhardt Compression	982	982	27	27.0	2.71%

Source: Company Reports

Value Engineering Approach



Source: Company Reports & Team Analysis

Operational excellence is one of the company's core strengths, enabling cost reductions through product revisions and optimization using a value engineering approach. Standardizing and modularizing components streamlines production processes, enhancing efficiency. These efforts have led to stabilized COGS and improved EBIT margins, with System Division COGS expected to decrease by 3.5% and System Division EBIT margin projected to rise by 0.4% by 2029.

Appendix 4: Revenue By Region

Country	Mar.20	Mar.21	Mar.22	Mar.23	Mar.24	Mar.25	Mar.26	Mar.27	Mar.28	Mar.29
North America	11%	11%	11%	13%	13%	11%	12%	10%	11%	11%
Africa	0.7%	0.4%	0.6%	0.6%	0.4%	0.4%	0.4%	0.5%	0.8%	0.8%
China	38%	33%	37%	35%	44%	44%	41%	42%	37%	35%
Europe	22%	29%	27%	33%	19%	17%	18%	20%	22%	22%
Other Asia & Australia	25%	20%	15%	14%	19%	23%	25%	23%	24%	26%
South America	0.9%	1.1%	1.7%	0.8%	0.7%	0.8%	0.7%	0.9%	0.7%	0.7%
Middle East	3.2%	5.4%	7.6%	3.0%	3.9%	3.6%	3.6%	4.0%	4.0%	4.0%
TOTAL REVENUE	630	659	651	830	982	1028	1084	1161	1246	1328

Source: Company Reports & Team Analysis

Appendix 5: Superior Products Across All Key Segments

Hydrogen			
Feature	**BC**	**Atlas Copco**	**Baker Hughes**
Hydrogen Purity	✓	✗	✓
Vertical design for space efficiency	✓	✗	✗
Pressure Capability (>500 bar)	✓	✗	✗

Petrochemical - Solar Panel Solutions		
Feature	**BC**	**Baker Hughes**
Nominal Speed	**200 rpm - reduced wear**	310 rpm
Max Discharge Pressure	**3,500 bar**	3,500 bar
Design Focus	**Long lifetime**	Quick maintenance
Max Plant Capacity	**452 kt/a (single frame)**	400 kt (twin-frame)

Gas T&S - LNG			
Feature	**BC**	**TMC**	**Atlas Copco**
Suction Pressure	**Up to ~16 bar g**	1 bar g	1 bar g
Cryogenic Operation	**No pre-heating required**	Pre-heating often required	Pre-conditioning needed
Maintenance	**Low wear parts**	Higher maintenance	Moderate maintenance

Across all these segments Burckhardt's compressors stand out for their technical edge. In LNG, they offer superior durability; in solar, they meet extreme pressure demands; and in hydrogen, they offer the only, fully comprehensive solutions. Unmatched technology, combined with global expansion, will reinforce Burckhardt's position in these growing markets.

Source: Company Reports & Team Analysis

Appendix 6: Standalone Emission Services BC ACTIVATE

	Standalone Emission Services	Emission Services are embedded in General Services	Emission Services are not yet developed or in early-stage
Burckhardt Compression **BC Activate**	x		
COMPETITORS			
ATLAS Copco		x	
SIEMENS energy			x
Baker Hughes		x	
PEERS			
Sulzer		x	
Schindler			x
General Electric			x
Technip Energies		x	
VAT Group			x

Source: Company Reports & Team Analysis

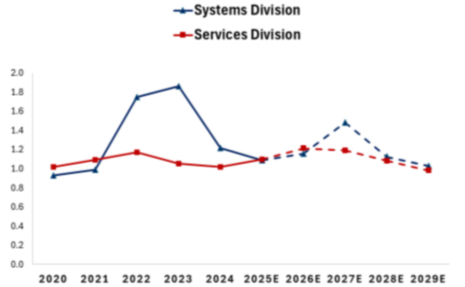
Appendix 7: Service Differentiation

Aspect	Burckhardt Compression	Siemens	Atlas Copco
Core Technology	↗	↗	↗
Customization	↗	↓	→
Emissions Reduction Focus	↗	↗	→
Compatibility with OBC	↗	↓	↓

Source: Company Reports & Team Analysis

Appendix 8: Book-to-Bill Ratio

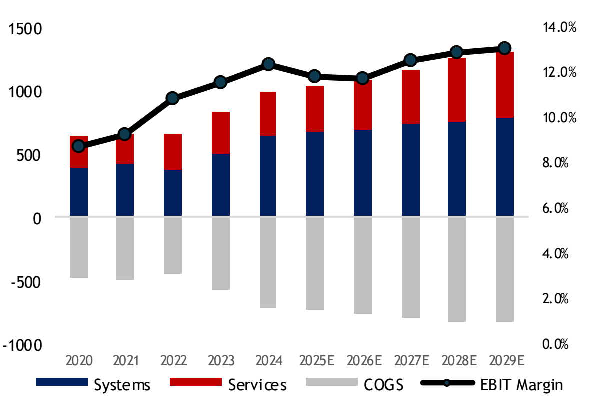
Year	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Systems Division	0.9	1.0	1.7	1.9	1.2	1.1	1.2	1.5	1.1	1.1
Services Division	1.0	1.1	1.2	1.1	1.0	1.1	1.2	1.2	1.0	1.0



> 1: Strong backlog, robust pipeline
= 1: Stable
< 1: Consumed backlog, slowdown demand

Source: Company Reports & Team Analysis

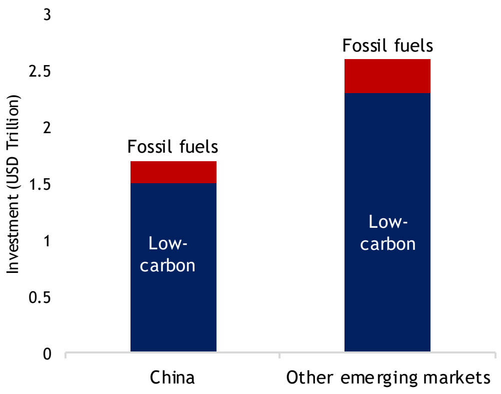
Appendix 9: Revenue & COGS



Source: Company Reports & Team Analysis

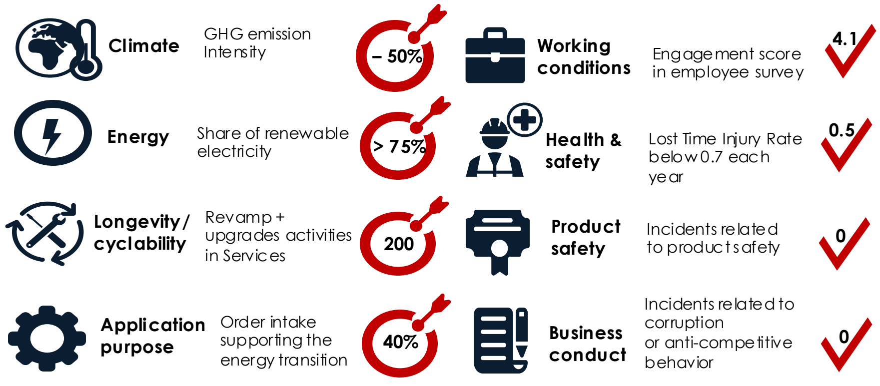
Appendix 10: Energy Investment and Targets achieved

Average annual energy investment across 2024-2050



Source: Bloomberg & Team Analysis

Sustainable Target 2027 & Achieved 2023



Appendix 11: SWOT Analysis

S

- Global operations in 83 countries
- Niche and superior technology
- Comprehensive service offering
- Strong Governance tied to sustainable practices

W

- Revenue concentration in China
- Marine markets are reliant on regulations for new system sales

O

- Renewable transition could potentially open new revenue sources for the company
- Low pressure BOG markets can be captured with their superior technology

T

- Cyclical exposure to oil and gas industries could warrant additional scrutiny.
- Cheaper third party service providers could affect business in the future

Source: Team Analysis

Appendix 12: Porter's 5 forces

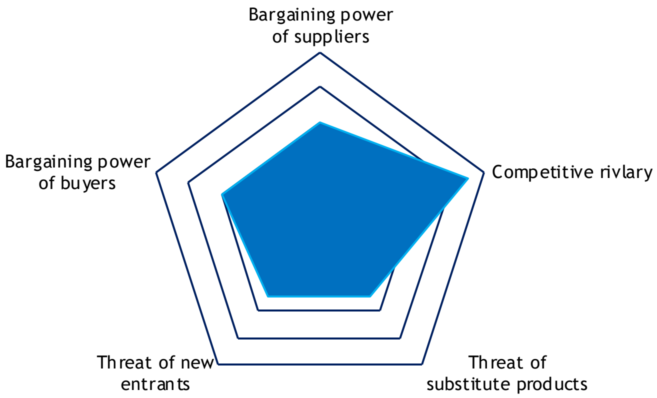
Bargaining Power of suppliers - 3
- Plenty of supplier network worldwide
- Local sourcing assures timely sourcing

Bargaining Power of buyers - 3
- Customers prepay partial costs upfront
- High switching Costs

Threat of new entrants - 2.5
- High Investment costs
- Specialized professionals required for manufacturing and service
- High margins in service might attract new competition

Threat of substitute products - 2.5
- Patents ensures low substitutes

Competitive Rivalry - 2.5
- No direct competitor
- Energy markets may gain new competitors depending on the development of the market



Score from 1-5 with 5 representing the biggest threat

Source: Company report & Team Analysis

ENVIRONMENT

Criteria	Burckhardt Compression	Atlas Copco	Ingersoll Rand	Siemens Energy
GHG Emissions	Aims to cut GHG intensity by 50% in 2027, through emission reduction and renewable energy.	Aims to cut Scope 1 & 2 emissions by 46% by 2030 focusing on energy efficiency.	Aims to cut GHG emissions by 60% by 2030 focusing on sustainable products.	Aims to reach net-zero and GHG emissions by 90% by 2030 with strong progress
Target Reduction	4	6	4	5
Implementation	4	5	4	5
Renewable Energy	5	5	3	6
Disclosure	4.0: Annual Sustainability reports detail environmental activities, past actions, and impacts, but exclude total Scope 3 emissions.	6.0: Annual reports disclose detail environmental activities on past actions, plans and objectives.	5.0: Annual reports disclose relevant environmental activities on past actions, plans and objectives.	5.0: Sustainability reports disclose detail environmental activities on past actions, plans and objectives.
Speed of Action	4	5	4	5
Materiality	5	6	5	5
Environment	4.3	5.5	4.2	6
Standardised*	71.7%	91.7%	70.0%	88.3%

SOCIAL

Criteria	Burckhardt Compression	Atlas Copco	Ingersoll Rand	Siemens Energy
Workplace Health & Safety	5.0: LTIR of 0.5, below the target of 0.7, reflecting strong safety measures.	4.0: Regularly safety and health risks assessments, but no key performance measures available.	6.0: LTIR of 0.06 with strong safety initiatives, and 89,200+ hours of safety training.	5.0: Strong safety performance, LTIFR of 0.24. and programs like Healthy and Safe @ Siemens.
Safety training	4	5	6	5
Incident Investigation	5	5	5	5
Workforce	Workforce satisfaction participation rate was 93%,	Satisfaction rate of 83% according to survey	Improved employee satisfaction YOY.	Improved satisfaction due to high wages
Diversity & Inclusion	4	5	5	5
Employee Satisfaction	5	5	5	5
Disclosure	5.0: Comprehensive safety and diversity reporting with external verification	4.0: Diversity and employee satisfaction but no safety reporting.	5.0: Transparent, detailed reporting on safety, diversity and employee satisfaction.	5.0: Transparent, detailed reporting on safety, diversity aligned with GRI and SASB.
Speed & Action	4	5	5	5
Social	4.6	4.7	5.3	5
Standardised*	**76.7%**	**78.3%**	**88.3%**	**83.3%**

GOVERNANCE

Criteria	Burckhardt Compression	Atlas Copco	Ingersoll Rand	Siemens Energy
Board of Directors	All members are independent and have diverse expertise.	Independent and non-independent members with significant industry experience.	All members are independent with diverse expertise.	Almost all members are independent with diverse expertise.
Independence	6	3	6	3
Experience	6	5	5	6
Diversity	4	4	3	4
Management	relevant industry expertise with compensation tied to company performance.	Relevant industry expertise with compensation tied to company performance	Management has relevant industry expertise.	Relevant industry expertise and compensation tied to company performance.
Experience	5	5	5	5
Diversity	4	4	3	4
Compensation Structure	5	5	0	5
Shareholder Rights	5.0: Shareholder rights are protected, with no significant concerns.	5.0 Shareholder rights are well- protected, with no significant concerns.	5.0: Shareholder rights are protected, with no significant concerns.	5.0: Shareholder rights are well-protected, with no significant concerns.
Disclosure	6.0: Detailed disclosure and relevant financial reporting.	5.0: Detailed disclosure and financial reporting.	4.0: Relevant financial reporting, no compensation reporting.	5.0: Detailed disclosure and relevant financial reporting.
Governance	5.1	4.5	3.9	4.6
Standardised for comparison	**85.0%**	**75.0%**	**65.0%**	**76.7%**
Overall	4.7	4.9	4.5	5
Standardised*	**78.30%**	**81.70%**	**75%**	**83.30%**

Source: Team Analysis

* Standardised for comparison with other rating agencies

ESG OVERALL SCORES

Siemens Energy	Atlas Copco	Burckhardt compression	Ingersoll Rand
83%	81%	78%	75%

Rating		UNINE Assessment
83%-100%	6	Exceptional ESG performance with proactive effort.
67%-83%	5	Strong ESG practices with active improvement.
50%-66%	4	Meets standards with moderate efforts.
33.4%-50%	3	Barely meets ESG with limited efforts.
16.7%-33.3%	2	Poor ESG, minimal improvement effort.
0-16.6%	1	Fails ESG, no effort to improve.

Source: Team Analysis

Appendix 14: Board of Directors

Name	Position	Year Joined	Background
Ton Büchner	Chair non-executive; Chair SSC	2020	A Swiss-Dutch executive who brings extensive multinational leadership experience as former CEO of AkzoNobel and Sulzer AG. Joined in 2020 as Board Chair and leads the Strategy and Sustainability Committee. His engineering background combined with executive experience positions him well to guide Burckhardt's strategic direction
Dr. Stephan Bross	Board Member non-executive; member NCC	2014	Joined in 2014bringing deep technical expertise from his mechanical engineering background and leadership at KSB AG. His experience in global service business and pump manufacturing strengthens the company's technical oversight and service strategy development.
David Dean	Board Member non-executive; Chair AC	2019	Joined in 2019 after serving as CEO of Bossard Group. Brings strong financial expertise as a certified accounting expert and public accountant. His experience in global supply chains and international markets enhances the board's financial oversight capabilities
Dr. Monika Krüsi	Board Member non-executive; member SSC	2012	Joined in 2012bringing expertise in strategy consulting and process management. Her background in business administration and information technology strengthens the company's strategic planning and innovation initiatives.
Maria Teresa Vacalli	Board Member non-executive; member AC; member NCC	2022	Joined in 2022 bringing digital transformation expertise from her role as CEO of Bank Cler. Her ETH engineering degree and experience in operations management adds valuable technological perspective to the board.
Kasper Kelterborn	Board Member non-executive; member AC	2023	Newest board member since 2023 bringing financial expertise and serving on the Audit Committee. His education from the University of St. Gallen and various board experiences strengthen financial oversight

Source: Company report & Team Analysis

Appendix 15: Management Team

Name	Position	Year Joined	Background
Fabrice Billard	CEO	2016	Appointed CEO in 2022 bringing aerospace engineering expertise and previous success leading Burckhardt's Systems Division. His experience in turnaround management and hydrogen initiatives positions him well to drive company growth.
Rolf Brändli	CFO	2008	Serving since 2008, brings extensive international finance experience from previous roles at Sulzer. His long tenure provides valuable financial continuity and deep understanding of the company's operations.
Vanessa Valentin	Chief Human Resources Officer	2022	Joined in 2022 as Chief Human Resources Officer, bringing expertise in organizational development from her psychology and HR education background. Focuses on talent development and organizational culture enhancement.
Rainer Dübi	President Services Division	2003	With the company since 2003, brings deep technical knowledge and extensive experience in compressor systems. His long tenure and diverse roles within the company provide valuable operational insights.
Andreas Blautsch	President Systems Division	2022	Joined in 2022 bringing technical expertise with his mechanical engineering background and PhD. Leads the systems division with focus on product development and market expansion.

Source: Company report & Team Analysis

Appendix 16: Revenue By Segment

	HISTORICAL					FORECAST					TRANSITION		
In CHF millions	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29	Mar-30	Mar-31	Mar-32
Systems	388	410	373	490	643	669	697	736	772	803	839	874	900
% Growth	3%	6%	-9%	31%	31%	4%	4%	6%	5%	4%	4.5%	4.1%	3.0%
Service	241	249	278	340	339	360	387	425	474	525	559	582	600
% Growth	7.8%	3.1%	11.7%	22.3%	-0.2%	6.0%	7.5%	10.0%	11.5%	12.0%	6.6%	4.1%	3.0%
Total	630	659	651	830	982	1028	1084	1161	1246	1328	1399	1456	1500
%Growth	5.1%	4.6%	-1.2%	27.5%	18.4%	4.7%	5.4%	7.1%	7.4%	6.6%	5.30%	4.10%	3%

Source: Company report & Team Analysis

Appendix 17: Forecasted Income statement

	HISTORICAL					FORECAST					TRANSITION		
in CHF mln	Mar.20	Mar.21	Mar.22	Mar.23	Mar.24	Mar.25	Mar.26	Mar.27	Mar.28	Mar.29	Mar.30	Mar.31	Mar.32
Sales	630	659	651	830	982	1028	1084	1161	1246	1328	1399	1456	1500
(COGS)	(480)	(492)	(460)	(585)	(720)	(747)	(777)	(825)	(879)	(923)	(951)	(990)	(1020)
Gross Profit	150	166	191	245	262	281	306	336	368	405	448	466	480
(OPEX)	(585)	(602)	(586)	(721)	(864)	(901)	(947)	(1014)	(1087)	(1151)	(1190)	(1240)	(1280)
EBITDA	66	78	85	131	137	149	160	171	184	202	230	238	242
(Depreciation& Amortization)	(21)	(21)	(20)	(22)	(19)	(21)	(23)	(24)	(24)	(25)	(21)	(22)	(22)
EBIT	45	57	65	109	118	127	137	147	160	177	209	216	220
Financial Income (expense)	(4)	0	(5)	(4)	(3)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(6)
EBT	41	57	60	105	115	120	130	140	153	170	202	209	214
Tax	(7)	(12)	(15)	(25)	(28)	(29)	(31)	(34)	(37)	(41)	(48)	(50)	(51)
Net Income	34	45	46	80	88	100	108	115	125	139	161	166	169

Source: Company report & Team Analysis

Appendix 18: Forecasted Balance Sheet

	HISTORICAL					FORECAST				
in CHF mln	Mar.20	Mar.21	Mar.22	Mar.23	Mar.24	Mar.25	Mar.26	Mar.27	Mar.28	Mar.29
Cash & Cash Equivalents	90	75	101	129	107	203	219	284	324	451
Accounts Receivables	256	260	259	246	360	384	404	432	441	434
Inventories	264	151	192	286	317	330	343	364	388	407
Prepaid Expenses	3	5	3	3	6	4	4	4	4	4
Other current assets	37	56	66	71	68	60	63	37	60	77
Total Current Assets	651	547	622	735	857	981	1033	1121	1216	1374
Long-term Investments	4	4	4	4	5	4	4	4	4	4
Property, Plant & Equipment, Gross	203	180	183	172	173	185	195	209	224	239
Other Non-Current Assets	14	15	16	18	18	16	16	17	17	17
Intangible Assets	12	12	13	12	12	12	12	12	12	12
Total Non-Current Assets	232	211	217	205	208	218	228	243	258	273
Total Assets	883	758	839	941	1065	1199	1261	1364	1474	1646
Accounts Payable	91	92	97	109	143	146	152	161	171	193
Accrued Expenses	77	66	85	108	114	132	126	136	146	172
Short-Term Loans & Liabilities	2	2	10	11	29	35	37	48	63	32
Current Portion of LT debt	93	25	29	4	127	56	48	53	198	70
Other Current Liabilities	174	191	218	285	257	271	280	294	306	330
Total Current Liabilities	437	376	439	518	670	639	642	691	884	797
Long-term Debt	89	133	129	132	63	173	170	166	23	223
Other Non-Current Liabilities	40	30	28	30	35	49	69	83	95	98
Total Non-Current Liabilities	128	163	157	162	98	222	239	249	118	321
Total Liabilities	566	539	596	679	768	861	881	940	1002	1118
Common Equity - Contributed	9	9	9	9	9	9	9	9	9	9
Common Stock - Treasury/Repurchased	5	2	2	16	7	6	7	7	9	7
Reserves & Retained Earnings	270	213	236	268	295	335	377	423	472	527
Common Equity	273	219	242	261	297	337	379	424	472	528
Minority Interest	44	1	1	0	0	1	1	1	1	1
Total Shareholders' Equity	318	220	243	262	298	337	379	424	472	529
Total Liabilities & Shareholders' Equity	883	759	839	941	1066	1199	1261	1364	1474	1646

Source: Company report & Team Analysis

Appendix 19: DuPont Analysis

	HISTORICAL					FORECAST				
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Net Profit Margin	5.5%	6.8%	7.1%	9.6%	8.9%	9.8%	9.9%	10.0%	10.1%	10.4%
Total Assets Turnover	0.71	0.87	0.78	0.88	0.92	0.90	0.90	0.93	0.94	0.94
Returns on Assets (ROA)	3.90%	5.49%	5.79%	8.99%	8.03%	8.39%	8.84%	9.25%	9.55%	9.92%
Returns on Equity (ROE)	10.85%	16.77%	20.00%	31.72%	28.82%	29.93%	30.34%	30.23%	30.56%	31.74%

Source: Company report & Team Analysis

Appendix 20: Key Financial Ratios

	HISTORICAL					FORECAST				
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27	Mar-28	Mar-29
Quick Ratio	1.1	1.1	1.1	0.9	1.0	1.0	1.0	1.1	1.0	1.1
Debt-to-equity ratio	64%	71%	71%	72%	72%	72%	70%	69%	68%	68%
Net profit margin	5.5%	6.8%	7.1%	9.6%	8.9%	9.8%	9.9%	10.0%	10.1%	10.4%
Interest coverage	16.5	17.9	20.1	28.3	26.6	39.0	47.6	55.2	73.8	64.9
EPS	12.6	14.0	14.8	20.7	26.5	24.8	26.4	32.6	38.8	42.3
Inventory turnover	1.8	3.3	2.4	2.0	2.3	2.3	2.3	2.3	2.3	2.3
Receivables turnover	2.2	2.1	2.0	2.6	2.3	2.2	2.2	2.2	2.2	2.2
Payables turnover	5.3	5.3	4.7	5.4	5.0	5.0	4.7	4.5	5.1	5.1
Working capital turnover	2.9	5.3	5.4	7.9	4.5	4.6	4.4	5.6	5.4	5.5

Source: Company report & Team Analysis

ALTMAN Z-SCORE: 7.8 Low Risk of Bankruptcy
PIOTROSKI SCORE: 7.5 Strong Financial Health

Appendix 21: Discounted Cash Flow Model

	HISTORICAL					FORECAST					TRANSITION		
in CHF mln	Mar.20	Mar.21	Mar.22	Mar.23	Mar.24	Mar.25	Mar.26	Mar.27	Mar.28	Mar.29	Mar.30	Mar.31	Mar.32
EBIT*(1-tax)	45	57	65	109	118	127	137	147	160	177	209	216	220
+Depreciation	21	21	20	22	19	19	19	19	19	20	21	22	22
Net Working Capital	219	123	121	103	236	229	256	247	270	228	211	264	334
-change in NWC		-96	-2	-18	132	-7	27	-9	23	-42	45	53	70
-CAPEX		34	20	23	21	26	21	24	25	26	34	37	35
Free Cash Flow		142	49	102	-49	103	77	121	99	176	151	148	137
Discount Factor						0.99	0.94	0.87	0.81	0.76	0.7	0.65	0.61

PV of FCF	493
PV of Terminal Value	2'488
Equity Value	2'905
Shares outstanding	3.4

Implied Price	CHF 857

Source: Company report & Team Analysis

Appendix 22: WACC & Terminal Growth Computation

Company	Levered Beta	Unlevered Beta
ATLAS COPCO		
SIEMENS energy	0.7	0.57
BAKER HUGHS	1.4	1.35
SULZER	1.2	1.08
Burkhart Compression	1.7	1.45
Average		1.11
Target Debt Level		0.14
Tax Rate		23%
Levered Beta		1.23

WACC CALCULATION	
MARKET VALUE OF EQUITY	CHF 1'921
NET DEBT	CHF 86
ENTERPRISE VALUE	CHF 2'007
DEBT TO TOTAL CAPITALIZATION	8%
EQUITY TO TOTAL CAPITALIZATION	92%
COST OF DEBT	
PRE-TAX COST OF DEBT	1.7%
TAX RATE	23%
AFTER-TAX COST OF DEBT	1.3%
COST OF EQUITY - CAPM	
RISK FREE RATE	0.5%
EQUITY RISK PREMIUM	6%
LEVERED BETA	1.26
COST OF EQUITY	8.1%
WACC	7.52%

Cost of Debt; We use the high and low of the Swiss 10-year bond and divide it by 2 to arrive at a risk-free rate of 0.5%. By adding Burckhardt's debt implied corporate spread to the risk-free rate and subtracting taxes , we obtain an after-tax cost of debt of 1.3%.

Cost of Equity: We re-lever the beta of near peers to compute Burckhardt's beta of 1.26. Using the CAPM we calculated a cost of Equity of 7.06%.

Source: Refinitiv, Company report & Team Analysis

Cost of Debt; We use the high and low of the last 5 year swiss 10 year bond and divide it by 2 to arrive at a risk free rate of 0.5%. By adding Burckahardt's debt implied corporate spread to the risk free rate and subtracting taxes , we obtain an after tax cost of debt of 1.3%.

Cost of Equity: We relever the beta of near peers to compute Burckhardt's beta of 1.26. Using the CAPM we calculated a cost of Equity of 7.06%.

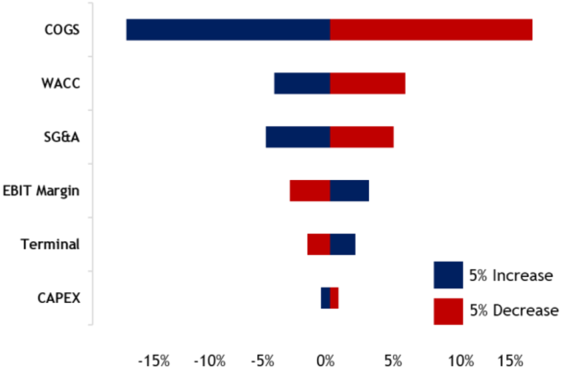
Country	Weight	LT GDP	Weighted GDP
North America	11%	3.10%	0.34%
China	35%	3.40%	1.19%
Europe	22%	2.50%	0.55%
Other Asia	26%	3.20%	0.83%
Middle East	4%	2.40%	0.10%
Weighted Average Terminal Growth Rate			3.0%

Source: Company report & Team Analysis

Appendix 23: Sensitivity Analysis

We conduct a sensitivity analysis to evaluate the significance of changes in key inputs on our valuation.

	6.9%	7.1%	7.3%	7.5%	7.7%	7.9%	8.1%
2.6%	*38.0%*	*33.0%*	*26.0%*	*20.0%*	*18.0%*	*13.0%*	*7.0%*
2.8%	*45.0%*	*38.0%*	*31.0%*	*26.0%*	*20.0%*	*15.0%*	*11.0%*
3.0%	*51.0%*	*44.0%*	*37.0%*	*32.0%*	*25.0%*	*19.0%*	*14.0%*
3.2%	*59.0%*	*51.0%*	*43.0%*	*36.0%*	*29.0%*	*24.0%*	*19.0%*
3.4%	*67.0%*	*58.0%*	*50.0%*	*42.0%*	*25.0%*	*29.0%*	*23.0%*



Share Price Sensitivity

Source: Team Analysis

Appendix 24: Monte Carlo Simulation

To assess how Burckhardt's stock price would be affected by uncertainty, we conducted a Monte Carlo Simulation. In the simulation, we stress the following parameters:

1) WACC
2) Terminal Growth rate
3) Revenues
4) COGS

The mean and standard deviation are based on historical values.

Results: We observe a 65% probability of obtaining a share price more than 10% above the current price, confirming our BUY recommendation. Only 21% of the scenarios lead to a Sell recommendation.

SIMULATION STATISTICS	
Trials	100000
Mean	CHF 886
25th Percentile	CHF 603
Mean Upside %	32%
Median	CHF 845
75th Percentile	CHF 1112
Standard Deviation	362.0
Coefficient of Variation	0.3
Skewness	0.7
Kurtosis	0.3
% Above 10% Upside	61.2
% Above 45% Upside	37.4

Source: Team Analysis

Appendix 25: Relative Valuation

Burckhardt Compression's dual business model—comprising systems manufacturing and energy/services—requires a segmented valuation approach.
Systems: For the capital-intensive systems segment, we selected peers specializing in industrial machinery, focusing on energy, petrochemicals, and LNG applications.
Energy/Services: For the high-margin, recurring revenue services segment, we compared companies using a *razor-and-blade model* with a focus on aftermarket services and long-term contracts.

Compressor/Machinery Group

		EV/SALES			EV/EBIT			P/E		
Company Name	**Ticker**	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Atlas Copco	ATCO-ST	4.92x	4.66x	4.38x	23.40x	20.90x	19.50x	28.10x	26.60x	24.10x
Baker Hughes	BKR	1.67x	1.63x	1.58x	14.50x	12.10x	11.00x	18.50x	16.80x	15.00x
Ingersoll Rand	IR	6.18x	5.79x	5.49x	28.80x	26.10x	23.80x	30.70x	28.80x	26.40x
Elgi Equipments	ENR.DE	0.82x	0.76x	0.70x	26.00x	19.40x	9.60x	20.00x	22.00x	17.60x
General Electric	GE	2.51x	2.27x	2.02x	13.90x	11.30x	9.80x	16.70x	12.20x	9.60x

Energy and Services Group

		EV/SALES			EV/EBIT			P/E		
Company Name	**Ticker**	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
VAT group	VACN	11.12x	8.59x	7.08x	41.00x	29.00x	22.80x	48.80x	33.40x	26.60x
Kone	GE	4.35x	4.10x	3.65x	22.50x	19.90x	17.40x	41.40x	34.80x	30.00x
Sulzer	SUN.S	1.38x	1.30x	1.24x	13.00x	11.40x	10.50x	18.80x	15.30x	15.00x
Schindler	SCHND	2.19x	2.14x	2.10x	19.70x	17.60x	16.50x	28.30x	26.40x	24.70x
Technip Energies	TE.PA	0.23x	0.21x	0.19x	3.20x	2.90x	2.70x	10.40x	9.50x	8.80x

Source: Company report & Team Analysis

Metric	EV/EBIT	P/E
Selected Multiple	21.3	24
Metric	132.0	112.2
EV*Multiple	2706.0	2692.8
Market Cap	3.4	3.4
Share price	799.0	791.0

The multiples are calculated using Burckhardt's **1-year forward EBIT** and the estimated multiples assigned to the company. To determine the target price, we first calculated the mean multiple for the Service and System peer groups. These mean multiples were then weighted by the revenue contributions of Burckhardt's Service and Systems divisions, providing a composite multiple. The estimated enterprise value was adjusted by subtracting debt, and the result was divided by the number of outstanding shares to derive the 12-month target price.

Source: Company report & Team Analysis

Peer Selection Table

Company	Size (EV)	Line of Business	Revenue CAGR	EBITDA Margin	Total Leverage	Dividend Yield
Atlas Copco	●○○○○	●●●○○	●●●○○	●●●●○	●●●○○	●●○○○
Ingersoll	●●○○○	●●●○○	●●●○○	●●●●○	●●●○○	●○○○○
Baker Hughes	●●○○○	●●○○○	●●●○○	●●●●○	●●●●○	●●●○○
General Electric	●○○○○	●●●○○	●●●●○	●●●●○	●○○○○	●●●○○
Elgi Equipments	●●●●○	●●●○○	●●○○○	●●●○○	●●●●○	●●●●○
Schindler	●●○○○	●○○○○	●●○○○	●●○○○	●●○○○	●●○○○
Kone	●●○○○	●○○○○	●●○○○	●●○○○	●●○○○	●●●●○
Sulzer	●●○○○	●●●○○	●●●○○	●●●○○	●○○○○	●○○○○
VAT group	●○○○○	●●○○○	●●○○○	●●○○○	●○○○○	●●●●○
Technip Energies	●●●●○	●●●○○	●●○○○	●●○○○	●●●●○	●●●●●

Source: Company reports & Team Analysis

●●●●● = Highly similar ○○○○○ = Not at all similar

Appendix 26: Key Assumptions

Sales	Net Sales: After strong performance in FY24 with 18.4% growth, Burckhardt Compression expects moderated growth averaging 5.8% annually through FY29. The Services Division's contribution is strategically increasing, driven by the company's focus on aftermarket services and digital solutions.
Cost of Raw materials	Cost of Raw Materials: The steady decline in COGS ratio from 73.3% to 64.4% reflects Burckhardt's investment in manufacturing efficiency and strategic sourcing initiatives. The company is leveraging its global supply chain network to optimize costs while maintaining quality.
Value engineering effect on COGS	Value engineering adoption rate and impact has been more conservative than management reports. Expected decrease is on avg around 9%
Operating Expenses	Operating Expenses: The company is implementing cost control measures while maintaining investment in R&D and market expansion. Operating expenses are expected to grow more slowly than revenue, improving operational leverage.
Tax	Expected remain stable at 23%
Financial Expense	Financial Expense: Non-operating expenses are maintained at a conservative 0.3% of revenue, reflecting Burckhardt's prudent financial management and strong balance sheet position.
Systems	Systems Division: Growth moderation from 31.3% to 3.5% reflects market normalization after exceptional FY24 performance. Margin improvement from 16.8% to 26.0% shows successful execution of efficiency initiatives.
Services	Services Division: The higher growth trajectory in services (5.5%-13% range) aligns with Burckhardt's strategy to expand its recurring revenue base. Margin expansion to 50.0% demonstrates the division's increasing operational leverage.
Debt	Expected to remain stable despite issuance of new bond which is mainly used to refinance existing debt

Source: Team Analysis

Appendix 27: References

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