Bilfinger SE

Bilfinger SE Company Presentation

November 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

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

CMD 2019

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

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

Bilfinger Turnaround Concept (BTC)

No. 1 provider in Europe for turnarounds in the process industry

Profitability driver for E&M also in 2020 & 2021

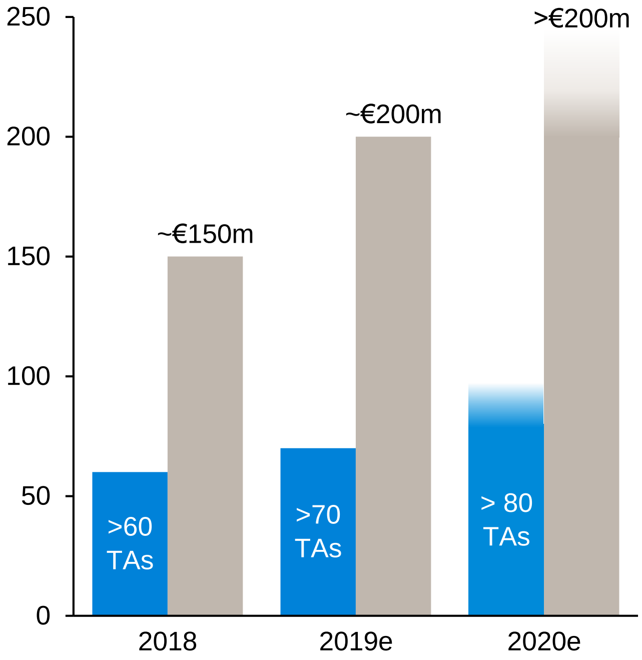
BTC:

- Ability to ramp up/down large number of qualified personnel
- Minimize outage
- Asset long-term integrity assurance

- Decades of experience
- Market leader: ~80 turnarounds/year
- International network, local execution
- Cost-efficient & transparent: one-stop service provider

- Digital tools, modular handbook, methodology training

→ **Rollout of BTC across all European E&M markets**
→ **High number of repeat customers**
→ **Access to new customers**



Craft labor supply/demand inversion driving Bilfinger's market dynamics

Source: BLS data seasonally adjusted, nonfarm job openings

Help wanted: Too many jobs and not enough workers in most states

Tim Henderson | Stateline
Published 8:10 PM EDT Oct 15, 2019

USA Today

- Supply side shortage expectations
- "War for talents" determines competitive edge
- Demographics

✓ **Quality, competence & certification imperatives**

✓ Supports firming prices

* Bundesinstitut für Berufsbildung (ed.): Datenreport zum Berufsbildungsbericht 2019. Informationen und Analysen zur Entwicklung der beruflichen Bildung. Bonn 2019. p. 15.

Digital Next: 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

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

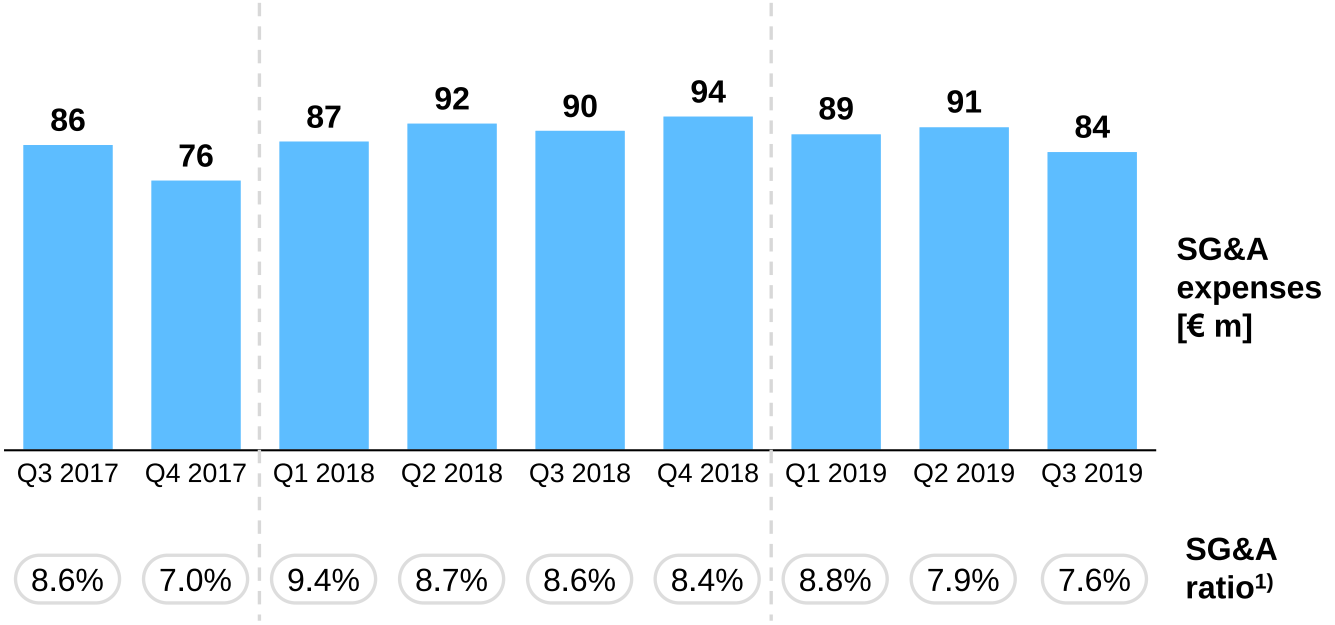
AMBITION [2]

EBITA margin increase of ~500bps

[1] Limits of authority [2] Mid-cycle targets

SG&A ratio shows positive trend

Adjusted SG&A expenses [€ m]



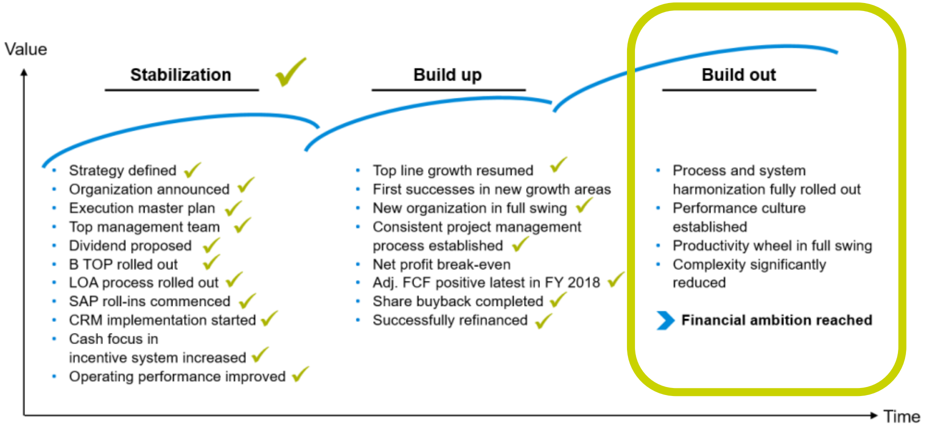
Highlights

- 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

Preparing the ground for the "build-out phase":
Leaner processes, less regulation – focus on value generation



Significant margin improvement expected in 2020

- **Gross margin improvement remains major focus:**
  → Execution improvement
  → Disciplined hurdle rates for future contracts

- **Additional net SG&A savings >€30 million in 2020,**
  by 2021 reduction of SG&A run-rate to <€300 million p.a.:
  → Reduction of Executive Board size and HQ staff, elimination of one management level in Europe
  → Restructuring adjustments of in total ~€40 million in 2019 and 2020
  → Payback in less than 1.5 years

→ Implementation initiated

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

Guidance 2019, Targets 2020 and Wrap-up

Markets: E&M Europe

	Industries	%*		Trend
	Oil & Gas	25%	• Overall positive outlook in E&M Oil & Gas driven by gas infrastructure buildout and input terminals / LNG projects • Strong demand for offshore maintenance, turnaround projects and decommissioning	
	Chemicals & Petrochem	45%	• Stable market development with turnaround opportunities for the upcoming years • CO_2/emissions impacting future investment decisions	
	Energy & Utilities	10%	• Hydrogen beginning to play more of a role in European energy transition • Maturing offshore wind parks leading to opportunities for inspection and maintenance • Nuclear remains in focus in France, UK, and Finland	

* % of segment revenues FY 2018

Markets: E&M International

	Industries	%*		Trend
	Oil & Gas	15%	• Aging installations based in ME fuel demand for brownfield CAPEX projects for rehabilitation, upgrades & repair • Mid-stream gas investments in NA continue but the pace has slowed	
	Chemicals & Petrochem	30%	• Focus on OPEX optimization to support refining margins • Significant investments in Petro-Chemical announced for Texas / Louisiana	
	Energy & Utilities	10%	• Continued concepts being developed for alternative energy power-generation in ME • In NA, energy investment trends focused on energy storage, wind, solar and CO_2 reduction	

* % of segment revenues FY 2018

Markets: Technologies

	Industries	%*		Trend
	Oil & Gas	10%	• Modification and modernization requirements of European gas distribution systems • Debottlenecking opportunities in refining	
	Energy & Utilities	40%	• Energy transition focus in all our regions, esp. Europe and USA • Nuclear demand for new builds and maintenance increasing, esp. in France and UK • Decommissioning a developing opportunity in Germany	
	Pharma & Biopharma	40%	• Classic pharma continues to grow • Many small to medium-size biopharma projects nearing FID (final investment decision)	

* % of segment revenues FY 2018

Outlook 2019 reaffirmed, significant margin improvement in 2020

in € million	Actual FY 2018	Expected FY 2019	Indications FY 2020 (organic)
Revenue	4,153	Mid single-digit organic growth	Stable with focus on higher margins
EBITA adjusted	65	Significant increase to more than €100m	~4% margin
Free Cash Flow reported	-4	Positive[1)]	Positive

- → Continued divestment of non-core and low-margin business
- → Seeking accretive acquisition opportunities
- → Will support delivery of the generally confirmed target of a 5% adjusted EBITA margin
- → This is only expected to be achieved towards the end of 2020 on a going forward basis

1) Notwithstanding IFRS16 effect: break-even

Bilfinger 2020

Build up phase on track / Build out phase starts in 2020

Capital Markets Day
February 13, 2020

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 Q3 2019

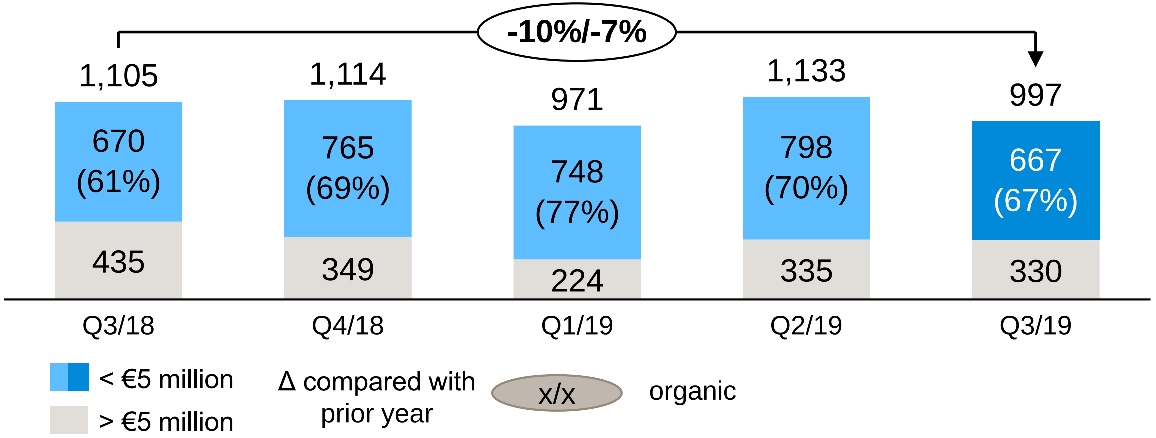
Q3 2019: Bilfinger making steady progress, streamlining management structure

- **Market:** underlying markets stable
  Orders received: timing issues
- **Revenue:** continued growth
- **Adjusted EBITA:** significant year-on-year improvement
  Technologies improved sequentially, but still negative
- **Reported net profit:** positive in quarter and year-to-date
- **Free cash flow reported:** above prior year, further significant improvement expected for Q4
- **Productivity:** further measures being implemented, >€30m additional 2020 cost savings
  Outlook: 2019 reaffirmed, significant EBITA improvement in 2020

Stable orders received in E&M, Technologies with significant decrease due to project timing and current strong focus on execution

Development of orders received

Orders received (€ million)



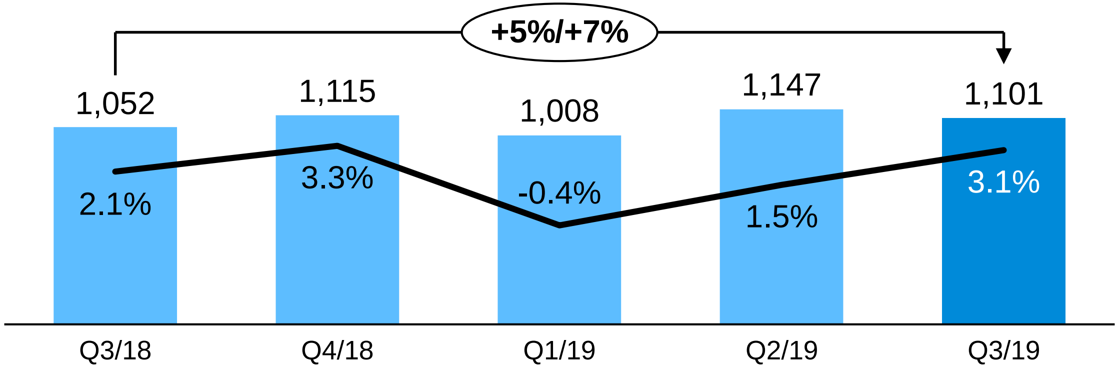
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19
Book-to-bill ratio	*1.1*	*1.0*	*1.0*	*1.0*	*0.9*
Order backlog (€ million)	*2,828*	*2,818*	*2,754*	*2,712*	*2,620*

- **Orders received**
  Decrease (-10% / org.: -7%) due to project timing in UK and US and careful selection of new projects in Technologies
- **Book-to-bill:** 0.9
- **Order backlog**
  -7% below prior-year quarter (org.: -5%)

Revenue growth remains positive; significant improvement in adjusted EBITA

Development of revenue and profitability

Revenue (€ million)



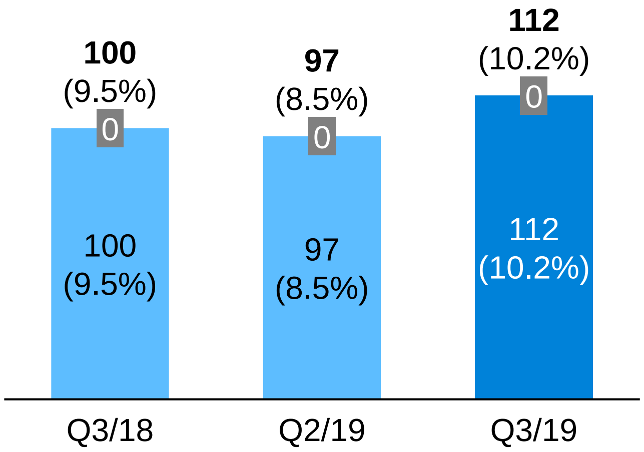
EBITA adj. margin (%)   Δ compared with prior year   x/x organic

	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19
EBITA adj. (€ million)	*22*	*37*	*-4*	*17*	*34*
EBITA (€ million)	*11*	*-6*	*-3*	*3*	*25*

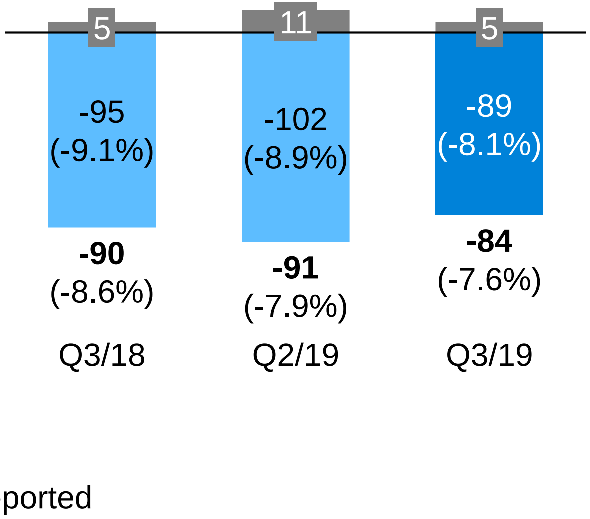
- **Revenue**
  +5% increase (org.: +7%) due to good market demand
- **Adjusted EBITA**
  Increased to €34 million (prior year: €22 million), significant margin improvement (3.1% against 2.1%)
- **Special items**
  -€9 million, thereof -€1 million restructuring and -€8 million from IT investments

Gross margin improvement to 10.2%
Adjusted SG&A ratio of 7.6% dipping below run-rate of 8.2%

Adjusted gross profit (€ million)



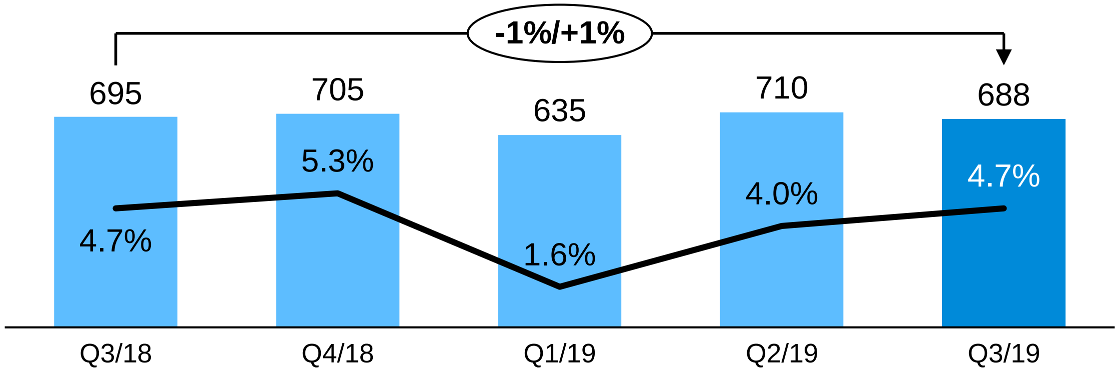
Adjusted selling and administrative expenses (€ million)



Segment E&M Europe: continued sound performance

Development of revenue and profitability

Revenue (€ million)



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

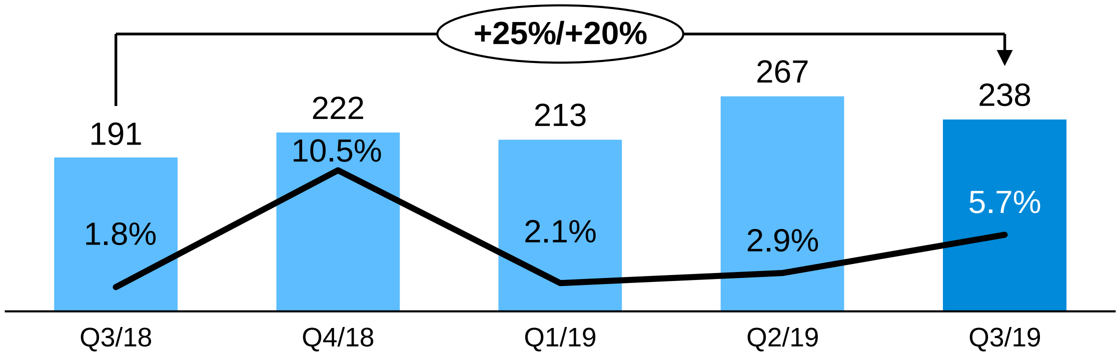
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19
Book-to-bill ratio	*0.9*	*1.1*	*1.0*	*1.1*	*0.9*
EBITA adj. (€ million)	*33*	*37*	*10*	*28*	*32*

- **Orders received**
  -2% below prior-year quarter (org.: +0%), major framework contracts to be prolonged in Q4 / currently not reflected in orders received
- **Book-to-bill:** 0.9
- **Revenue**
  -1% (org.: +1%), stable development on already good level
- **Adjusted EBITA**
  Adjusted EBITA and margin both on good prior-year level

Segment E&M International: strong revenue growth, considerable margin improvement

Development of revenue and profitability

Revenue (€ million)



EBITA adj. margin (%)   Δ compared with prior year   x/x organic (here: w/o FX effects)

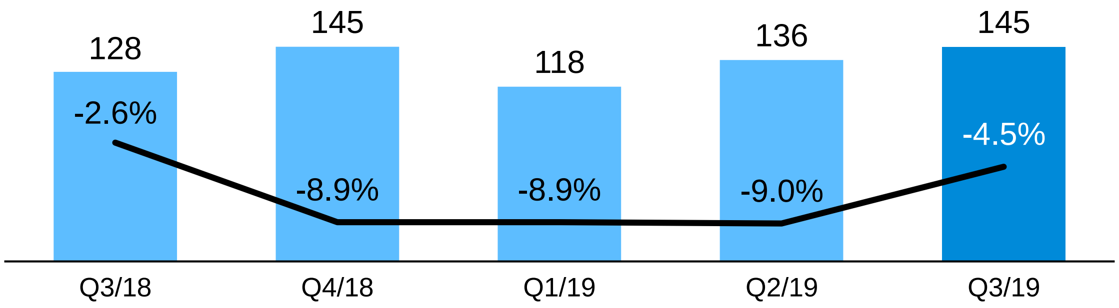
	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19
Book-to-bill ratio	*1.1*	*0.8*	*0.7*	*0.9*	*0.9*
EBITA adj. (€ million)	*3*	*23*	*5*	*8*	*14*

- **Orders received**
  +2% (org.: -3%) slightly above prior-year quarter based on project expansions
- **Book-to-bill:** 0.9; <1 also due to project timing
- **Revenue**
  Continued strong revenue growth of +25% (org.: +20%) especially due to strong project execution in North America
- **Adjusted EBITA**
  Increase through growth and considerable margin improvement (5.7% against 1.8%)

Segment Technologies: sustained positive revenue trend, sequentially improving but negative adjusted EBITA, positive Q4 expected

Development of revenue and profitability

Revenue (€ million)



EBITA adj. margin (%)

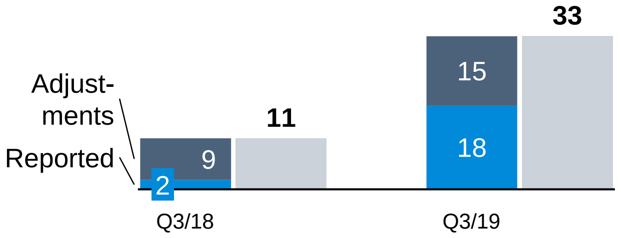
Δ compared with prior year x/x organic

	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19
Book-to-bill ratio	*1.7*	*1.0*	*1.0*	*0.8*	*0.6*
EBITA adj. (€ million)	*-3*	*-13*	*-10*	*-12*	*-7*

- **Orders received**
  -61% (org.: -62%) below prior-year quarter due to project timing and the careful selection of new projects
- **Book-to-bill**
  At 0.6, continued focus on profitability improvement and execution
- **Revenue**
  +13% (org.: +15%) increase based on good order backlog
- **Adjusted EBITA**
  Still negative; positive EBITA contri-bution expected in the fourth quarter. One-time effect of -€4 million: unexpected judgement by the German High Court (BGH) that revoked an arbitration award from 2017 (work executed in 2011)

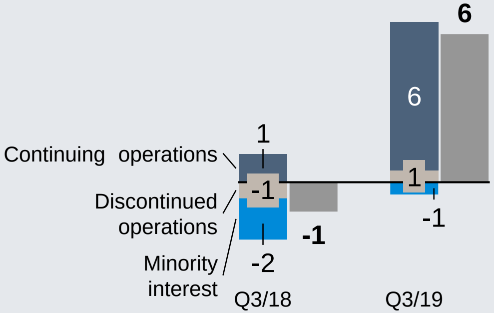
Operating and free cash flows positive and above prior year
DSO improved y-o-y with higher portion of receivables already invoiced

Adjusted operating cash flow[1] (€ million)

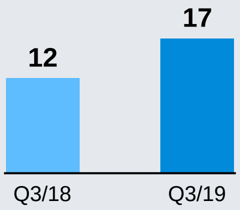


[1] *Adjustments correspond to EBITA adjustments, Q3 2019 includes +€9m from IFRS 16*

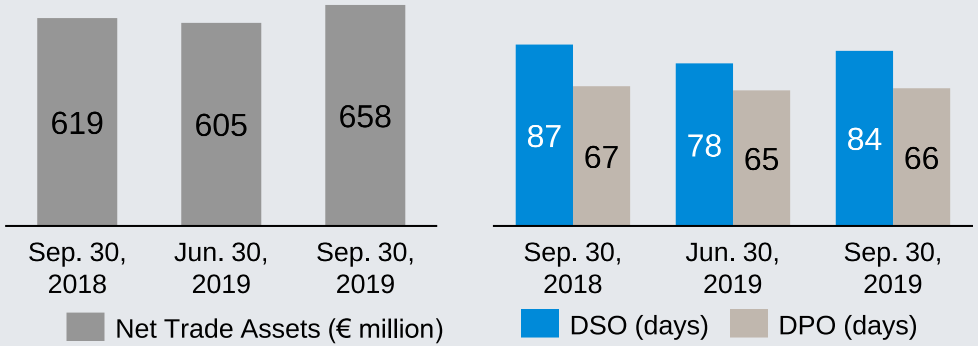
Net profit (€ million)



Adjusted net profit (€ million)

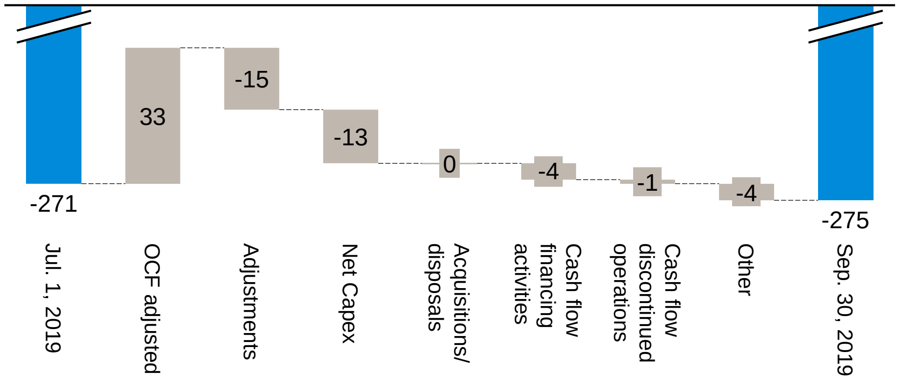


Net Trade Assets



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

Net liquidity (€ million)



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