Bilfinger SE

Bilfinger SE Company Presentation

August 2019

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 excellence in **products and manufacturing** (T) and **covering the full life-cycle** (E&M)
- 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

€4.15bn revenue

thereof recurring business ~55%

Orders Received +10%

€65m EBITA adjusted

Approx. 36,000 employees

based on FY 2018

Strategy affirmed, enhanced setup

2 Service Lines, 4 Regions, 6 Industries

CMD 2019

Our ambition

We engineer and deliver process plant performance

Where to play

2 Service Lines
- Technologies
- Engineering & Maintenance

4 Regions
- Continental Europe
- Northwest Europe
- North America
- Middle East

6 Industries
- Chemicals & Petrochem
- Energy & Utilities
- Oil & Gas
- Pharma & Biopharma
- Metallurgy
- Cement

How to win

People & Culture

Customer & Innovation

Organization & Structures

Financials

2 Service Lines

Enhanced setup for build up and build out phase

Technologies

FY 2018: Revenues €503m, EBITA adj. €-26m

Market

High growth potential for technological products esp. in Energy & Emissions, Biopharma (Life Science) and Automation / Digitalization – supported by mega trends

Characteristics

- Proven technological competence
- Product and manufacturing excellence
- Centralized capacities
- Serving the global market

Focusing on Technologies drives stronger growth and higher margins

Engineering & Maintenance

FY 2018: Revenues €3,477m, EBITA adj. €134m

Market

Increasing demand in Engineering Maintenance services

Characteristics

- Higher added value to maintenance business
- Covering full life-cycle
- Improve asset and plant performance
- Superior customer perception
- Potential for cost savings in SG&A

Combining E and M leverages our business to higher-end services and higher margin

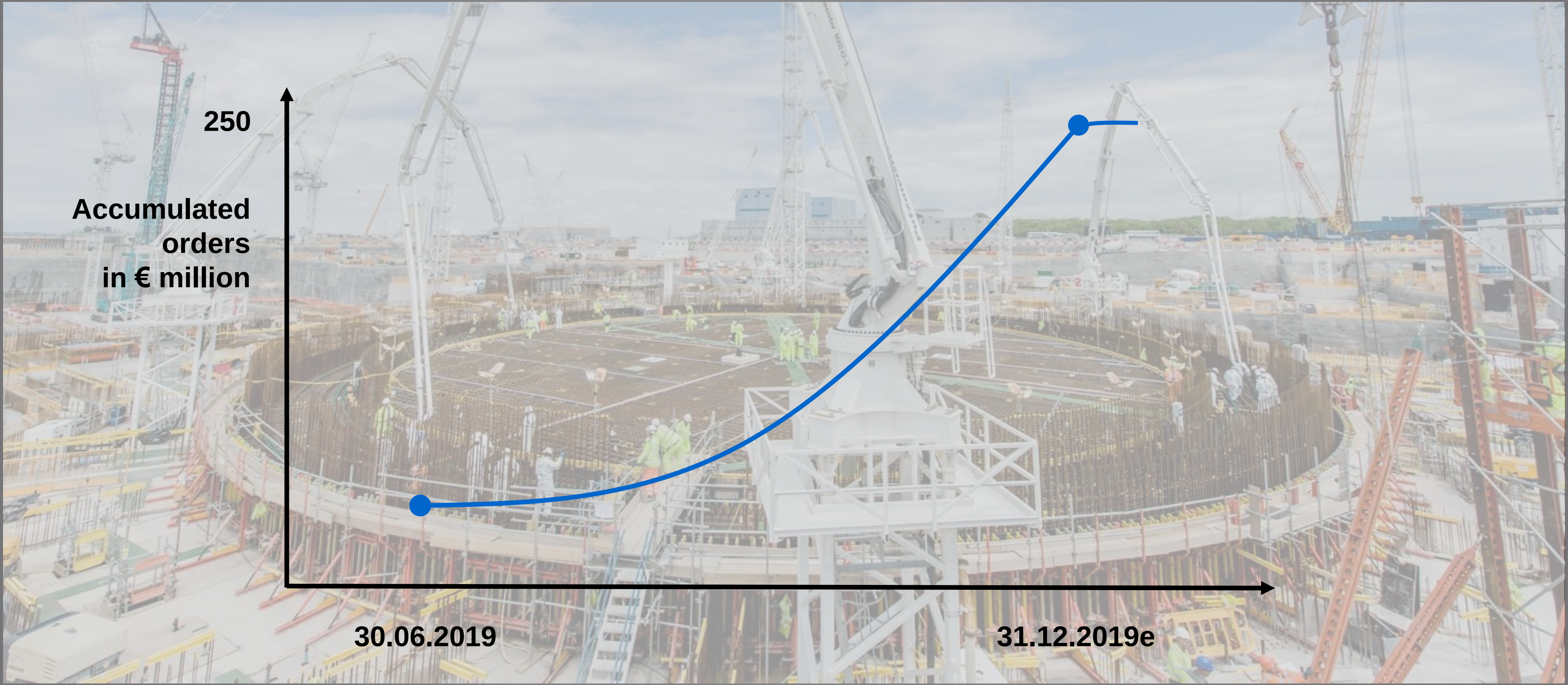
CMD 2019

2 Service Lines
Technologies: ambition to grow higher-margin business

	Scrubber	Pharma & biopharma expertise	Nuclear Services
Tech-nology			
Descrip-tion	• High demand driven by legis-lation on emissions and CO_2 • Proven expertise in flue gas desulphurisation • Attractive, compact design with short payback	• Ageing society and global rise of middle class drives new products and sales growth • Global market, customers and procurement • Compact production facilities	• Worldwide build programs averaging 25 in construction • 448 reactors operable worldwide – 50% in the US and Europe • High standards of safety, quality and service essential
Goal	• Increase serial production capacity internally and with partners • Scrubber for 70 ships in order book with further options	• Biopharma skids and bioreactors • Global reach with deliveries into China and Russia • No. 1 supplier in Europe (~20% revenue CAGR in the last 4 years)	• Present on 3 new builds in Europe • Chosen as strategic supplier for NSSS at Hinkley Point > €250m • Specialist in engineering, piping systems and handling

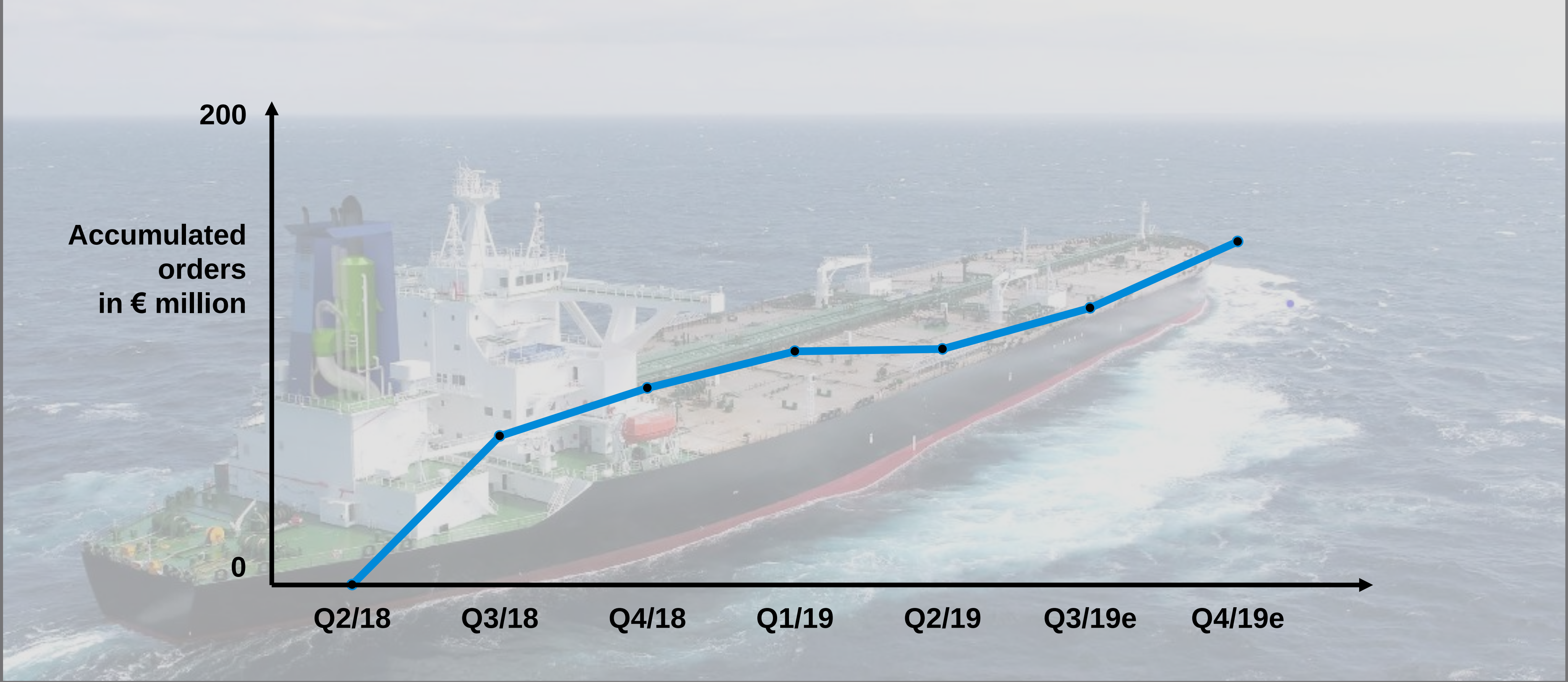
Proven Nuclear Expertise

Hinkley Point C: Positioned as strategic supplier



Marine environmental solutions

Scrubber: Successful technology transfer



CMD 2019

2 Service Lines
Engineering & Maintenance: combined and full life cycle services driving value

Tech-nology	 **Combined strength**	 **Bilfinger Turnaround Concept**	 **Corrosion under insulation**
Descrip-tion	• €36m deodorization plant for Fluxys • Critical system in transmission and leak detection for gas to/from GER • Gas processing & transmission investment increasing	• High risk events for customers – safety, duration and cost • Large investment programs with up to 10 year look-aheads • Complimentary to maintenance services and customer entry point	• Major root cause of process safety issues in recent years • Investment programs of ~€2bn in US and Europe p.a. • Inspection followed by remediation and replacement
Goal	• Bilfinger expertise from four businesses combined • Specialists in gas systems, automation fabrication and installation involved	• Consistent and modular approach to reduce risks • Training and development of new mobile resources • Established player in market	• Bilfinger multi-services enable integrated teams • Rope access technicians reduce customer costs • Innovative solutions for the avoidance of repeat failures

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!

Compliance Management System
A competitive advantage

Certified by compliance monitor in December of 2018
Deferred Prosecution Agreement (DPA) concluded

Compliance system is industry leading

Compliance-related activities are ongoing,
system in a continuous process of innovation

Compliance: an integral part of Bilfinger's DNA

Improving our financial performance

We will address all P&L line-items

CMD 2017

GROSS MARGIN

- Growth opportunities in high-profitability areas
- LOA[1] process and 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

Initiatives for higher efficiency and lower costs

IT PROJECTS

Status of process and system harmonization (ERP-System):

- ✓ Template solution set up
- ✓ Degree of completion: 40%
- ✓ Targeting ~70% by end of 2019

PROCUREMENT INITIATIVE

- ✓ Increasing number of e-auctions to improve the competitive advantage
- ✓ Reduced prices for direct material by further bundling across entities
- ✓ Focus on best price structures for products like scrubbers

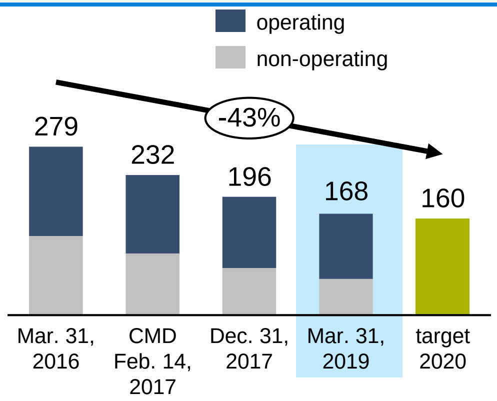
MERGER OF OPERATING UNITS

Example Austria: realizing cost synergies by full merger

- ✓ Reduction from 5 to 1 legal entities by merger, roll-in of ERP System
- ✓ Joint go-to-market
- ✓ Full life cycle, i.e. engineering, procurement, construction, maintenance
- ✓ Ability to serve all focus industries

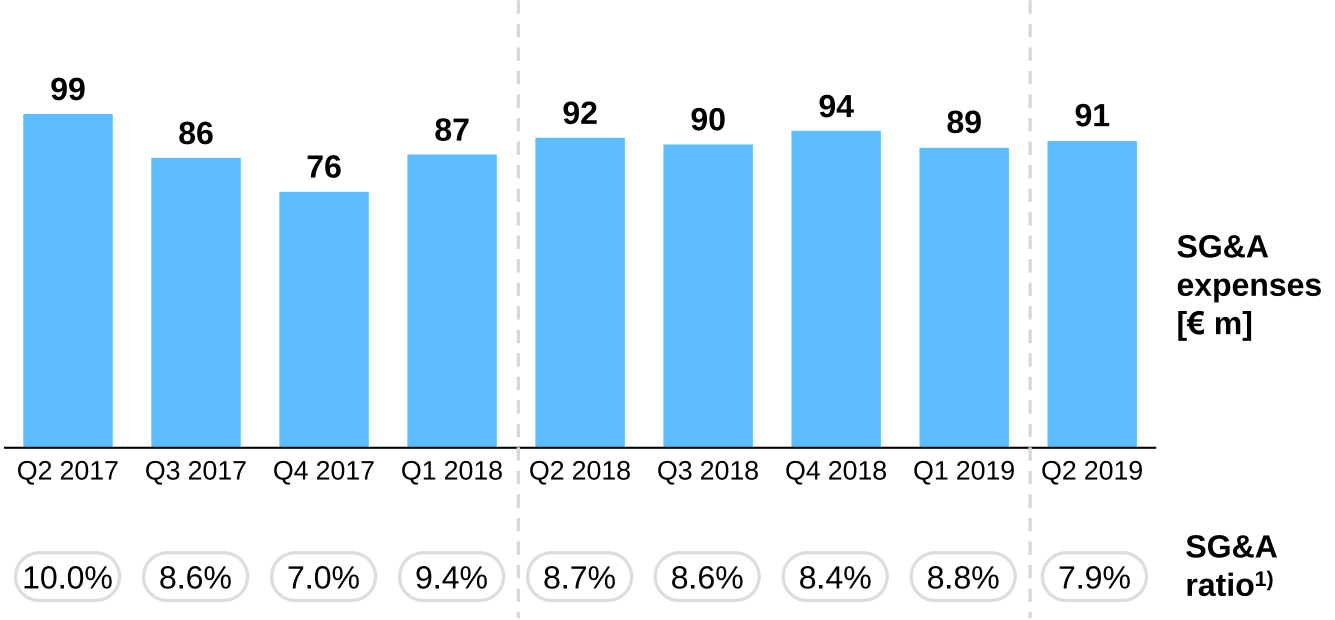
REDUCTION IN THE NUMBER OF LEGAL ENTITIES

Complexity reduction within the organization through significant simplification of legal structure



SG&A ratio shows positive trend

Adjusted SG&A expenses [€ m]



Highlights

- SG&A ratio continues to move towards target level

- Streamlining of processes
- Reduction of complexity in structures, organization and governance
- Adjustment of admin headcount

1) As percentage of revenue

Additional working capital improvement initiatives
Targeting ~85% of trade receivables and WIP in a category-specific approach

Reporting and Management information

- Develop and implement reporting improvements: aging WIP, DSO and DPO payment conditions, root cause analysis on issues, issue reporting
- Further harmonisation of internal reports

Awareness, Education and Coaching

- Roll-out E-learning on working capital management
- Instructions and training sessions on levers for working capital management for target groups
- Develop and share toolbox for DSO and DPO (portal, sharepoint)
- Share main issues and challenges (hot spots). Help each other to solve issues via workshops, company visits, local support

Incentives

- Standard bonus and incentive arrangements focused on structural working capital improvements
- Identify and share best practices for target setting (as of 2020)
- Special focus on smoothing intra-year working capital development

Best practices

- Identify and share best practices via workshops, portal, quarterly update presentations, benchmark companies
- Contract management best practices for DSO and DPO
- Root cause analysis to identify common issues and solutions using IT tools
- Identify (standard) automation and digitalization solutions for O2C processes

Portfolio rotation 2019 and 2020

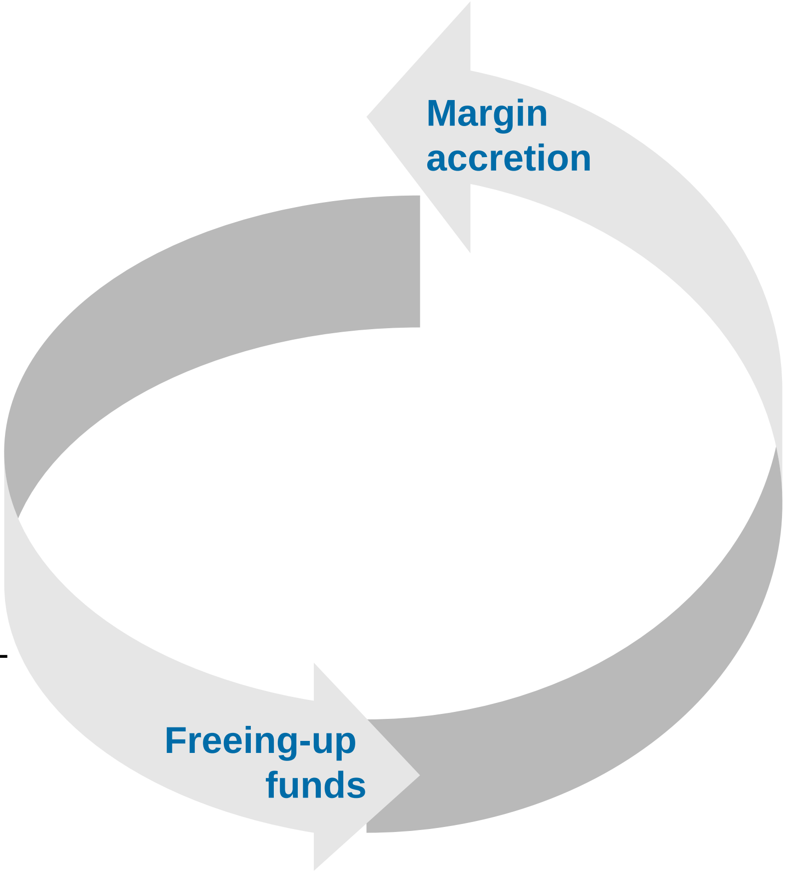
Further margin enhancement while keeping a sound balance sheet

Funding sources:

1. Disposal Other Operations (OOP)
2 „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.
→ €128m paid back in April 2019
Preferred Participation Note
Book value June 2019: €242m
→ 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

Guidance 2019, Targets 2020 and Wrap-up

Market environment: Europe

- Demand in offshore maintenance remains strong
- Greenfield Petrochem projects in Antwerp
- Polyolefin projects plateauing, fertilizer bottoming out
- Upcoming gas infrastructure technology projects (Northstream, Baltic Pipe, German LNG terminal in Brunsbüttel)
- Market opening for offshore wind farms' inspection and maintenance
- Nuclear: ongoing positive expectations on new builds in UK, modernization in France
- New investments in chemical pharma in Europe. Trend of moving production to Asia is slowing down
- Biopharma demand for small and medium projects increasing
- Demand for environmental solutions increasing: DeNOx, DeSOx, CO_2

Market environment: North America & Middle East

- Upstream O&G – Release of Opex funding, e.g. in Permian Basin and Gulf of Mexico remains steady
- Midstream stabilizing. Production up despite US rig count down 15% through first half of 2019, e.g. shale gas driving new cracker projects and mid-stream cryo-plants
- Continuing refinery expansions
- Energy storage market is expected to double
- $80 billion in petrochemical projects in development in the USGC, however with some indication of slowing in response to HD polyethylene futures pricing forecasts.
- Continued industrialization of low cost, clean natural gas in power and all modes of transportation.

- Oil & Gas upwards trend continues (KSA, UAE and Qatar plan field expansions)
- In Country Value (ICV) dominating contractor selection
- Forward looking energy strategy shift towards gas, energy conservation projects and renewables; especially wind and solar
- Overall electricity demand in the Gulf Cooperation Council countries plateauing

Outlook 2019: next step on our way to reach targets

in € million	Actual FY 2018	Expected FY 2019
Revenue	4,153	Mid single-digit organic growth
EBITA adjusted	65	Significant increase to more than €100m
Free Cash Flow reported	-4	Positive[1)]

[1)] Notwithstanding IFRS16 effect: break-even

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 • Including portfolio rotation	• 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

Bilfinger 2020
Build up phase on track

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

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

- ~55% 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 Dec 31, 2018)
- Financial participation in Apleona with significant upside potential
- Financial policy: Ambition (mid-term perspective) Investment Grade

Shareholder-friendly distribution[1)]

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

[1)] Based on current expectations and execution of presented strategy as well as on economic outlook at the time.

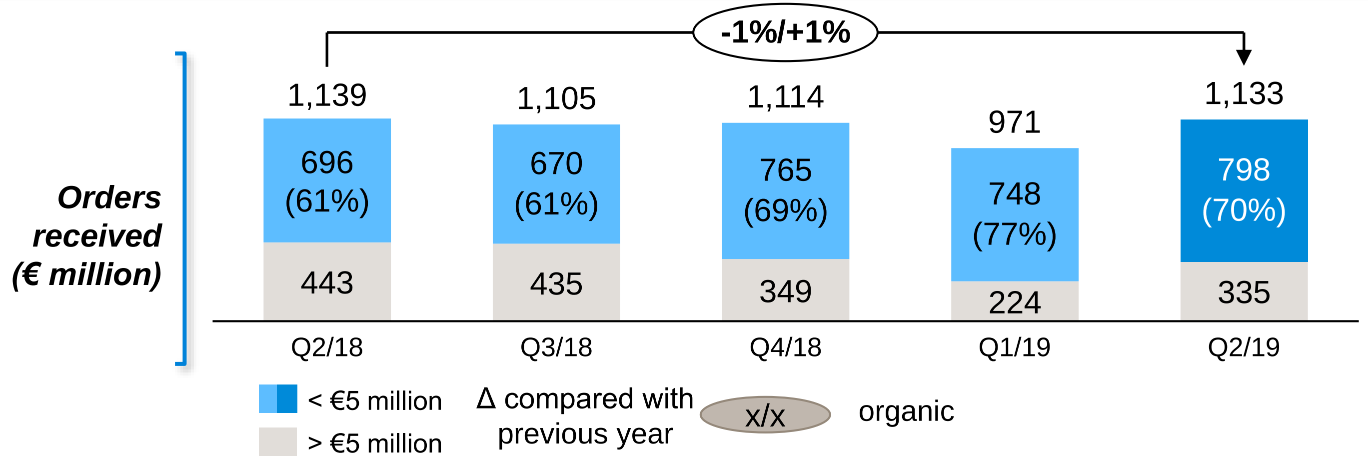
Financials Q2 2019

Bilfinger delivers robust Q2 2019

- Continued high demand in our markets
- Orders received on high prior-year level,
  strong organic revenue growth based on good order backlog
- Improved adjusted EBITA driven by positive margin development of E&M segments, Technologies still in turnaround
- Net profit reported as planned positive year-to-date
- Free cash flow above prior year, significant improvement also expected for second half 2019
  Refinancing of Bond 12/2019 successfully completed
- Outlook 2019 reaffirmed

Orders received on high prior-year level

Development of orders received



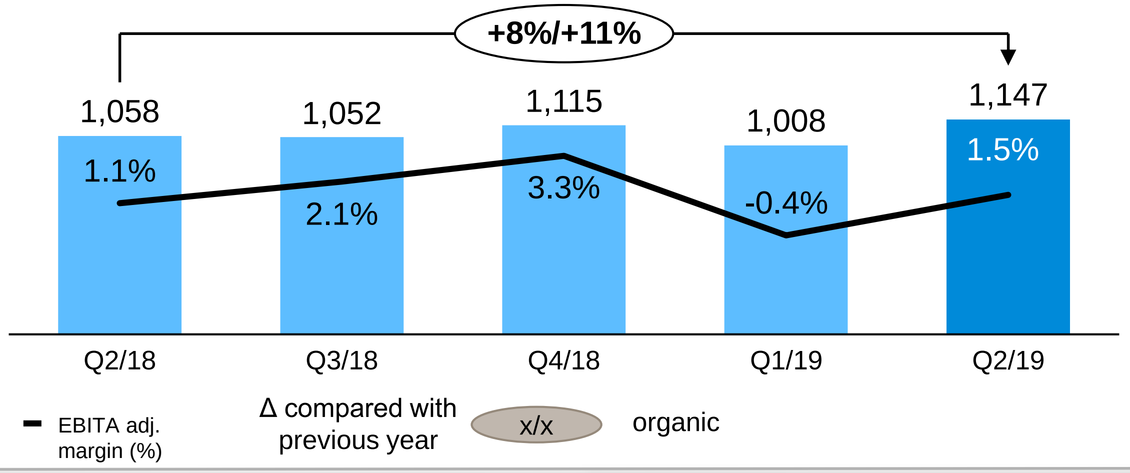
	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Book-to-bill ratio	*1.1*	*1.1*	*1.0*	*1.0*	*1.0*
Order backlog (€ million)	*2,767*	*2,828*	*2,818*	*2,754*	*2,712*

- **Orders received**
  Stable development (-1% / org.: +1%) driven by the base business with orders <€5m (prior-year quarter was supported by Linde Braskem Project >€100m)
- **Book-to-bill** ~ 1
- **Order backlog**
  -2% below prior-year quarter (org.: 0%)

Continued strong revenue growth; EBITA adjusted above prior year

Development of revenue and profitability

Revenue* *(€ million)

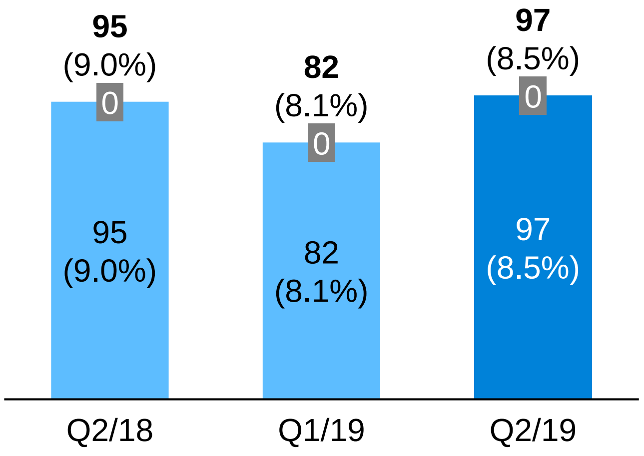


	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
EBITA adj. (€ million)	*12*	*22*	*37*	*-4*	*17*
EBITA (€ million)	*-1*	*11*	*-6*	*-3*	*3*

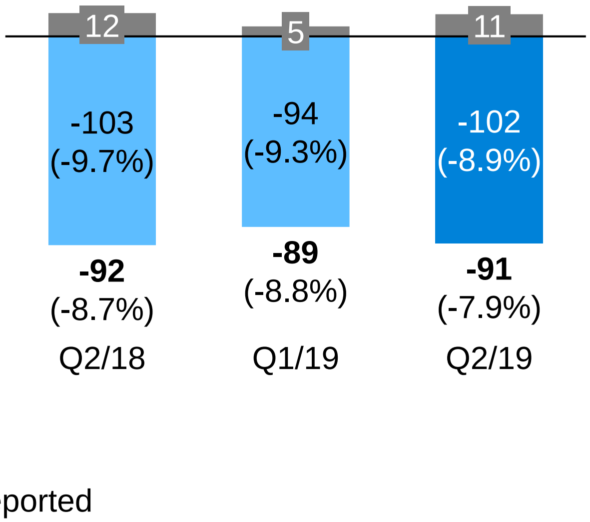
- **Revenue**
  +8% increase (org.: +11%) due to strong order backlog and good demand
- **Adjusted EBITA**
  Improved to €17 million (prior year: €12 million)
- **Special items**
  -€15 million,
  thereof -€2 million restructuring and -€11 million from IT investments

Gross profit impacted by underperformance in Technologies
Adjusted SG&A ratio improved to 7.9%, target of 7.5% for 2020 confirmed

Adjusted gross profit (€ million)



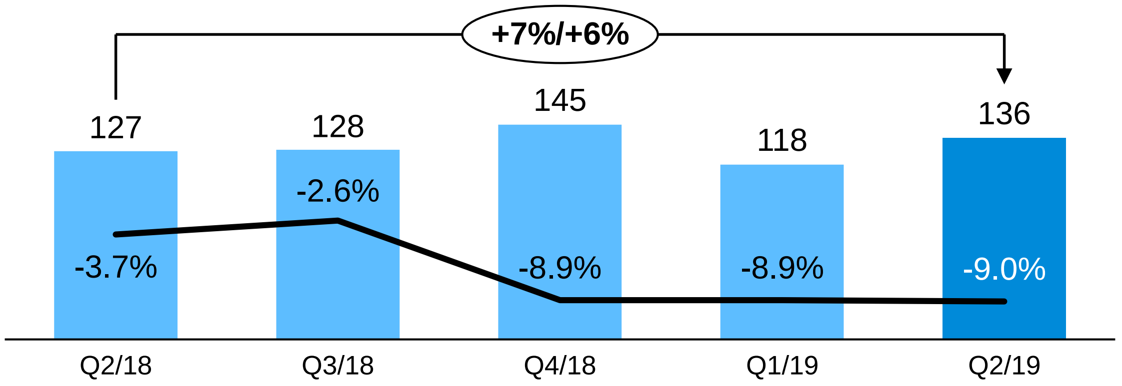
Adjusted selling and administrative expenses (€ million)



Segment Technologies: underperformance of single entity, action plan in place

Development of revenue and profitability

Revenue (€ million)



EBITA adj. margin (%) | Δ compared with previous year | x/x organic

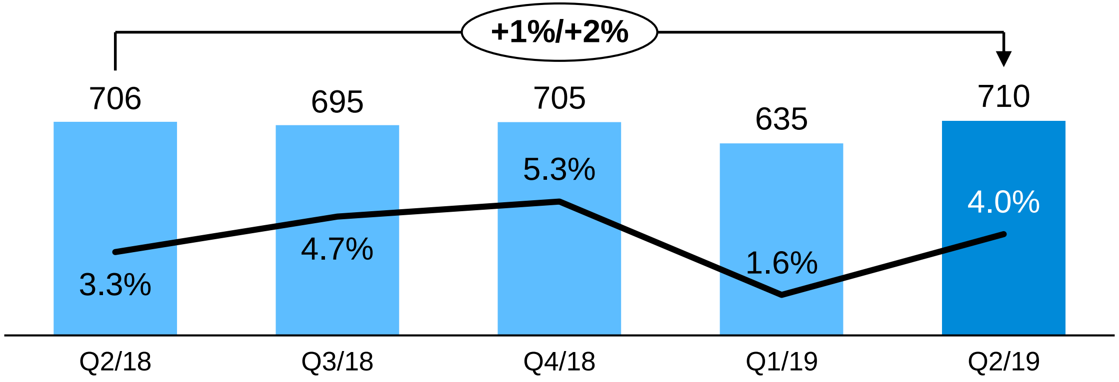
	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Book-to-bill ratio	*0.8*	*1.7*	*1.0*	*1.0*	*0.8*
EBITA adj. (€ million)	*-5*	*-3*	*-13*	*-10*	*-12*

- **Orders received**
  +5% (org.: +5%) above prior year quarter
- **Book-to-Bill**
  At 0.8, currently focus on profitability improvement and execution
- **Revenue**
  +7% (org.: +6%) increase based on good order backlog
- **Adjusted EBITA**
  Recovery expected in second half of the year
  Q4: loss-making entity break-even, segment with positive result expected
- Strategic actions remain an option within the segment

Segment E&M Europe: margin shows positive trend

Development of revenue and profitability

Revenue (€ million)



EBITA adj. margin (%)

Δ compared with previous year

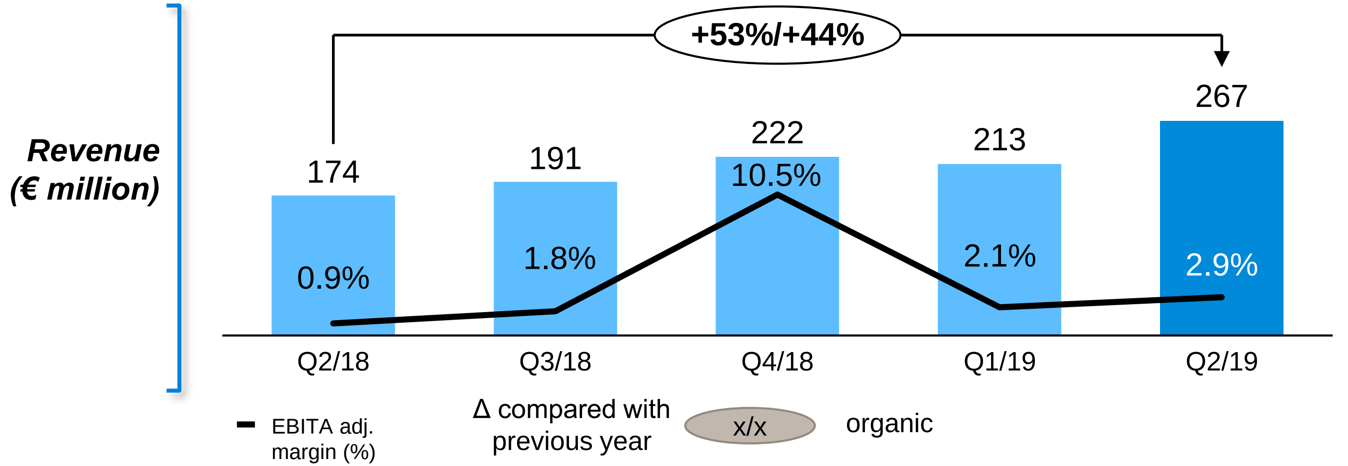
x/x organic

	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Book-to-bill ratio	*1.0*	*0.9*	*1.1*	*1.0*	*1.1*
EBITA adj. (€ million)	*24*	*33*	*37*	*10*	*28*

- **Orders received**
  +8% above prior year quarter (org.: +8%) based on strong demand in Northwest Europe
- **Book-to-Bill**
  1.1 supports continuous growth expectations in core market
- **Revenue**
  +1% (org.: +2%), positive development on already good level
- **Adjusted EBITA**
  Increase through margin improvement (4.0% against 3.3%)

Segment E&M International: strong revenue growth, good quarter in North America

Development of revenue and profitability

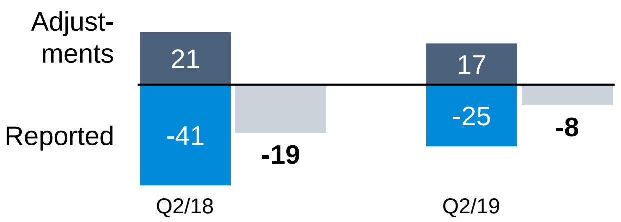


	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Book-to-bill ratio	*1.7*	*1.1*	*0.8*	*0.7*	*0.9*
EBITA adj. (€ million)	*2*	*3*	*23*	*5*	*8*

- **Orders received**
  -18% (org.: -23%) below strong prior-year quarter with large project in the US
- **Book-to-Bill:** 0.9
- **Revenue**
  Strong revenue growth of +53% (org.: +44%) especially due to strong project execution in North America
- **Adjusted EBITA**
  Increase through growth and significant margin improvement (2.9% against 0.9%)

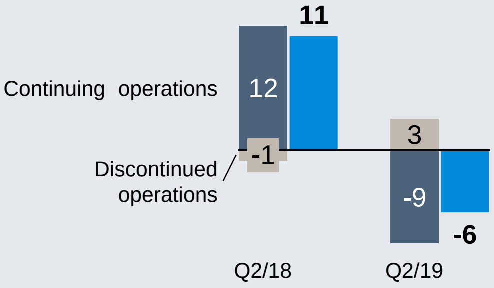
Cash flow and DSO improved against prior year and prior quarter

Adjusted operating cash flow[1] (€ million)

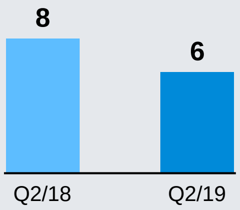


[1] *Adjustments correspond to EBITA adjustments, Q2 2019 includes +€14m from IFRS 16*

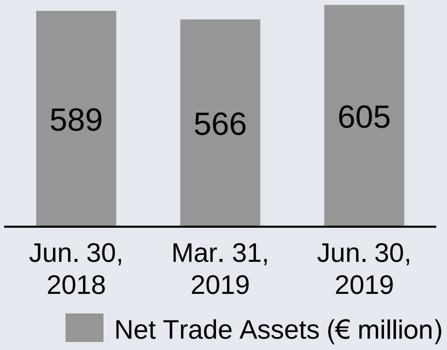
Net profit (€ million)

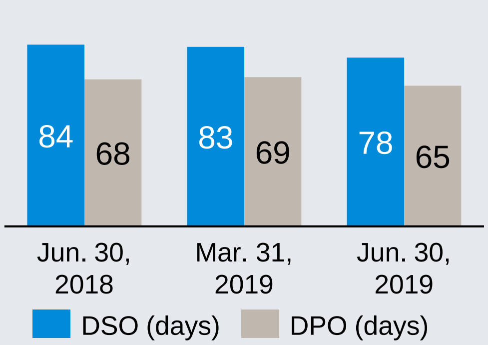


Adjusted net profit (€ million)



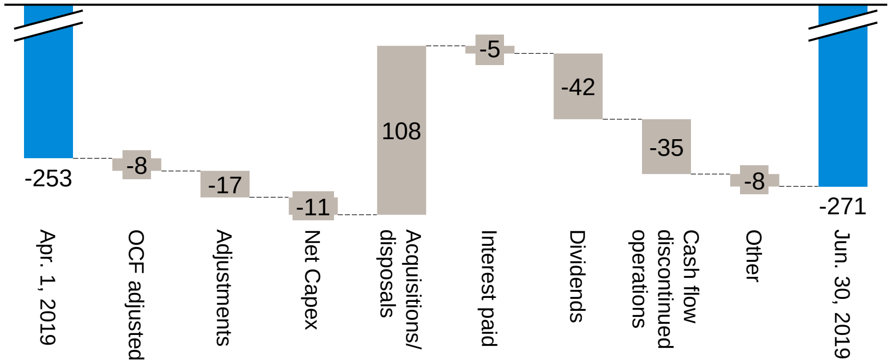
Net Trade Assets





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

Net liquidity (€ million)



Successful refinancing of Bond maturity 12/2019

Increased interest rate, but lower total debt
New financing mix with staggered maturity profile and broader investor base

Financial debt by 12/2018[1]: €500m

Bond 12/2019 **€500m**	Maturity: 12/2019 (7 years) IG documentation (no covenants) Interest: Coupon 2.375% p.a. fixed

Repayment 12/2019

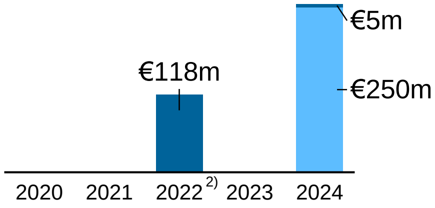
Expected financial debt by 12/2019[1]: €373m

Bond 06/2024 **€250m**	Maturity: 06/2024 (5 years) IG documentation (no covenants) Interest: Coupon 4.500% p.a. fixed Yield 4.625% p.a. fixed
SSD **€123m**	Maturity: Majority in 04/2022 (3 years) IG documentation (no covenants) Interest: Coupon ~2.2%
VCN Apleona **€128m**	Cash-in 04/2019

Weighted interest rate:
~3.8% p.a.
i.e. ~€14m p.a.

Accrued value by 03/2019
(€100m / 10% interest p.a.)
→ No further interest income going forward

Debt Maturity Profile as of June 30, 2019



Promissory note loans (SSD)

Bond

[2] Revolving Credit Facility (€300m, undrawn) also matures in 2022

[1] w/o leasing liabilities

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