Bilfinger SE

Bilfinger SE Company Presentation

August 2018

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** divisions, **four** regions and **six** industries
- Combination of **CAPEX-driven** (E&T) and **OPEX-driven business** (MMO)
- Large share of business with **frame contracts** and **high retention rates**
- **Well-established customer base** with focus on process industry
- **Highly recognized safety and quality** performance
- **Digital pioneer** for the process industry

€ 4.0bn revenue

thereof recurring business >60%

€3m EBITA adjusted

Approx. 36,000 employees

based on FY 2017

CMD 2017

Back to Profitable Growth

2 Service Lines, 4 Regions, 6 Industries

Our ambition

We engineer and deliver process plant performance

Where to play

2 Service Lines

- **E&T** – Engineering & Technologies
- **MMO** – Maintenance, Modifications & Operations

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**

Service Portfolio

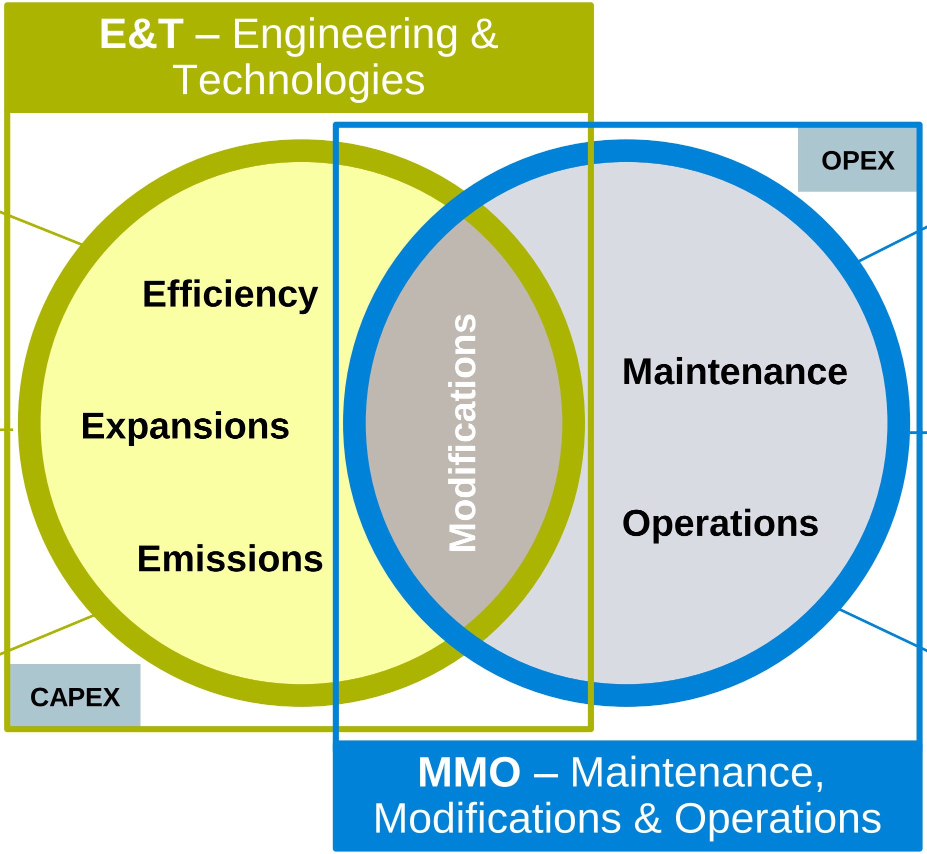
Strong offering for capex and opex driven services

CMD 2017

Packaged Units

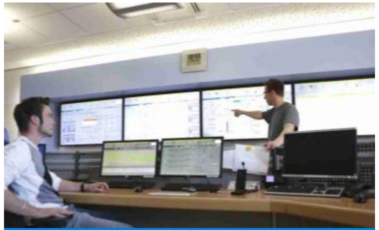
Plant Expansions

De-Sulfurizations



Turnarounds

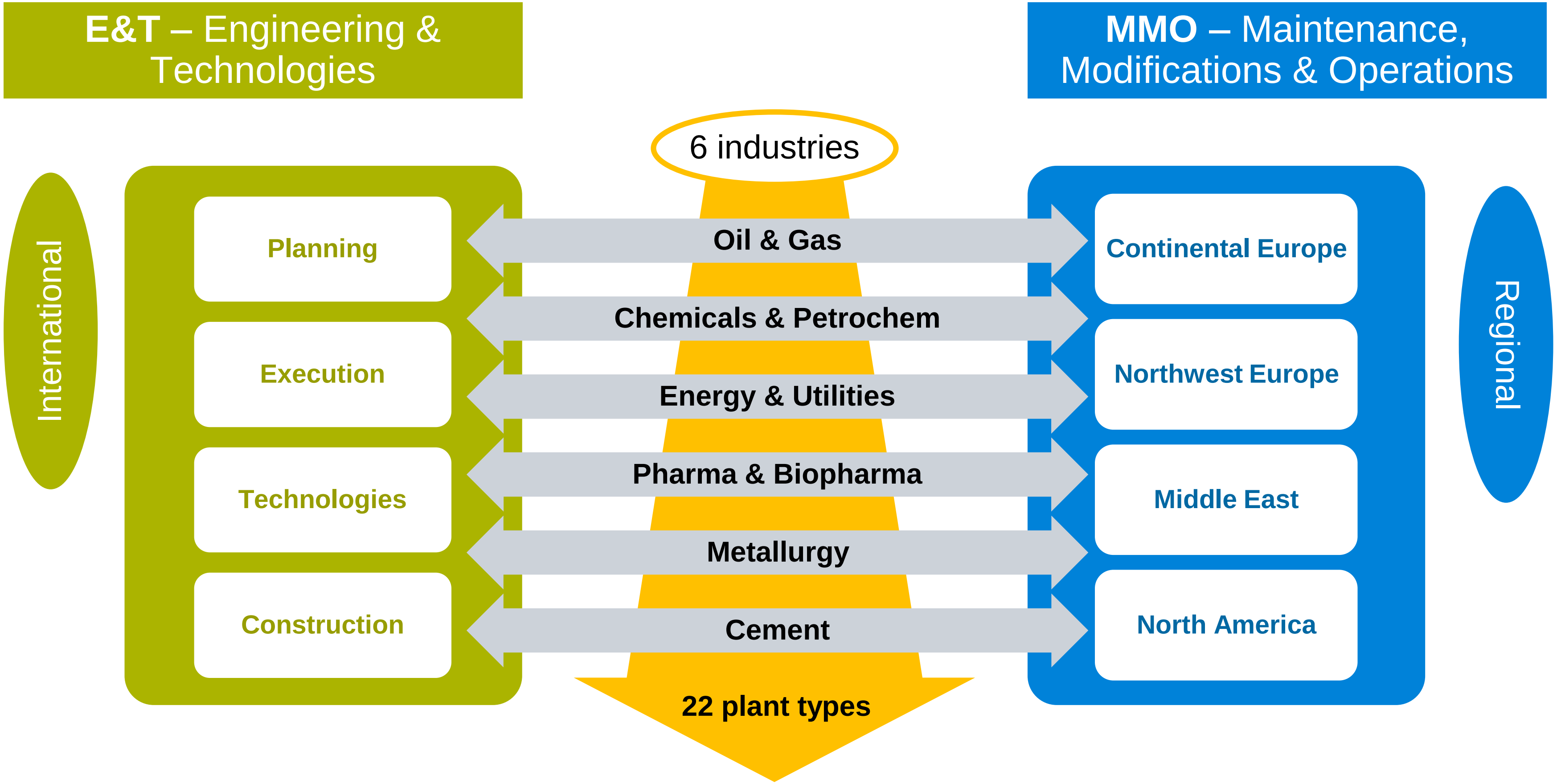
Maintenance Contracts



Operations

Go-To-Market organization
Market focus, customer centric

CMD 2017

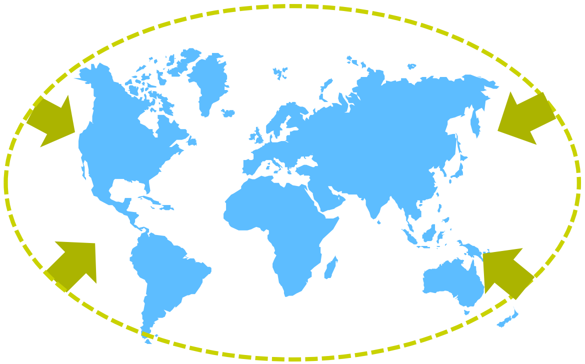


Organization

New setup supports strategy implementation and 2020 ambition

CMD 2017

E&T



- Concentrated know-how
- Centralized project governance
- Leverage high-value resources
- Enables fast roll-out of innovations

Use International Scale

MMO

In every region:

- Customer proximity
- Management of capacity utilization
- More collaboration and cross selling
- Higher SG&A efficiency

Use Regional Scale

People
Driving Performance Culture

Mission Statement

WE MAKE IT WORK

OUR PASSION
We engineer and deliver process plant performance.

OUR VALUES

WE CREATE.	WE CARE.	WE CAN.
We solve multifaceted and challenging tasks through first class engineering know how.	We are committed to our clients' needs, to the well-being of our people and to our environment.	We deliver tailor made solutions with the capability and experience of our highly motivated colleagues.

OUR COMPETENCIES

WE DRIVE INNOVATION.	WE IMPROVE CONTINUOUSLY.	WE COMMIT TO EFFICIENCY.
WE COLLABORATE FOR SOLUTIONS.	WE ENSURE RELIABILITY.	WE DELIVER RESULTS.

WE NEVER COMPROMISE ON INTEGRITY AND SAFETY.

Performance Culture

- **Established** Top Management Team
- Vertical integration (e.g. value propositions) is leading to an **increasing level of collaboration**
- Increasing focus on **cash** through **cascaded incentive scheme**
- Switch from ‘adjusted’ to **‘reported’ cash KPI**
- Alignment across Bilfinger through introduction of **long-term equity-based bonus** linked to **Group targets 2020**
- **BTOP as part of individual targets** on first two Management levels

Compliance and integrity

Tremendous progress achieved in the last 18 months

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 • **Target: 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

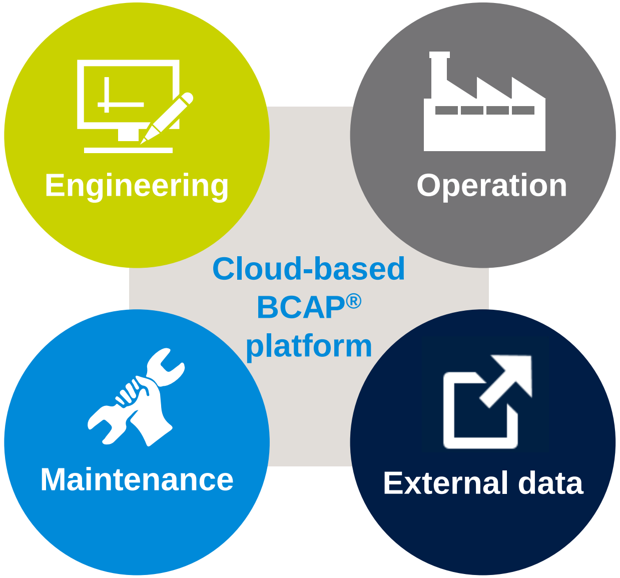
Applicability deficits

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

WE MAKE DIGITALIZATION WORK!

BCAP®
Connecting data lakes and unlocking the potential of digitalization

Isolated data lakes and processes



Digital connection of value-added processes

BCAP®
Bilfinger Connected Asset Performance

- Phase 1 – **Consult**
- Phase 2 – **Connect**
- Phase 3 – **Visualize**
- Phase 4 – **Optimize**

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**

Bilfinger Digital Next

Strategic Partnerships and technical cooperation to unlock full potential

BILFINGER

- Proven experience in optimizing process industry performance
- Proven execution capability in OT
- Reference cases in digitalizing chemical and process plants

BCAP® Bilfinger Connected Asset Performance

- 40+ years proven experience in mission critical enterprise Software
- Leader in industrial IOT
- Proven Cumulocity platform

software AG

CUMULOCITY IoT

Unlock the potential of digitalization in the process industry

- Strategic partnership to digitalize the process industry
- Frontrunner in prescriptive analytics
- Technical integration of Cumulocity into BCAP
- Joint marketing approach and business model development
- Bilfinger to hold contract relationship with clients

Technical cooperations

SIEMENS

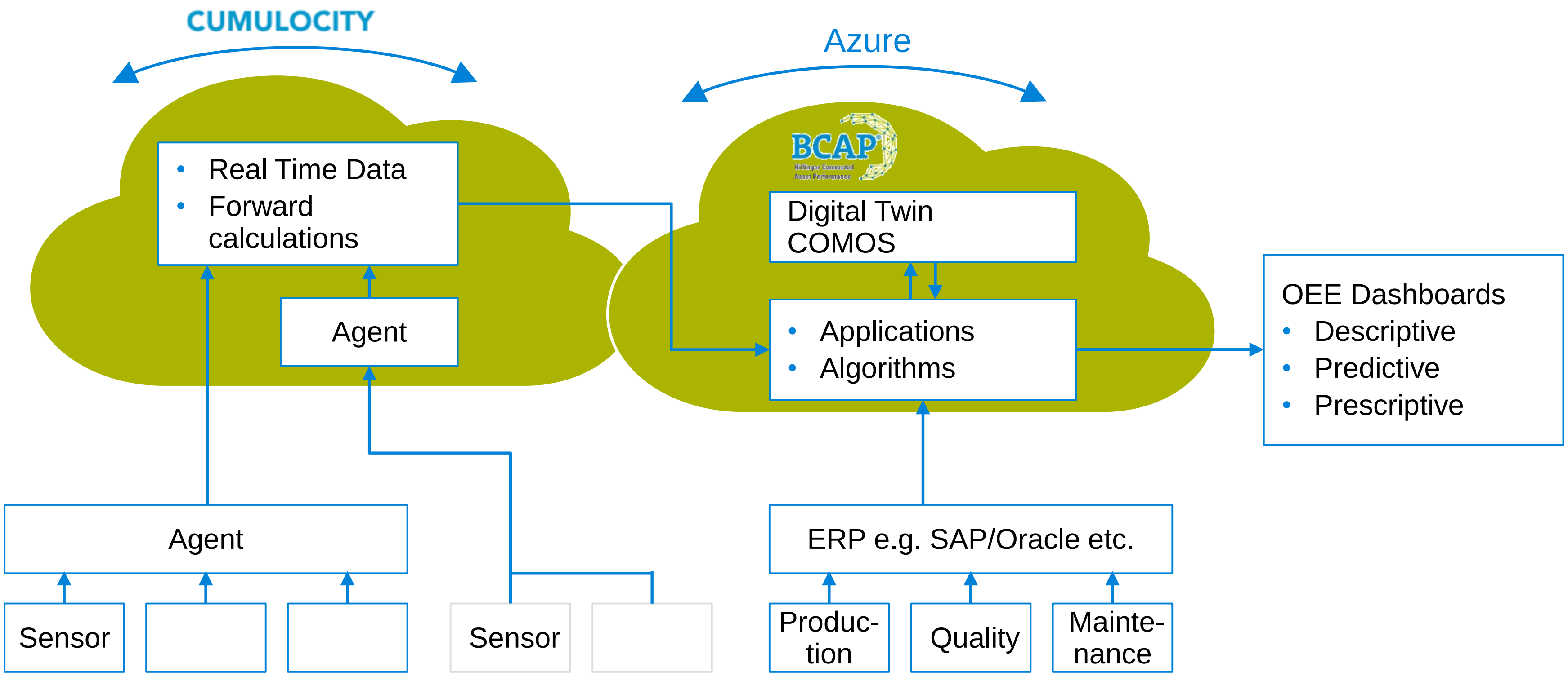
- Standardized Life Cycle Database
- Higher Effectiveness in Modifications

Microsoft

- Smart Digital AI-Solutions for the process industry
- Highest IT-Security-Standards

Bilfinger Digital Next

Cumulocity and BCAP provide prescriptive analytics



Bilfinger Digital Next

Frontrunner in digitalizing the process industry

Bilfinger Digital Next

Bilfinger's center of competence and growth driver in digitalization

Consolidation of expertise, know how and intellectual property

MÜNZING CABB Fortum Siegfried

Core portfolio

BCAP
Bilfinger Connected Asset Performance
- Digital solution for process industry

Industrial Tube
- Knowledge Platform

PIDGRAPH
- Documentation for the future

Value for our clients

7-15% efficiency increase

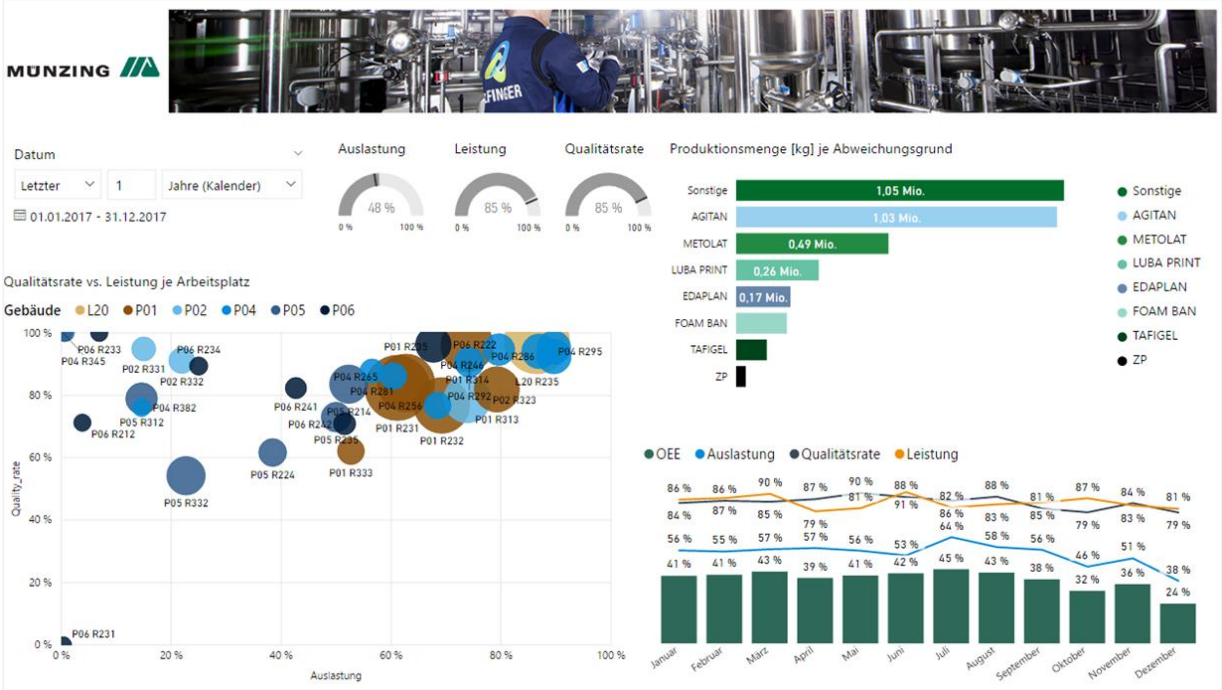
Secured expertise

Fast and reliable access to information

Value add

Bilfinger has demonstrated the power of digitalization in first use cases

Pilot Use Case Münzing Chemie



Exemplary BCAP® dashboard installed by Bilfinger at Münzing Chemie

Value add (in year 1)

10%
OEE improvement potential discovered

10%
Reduced routine walks

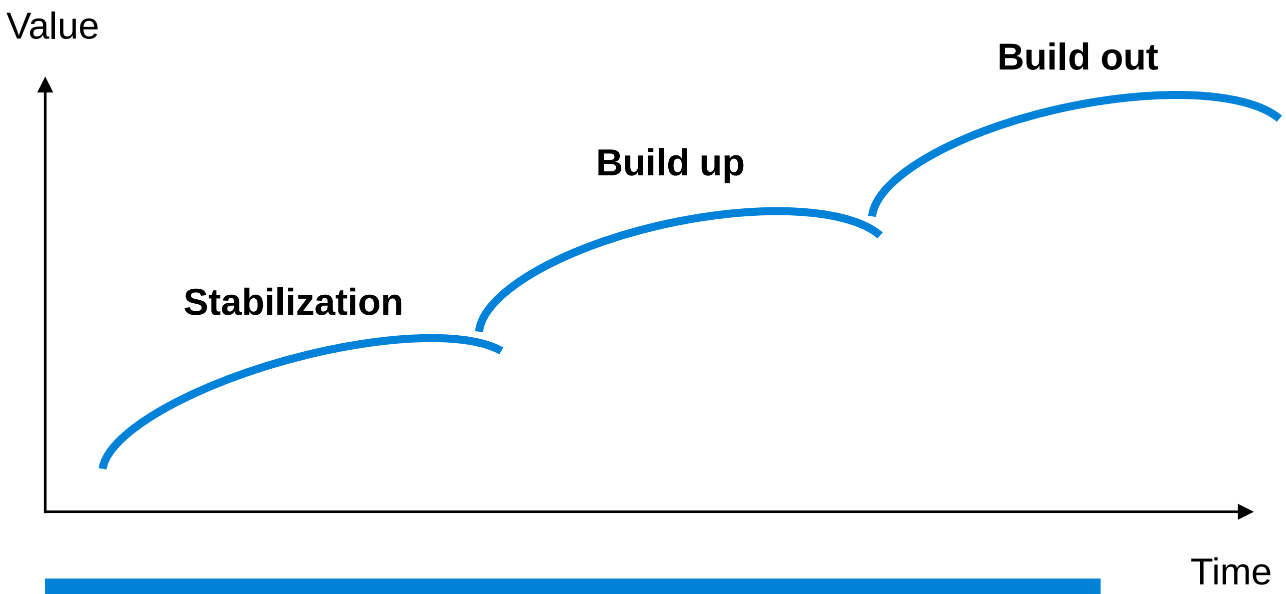
5%
Less unplanned downtime

30%
Improved data quality

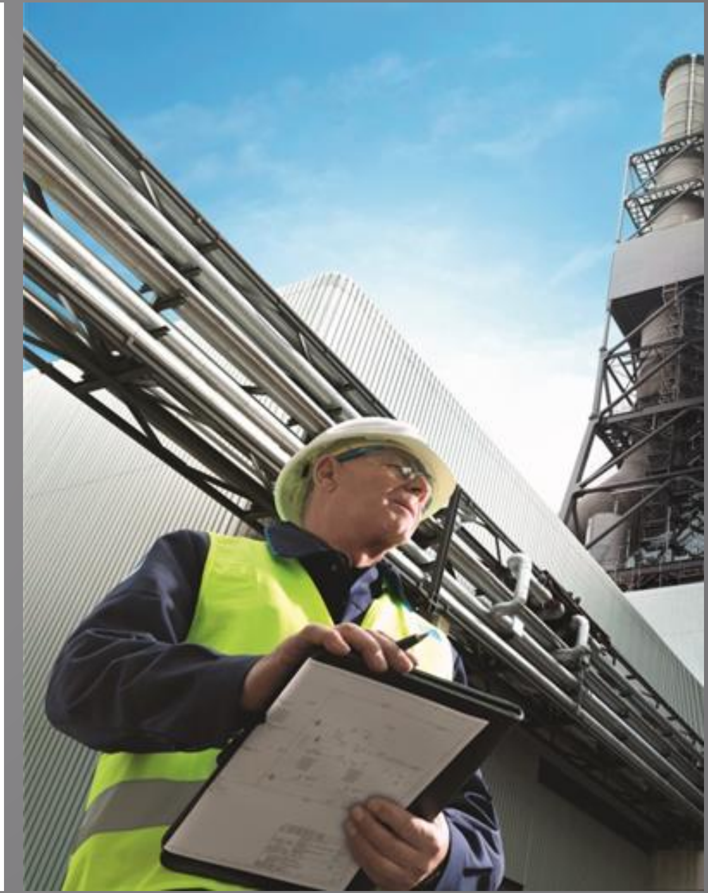
Improving our financial performance

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?



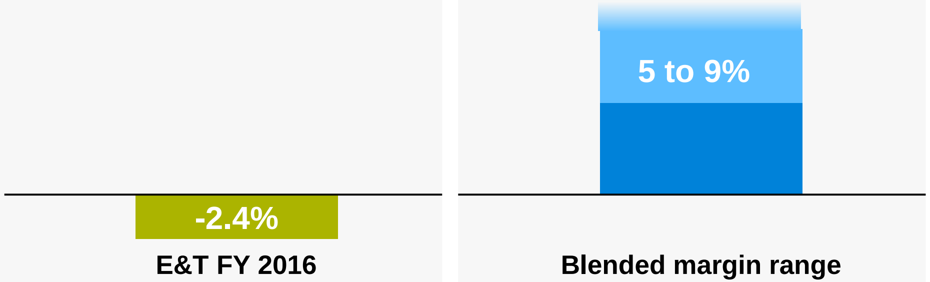
CMD 2017

Margin ambition is supported by an extensive profit-pool analysis

E&T EBITA

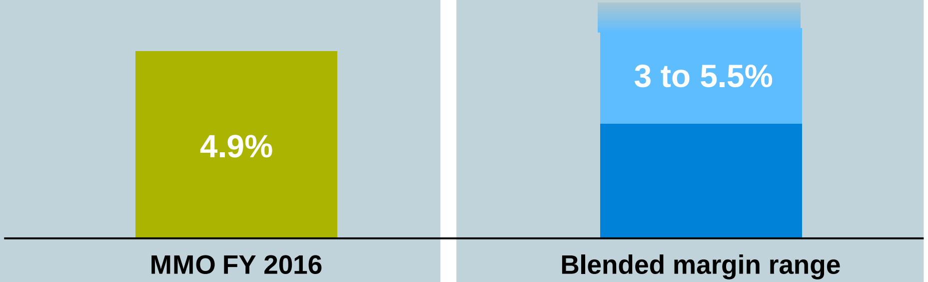
Adjusted EBITA margin FY 2016

Profit pool according to Bilfinger profile[1] (Mix FY 2020)



- E&T with a defined path to improve profitability
- Entering blended margin range towards the end of the planning period
- Based on growth investments 2017 to 2020 business mix will improve beyond 2020 and lead to further upside potential

MMO EBITA



- Stable MMO business already within blended margin range
- 2018ff: Margin improvement towards upper end of blended margin range
- Based on growth investments 2017 to 2020 business mix will improve beyond 2020 and lead to further upside potential

1) Estimate based on expected Bilfinger revenues and typical profitability in relevant segments (“Homunculus”), mid-cycle i.e. stable economic environment

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: ~200bps

Impact on SG&A ratio ~300bps

AMBITION[2]

EBITA margin increase of

~500bps

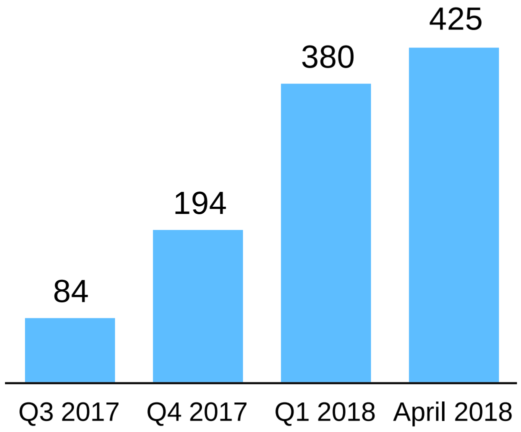
by 2020

1) Limits of authority 2) Mid-cycle targets

B-TOP

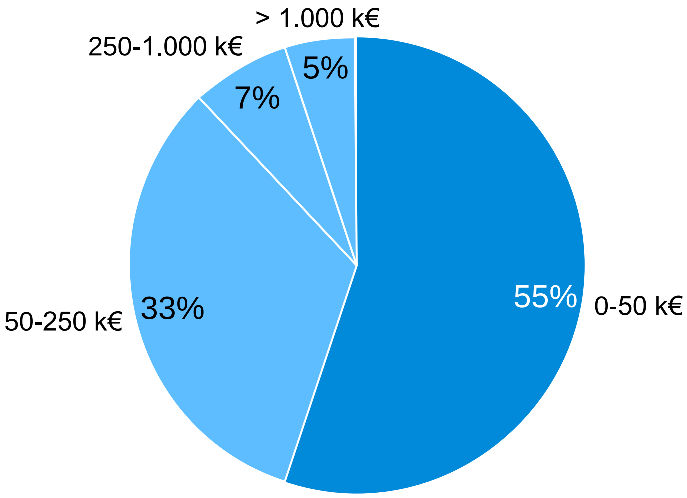
B-TOP has been rolled out and ensures productivity targets

Ramp up of measures [#]



Ramp up of targets and effects

EBITA-effect per measure



Bottom up / continuous improvement approach

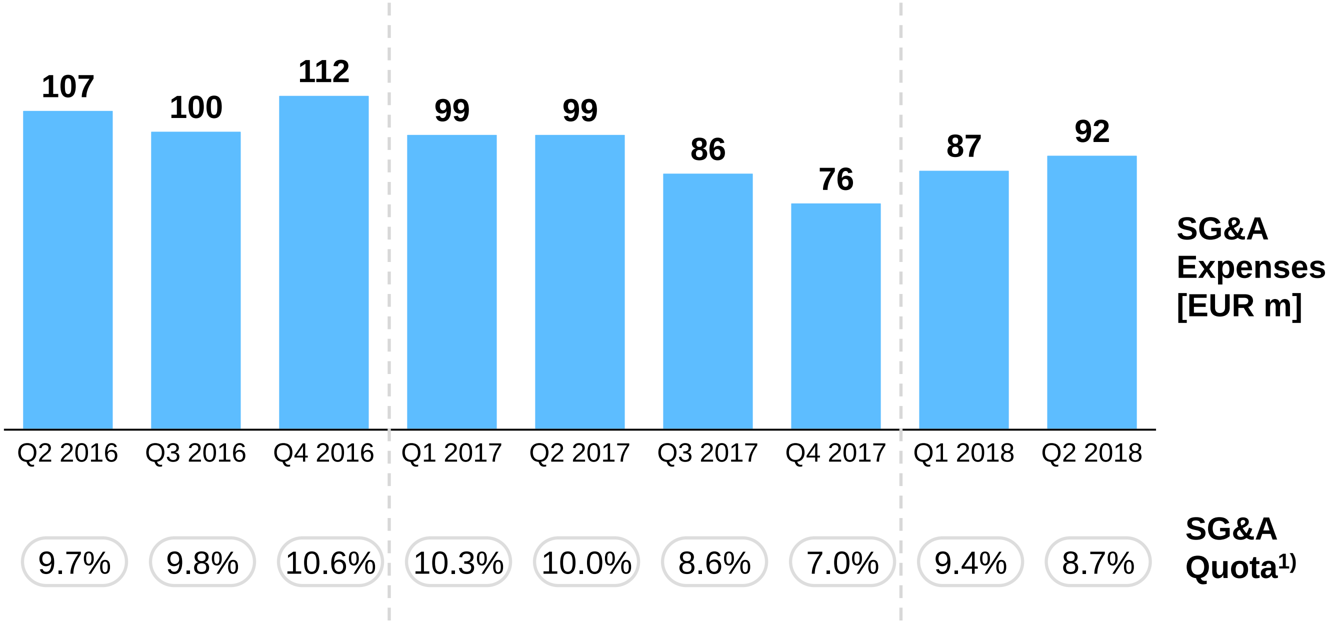
Highlights

- Tool and structure rolled out
- Local B-TOP professionals installed and networks set up
- Efficiency targets agreed and included in top management incentivation
- Sustainable bottom up approach with most of the ideas coming from the business
- Ramp up of initiatives in full swing

SG&A expenses

SG&A expenses show positive trend

Adjusted SG&A expenses [EUR m]



Highlights

- 4 consecutive quarters with lower SG&A expense quota compared to previous year

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

1) As percentage of revenue

Targets 2020 and Wrap-up

Dividend of €1.00 for FY 2017
Share buyback program advances as planned

Re-financing

- Refinancing of syndicated cash-credit line (RCF) in June 2017 with volume: €300m; duration: 5 years
- Agreements on guarantee facilities in bilateral tranches with a total volume of €860m achieved
- Conditions slightly improved

Intended Dividend Policy*

- Dividend floor of €1.00 from 2017 onwards
- Sustainable dividend stream going forward: 40 to 60% of adjusted net profit
- Dividend of €1.00 for FY 2017 (FY 2016: €1.00)

Interest in Apleona

- Vendor claim: value of €109m due to accrued interest
- PPN: €210m

Share Buyback Program

- Volume of up to €150m or 10% of shares
- Started in September 2017 as planned with an end at the earliest September 2018, latest end of 2018
- Degree of completion: ~72% | Current volume: ~ €109m**

M&A Criteria

- Consideration of synergetic M&A begins with the initiation of phase II of the strategy
- EBITA accretive one year after integration, ROCE beats WACC two years after integration
- Immediate start of comprehensive integration

Financial Policy

- Ambition: (mid-term perspective) Investment Grade

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

**Status: August 8, 2018

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 06/2018: €111m)

Preferred participation note (PPN):

- No management involvement
- Certain information rights, some further rights
- Investment: €195m
- Book value 06/2018: €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

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
- 36% equity ratio
- Financial participation in Apleona with significant upside potential

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 FY 2017 and will end in FY 2018

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

Quarterly Statement Q1 and Guidance FY 2018

Q2 2018

Stabilization phase completed, market environment support growth path

- Continued double-digit growth in orders received
- Revenue increased significantly
- EBITA adj. above substantially burdened prior-year figure
- Net profit positive due to write-up of PPN Apleona
- Operating cash flow above prior-year quarter and HY1
- Outlook 2018 confirmed

Current market situation and trends E&T

Oil & Gas
- Continuing brownfield investments in Europe
- Increasing upstream activities in US Shale and Middle East

Chemicals & Petrochem
- Ongoing active brownfield investments
- Key opportunities in US Gulf Coast
- Demand for services in early project phase in Middle East

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

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

Current market situation and trends MMO

Oil & Gas
- Demand for maintenance services improving, but competition remains strong

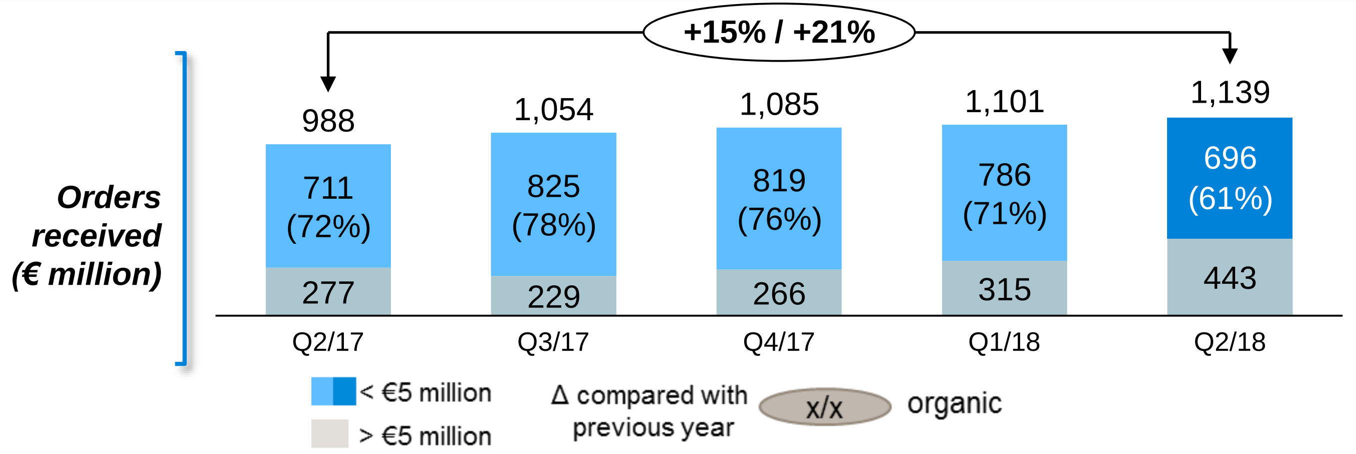
Chemicals & Petrochem
- Stable demand in Europe and Middle East for maintenance and modifications
- Large Turnarounds being scheduled

Energy & Utilities
- Ongoing low demand in Europe
- Shift from conventional to alternative energy in Middle East

Metallurgy
- Ongoing strong demand in Aluminium
- Signs of recovery in steel

Positive momentum in orders received continues: Growth against prior year as well as sequentially

Development of orders received



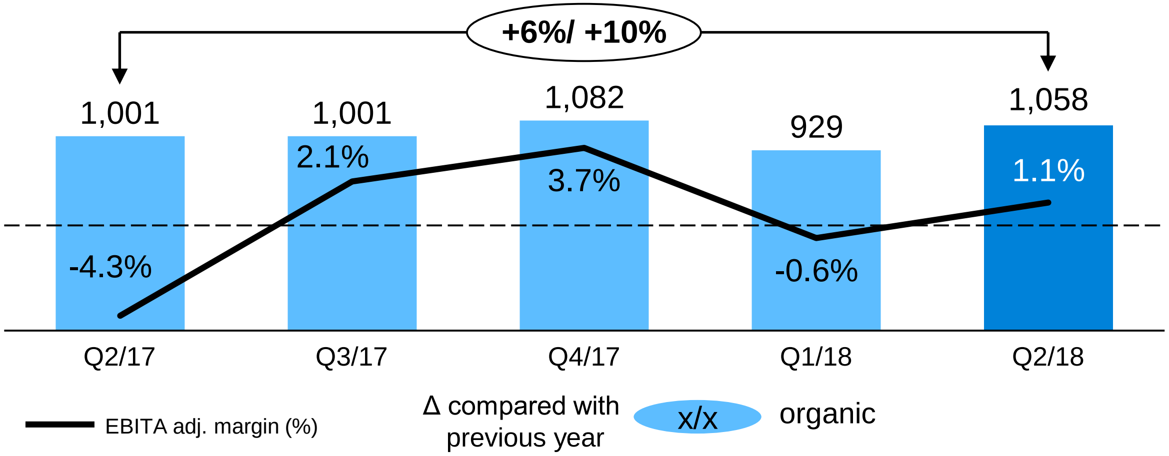
	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Book-to-bill ratio	*1.0*	*1.1*	*1.0*	*1.2*	*1,1*
Order backlog (€ million)	*2,502*	*2,536*	*2,531*	*2,689*	*2,767*

- **Orders received:**
  15% above prior year
  (org.: +21%),
  Double-digit increase in both segments
  Share of orders >€5 million increased significantly
- **Book-to-bill:** 1.1
- **Order backlog:**
  +11% above prior year
  (org.: +13%)

Again growth in revenue, EBITA adjusted above substantially burdened prior-year figure

Development of revenue and profitability

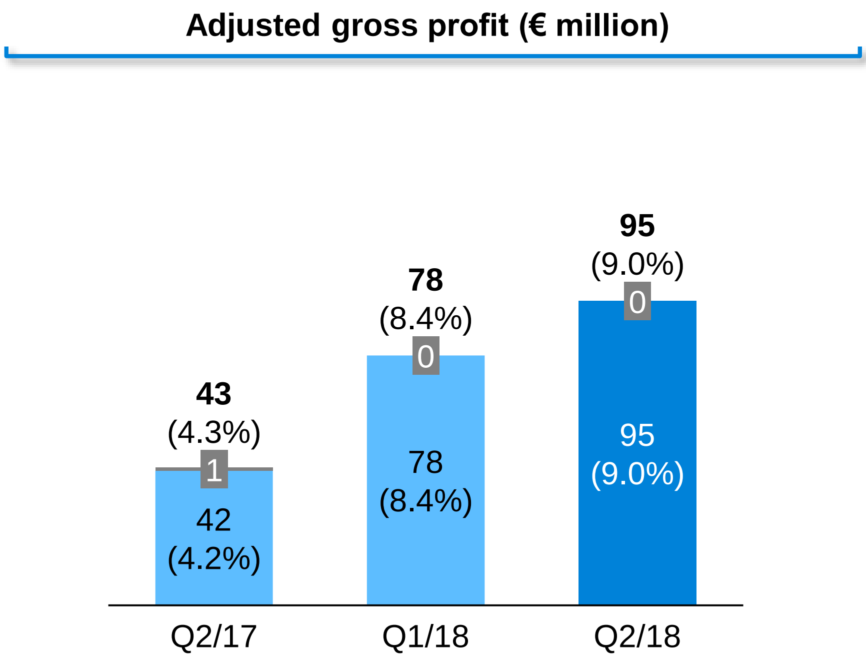
Revenue (€ million)

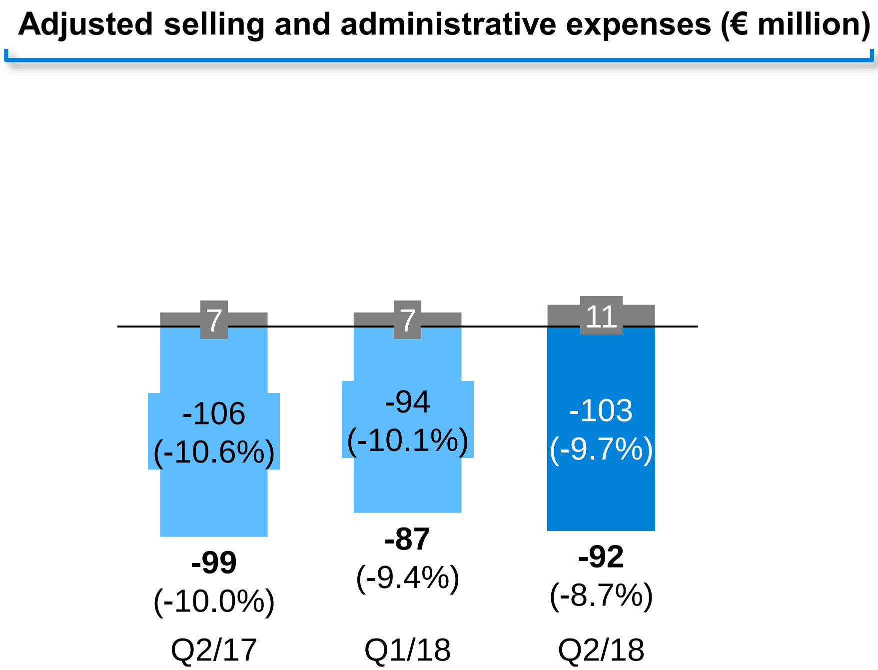


	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
EBITA adj. (€ million)	-43	21	40	-6	12
EBITA (€ million)	-64	-6	2	-11	-1

- **Revenue**:
  Increase of 6% (org.: +10%) esp. in European MMO business
- **EBITA adjusted**:
  Improved against prior-year quarter, which was burdened by project provisions of -€53 million
- **Special items:**
  Burdens from special items decreasing: €13 million vs. €21 million in the prior-year quarter, partly offset by positive effects form gains on disposals

Positive trends in gross margin and SG&A ratio

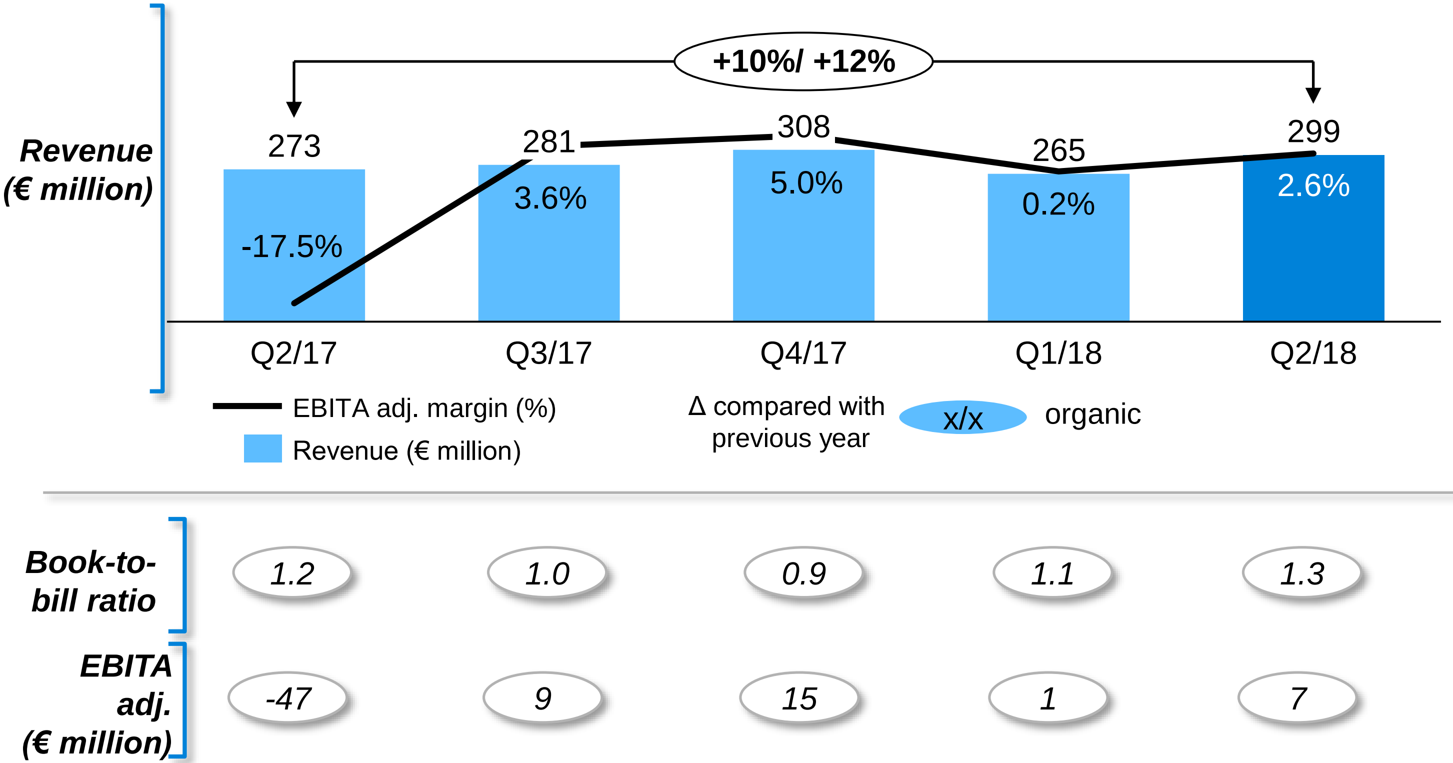




Adjustments Reported

E&T: Fourth consecutive quarter with positive EBITA adjusted

Development of revenue and profitability

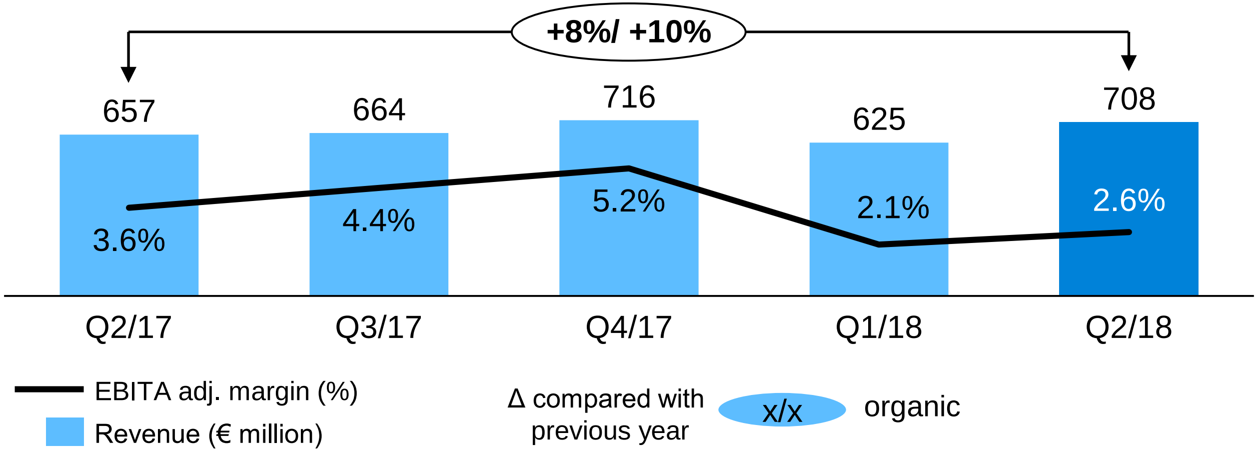


- **Orders received:**
  Strong quarter with +21% (org.: +28%) against low comparable,
  book-to-bill at 1.3 also due to major contract Linde Braskem
- **Revenue:**
  Increase of 10% (org. +12%) on the basis of growing orders received. Increasing capacity utilization expected over the course of the year
- **EBITA adjusted**:
  Partly still poor capacity utilization (Ex-Power, North America), compensated by positive effects from project close-outs

MMO: Continued significant organic growth in orders received and revenue

Development of revenue and profitability

Revenue (€ million)

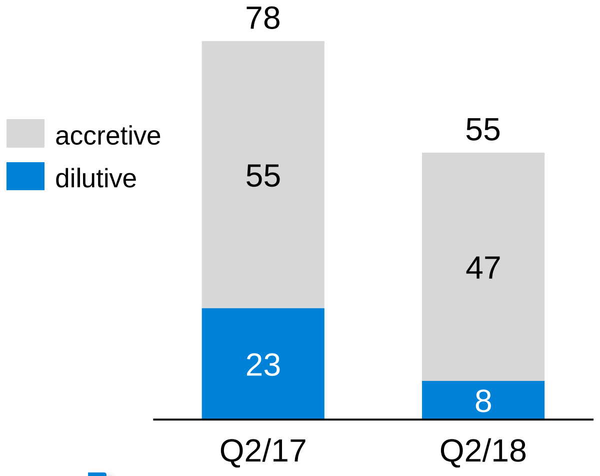


	Q2/17	Q3/17	Q4/17	Q1/18	Q2/18
Book-to-bill ratio	*0.9*	*1.1*	*1.0*	*1.2*	*1.0*
EBITA adj. (€ million)	*24*	*28*	*35*	*13*	*19*

- **Orders received:**
  Strong development with +22% (org. +25%), book-to-bill at 1.0. Esp. positive development in Europe supported by new framework contracts and higher volume expectations on existing ones
- **Revenue:**
  Likewise positive with +8% (org. +10%)
- **EBITA adjusted margin**:
  in Q2 below prior year due to disputed claims against an important customer, however, with 2.6% above prior quarter

OOP[1]: Focus on “accretive units”

Revenue OOP (€ million)



	Q2/17	Q2/18
Orders Received (€ million)	*74*	*34*
EBITA adj. (€ million)	*-1*	*-2*

- **Progress M&A track:**

  Dilutive: 13 units as of December 31, 2016

  As of June 30, 2018 all have been sold or terminated

  Accretive: four units, sales process kicked off for two units

  › **Q2 2018: positive effect on earnings of €2 million and cash-out of €4 million**

- **Business development:**

  After strong Q1, **orders received** in Q2 significantly below prior-year (-54% / org. -33%) due to typical volatility of project business

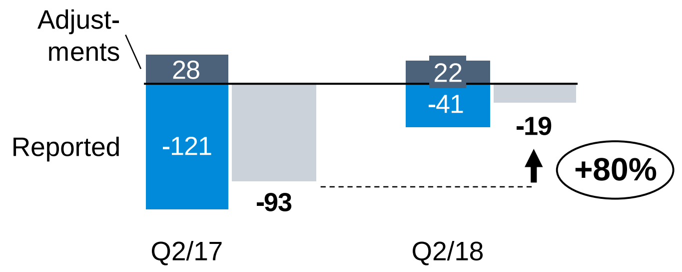
  Revenue still declining (-30% / org. -7%), in South Africa delay in contract awards

  Slight decrease of **EBITA adjusted** from -€1 million to -€2 million also due to low capacity utilization

1) Part of Reconcilliation Group

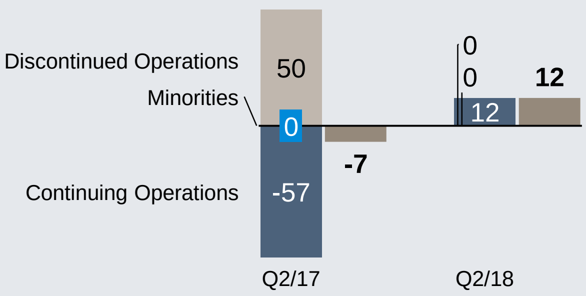
Operating cash flow significantly above prior-year
Net profit positive due to write-up of PPN Apleona by €22 million

Adjusted operating cash flow[1] (€ million)

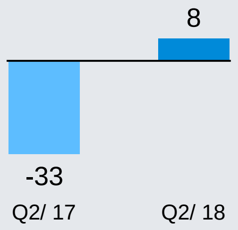


[1] *Adjustments correspond to EBITA adjustments*

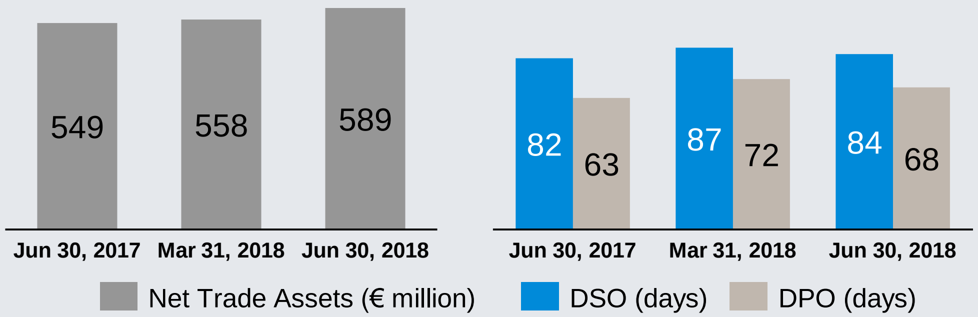
Net profit (€ million)



Adjusted net profit (€ million)

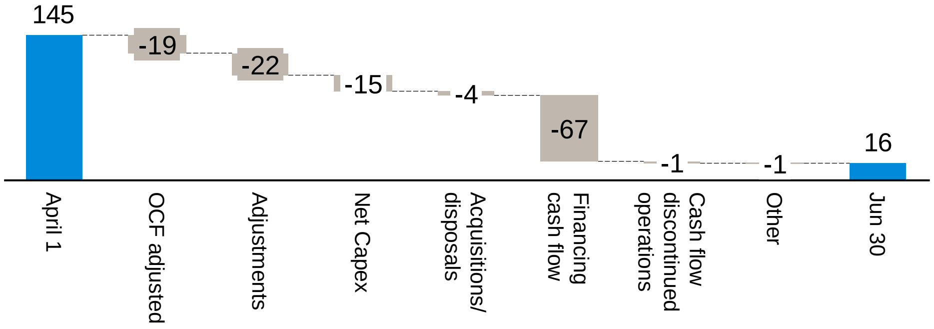


Net Trade Assets (€ million)



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

Net cash (€ million)



Outlook 2018 confirmed:
Significant improvement of adjusted EBITA expected

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
Adjusted EBITA	3	Significant increase to mid-to-higher double-digit-million € amount [2)]

1) As reported, based on output volume/ comparable based on revenue: €4,079m
2) Despite significant increase in upfront costs for business development and digitalization of € ~20 million, under the assumption of comparable F/X basis

Disclaimer

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