Bilfinger SE

Bilfinger SE Company Presentation

January 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

€ 4.2bn output volume

thereof >60% recurring business

€15m EBITA adjusted

Approx. 37,000 employees

based on FY 2016

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**

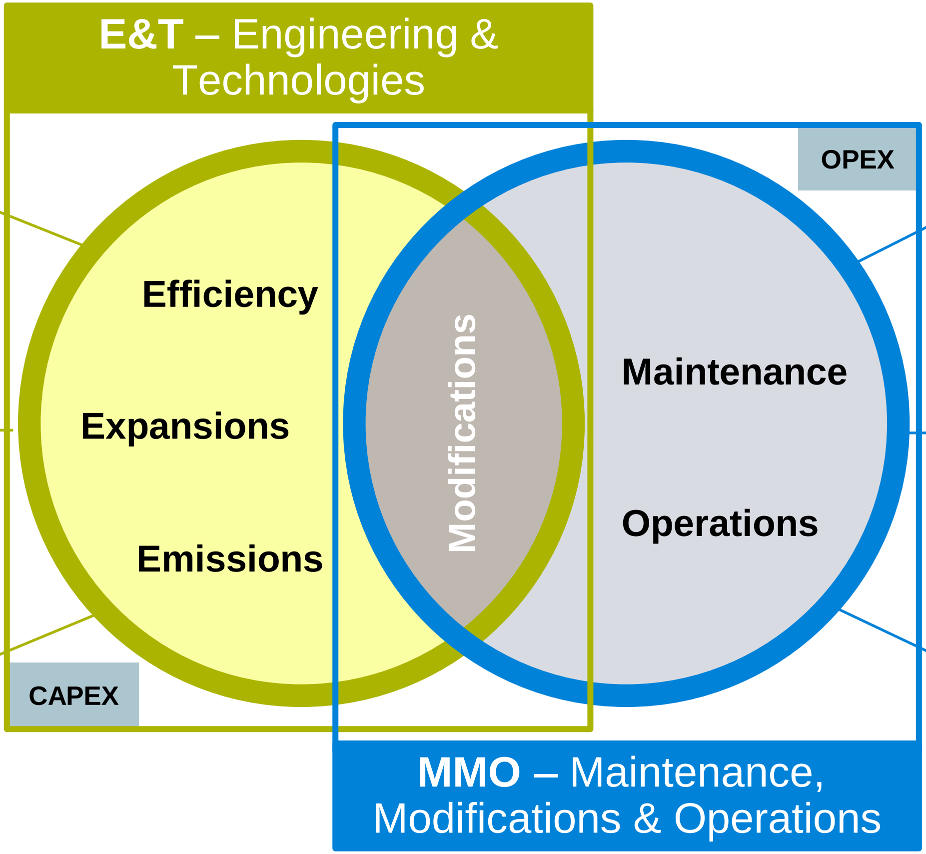
Service Portfolio

Strong offering for capex and opex driven services

Packaged Units

Plant Expansions

De-Sulfurizations



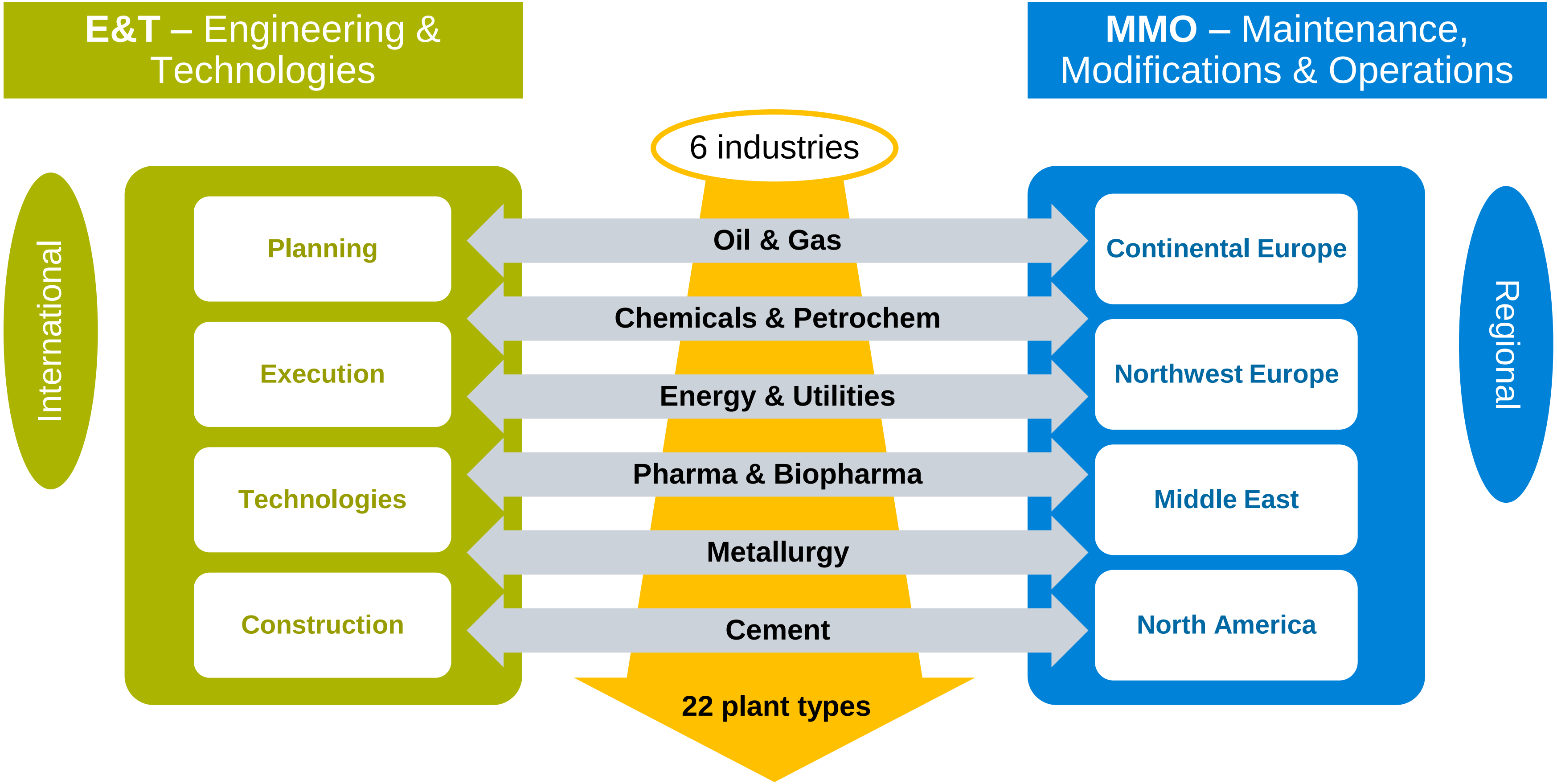
Turnarounds

Maintenance Contracts

Operations

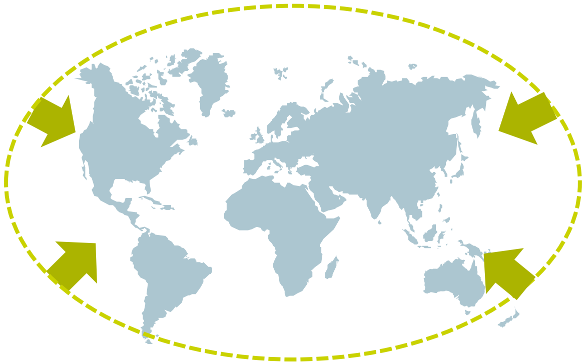
Go-To-Market organization

Market focus, customer centric



New organizational setup supports strategy implementation and 2020 ambition

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

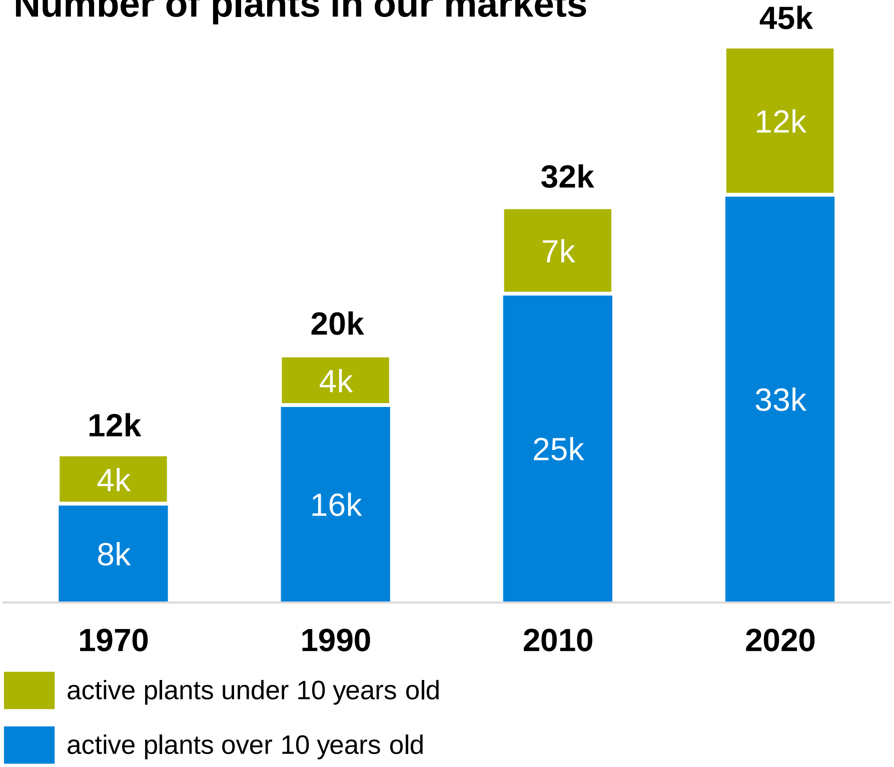
Raising the growth potential

Industrial service market
Continuous growth of operating plants

- Number of plants in our defined markets growing constantly
- More than 75% of plants are over 10 years old and number of ageing plants increasing
- Complexity of plants is increasing with positive effect on service requirements
- Ageing plants require higher level of maintenance and modernization
- Customers demand greater efficiency
- Authorities impose stricter environmental standards on plant operators (reduced emissions)

Structural demand for industrial services

Number of plants in our markets

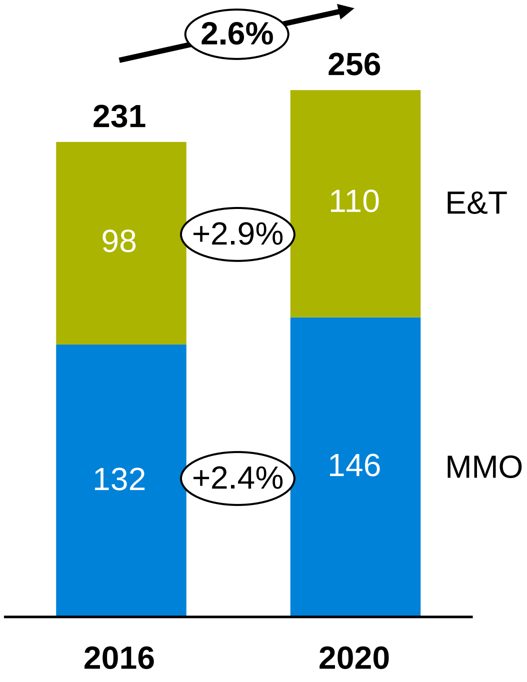


Source: Industrial Info Research

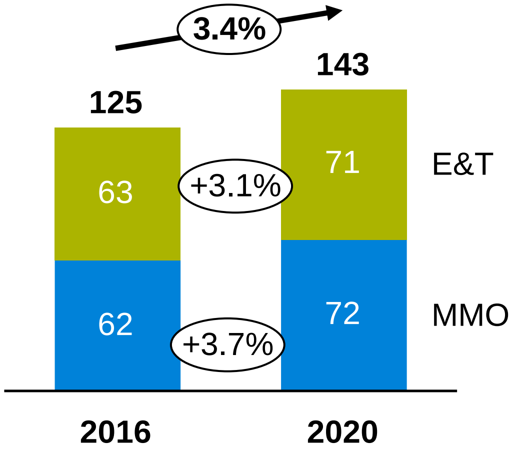
Bilfinger Market Model

Contracted out market is USD 125 bn and rising

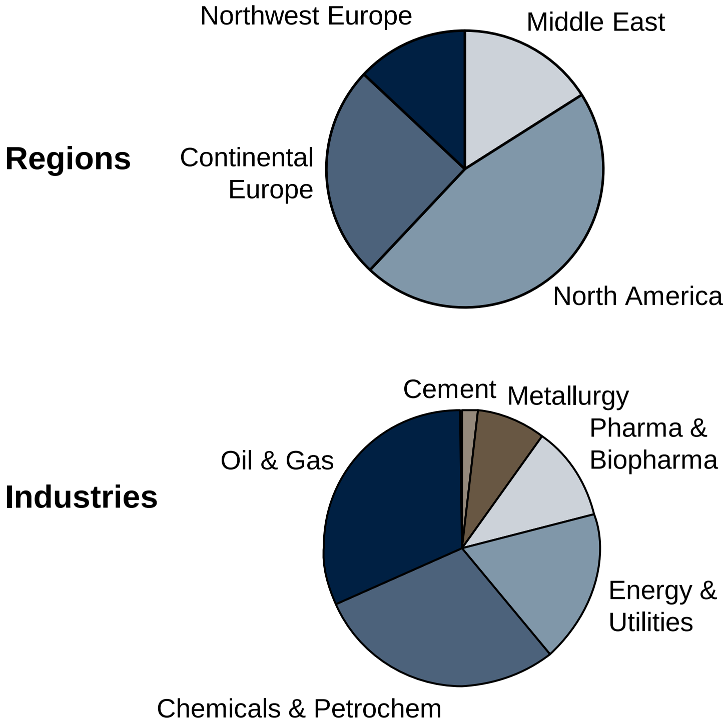
Total service market (2-4-6) [USD bn]



Contracted out market (2-4-6) [USD bn]



Contracted out market by regions and industries (2016)

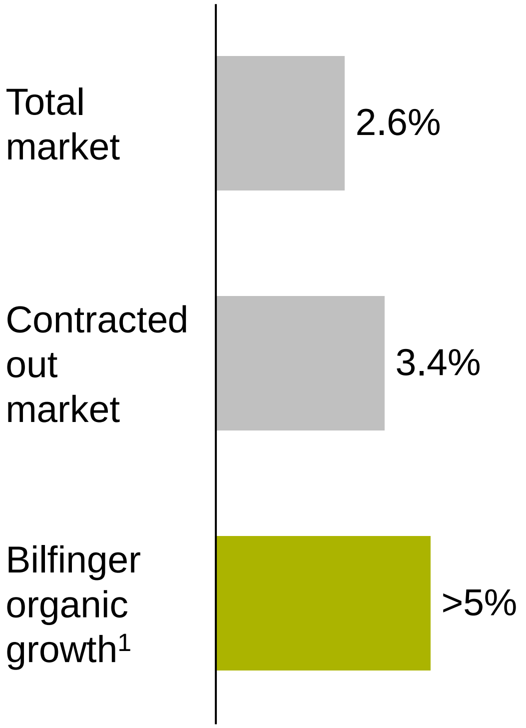


Note: E&T market volume comprises projects up to USD Mio 100

Driving profitable growth

Three major growth levers for above market profitable growth

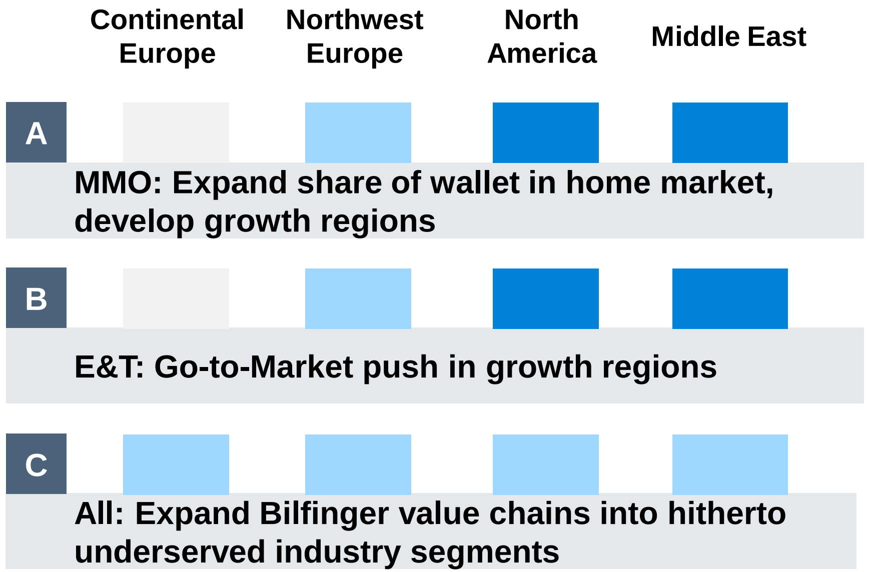
Comparison of growth rates
[CAGR 2016-2020 in %]



[1] CAGR 2017-2020 in %

Growth levers and growth impact

In line with market | Above market | Outpace market



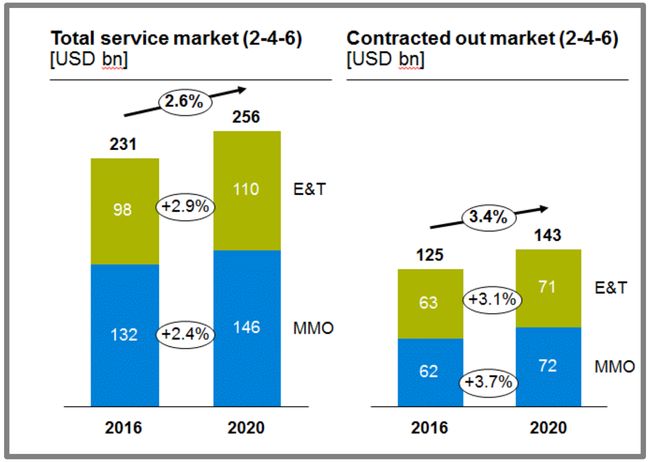
More than 20 growth initiatives detailed, including:

- References
- Rationale and tactics
- Pre-requisites and mitigation
- Financial effects
- Responsibilities and milestones

Tracking will be included in group wide tracking tool B TOP

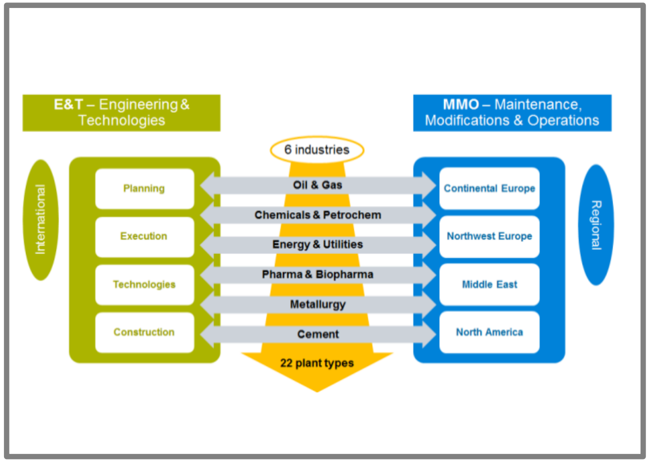
Our analysis for sustainable und profitable growth

Our market



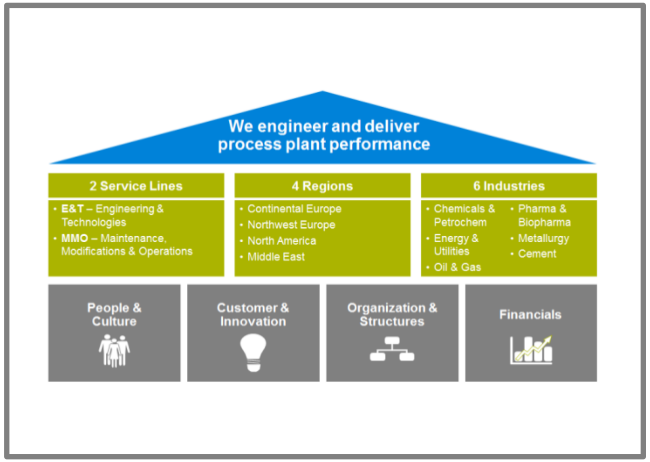
$ 125 bn CAGR ~3.4 %

What we are



2-4-6 Market Focus & Customer Centric

How to win



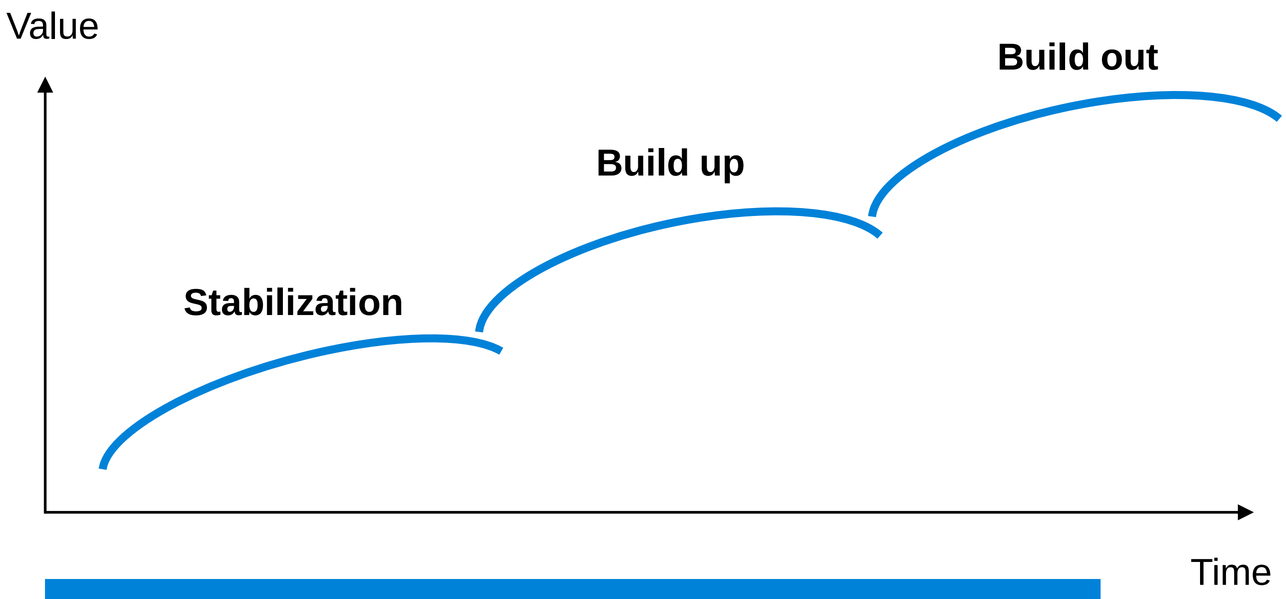
People, engineering, credentials, customer proximity, innovation

>5 % top line CAGR[1]

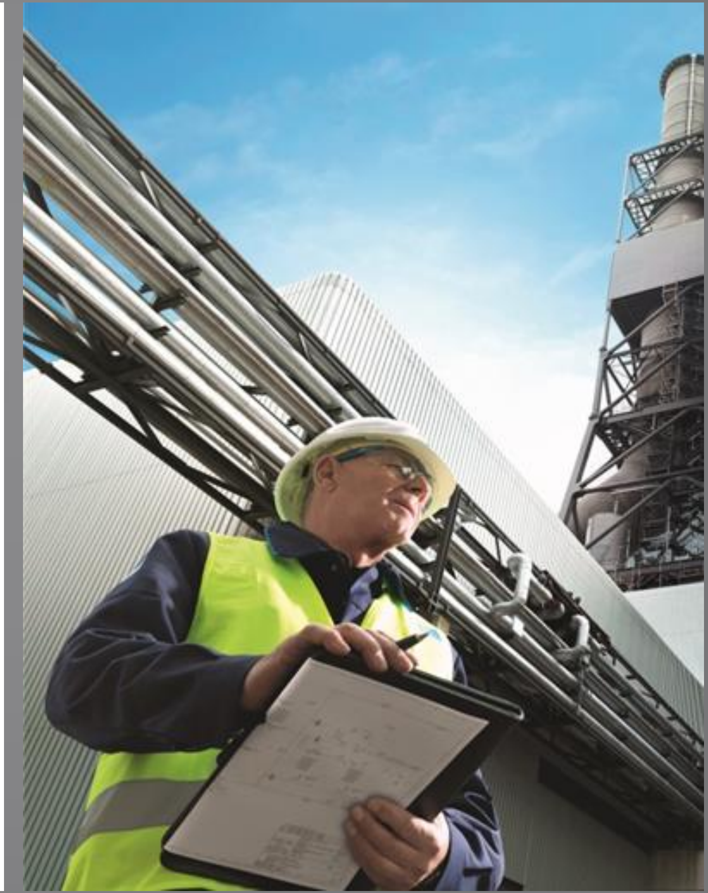
[1] CAGR 2017-2020 in %

Improving our financial performance

Ambitions will be achieved in three stages



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

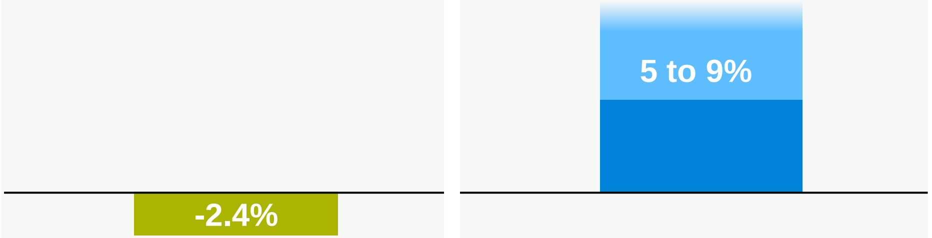


Margin ambition is supported by an extensive profit-pool analysis

E&T EBITA

Adjusted EBITA margin FY 2016

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

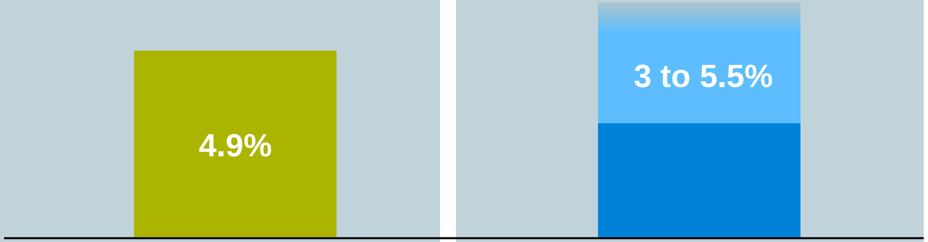


E&T FY 2016

Blended margin range Bilfinger profile 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



MMO FY 2016

Blended margin range Bilfinger profile 2020

- 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

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

Current Trading and Guidance FY 2017

Q3 2017: Progress in stabilization

- Orders received: organic increase, book-to-bill >1
- Output volume: organic growth after 13 quarters of decline
- Adjusted EBITA: at prior-year level, improvement in E&T
- Liquidity: ~€60 million from Doha obtained after the reporting date
- Outlook 2017: Earnings confirmed, output volume better than expected

Market Situation E&T

Oil and gas:
- Continued cautious investment sentiment in the European project business
- Positive dynamic in selected areas such as gas supply and gas pipelines in Europe and Middle East

Chemicals and petrochemicals:
- Market growth in North America with focus on the US Gulf Coast continues, still slow in Middle East
- Increased trend toward digitalization with the goal of optimizing production processes, efficiency enhancements a focus in Europe

Energy and utilities:
- Market for fossil fuel power plants remains difficult
- In Europe, growth perspectives from emissions control, modernization and efficiency enhancements at existing plants as well as in nuclear power, in the Middle East through conversion and retrofitting of old power plants

Pharma and biopharma:
- Good demand development, including new labs
- Investments increasingly being made in emerging markets, first steps in Middle East

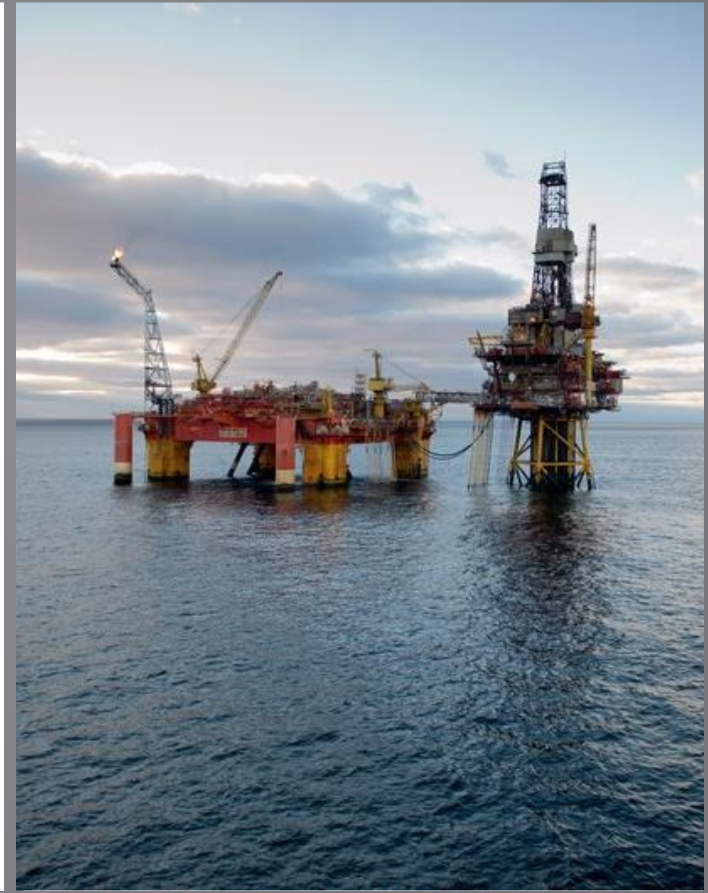
Market Situation MMO

Oil and gas:
- Customers keeping OPEX budgets at low level despite a higher oil price, i.e. increase in demand for maintenance not expected before second half of 2018
- Continuing intensely competitive environment

Chemicals and petrochemicals:
- Stable demand in Europe in the maintenance business
- In the Middle East, impetus from expansion of vertical integration driving import of required expertise, asset performance in focus

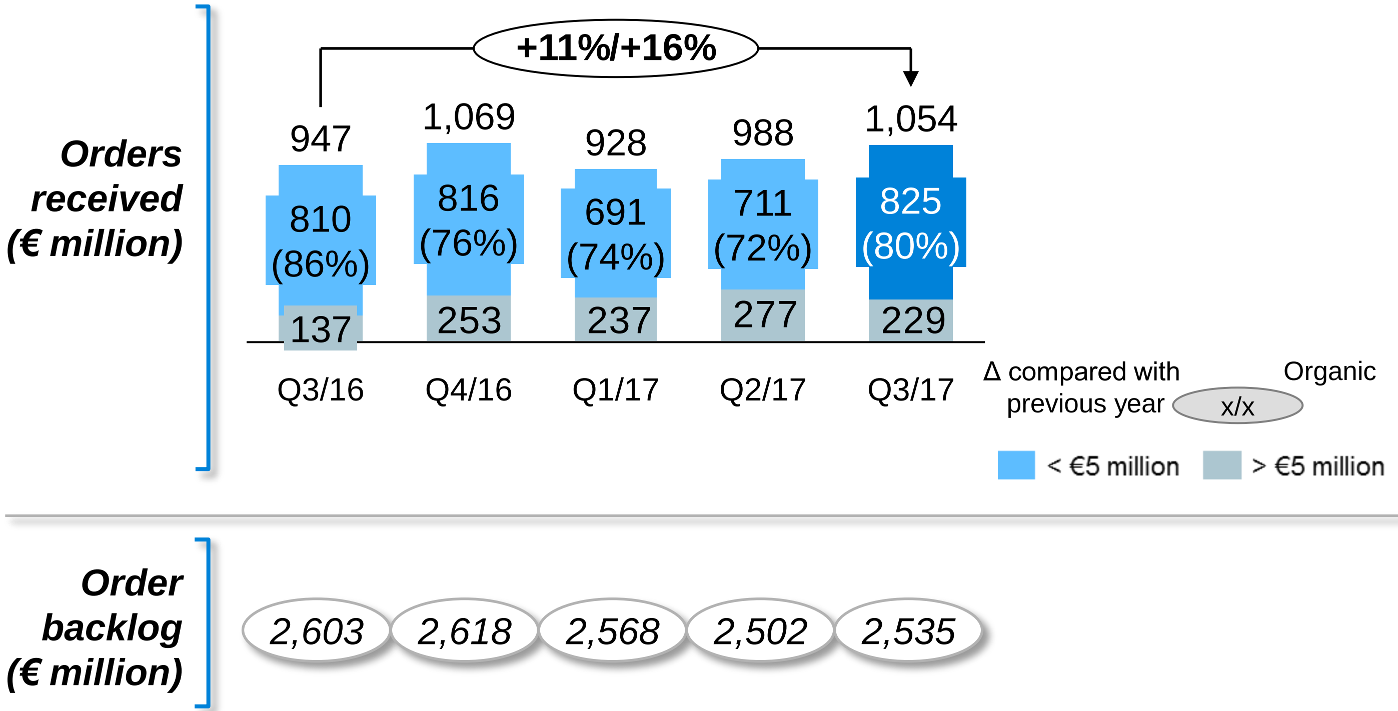
Energy and utilities:
- Increasing demand in the Middle East, in particular for water treatment
- In Europe ongoing limited demand for traditional power plant services, instead more partnership models, digitalization as trend, focus on renewables

Metallurgy:
- Positive outlook in Europe, weaker for Middle East



Progress in orders received, book-to-bill >1

Development of orders received



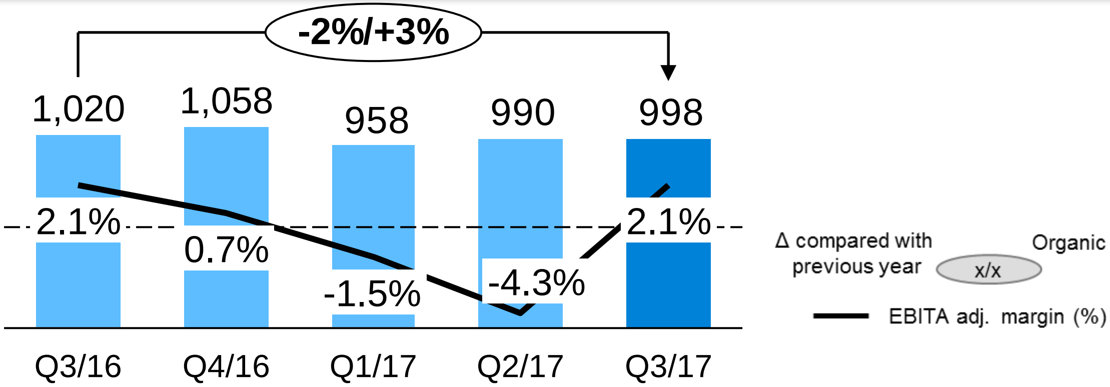
- **Orders received:**
  11% above prior-year (org.: 16%) supported by larger orders and catch-up effects in framework contracts
- **Book-to-bill 1.1**
  Organic increase expected also for the full year
- **Order backlog:**
  -3% below prior-year (org.: +2%)

  Roughly 98% of planned output volume for 2017 already in order backlog

Organic growth in output volume after 13 quarters of decline
EBITA adjusted at prior-year level

Development of output volume and profitability

Output volume (€ million)



	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17
EBITA adj. (€ million)	*21*	*7*	*-14*	*-43*	*21*
EBITA (€million)	*-53*	*-49*	*-50*	*-64*	*-6*

- **Output volume**:
  -2% (org.: +3 %)
- **EBITA adj.**
  0% (org.: +1 %)
  On prior-year level
- **Special items**:
  €27m due to devaluation, restructuring, IT investments and compliance
- **EBITA**
  Significantly above prior-year due to a lower amount of special items

Outlook FY 2017:
Earnings confirmed, output volume better than expected

	Starting Point	Outlook
in € million	**FY 2016**	**expected FY 2017**
Orders received	4,056	Organic increase
Output volume	4,219	Organic decrease <5%
Adjusted EBITA	15	Break-even*

*Assumption: on a comparable F/X basis

Targets 2020 and Wrap-up

Start of share buyback program in September 2017 as planned

Re-financing	• Successful refinancing of syndicated cash-credit line (RCF) in June 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*	• In 2017 for FY 2016: €1.00 paid-out • Forward floor of €1.00 • Sustainable dividend stream going forward: 40 to 60% of adjusted net profit
Interest in Apleona	• Vendor claim: value increased to €111m due to accrued interest • PPN: €209m
Share Buyback Program	• Volume of up to €150m or 10% of shares • Started in September 2017 as planned; will end at the earliest September 2018, latest end of 2018 • Degree of completion as of mid-December: ~23%	Current volume: €36m**
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: December 20, 2017

Bilfinger 2020
Ambition will be reached in three phases with clear milestones

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

Bilfinger 2020
Financial ambition

Organic Growth	Profit	Cash	Return
>5% CAGR based on FY 2017	• **EBITA adjusted ~5%** • Gross margin improvement by ~200bps • SG&A ratio reduction by ~300bps	• Positive **adj. FCF** at the latest from 2018 onwards • Over the cycle, from 2018 onwards: Cash Conversion Rate ~ 1 (minus growth adjustment)[1]	Post-tax **ROCE[2] 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

[2] Capital Employed w/o PPN

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

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
- 40% equity ratio
- Strong net cash position
- 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 to be executed in FY 2017 and 2018

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

Appendix

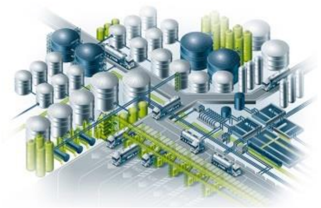
APPENDIX

Selected orders – MMO segment

Customers rely on proven maintenance competence

Statoil – expansion of our market position

- Customer relationship spanning decades: Contracts extended once again, term until 2031
- Insulation, scaffolding, surface treatment and operational support services for offshore facilities
- Total volume: roughly € 400 million



Borouge – further build up of our business in growth region

- Order for the Borouge joint venture (Abu Dhabi National Oil Company & Borealis)
- Overhaul of cracker burners
- Total volume: roughly € 6.5 million

Siegfried – Bilfinger is service partner no. 1

- International expansion of the cooperation
- Support for internationalization strategy: Bilfinger to manage sites in Germany, France and Switzerland
- Total volume: roughly € 100 million; duration of the contracts: each 5 years

APPENDIX

Selected orders – E&T segment
Tailored engineering services for our customers

Nord Stream 2 – Bilfinger is process technology specialist

- Development, delivery and commissioning of the process and safety systems
- Total volume: more than €15 million
- Follow-up order for services

Order from energy provider – efficient demolition solution generates value added

- Use of a special procedure in the demolition of nuclear power plants
- Dismantling of steam generators
- Total volume: single-digit million range

Hinkley Point C – nuclear industry relying on Bilfinger

- Delivery of waste material treatment system
- Reduction in the volume of nuclear waste (mid to low-level radioactivity)
- Total volume: low double-digit million range

Nuclear Industry: Outstanding competences from Bilfinger

Market potentials throughout the entire lifecycle of a plant

Extensive experience in the design, construction, calculation, manufacturing, assembly and commissioning of various large-scale plants, components and treatment systems for nuclear technology in Germany and abroad.

New construction

Reference

Piping systems and measuring leads for Olkiluoto (FIN) nuclear power plant

Modernization

Reference

Modernization of 58 reactor blocks in France

Demolition

Reference

Dismantling of pres-sure tank in demolition of Obrigheim (D) nuclear power plant

Waste treatment

Reference

Delivery of waste treatment system for Hinkley Point C (GB)

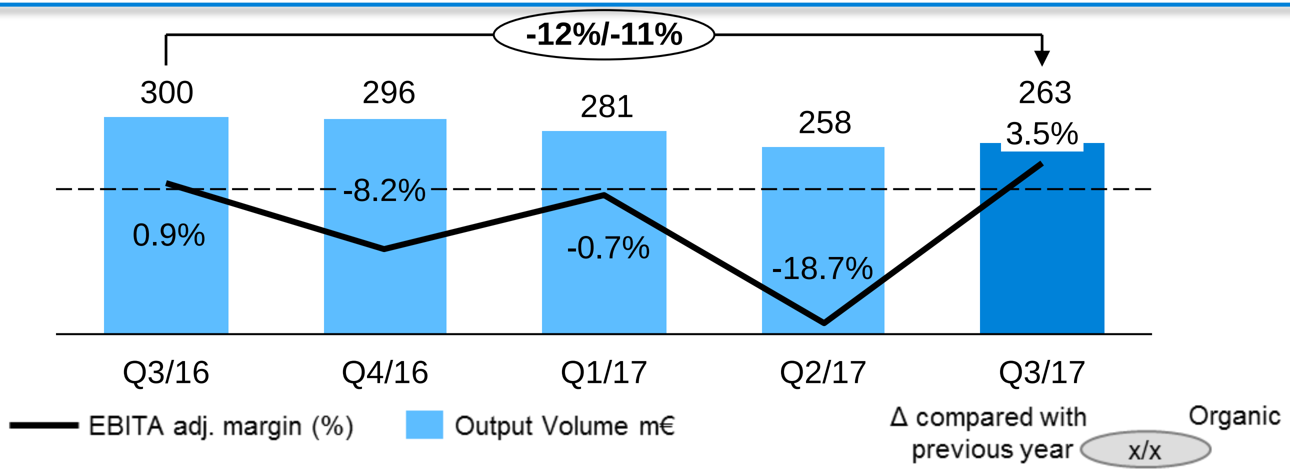
Nuclear fusion

Reference

Manufacturing of 111 supraconducting high-tech magnets for FAIR research project (Darmstadt)

E&T: Output volume below prior-year as planned EBITA adjusted improved

Development of output volume and profitability



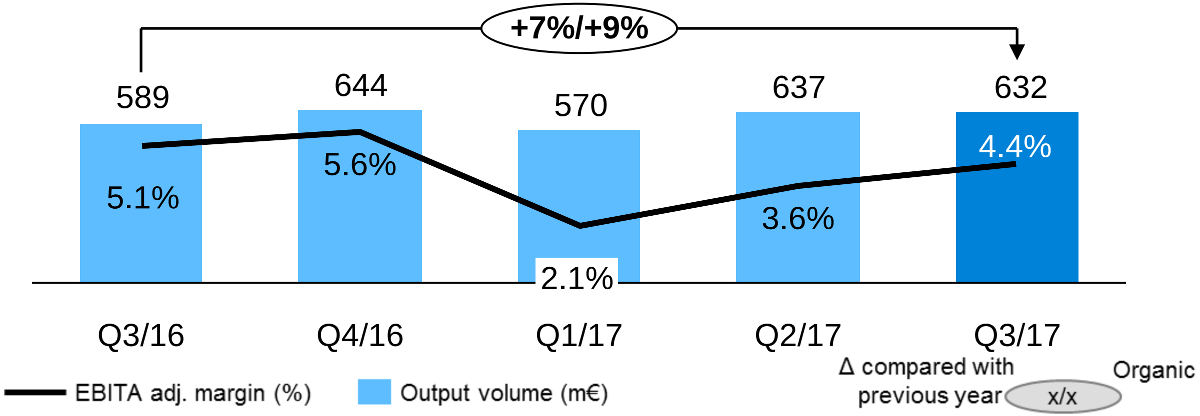
	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17
Book-to-bill Ratio	*1.0*	*1.1*	*0.9*	*1.2*	*1.0*
EBITA adj.	*2*	*-24*	*-2*	*-48*	*9*

- **Book-to-bill 1.0:** Orders received supported by approved claims in ongoing projects Low level of output volume, however, continued selective tendering activity in US project business
- **Output volume**: -12% (org.: -11%) Consequence of declining orders received in the prior quarters
- **EBITA adjusted**: Burdens caused by Harvey compensated by the approval of claims

APPENDIX

MMO: Significant increase in output volume and orders received
Book-to-bill > 1
EBITA at prior-year level

Development of output volume and profitability

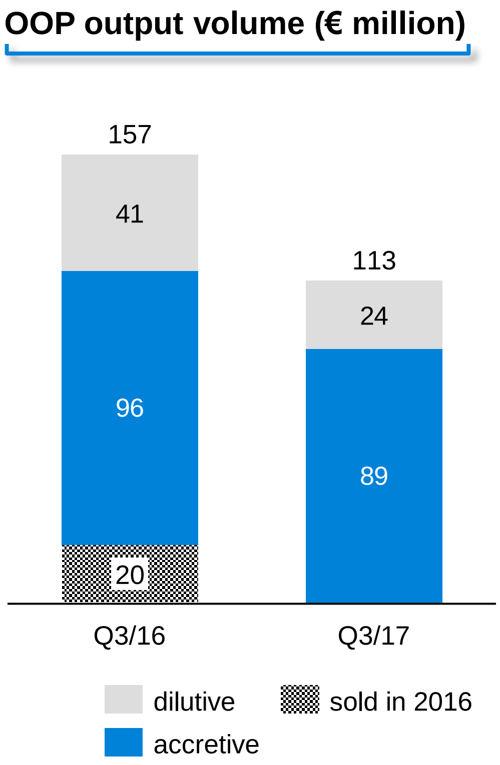


	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17
Book-to-bill Ratio	*1.0*	*1.0*	*1.1*	*0.9*	*1.1*
EBITA adj.	*29*	*36*	*12*	*23*	*28*

- **Orders received:**
  +19% (org. +20%)
  Book-to-bill 1.1 due to catch-up effects in framework contracts,
  Segment YTD slightly above 1
- **Output volume**:
  Increase against prior-year
  +7% (org. +9%)
- **EBITA margin adjusted**:
  As expected below high prior-year comparable;
  weaker turnaround business and burdens due to framework agreements with new customers in the ramp-up phase

APPENDIX

OOP: Eight entities already sold since the beginning of the year
One further unit in advanced sales negotiations



Dilutive:

Progress M&A track:

- 13 units as of December 31, 2016
- Eight have already been sold (closed: 6, signed: 2)
  Q3: book-loss of €0m, cash-out of €10 million
- One more is currently in advanced sales negotiations

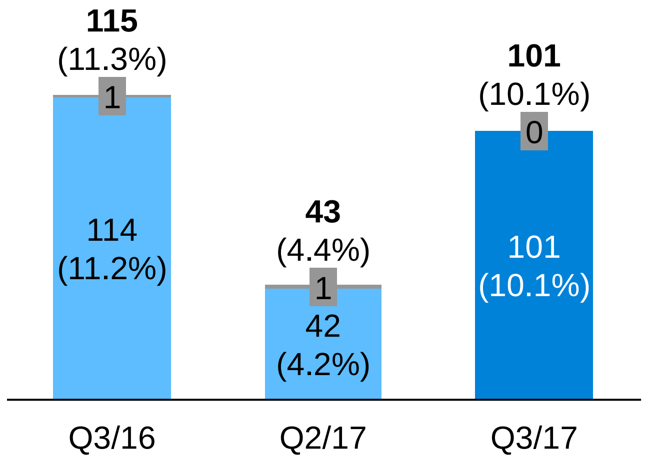
Accretive:

- Additional five units “managed for value”

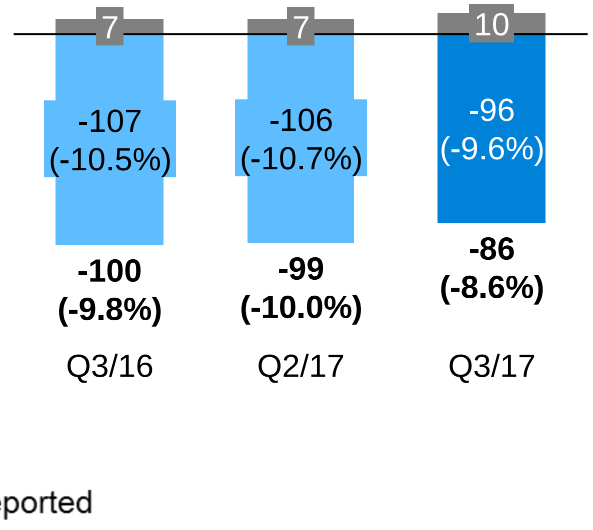
- Q3/17: Output volume €113m (Q3/16: €157m), EBITA adjusted €0m (Q3/16: €6m)
  Sales-related decrease in volume -28%, organic -2%
- Sale of ‘dilutive’ units: effect of minus ~€30m expected in total on cash and on P&L respectively, thereof €12m cash-out and €18m loss year-to-date

SG&A expenses significantly below prior-year due to sustainable savings and non-recurring effects

Adjusted gross profit (€ million)



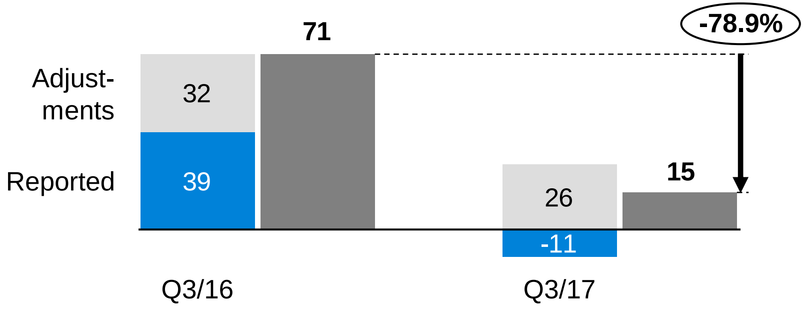
Adjusted selling and administrative expenses (€ million)



Operating cash flow below comparably high prior-year, YTD above prior-year
Net profit in prior-year characterized by sale of Apleona
Adjusted net profit above prior-year

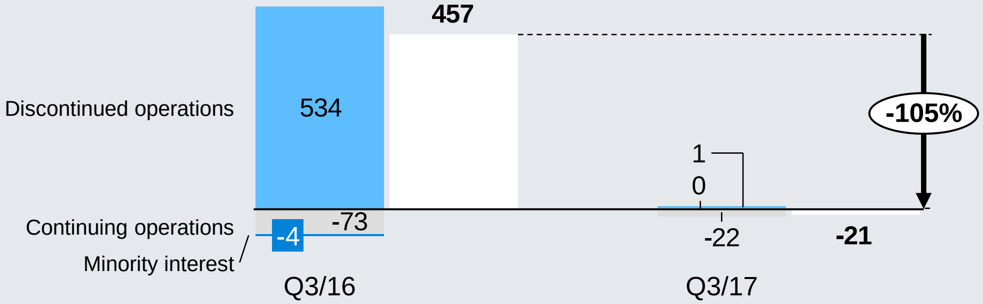
APPENDIX

Operating cash flow adjusted[1] (€ million)

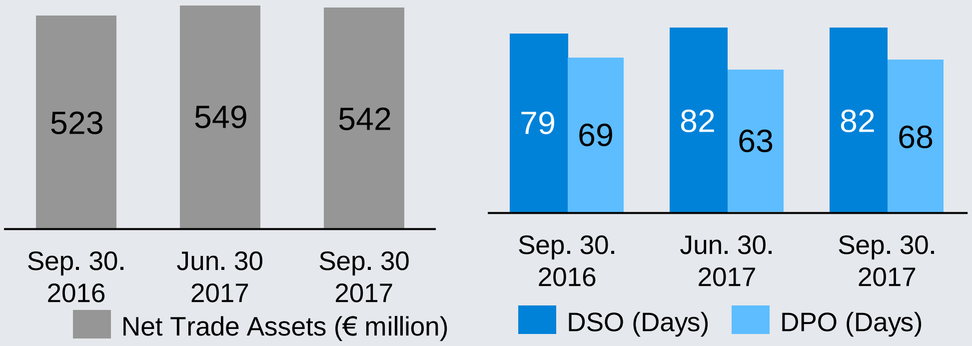


[1] Adjustments correspond to EBITA adjustments

Net profit (€ million)

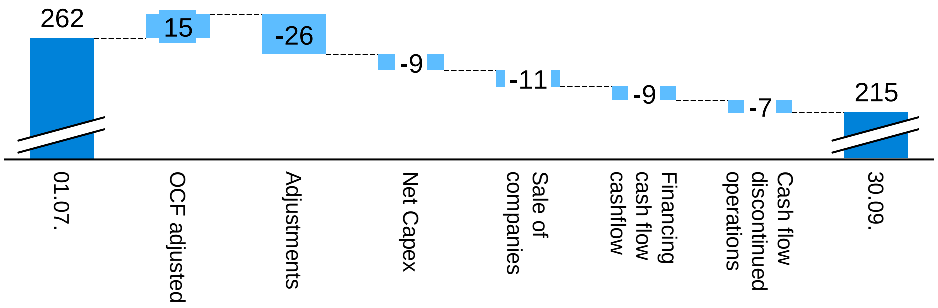


Net trade assets (€ million)



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

Net cash (€ million)



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