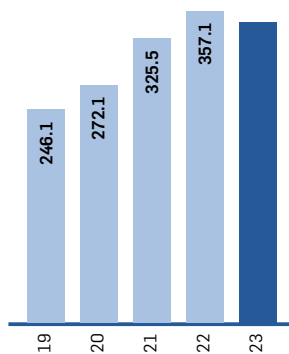


Services Division

Order intake

in CHF mn

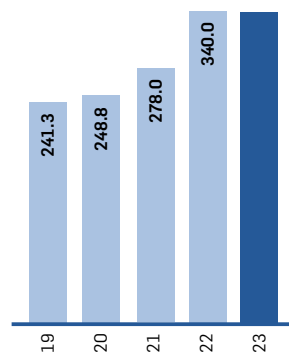
344.6



Sales

in CHF mn

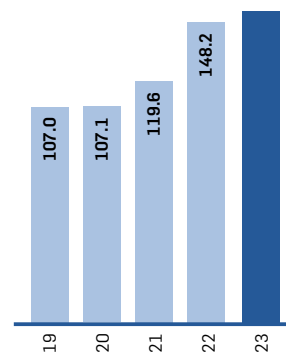
339.2



Gross profit

in CHF mn

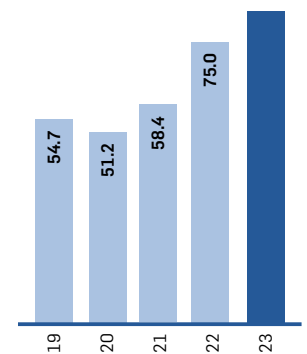
153.7



Operating income (EBIT)

in CHF mn

83.5



in CHF mn

Order intake

Sales

Gross profit

in % of sales

EBIT

in % of sales

Headcount at end of fiscal year (FTE)

2023

2022

**Change
2023/2022**

344.6

339.2

153.7

45.3

83.5

24.6

1'355

357.1

340.0

148.2

43.6

75.0

22.1

1'275

-3.5%

-0.2%

3.7%

11.3%

6.3%

Further profitability increase

24.6%
Return on
sales

Services Division

In a challenging market environment affected by currency headwinds, political instability, and slow economic growth in certain countries, the division looks back at a successful year. Order intake and sales grew further in local currencies, and customer satisfaction continued to rise. The division also recorded its highest profit in the company history, with a noticeable increase of profitability as percentage of sales. To stimulate growth and capture new market opportunities, the division launched new services, acquired the installed base of a competitor, and expanded its service center and spare parts manufacturing capacity. With these results, the division is well on track to achieve its sales targets for 2027 and is increasing its profitability guidance by 1 pp.

Financials

In local currency, the Services Division increased its order intake by 2.9%. However, due to strong currency exchange translation effects, the order intake in Swiss Francs decreased by 3.5% to CHF 344.6 mn, following an above-average growth of 9.7% in the prior fiscal year. At CHF 339.2 mn, sales were at a similar level to the previous year, whereby negative currency translation effects also had a significant impact of 6.5 pp. Gross profit increased by 3.7% to CHF 153.7 mn, resulting in a 1.7 percentage points improvement in gross margin to 45.3%, mainly as a result of the higher share of spare parts in the sales mix. The higher gross margin and a positive development in other operating income (the prior year contained some one-off provisions) have led to an increased operating margin by 2.5 pp to 24.6%. As a result, the Services Division grew its operating income by 11.3% to a new record of CHF 83.5 mn.

Market developments

The demand for comprehensive solutions, on-site services, digital products and services, and spare parts remained strong in local currencies. Market growth was mainly driven by Asia-Pacific, which is the region with the most newly installed systems. Europe was lower than in the previous year, mostly due to the sluggish economic growth in Germany. The new escalation in the Middle East slightly impacted activity in the region.

We identified a potential reduction of 3'700 tCO₂e per year with BC ACTIVATE.

The division benefited from its increased dry-dock offering for Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG) vessels, and from its turnaround solutions for large petrochemical sites.

Demand for digital products and services continued at a high level. Several long-term service agreements were secured during the year. One example was a 10-year frame agreement in Korea for a LPGM fleet of 14 carriers, covering a full-service package of spare parts, repair, and field service. Additionally, important frame agreements were signed with two large customers in Europe and the Middle East.

Original spare parts for optimal compressor operation

Growth continued during the year, attributed to the expanding installed base, a growing number of frame agreements and reduced lead times. The division won in particular several large spare parts orders in Asia-Pacific.

The Group acquired the intellectual property for reciprocating compressors of Bharat Pumps and Compressors Limited in India, containing drawings, specifications, and material lists for over 250 reciprocating compressors located in the country. First orders were already received to service these compressors.

Comprehensive engineering, revamp, and repair expertise

Demand to improve existing compressors was high, reflecting the changing needs of customers over compressors' lifetime. For instance, the division won a major order to retrofit Laby®-GI Compressors on LNG tankers into non-lube compressors.

In the Group's ongoing endeavors to support customers to reduce their carbon footprint, the division launched BC ACTIVATE, which provides customers with diagnostics of their installed base, insights to reduce greenhouse gas emissions and increase uptime. During the year, BC ACTIVATE was conducted on 52 compressors across 27 sites from various market segments. A potential energy consumption reduction of around 5 GigaWh/year through enhanced capacity control and operational optimization was identified, as well as a potential emission reduction of around 3'700 tCO₂e/year with gas recovery and sealing solutions. Building on these initial successes, BC ACTIVATE is expected to become an important growth driver in the coming years.

Field service – close to the customer

Highly skilled and professional field service technicians are essential to install compressors and support customers on a daily basis. With about 400 Field Service Representatives globally, we are ready to cover customer needs in a timely manner. This activity benefited from the growing number of new compressor systems being installed and commissioned.

We recorded a further increase of customer satisfaction compared to the previous year.

Monitoring and diagnostics with our digital products and services

In the fiscal year 2023, the division reached a new sales record across the entire digital products and services portfolio. Customers seeking efficiency gains and higher reliability are increasingly implementing digital solutions. Especially monitoring and diagnostics solutions are in high demand. In addition, several pilot projects were initiated with beta customers to enhance diagnostic and prediction capabilities with artificial intelligence. With pilot marine customers, we challenged the current preventive maintenance cycles towards data based predictive maintenance concepts. Finally, the myFleet customer portal was expanded with additional features. In this web-based portal, customers are supported with a seamless experience, real-time overview of their compressors and with predictive maintenance functionalities. New customers were onboarded in myFleet, now covering over 40% of the Group's installed base.

Customer satisfaction

Through the "Voice of Customer" initiative, the division received more than 1'200 customer feedback responses from over 70 countries. Overall customer satisfaction showed again an increase versus the previous year with an overall satisfaction level of 92%. Individual feedback was shared with customers, and actions for improvement were jointly defined, including providing information on deliveries, proactive suggestions for improvement, and regular joint performance reviews.

Infrastructure and capacity

The division invested in additional capacity in growing markets. The production of valves and rings in China was successfully set up to grow locally and for exports. New investments in India are well under way to expand capacity for local services and global component manufacturing. The division also moved to larger offices in Abu Dhabi to better support local customers. The integration of the newly established subsidiary in Thailand was successfully completed. Additionally, the division opened a new branch office in Denmark to develop its presence in the Nordic region, which provides new growth perspectives driven by the energy transition.

Research and development

In October 2023, BC ACTIVATE was launched to address customers' needs to reduce their carbon footprint and support them to meet their sustainability goals. BC ACTIVATE is a structured assessment program designed to analyze, evaluate, and optimize customers' compressor systems. Using advanced measurement and analysis techniques, the reliability and sustainability of compressors can be enhanced. A thorough assessment reveals issues such as bad actors, inefficient utilities and energy use, gas leakages, excessive vibration, and more. BC ACTIVATE is compatible with compressors of any type, age, and duty.

Digital technology was further developed to enhance the digital experience and benefits for customers. The focus was on expanding the hardware and software product portfolio for monitoring and diagnostic solutions. The features and services of the BC Cloud Platform are ready for market launch in fiscal year 2024. This solution incorporates advanced Artificial Intelligence and machine learning algorithms for improved monitoring and diagnostic capabilities. Finally, Augmented Reality, Digital Twin, and Metaverse functionalities were further explored in close collaboration with Microsoft and PTC.

Outlook

The strategic focus of the Mid-Range Plan 2027 is to strengthen and expand the core business. This includes becoming a full-service provider for gas compression solutions, improving coverage of the installed base both for Burckhardt Compression and other brand compressors, and increasing presence in the USA, Asia, and selected white spots. By enhancing digital offerings, we aim to improve operational excellence for customers, and to address their sustainability agendas.

To further increase our spare parts performance, we are globalizing our components production for Burckhardt Compression and other brand compressors. Finally, the division will further develop its closeness to customers, and enhance its safety processes and culture.

The Services division is on track to reach its sales guidance of CHF 480 mn in fiscal year 2027. Owing to the strong profitability increase in fiscal year 2023, the division increases its operating margin guidance for the year 2027 from 22%–25% to 23%–26%.