Bilfinger SE

Bilfinger SE Company Presentation

May 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 ~55% recurring business

Orders Received +10%

€65m EBITA adjusted

Approx. 36,000 employees

based on FY 2018

Extensive analysis since mid-2016

CMD 2019

2016/2017		2018/2019
• Deep analysis of the company, its markets and its customers • Evaluated our strengths, opportunities and challenges • Analysis based on decades-long industry experience of top management team	**Procedure**	• Deep dives on key entities • Leverage "orders received" ➔customers selectivity • BTOP to drive implementation
• Exceptional profile: consistently No. 1 supplier of industrial services for the process industry in Europe • Demand for engineering and services is strong and getting stronger	**Products**	• Integrated projects • High margin, high growth opportunities: a) Biopharma; b) Energy (Nuclear) & Emissions (Scrubbers) c) Automation / Digitalization
• Deep expertise, knowledge and best-in-class practices • Multiple restructuring phases led to brain-drain and loss of direction • Long-standing customer relationships	**People**	• Management "upgrades" • Business development • COO
• Very fragmented, non-integrated sub-optimal structure • Silo mentality not reflective of market demands • Tremendous potential but unrealized opportunities	**Structure**	• Governance structure, especially "projects" • In country consolidation ➔ critical mass • Cross border team work

Bilfinger 2020: Strengthening sense of PURPOSE

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

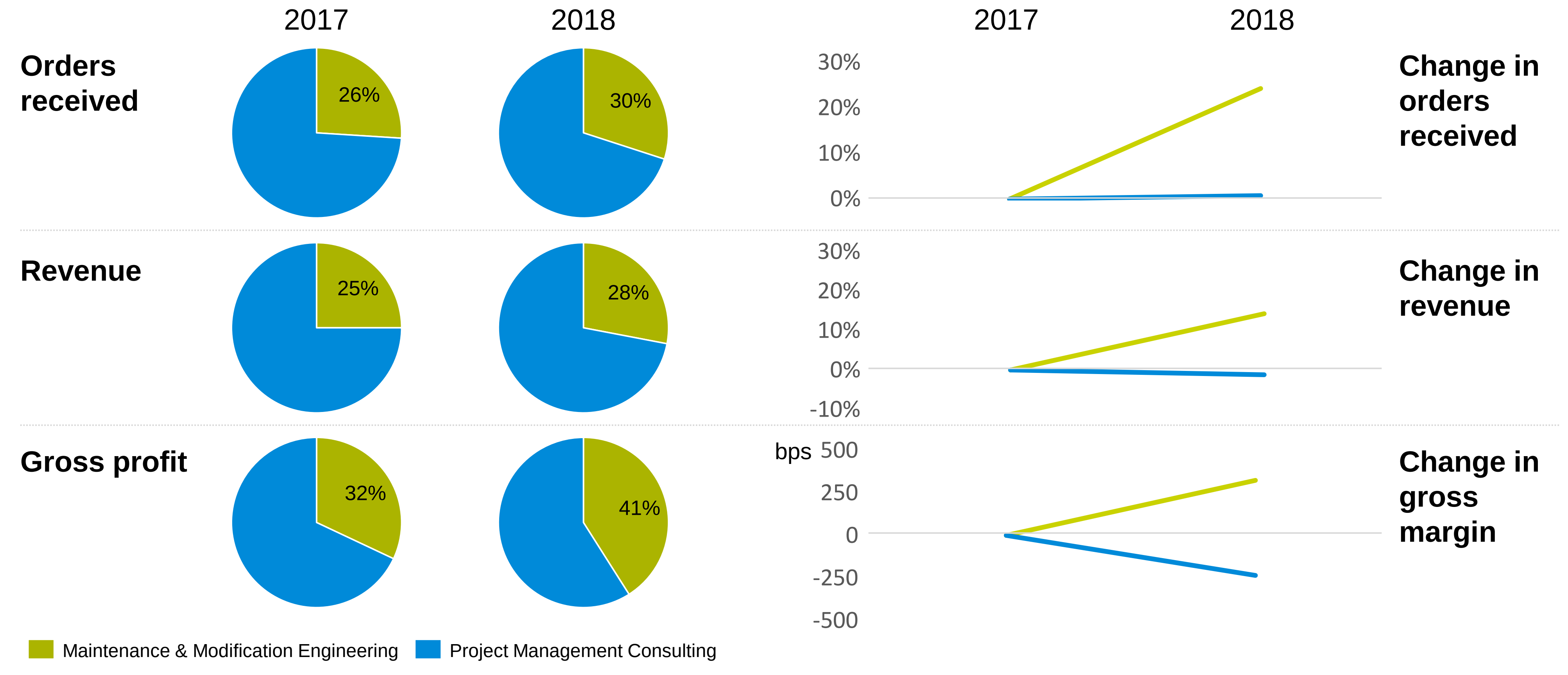
Organization & Structures

Financials

European Engineering Resources

Maintenance & Modification Engineering with increasing contribution to gross profit

CMD 2019



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

Tech-nology	 **Scrubber**	 **Pharma & biopharma expertise**	 **Nuclear Services**
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

2 Service Lines

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

CMD 2019

	Combined strength	Bilfinger Turnaround Concept	Corrosion under insulation
Tech-nology			
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

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

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

CMD 2017

We will address all P&L line-items

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

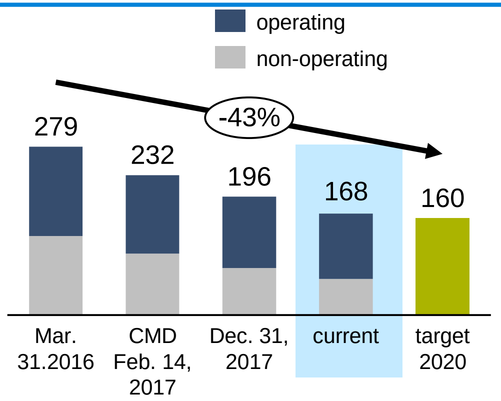
MERGER OF OPERATING UNITS

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

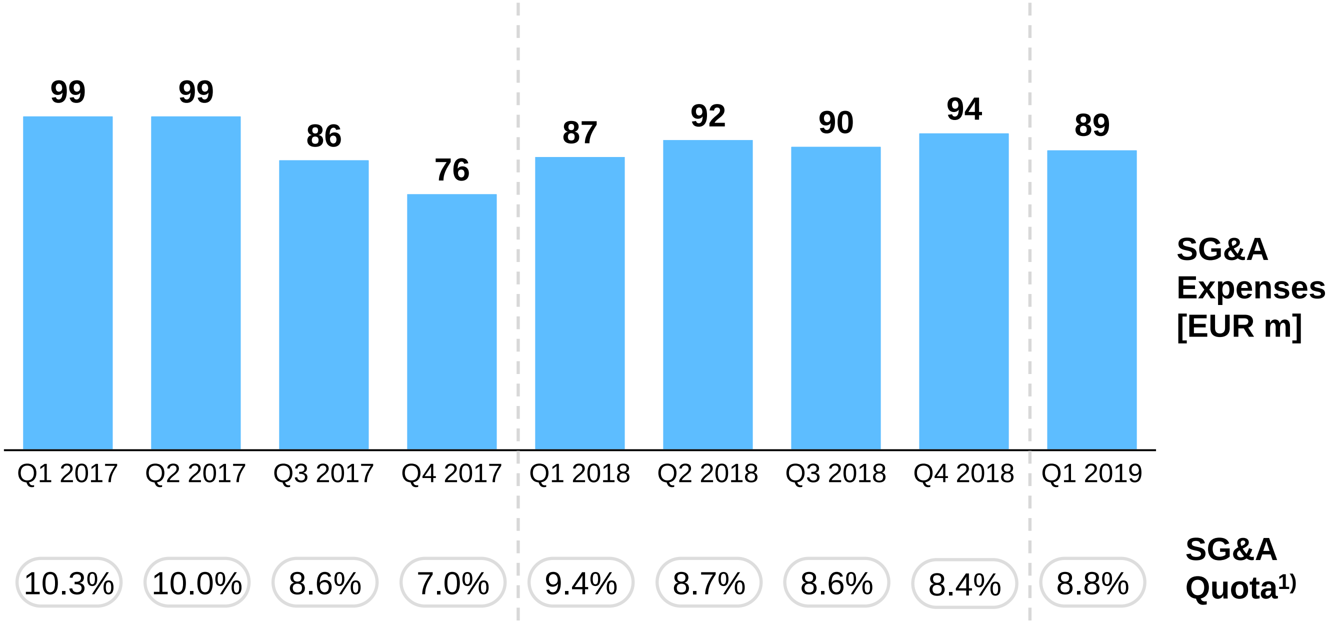
Complexity reduction within the organization through significant simplification of legal structure



SG&A expenses

SG&A expenses show positive trend

Adjusted SG&A expenses [EUR 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

Portfolio rotation 2019 and 2020

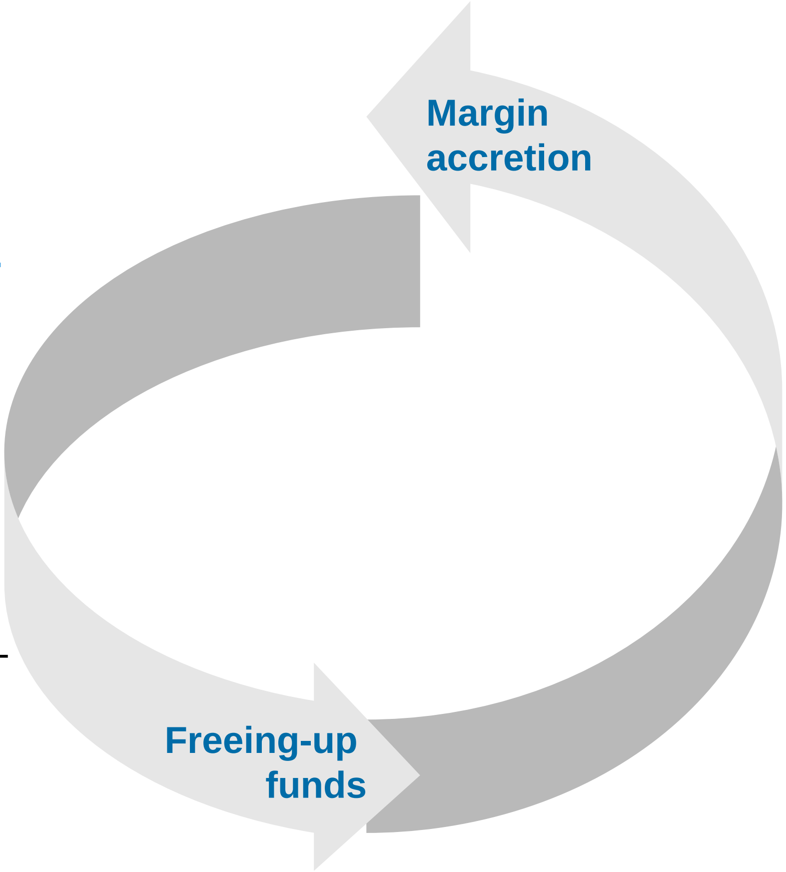
Further margin enhancement while keeping a sound balance sheet

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 03/2019: €128m
Preferred Participation Note
Book value 12/2018: €237m
→ 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

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 €100 million
Free Cash Flow reported	-4	Positive[1)]

1) Including positive effect from first-time application of IFRS16, like-for-like: break-even

Apleona
VCN: meanwhile sold, cash-in 04/2019
PPN: benefit from 49% of the value creation

Vendor‘s Note (VCN): €100m, 10% compound interest p.a. upon maturity (book value 03/2019: €128m), meanwhile settled cash-in 04/2019

Preferred participation note (PPN):

- No management involvement
- Certain information rights, some further rights
- Investment: €195m
- Book value 12/2018: €237m
- Measured at Fair Value through Profit & Loss

VCN: cash-in 04/2019

PPN:
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 • 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*

- 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.

Financials Q1 2019

Q1 2019: On aggregate, a solid start to 2019

- Stable demand in our markets
- Book to bill at ~1 with significant revenue growth
- Adjusted EBITA improved, good performance in ‘E&M’, losses in ‘T’ mainly due to underperformance of a single entity
- Net profit reported positive, supported by Apleona’s Vendor Claim Note repayment agreement and a settlement in Discontinued Operations
- Negative operating cash flow from payables swing-back and DSO deterioration against end of last year
- Outlook 2019 reaffirmed

Market environment: Europe

- North Sea – customers with strong cash flows, continuing positive trend for E&M “catch-up“ and asset life extensions
- Greenfield Petrochem projects in Antwerp
- Refinery expansions in the UK, Germany
- Chemical parks trending towards Unit Rate contracts (Bilfinger preferred approach)
- Chemical parks beginning to plan autonomous power generation
- Fossil Power generation moving away from coal towards gas
- Aluminium positive on the back of Chinese demand
- Fertilizer production under pressure
- Cement producers focused on emission reduction and efficiency increase
- Biopharma continuing strong on organic based pharmaceutical development

Market environment: North America & Middle East

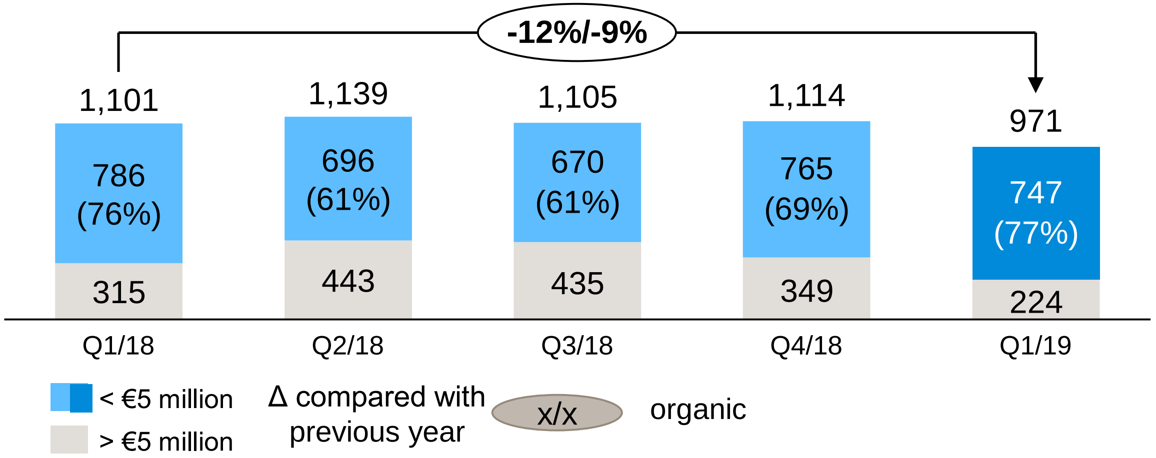
- High activity in Permian, Marcellus/Utica and Bakken
- Shale gas driving new cracker projects and mid-stream cyro-plants
- Fertilizer/Ammonia projects gaining interests
- Polyolefin projects slowing

- NOC focusing on downstream in country value generation
- Green field petro chem announcements in Abu Dhabi
- In Country Value (ICV) dominating contractor selection
- Forward looking energy strategy shift towards gas and renewables
- Overall electricity demand in the GCC plateauing

Orders received below strong prior-year quarter, which was supported by catch-up effects and more orders > €5m

Development of orders received

Orders received (€ million)



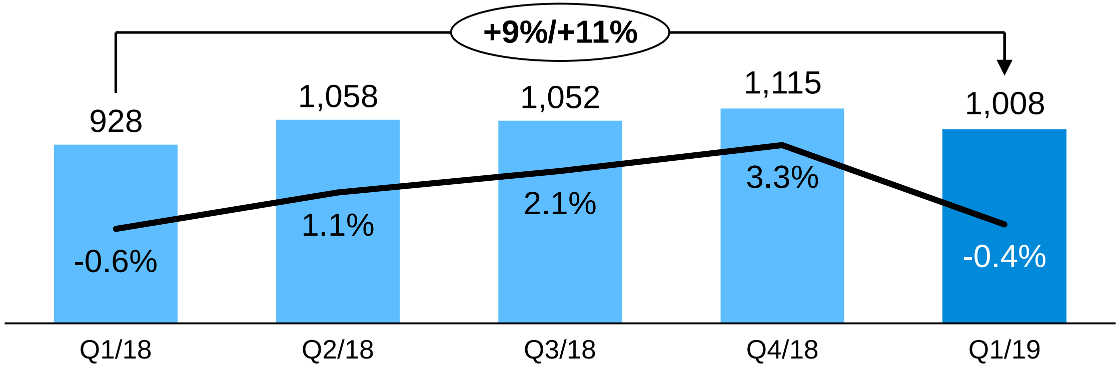
	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
Book-to-bill ratio	*1.2*	*1.1*	*1.1*	*1.0*	*1.0*
Order backlog (€ million)	*2,689*	*2,767*	*2,828*	*2,818*	*2,754*

- **Orders received**
  -12% below strong prior-year quarter (org.: -9%), which was supported by catch-up effects in framework contracts
  Q1 also with less orders > €5 million, which are generally more lumpy
- **Book-to-bill** ~ 1
- **Order backlog**
  +2% above prior year quarter (org.: +5%)

Significant revenue growth,
adjusted EBITA with slight year-on-year improvement

Development of revenue and profitability

Revenue (€ million)



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

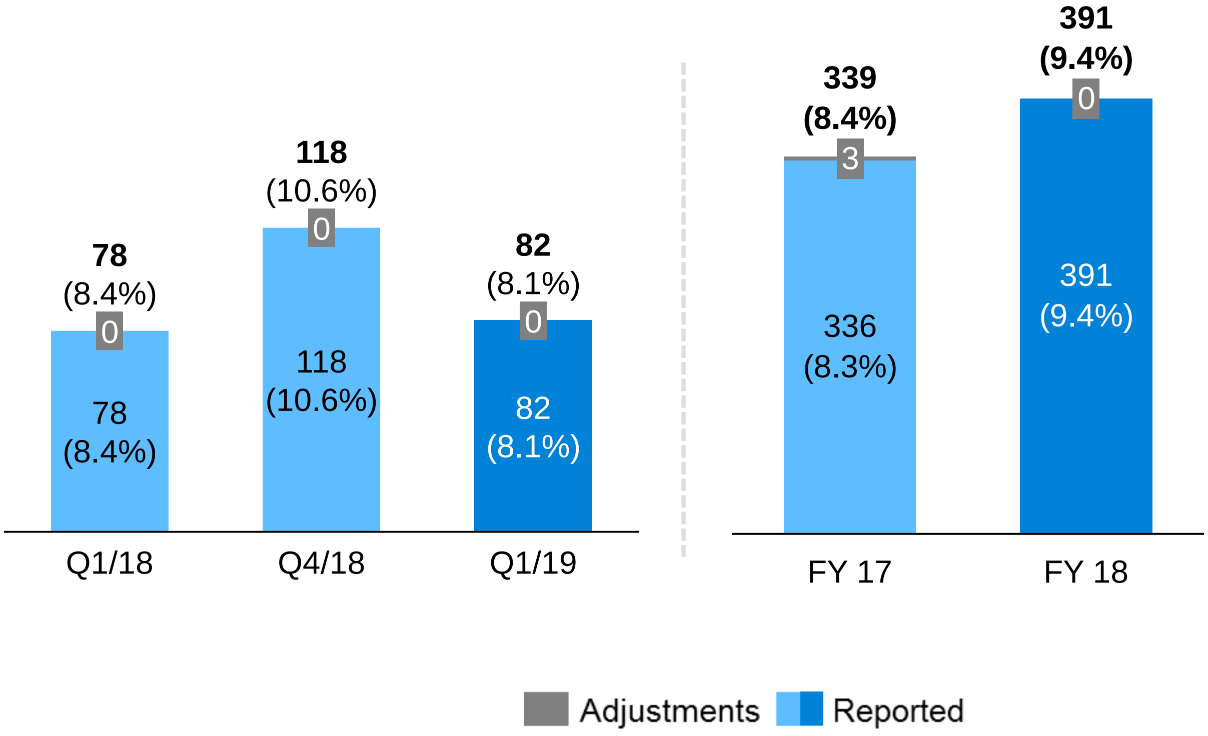
	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
EBITA adj. (€ million)	*-6*	*12*	*22*	*37*	*-4*
EBITA (€ million)	*-11*	*-1*	*11*	*-6*	*-3*

- **Revenue**
  +9% increase (org.: +11%) due to strong order backlog and good demand
- **Adjusted EBITA**
  Slightly improved to -€4 million
- **Special items**
  Positive €1 million
  (prior year: -€5 million),
  thereof €7 million from disposal gains and -€6 million from IT investments

Kommentierung FY-Entwicklung und Ausblick könnten m.E. stehen bleiben

Gross profit improvement continues to be in focus

Adjusted gross profit (€ million)

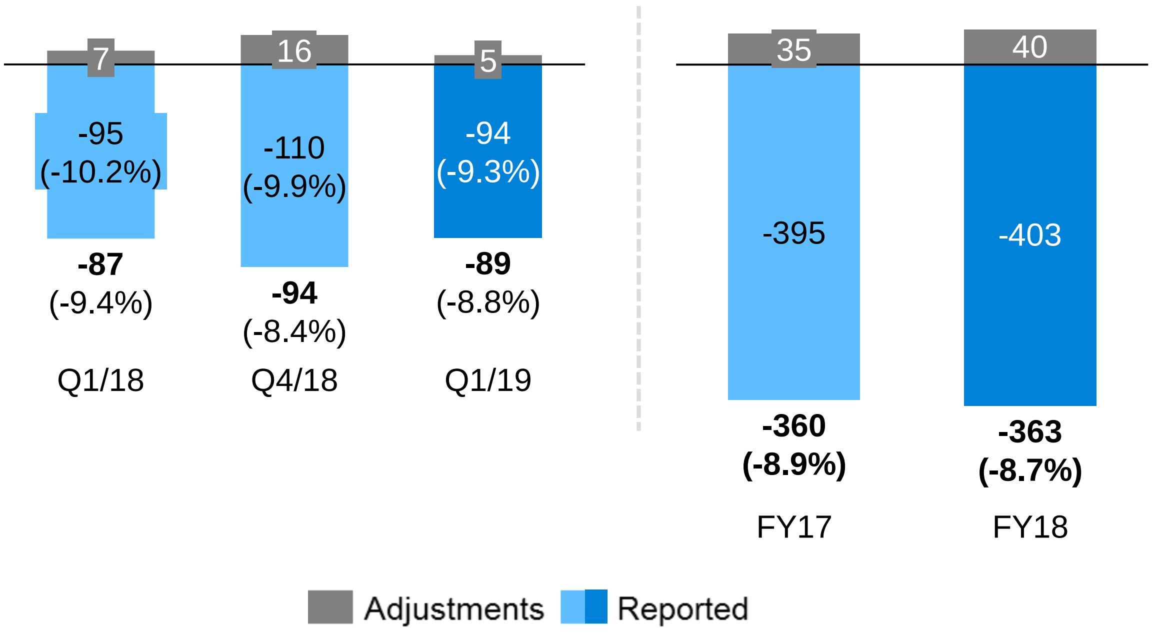


- Full year with y-o-y improvement; prior year was burdened by project risk provisions
- Future improvement by
  - portfolio optimization
  - growth in higher-margin business (marine / nuclear / biopharma)
  - continued execution improvements
- FY 2018:
  - Amortization €5m
  - Depreciation €65m

SG&A target remains at 7.5%

Kommentierung FY-Entwicklung und Ausblick könnten m.E. stehen bleiben

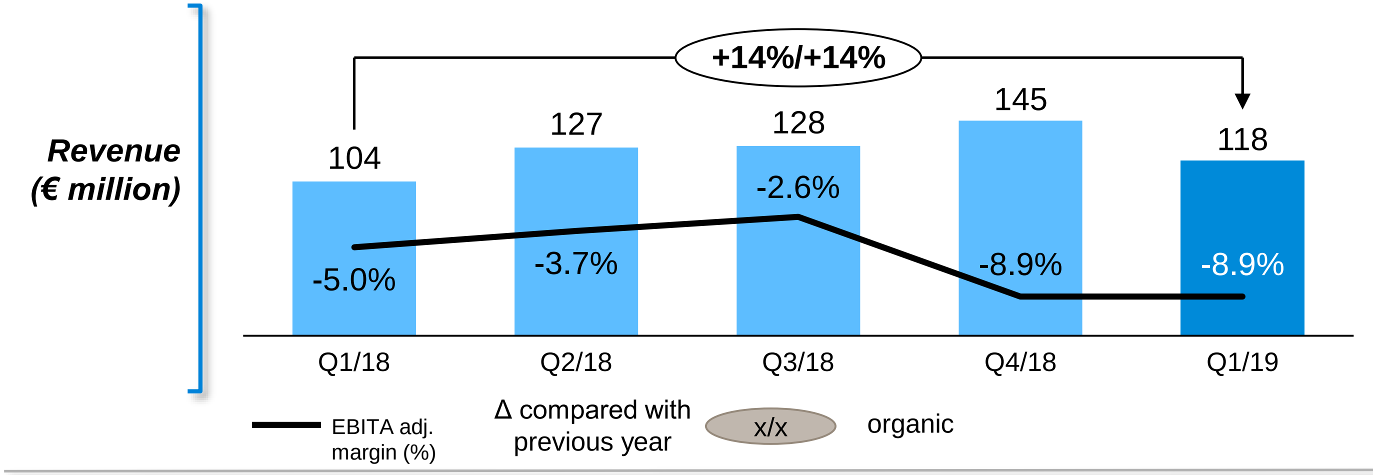
Adjusted selling and administrative expenses (€ million)



- Adjusted SG&A ratio in FY18 improved to 8.7% despite increased expenses for business development and digitalization
- Target 2020 confirmed: 7.5% of revenue
- Positive effects in administration costs from efficiency and process optimization programs
  Further reduction in number of legal entities and strengthening system support

Segment Technologies: increase in revenue, EBITA adjusted still negative mainly due to underperformance of single entity

Development of revenue and profitability



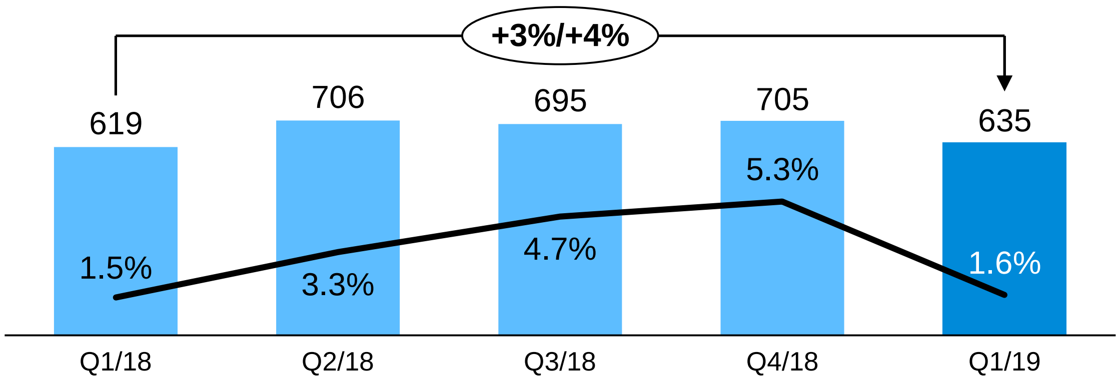
	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
Book-to-bill ratio	*1.7*	*0.9*	*1.7*	*1.0*	*1.0*
EBITA adj. (€ million)	*-5*	*-5*	*-3*	*-13*	*-10*

- **Orders received**
  -35% below strong prior year quarter (org.: -35%), on account of lumpy project business
- **Book-to-Bill**
  Still at 0.96
- **Revenue**
  +14% increase (org.: +14%) based on improved order backlog, esp. ramp-up of Scrubber business
- **Margin**
  Technologies business still in turnaround, especially in one legal entity, action plan in place

Segment E&M Europe: positive development continues

Development of revenue and profitability

Revenue (€ million)



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

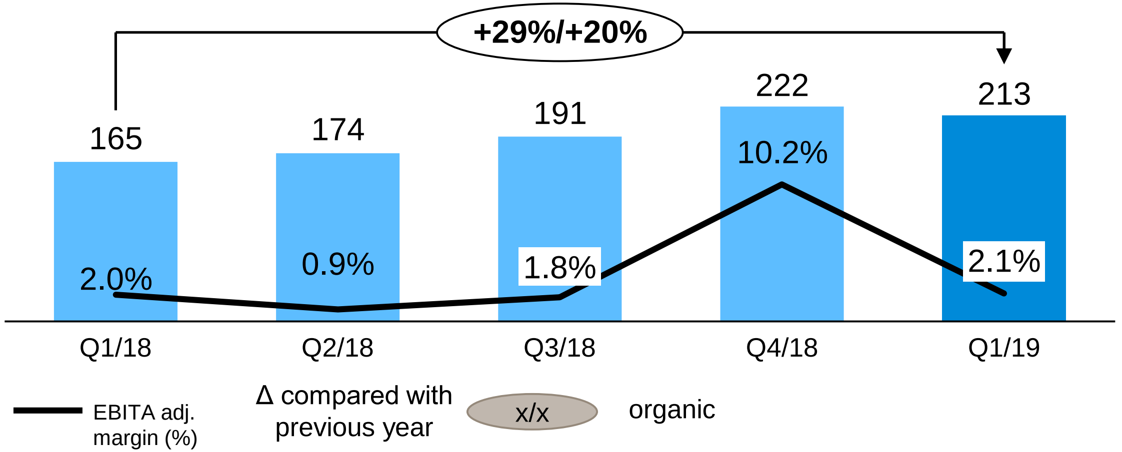
	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
Book-to-bill ratio	1.2	1.0	0.9	1.1	1.0
EBITA adj. (€ million)	9	24	33	37	10

- **Orders received**
  -16% below strong prior year quarter (org.: -14%), which was supported by significant catch-up effects from the revaluation of framework agreements (increased revenue expectations were reflected in orders)
- **Book-to-Bill**
  1.04 supports continuous growth expectations in core market
- **Revenue**
  +3% increase (org.: +4%) based on good order backlog and overall positive demand
- **Adjusted EBITA**
  Slightly improved as a result of efficiency enhancements in SG&A

Segment E&M International: good quarter, with growth in orders received and revenue

Development of revenue and profitability

Revenue (€ million)

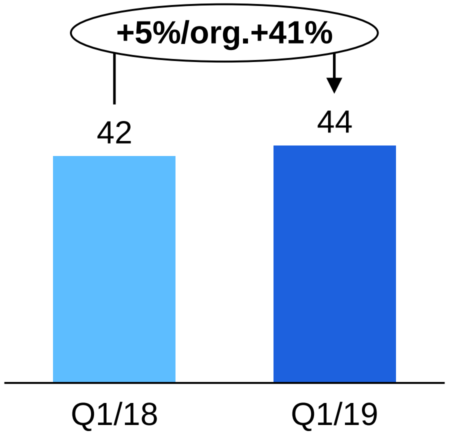


	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19
Book-to-bill ratio	*0.7*	*1.7*	*1.1*	*0.8*	*0.7*
EBITA adj. (€ million)	*3*	*2*	*3*	*23*	*5*

- **Orders received**
  Strong growth +44% (org.: +35%) especially in US project business
- **Book-to-Bill:** 0.74
- **Revenue**
  Strong revenue growth +29% (org.: +20%) due to higher order backlog
- **Margin**
  Improved compared to prior year quarter

OOP[1]: Sale of two entities closed in Q1

Revenue OOP *(€ million)*



	Q1/18	Q1/19
Orders received (€ million)	*52*	*53*
EBITA adj. (€ million)	*-4*	*0*

1) Part of Reconciliation Group

- **M&A progress on track:**

  Dilutive: all 13 entities disposed or terminated by 2018

  Accretive: two out of four entities are sold

  → Related ~ €30 million cash-inflow in Q1 2019

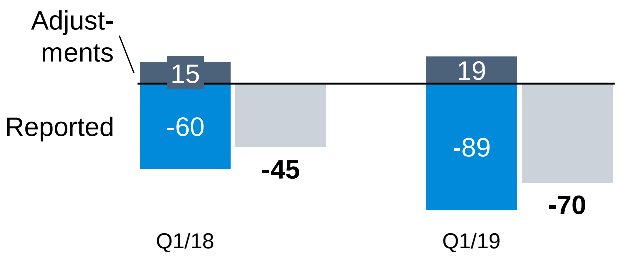
- **Business development:**

  Revenue increased by 5% (org.: +41%)

  Adjusted EBITA improved from -€4 million to €0 million

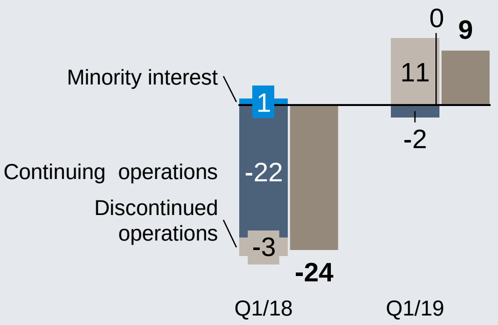
Negative operating cash flow from payables swing-back and DSO deterioration against end of last year. Net profit reported positive, supported by Apleona's Vendor Claim Note repayment agreement and a settlement in Discontinued Operations

Adjusted operating cash flow[1] (€ million)

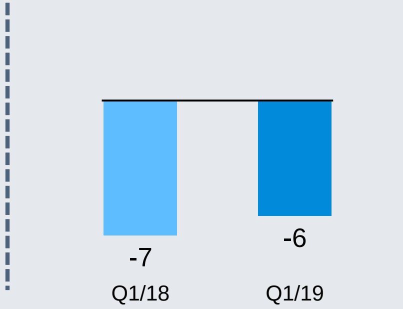


1 Adjustments correspond to EBITA adjustments,Q1 2019 includes €+12m from IFRS 16

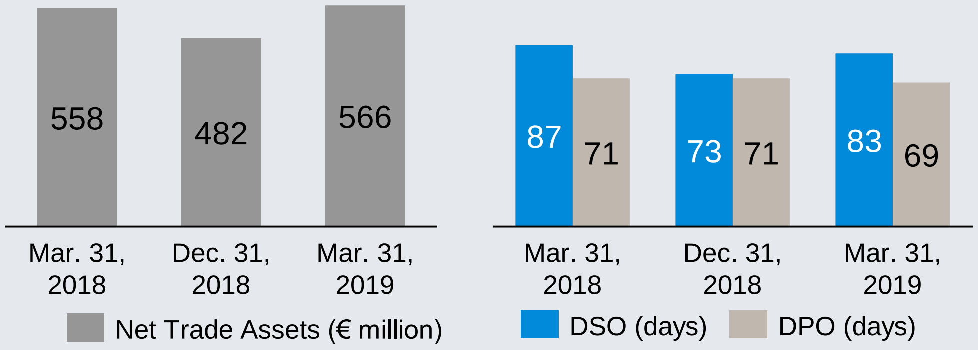
Net profit (€ million)



Adjusted net profit (€ million)

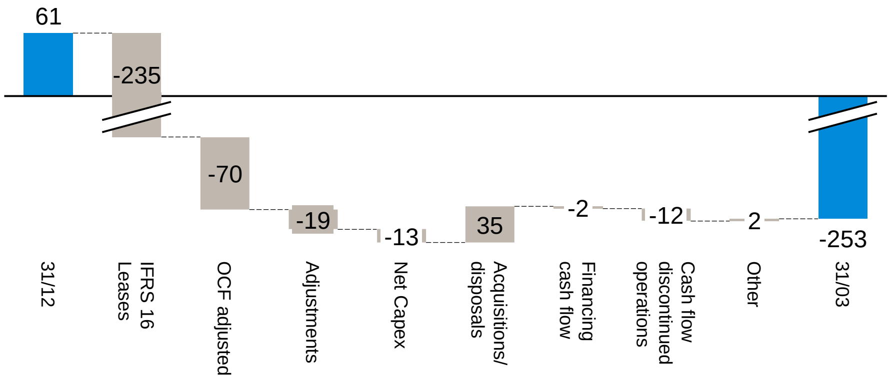


Net Trade Assets (€ million)



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

Net liquidity (€ million)



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