Bilfinger SE

Bilfinger SE Company Presentation

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Overview

Bilfinger at a glance

- **Leading international industrial services provider**
- **Efficiency enhancement of assets**, ensuring a **high level of availability** and reducing **maintenance costs**
- **Clear 2-4-6 strategy** with **two** service lines, **four** regions and **six** focus industries
- Combination of **CAPEX-driven** (E&T) and **OPEX-driven business** (MMO)
- Large share of business with long-term **frame contracts** and **high retention rates**
- **Well-established customer base** with focus on process industries
- **Highly recognized safety and quality** performance
- **Digital pioneer** for the process industry

€4bn revenue

thereof recurring business >60%

Orders Received* +13%

€3.0m EBITA adjusted

Approx. 36,000 employees

based on FY 2017 and *9m 2018

Back to Profitable Growth

2 Service Lines, 4 Regions, 6 Industries

CMD 2017

Our ambition

We engineer and deliver process plant performance

Where to play

2 Service Lines	4 Regions	6 Industries
• **E&T** – Engineering & Technologies • **MMO** – Maintenance, Modifications & Operations	• Continental Europe • Northwest Europe • North America • Middle East	• Chemicals & Petrochem • Energy & Utilities • Oil & Gas • Pharma & Biopharma • Metallurgy • Cement

How to win

- **People & Culture**
- **Customer & Innovation**
- **Organization & Structures**
- **Financials**

Service Portfolio

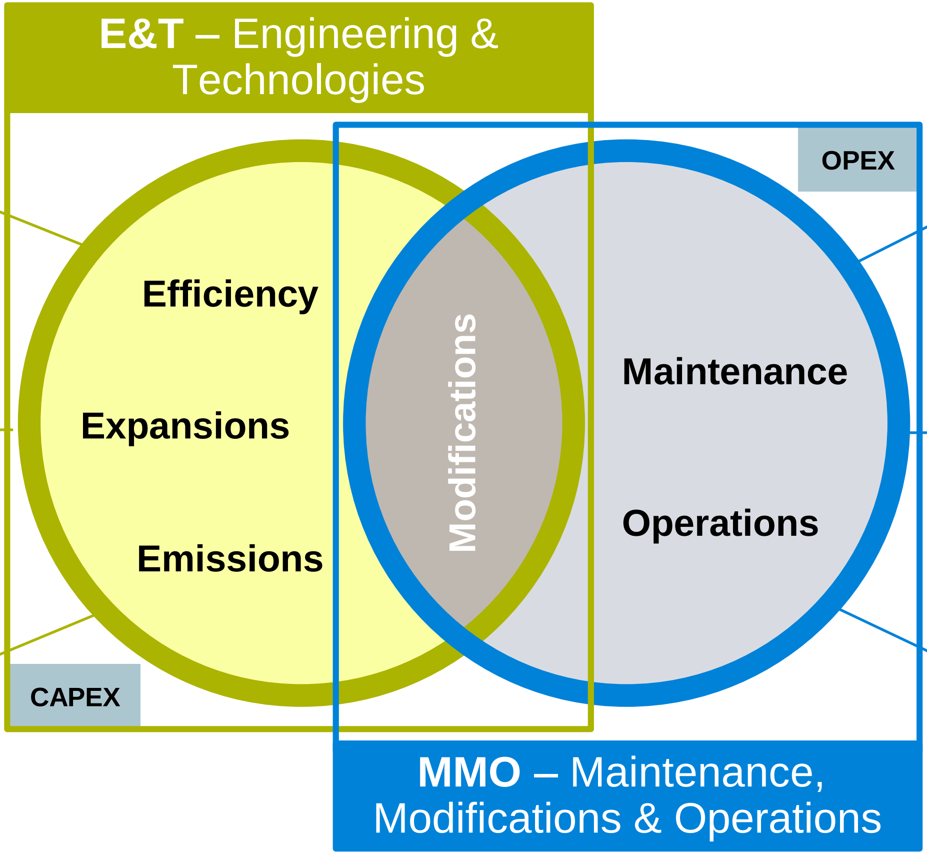
Strong offering for capex and opex driven services

CMD 2017

Packaged Units

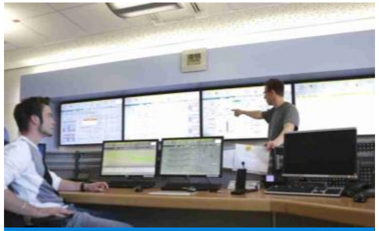
Plant Expansions

De-Sulfurizations



Turnarounds

Maintenance Contracts



Operations

Compliance and integrity

Deferred Prosecution Agreement concluded

Starting Point	First Steps	Effective compliance system	World Class Compliance System
2003 – 2005	2013 – 2015	2016 – 2018	2019 onwards
• Nigeria corruption case	• DPA • Start of monitorship • Exchange of leadership • BCRP start	• Extended DPA • Strong tone from the top • Accelerated BCRP roll-out • Build up of compliance organisation • Reduction of complexity • Change of Culture Program • 12/2018: Compliance program certified by monitor • **End of DPA** ✓	• Continuous improvement • Value based compliance system • Sustainable development • Compliance as competitive advantage

Growth potential through digitalization

Market potential

We see significant market potential in digitalizing the process industry

Estimated market potential

- More than 16,000 plants within 2-4-6 in Continental and Northwest Europe
- ~4,000 of these plants are mid-sized type with strong appetite for digitalization

- Varying acceptance rate per industry – highest acceptance expected in Chemicals & Petrochem, Energy and Oil & Gas
- Yearly volume per actual client expected around 1-2 m EUR

- Total market potential in Europe calculated around 7 bn EUR
- Market penetration mainly driven by availability of brainpower
- Additional market potential in Middle East and North America

Strategic position
Bilfinger is well positioned to be the frontrunner in the IoT of process industries

Process Industry

Digitalization hurdles

- Requirement to improve performance
- Lack of digitalization knowledge

Bilfinger

Building digital bridges

- Deep knowledge of customer needs and processes
- Comprehensive digitalization know-how
- Independent service provider
- Nr.1 in conventional services in Europe

IT Industry

Applicability deficits

- No access to plant operators
- Challenge to apply IoT knowledge to process industries

WE MAKE DIGITALIZATION WORK!

New analysis options

BCAP® provides a better decision-making basis

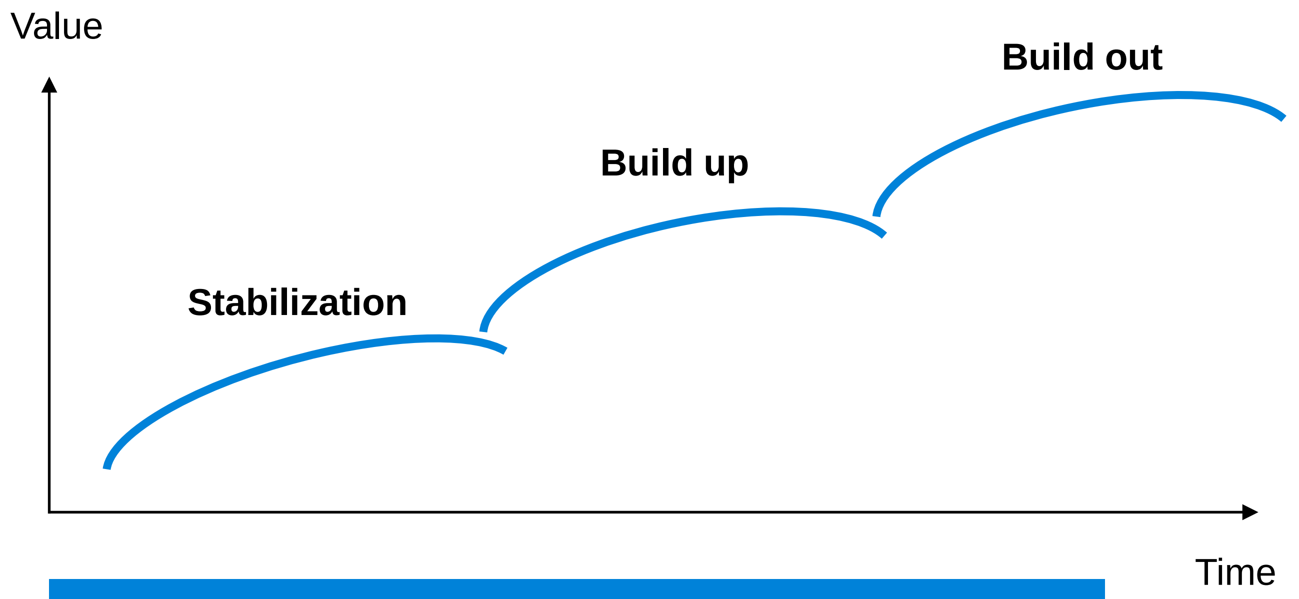
BCAP®
Bilfinger Connected Asset Performance

What has happened?	What could happen?	What should we do?
Descriptive Analytics	**Predictive Analytics**	**Prescriptive Analytics**
Dashboards, reports	**Predictive maintenance**	**Dynamic operation support**

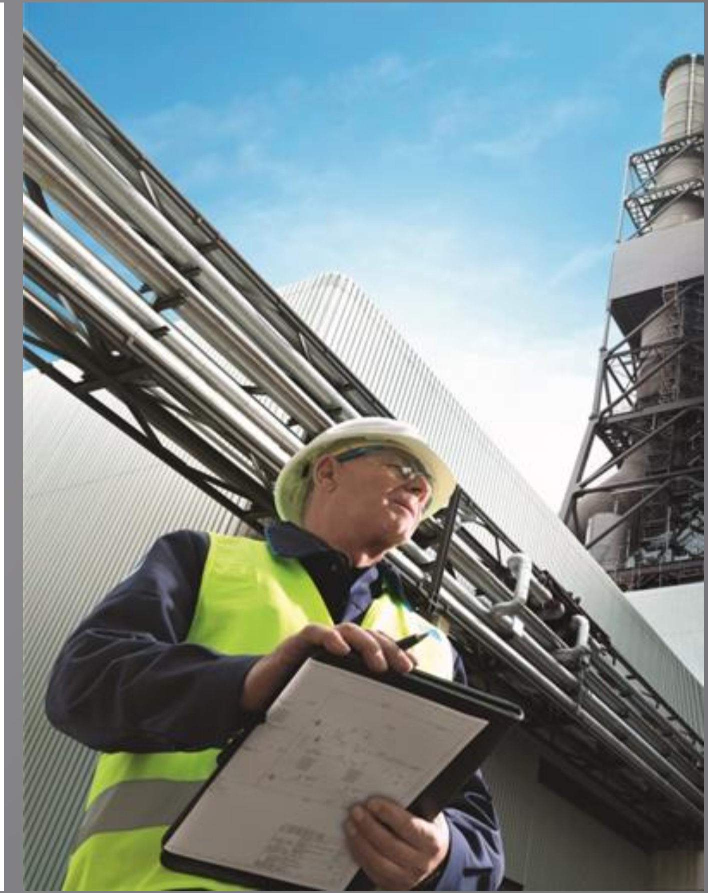
Improving our financial performance

Ambitions will be achieved in three stages

CMD 2017



What does it mean in numbers?
How will we execute?
How will we measure and report progress?



We will address all P&L line-items

CMD 2017

GROSS MARGIN

- LOA[1] process
- Project management

ADDRESSING BOTH LINE ITEMS

- Process and IT harmonization
- Procurement

SG&A RATIO

- Lean headquarters
- Lean structures in the field

Impact on gross margin: improvement of ~200bps

Impact on SG&A ratio: Improvement of ~300bps

AMBITION[2]
EBITA margin increase of ~500bps by 2020

1) Limits of authority 2) Mid-cycle targets

Portfolio rotation 2019 and 2020

Further margin enhancement while keeping a sound balance sheet

Funding sources:

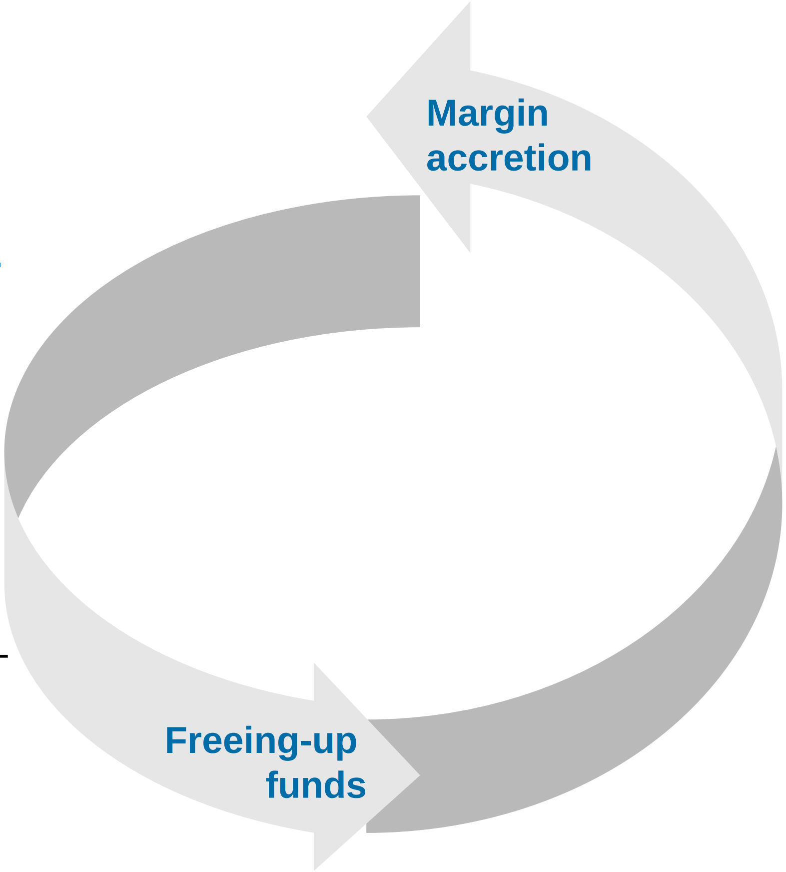
1. Disposal Other Operations (OOP)
4 „accretive“ legal entities to be sold

2. Potential disposal of selected margin-dilutive units

3. Apleona

Vendor‘s Note
€100m, 10% compound interest p.a.
Accrued value 09/2018: €122m

Preferred Participation Note
Book value 09/2018: €233m
→ Typical money multiple of owner EQT would lead to a significant value upside
→ Will receive 49% of sales proceeds (after repayment of debt) at exit



Re-Investment:

- **Strengthening growth regions**
- **Strengthening growth industries**
- **M&A criteria:**
  - EBITA accretive one year after integration, ROCE beats WACC two years after integration
  - Immediate start of comprehensive integration

Targets 2020 and Wrap-up

Bilfinger 2020 – Company passes three phases

Stabilization phase completed

Value

Stabilization ✓

- Strategy defined ✓
- Organization announced ✓
- Execution master plan ✓
- Top Management Team ✓
- Dividend proposed ✓
- B TOP rolled out ✓
- LOA Process rolled out ✓
- SAP roll-ins commenced ✓
- CRM implementation started ✓
- Cash focus in incentive system increased ✓
- Operating performance improved ✓

Build up

- Top line growth resumed ✓
- First successes in new growth areas
- New organization in full swing ✓
- Consistent project management process established ✓
- Net Profit break-even
- Adj. FCF positive latest in FY 2018
- Share buyback completed ✓
- Successfully refinanced

Build out

- Process and System harmonization fully rolled out
- Performance culture established
- Productivity wheel in full swing
- Complexity significantly reduced

Financial ambition reached

Time

Benefit from 49% of the value creation at Apleona

Vendor‘s Note: €100m, 10% compound interest p.a. upon maturity (book value 09/2018: €114m)

Preferred participation note (PPN):

- No management involvement
- Certain information rights, some further rights
- Investment: €195m
- Book value 09/2018: €233m
- Measured at Fair Value through Profit & Loss

Will receive 49% of sales proceeds (after repayment of debt) at exit

Typical money multiple of owner EQT would lead to a significant value upside

Bilfinger 2020
Financial ambition

Organic Growth	Profit	Cash	Return
>5% CAGR based on revenue FY 2017	• **EBITA adjusted ~5%** • Gross margin improvement by ~200bps • SG&A ratio reduction by ~300bps	• Positive **adj. FCF** from 2018 onwards • Over the cycle, from 2018 onwards: Cash Conversion Rate ~ 1 (minus growth adjustment)[1]	Post-tax **ROCE reported**: 8 to 10%

Capital Structure	Investment Grade (mid-term perspective)
Dividend Policy	Sustainable dividend stream going forward Policy: 40 to 60% of adjusted net profit

[1] Cash Conversion Definition: (Adj. EBITA + Depreciation – Change NWC - Net CAPEX) / Adj. EBITA

BACKUP
Quarterly Statement Q3 and Guidance FY 2018

Q3 2018
Stable Quarter, favorable business environment

- Growth in orders received against strong prior year
  Book-to-bill >1
- Revenue growth on track
- EBITA adjusted slightly higher, margin on prior-year level
- Net profit improved
- Free and operating cash flow above prior year
- Outlook 2018 confirmed

Current market situation and trends E&T

Oil & Gas
- Continuing brownfield investments in Europe, greenfield investments developing in gas
- Increasing up- and mid-stream activities in US Shale, in particular for cryo-driven gas strippers

Chemicals & Petrochem
- Brownfield investments in Europe
- Growth in US chemical industry
- Middle East with continued focus on plants to maintain downstream value-add within the region

Energy & Utilities
- Growth perspective especially in European nuclear
- Growing demand on regulatory emissions reduction (in particular IMO)

Pharma and Biopharma
- Ongoing strong demand in Europe
- Increasing interest from Emerging Markets

Current market situation and trends MMO

Oil & Gas
- Steady demand for maintenance services, but competition remains strong
- In the North Sea, early signs for reinvestments in exploration

Chemicals & Petrochem
- Stable demand in Europe and Middle East for maintenance and modifications, evaluation of contracting-out opportunities
- Turnarounds scheduled for 2019 and already 2020

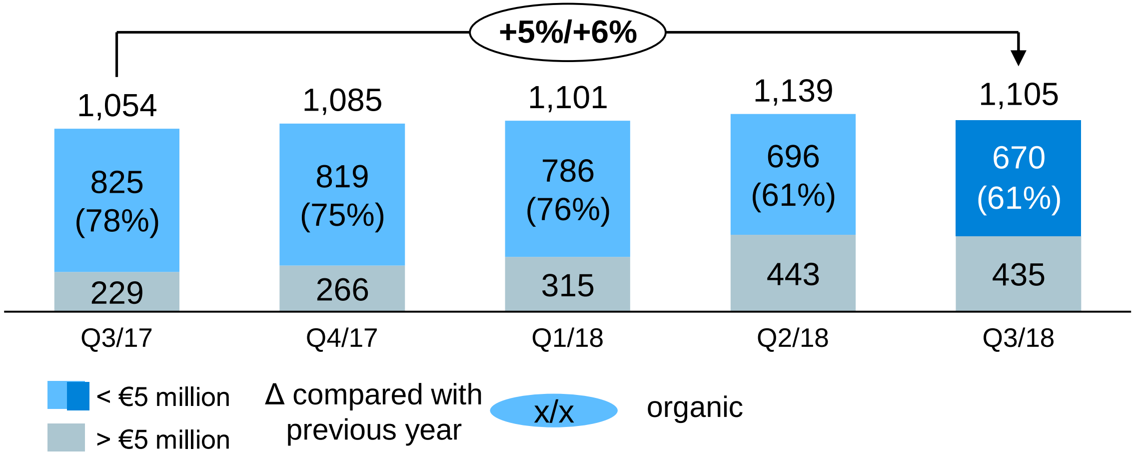
Energy & Utilities
- First steps towards contracting-out of maintenance and operations in Europe
- Shift from conventional to alternative energy in Middle East

Metallurgy
- Ongoing strong demand in Aluminum
- Signs of recovery in steel industry

Continued positive momentum in orders received
Book-to-bill >1

Development of orders received

Orders received (€ million)



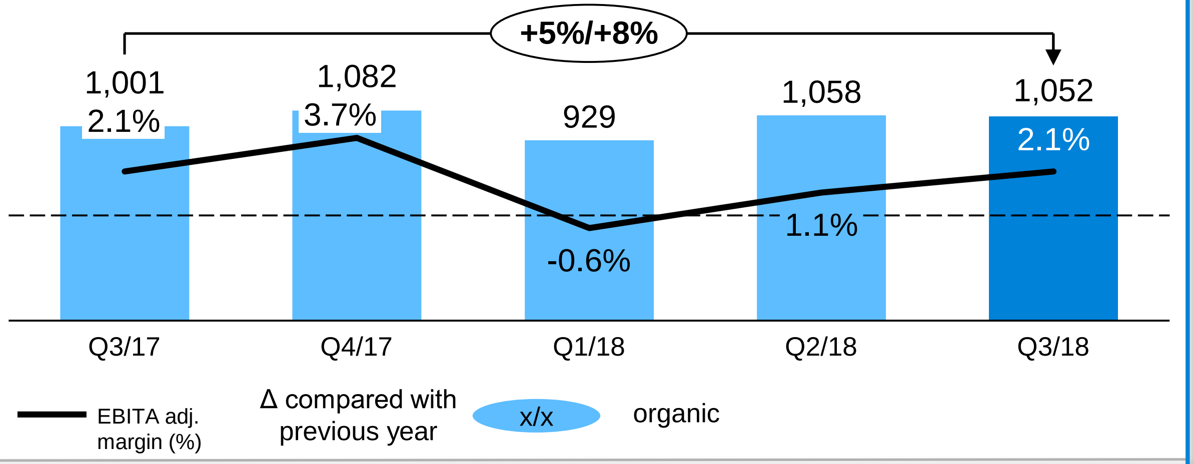
	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18
Book-to-bill ratio	*1.1*	*1.0*	*1.2*	*1.1*	*1.1*
Order backlog (€ million)	*2,536*	*2,531*	*2,689*	*2,767*	*2,828*

- **Orders received:** 5% above strong prior year (org.: +6%), especially positive in E&T
- Share of orders > €5 million once again on high level
- **Book-to-bill:** 1.1
- **Order backlog:** +12% above prior year (org.: +13%)

Again organic growth in revenue, EBITA margin adj. on prior-year level

Development of revenue and profitability

Revenue (€ million)

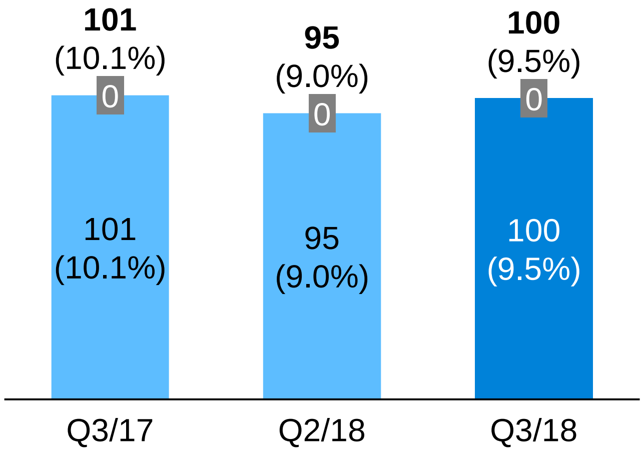


	Q3/17	Q4/17	Q1/18	Q2/18	Q3/18
EBITA adj. (€ million)	*21*	*40*	*-6*	*12*	*22*
EBITA (€ million)	*-6*	*2*	*-11*	*-1*	*11*

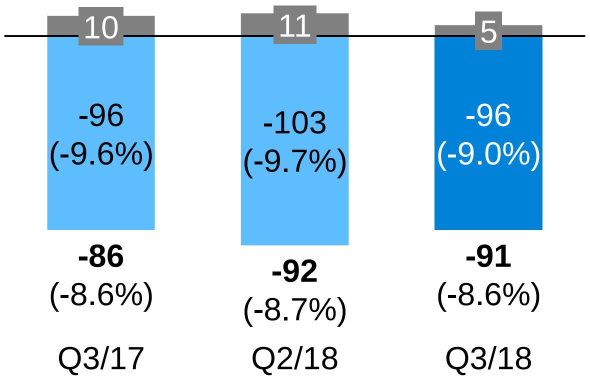
- **Revenue**:
  Increase of +5% (org. +8%) as a result of increased orders received
- **EBITA adj.**:
  Slight increase against prior year (which was marked by positive one-off effect in E&T), margin on prior-year level
- **Special items**:
  Decrease in burdens from special items: €11 million special items: €11 million compared to €26 million in prior year

SG&A ratio continues to move towards target level of 7.5%
Expenses unchanged at ~€90m despite start-up costs for Digitalization and Business Development

Adjusted gross profit (€ million)



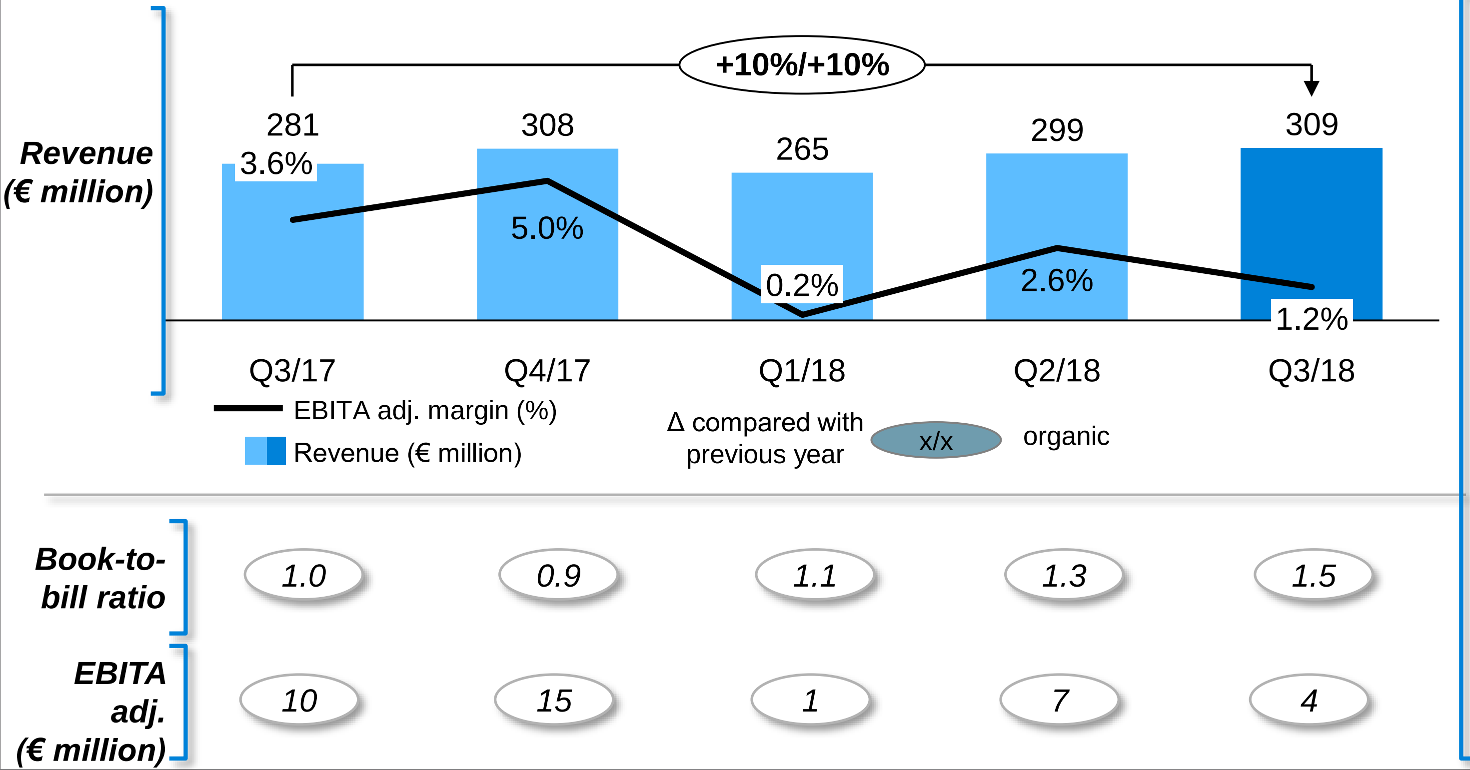
Adjusted selling and administrative expenses (€ million)



Adjustments Reported

E&T: strong orders received as basis for further growth

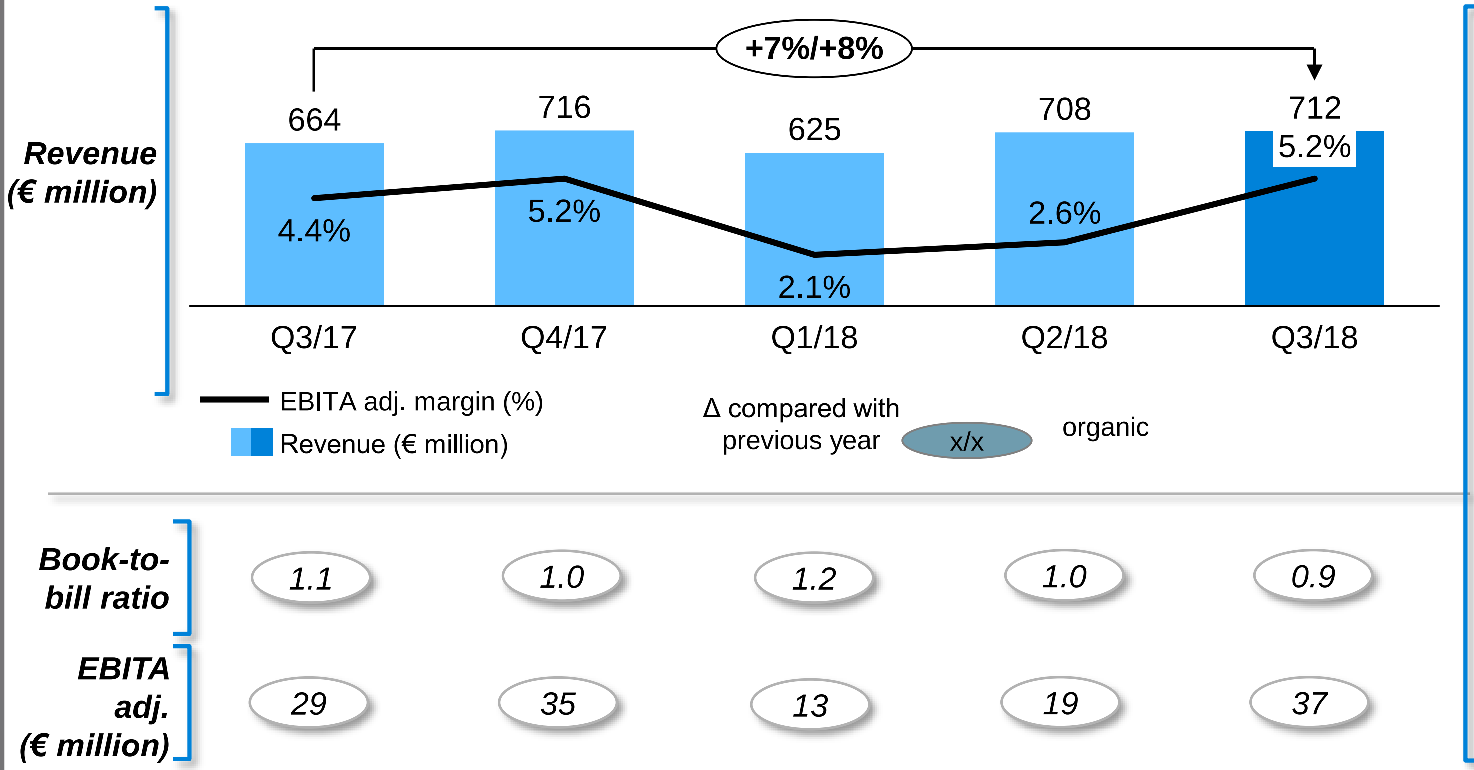
Development of revenue and profitability



- **Orders received:**
  Strong quarter: +64% (org. +63%) compared to low prior-year figure, book-to-bill 1.5
  a.o. due to various contract awards for ship scrubbers
- **Order backlog:**
  €1,013 million, i.e. increase of +29%
- **Revenue**:
  Increased by +10% (org. +10%) on the basis of higher orders received
- **EBITA adjusted**:
  Normalization at still low level, prior-year figure positively impacted by approved claims

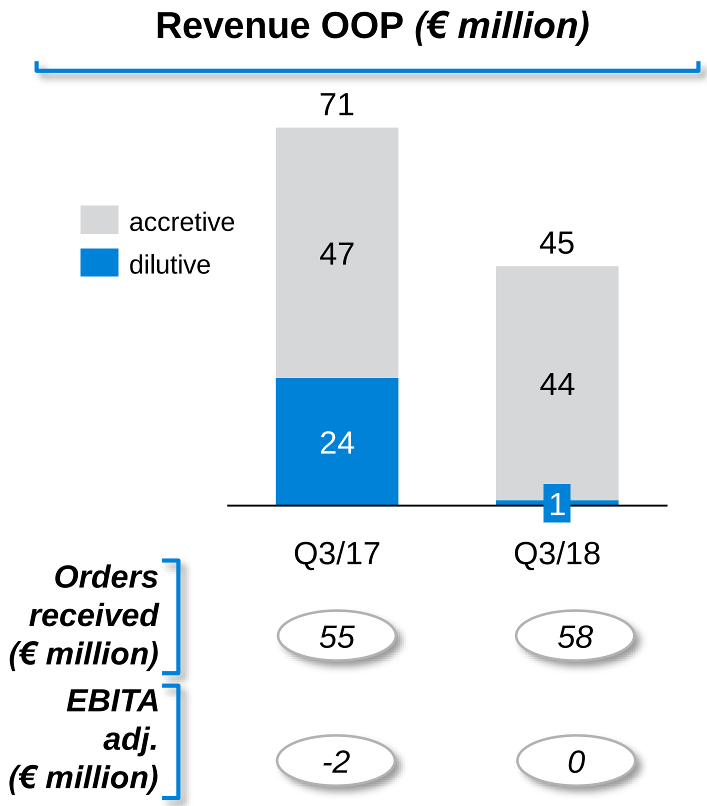
MMO: EBITA margin adj. improved significantly

Development of revenue and profitability



- **Orders received:**
  Decrease as expected
  -16% (org. -15%) compared to prior-year figure, which was impacted by catch-up effects and entry of new framework contracts
- **Order backlog:**
  €1,691 million, i.e. increase of +3%
- **Revenue**:
  Growth by +7% (org. +8%)
- **EBITA margin adjusted**:
  Significant increase

OOP[1]): Focus on disposal of "Accretive" entities



1) Part of Reconcilliation Group

- **Progress M&A track:**

  Dilutive: originally 13 units, meanwhile all have been sold or terminated

  Accretive: four entities, thereof two in sales processes

- **Business development:**

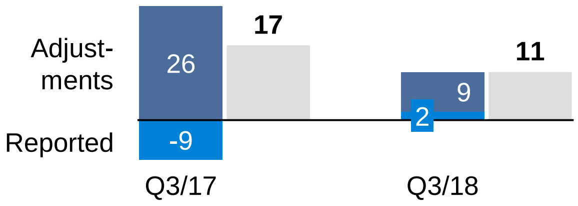
  Orders received with positive development (+6%, org. +29%)

  Revenue declining by -37% mainly due to sale of “dilutive” entities (org. -2%)

  EBITA adj. slightly improved from -€2 to break-even

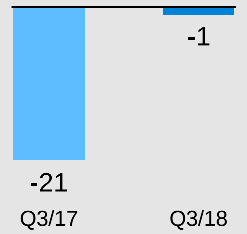
Operating cash flow positive, net profit improved

Adjusted operating cash flow[1] (€ million)

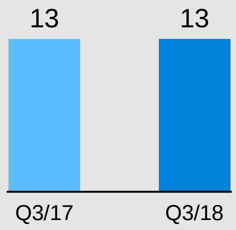


1 Adjustments correspond to EBITA adjustments, partial time offset in cash flow

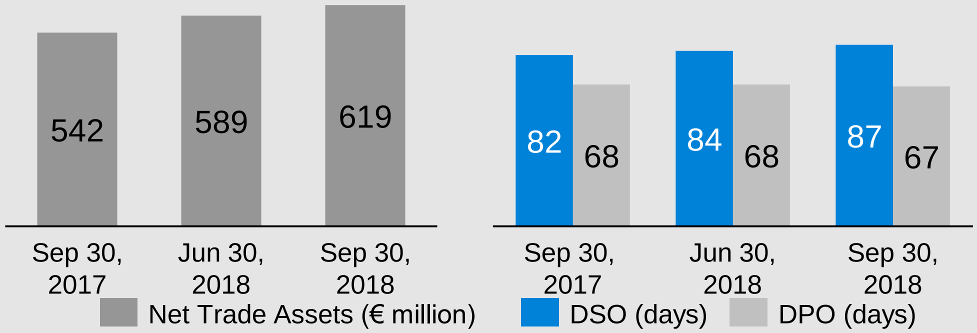
Net profit (€ million)



Adjusted net profit (€ million)

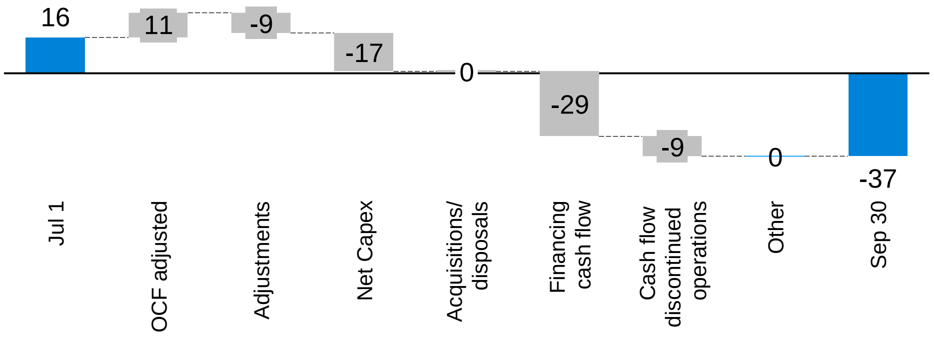


Net Trade Assets (€ million)



DSO: Trade receivables + WIP - advance payments received, DPO: Trade payables

Net cash (€ million)



Outlook 2018 confirmed

in € million	FY 2017	Expected FY 2018
Orders Received	4,055[1)]	Organic growth in the mid single-digit percentage range
Revenue	4,044	Organically stable to slightly growing
EBITA adjusted	3	Significant increase to mid-to-higher double-digit-million € amount, i.e. range of €50 to €75 million

1) As reported, based on output volume/ comparable based on revenue: €4,079 million

The Bilfinger Investment Case:
Turnaround case based on favorable business model

Structural demand for industrial services

- Increasing # of Industrial plants
- Increasing total service market and contracted out market
- Rising age and complexity
- Customers demand for greater efficiency
- Service bundling
- Stricter environmental standards

Good starting position:

- Consistently No. 1 supplier of industrial services for the process industry in Europe
- Clearly defined strategy
- Organization derived from strategy
- Detailed implementation plan
- Growth and profitability targets
- Growth will be supported by additional business development and digitalization activities

Favorable business characteristics

- >60% of output in recurring business
- No material dependency from single clients or regions
- Growing regional diversification

Asset light business

- Capex: 1.5 – 2.0% of output volume
- Balanced net working capital profile

Financial soundness

- BB / stable outlook
- 35% equity ratio (as of Sep 30, 2018)
- Financial participation in Apleona with significant upside potential
- Financial policy: Ambition (mid-term perspective) Investment Grade

Shareholder-friendly distribution*

- From FY 2016 onwards: €1.00 dividend floor
- Sustainable dividend stream going forward: 40 to 60% of adjusted net profit
- Share buyback program of up to €150m started in Sep 2017 and completed in Oct 2018

* Based on current expectations and execution of presented strategy as well as on economic outlook at the time.

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