

Burckhardt Compression

Valor: 2 553 602 Industry: Engineering

BUY
BCHN 5Y Price Target: **CHF 442.-** Price: **CHF 349.-** Upside: **27%**

 Noah Mannhart
 noah.mannhart@cleverinvesting.ch
 www.cleverinvesting.ch

Stock Data in Mio.

Price	341 CHF
52-Week Range	165 CHF-356 CHF
P/E	29.7x
Price/Book	4.7x
Dividend yield	1.8%
Market cap.	1161 CHF
Sales	649 CHF
EBIT	64.1 CHF
Earnings	41.1 CHF

Description

Burckhardt Compression is one of the world's largest manufacturers of reciprocating compressors and has been in the compressor business for over a century. Burckhardt is also the only manufacturer that produces all four compressor types. The machines are used in transportation, gas storage, oil and gas production, refining, petrochemical and industrial gas production. The Swiss company employs over 2600 people and made sales of CHF 648.6 million in 2020.

Outlook

Hydrogen is considered a key element of the energy transition. Burckhardt Compression's gas compression systems will play an important role in the hydrogen economy. The orders are just coming in and are therefore not yet included in the share price. Margins in the machinery business look challenging. Therefore, the Services division has been pushed, which should contribute half of the sales with an EBIT margin of 20 to 25% by 2022. Investors who want to bet on the hydrogen sector can do so indirectly with Burckhardt Compression. Sales should increase to 700 million Swiss francs in 2022.

Valuation

Burckhardt Compression's P/E ratio is historically reasonable. However, Burckhardt's future prospects looks good, among other things because of the hydrogen economy. The estimated P/E ratio for 2022 is very low at 16. Those who have to meet great expectations are at risk of a greater slump if they fail to do so.

	12/2017	12/2018	12/2019	12/2020
P/E	22.2x	24.2x	35.8x	29.7x
Price/Book	3.17x	2.96x	3.5x	4.7x

Growth

Sales increased slightly on a constant basis. On a positive note, there was a very strong increase in profit at EBIT level. The strong increase in profit is partly due to the absence of special charges in the previous year. Over the longer term, profit growth is not expected to increase as strongly despite the hydrogen business.

	12/2017	12/2018	12/2019	12/2020
Sales	594.6	599.3	629.6	648.6
Growth		0.8%	5.1%	3%
Earnings (EBIT)	41.7	44.5	54.8	64.1
Growth		6.7%	23.1%	17.0%

Efficiency

The return on sales of 7.3% is a solid figure. It is very positive that the return on sales has been steadily increased. This means that the investments are also paying off. This can be further increased, by expanding the service business.

	12/2017	12/2018	12/2019	12/2020
Return on sales	4.9%	5.4%	6.3%	7.3%
Sales per employee	268'689	268'564	255'456	240'214

Profitability

The return on equity is a bit lower compared to Caterpillar, but this is due to the fact that Burckhardt Compression has twice as much equity. As with the other values, steady growth can be seen here as well.

	12/2017	12/2018	12/2019	12/2020
Return on equity	10%	9.2%	11.2%	15.9%
e.g. Caterpillar	5.5%	43.79%	41.8%	19.6%

Balance sheet quality

The equity ratio decreased. The somewhat lower equity ratio can be explained by the high investment costs in the machinery industry on the one hand and the various acquisitions on the other. However, liquidity in the amount of CHF 140 million is still ensured.

	12/2017	12/2018	12/2019	12/2020
Equity ratio	42.0%	40.7%	36%	34.1%
Net. Liquidity	75.1	83.0	90.3	140.3
Debt-equity ratio	156%	167%	207%	231%

SWOT-Analysis

Strengths <ul style="list-style-type: none"> ▪ Market leader in the piston business. ▪ Steadily increasing profit and profitability. ▪ Very long experience in the machinery industry. 	Weaknesses <ul style="list-style-type: none"> ▪ Equity has declined. ▪ Climate targets are leading to less demand in the oil industry. But this change will take decades. ▪ Very cyclical business.
Opportunities <ul style="list-style-type: none"> ▪ The hydrogen business offers many opportunities. ▪ Investments made in recent years will soon pay off. ▪ The service business leads to higher margins. 	Threats <ul style="list-style-type: none"> ▪ Small trading volume. ▪ The business is very capital-intensive. There is a risk that new technologies will be more expensive than planned.

Appointments

GA: 03.07.2021, Winterthur
 Year-end figures: 01.06.2021
 Quarterly statement: 4.11.2021

Website

<https://www.burckhardtcompression.com/>

Investor Relations

Rolf Brändli
 Tel. 052 262 55 00
 E-Mail: rolf.braendli@burckhardtcompression.com

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