



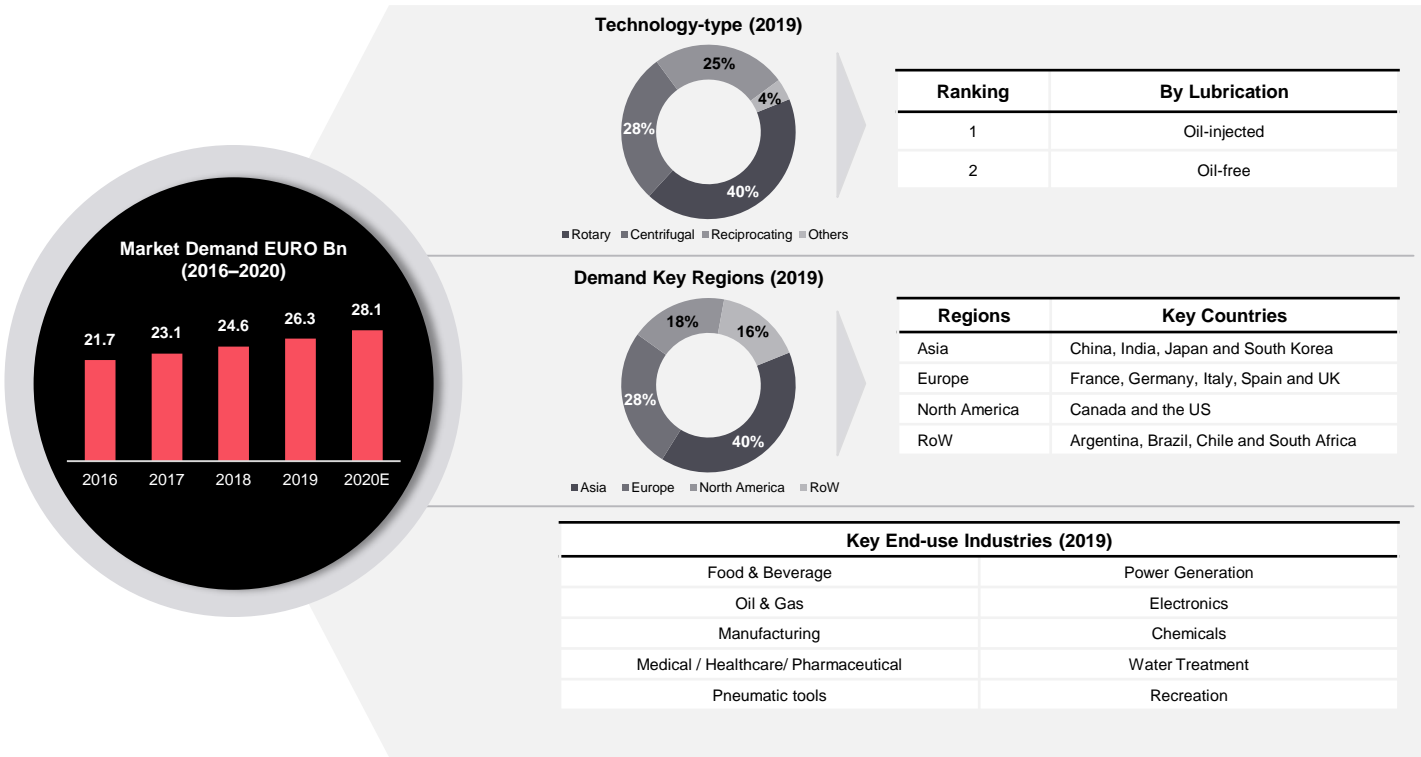
IMPACT OF
COVID-19
ON THE
COMPRESSORS
INDUSTRY



FutureBridge

Pre-COVID scenario of compressors market

The compressors market can be estimated at ~28 billion Euros in value by the end of 2020, and expected to grow at a CAGR of 6–7% during 2020–2025



KEY FUTURE INDUSTRY HIGHLIGHTS (PRE-COVID)

6–7% expected CAGR of compressors from 2020–2025

Centrifugal likely to be one of the fastest growing by technology

Asia may to continue as one of the key regions to focus on

F&B expected to grow at a rapid pace

Source: Industry Articles, Company Websites, Press Releases and FutureBridge Analysis

Current impact due to COVID-19 on key end-use industries

Depending on government instructions and safety instruction, while some OEMs have announced closure of their facilities, others are focused towards serving end-use industries like F&B and medical, which fall under essential services

OEMs' Response



The company has extensively focussed on medical compressed air. This is because of high demand generating due to COVID-19 pandemic, where artificial respiration in hospitals require the highest quality of air free from oil and pathogens



The company had halted its production in Antwerp, Belgium and had also announced 900 temporary job cuts at the same location. However, the company was operational for essential services like F&B and healthcare end-use industries



The company's top priority was attending end-users who fall in the essential services namely F&B and medical / healthcare. CompAir has announced that their operations are not hit and they have been serving their customers.



The company has cut down on capital expenditure by 57% for 2020. This is mainly because the oil & gas supply-demand volatility. The company had earlier projected Capex for 2020 similar to 2019, however, slashed it later.



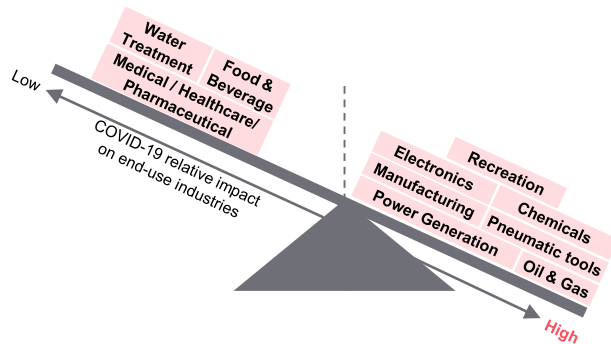
The company announced the closure of its facilities including air compressor plant factory to abide by the government restrictions in India. The company announced the closure of all its facilities from March 24, 2020 till further notice.



The company has announced a temporary halt of its production facility in Statesville. The plant was responsible for manufacturing portable air compressors, generators and light towers

Source: Industry Articles, Company Websites, Press Releases and FutureBridge Analysis

COVID Impact on Key End-use Industries



Immediate Impact on the compressor Industry

Investments Deferred / Suspended

OEMs are deferring or suspending their investment decisions citing COVID-19 pandemic situation. For instance, Enerflex, a leading compressor packager has slashed its Capex for 2020

Workforce Shortage

Key supply locations like US, Italy, Spain, France and the UK are hit due to COVID-19 pandemic and hence, continuous workforce is an immediate hindrance for the industry

Demand-supply Situation

Demand and supply of compressors has witnessed a slump due to sluggish growth in oil & gas and chemical end-use industries, which is being offset by increasing demand from essential services like F&B and medical

Short- to long-term impact and opportunities due to COVID-19 on the compressor ecosystem

Covid-19 is expected to impact mostly all entities in the ecosystem due to issues like demand-supply gap and plant closures; however, in the mid- to long-term, OEMs are expected to witness opportunities, which they can strategize on

	Part Manufacturers	OEM's	Packagers	Distributors	Rental Companies	Service Providers
Impact	<p>Short-term (<2 months):</p> <ul style="list-style-type: none"> ▪ Metal parts are supplied to Europe mainly by developing countries such as China and India. These countries are badly hit by COVID-19 resulting in production delays and product shortages <p>Mid- to long-term (>2 months up to 1 year):</p> <ul style="list-style-type: none"> ▪ Due to supply demand mismatch, the prices of compressor parts are expected to increase in the range 1–5%. 	<p>Short-term:</p> <ul style="list-style-type: none"> ▪ Temporary part shortage/supply delays may be managed through inventory and local supplies, however, this may lead to price pressure for the OEMs <p>Mid- to long-term:</p> <ul style="list-style-type: none"> ▪ Price hike in parts may reduce the bargaining power of the producers and in order to remain competitive in the market they may not pass on the price burden to the end-users, which may hit their margins 	<p>Short-term:</p> <ul style="list-style-type: none"> ▪ Due to a slump in the key end-use sectors like oil & gas and chemicals, the packagers are expected to witness less demand of compressor packages ▪ Supply shortage of components and parts will further add to the crisis <p>Mid-term to long-term:</p> <ul style="list-style-type: none"> ▪ No significant change expected for ~6 months, post which the growth in the end-use industries will be the key drivers 	<p>Short-term:</p> <ul style="list-style-type: none"> ▪ Reduced availability of freight forwarders due to limited operations and travel restrictions may lead to longer delivery schedules. This may impact the supply of equipment and related accessories <p>Mid- to long-term:</p> <ul style="list-style-type: none"> ▪ Situation is expected to improve, however, the margins may be hit due to price pressure from OEMs 	<p>Short-term:</p> <ul style="list-style-type: none"> ▪ Expected to play a key role in the ecosystem, where there is a situation of temporary shortage and peak demand, such as F&B, medical and waste water <p>Mid- to long-term:</p> <ul style="list-style-type: none"> ▪ Likely to witness rapid growth for nearly 6 months ▪ Post 4–6 months moderate growth is expected, end-use industries like oil & gas and chemicals can also be focused on 	<p>Short-term:</p> <ul style="list-style-type: none"> ▪ Stand-alone service providers may be preferred by end-users in order to save cost ▪ Also, use of non-genuine parts may be on the rise <p>Mid- to long-term:</p> <ul style="list-style-type: none"> ▪ Competition in this segment is expected to increase, as services are being offered by distributors, OEMs and stand-alone providers ▪ Stand-alone providers may emerge as preferred, if OEMs do not strategize
Opportunities for OEMs	<p>Alternative Sourcing Options</p> <ul style="list-style-type: none"> ▪ OEMs may look for alternative sourcing options for components and parts supply ▪ They can strategize towards procuring from nearby locations and also alter their procurement or purchasing strategy 	<p>Reconfigure Business Models</p> <ul style="list-style-type: none"> ▪ OEMs may strategize towards focusing on services, rentals than sales. ▪ They can offer air/gas rather than the equipment and offer subscription models based on 'pay-per-use' and 'pay-as-per-performance' ▪ They can also focus on alternatives like offering/improving their rental offerings 	<p>Timely Investments</p> <ul style="list-style-type: none"> ▪ OEMs may look to partner / acquire / collaborate with distributors in locations where they want to increase their market presence ▪ In addition, they may also look to partner / acquire / collaborate with rental companies and service providers to enhance their offerings 	<p>Increase Customer Awareness</p> <ul style="list-style-type: none"> ▪ OEMs may look to increase their brand and product awareness to their customers ▪ They can strategize towards understanding customer needs and effectively position themselves towards offering services 		

Source: FutureBridge Findings and Analysis

Impact Very High High Medium Low

What is the Compressor Industry asking us?

Strategic Growth Opportunities

What is the impact of COVID-19 pandemic on the market potential of compressors and its types?

Most of our pre-COVID strategies are impacted today and hence, which one of them shall we continue / retract? What new strategies do we need to formulate in order to achieve our business plans / goals?

What implications will this pandemic have on the existing business models? Which new business models shall we focus on for short-term stability and long-term growth?

What are the changing customer needs that are arising due to COVID-19 pandemic? How can we leverage on these needs / opportunities?

What are the steps / initiatives taken by key players in the ecosystem? How are my key competitors reacting / responding?

What kind of innovations, advancements shall we look to develop new cost-effective products and solutions with post-COVID challenges in mind?

COVID-19 Impact Response Support / Key Business Solutions / Response Options (working titles)



FutureBridge supports decision-makers across industries and verticals by keeping them ahead on the technology curve, identify new opportunities, find answers to unknowns such as COVID-19 impact and recovery roadmap, and facilitate best-fit solutions and partnerships using our platforms, programs, hyper-customized solutions.

Consolidation

Understand the impact of COVID on global economy and consider partnerships or acquisitions to reduce competition



Servitization

Evaluate various business models and look to strategize on growth opportunities, if required by resetting and repositioning your business



Innovation

Research and develop new products or modify existing ones and update your product development strategy



End-use Industries

Evaluate which industries are most affected and further analyze and modify your business strategies accordingly.



Procurement

Evaluate various procurement options and update sourcing strategies to look for alternate purchasing options



Locations

Strategize which locations to target and penetrate and plan sales, marketing and distribution strategies



Thank you

North America

55 Madison Ave, Suite 400
Morristown, NJ 07960
USA
T: +1 212 835 1590

Europe

328-334 Graadt van Roggenweg
4th Floor, Utrecht, 3531 AH
Netherlands
T: +31 30 298 2108

United Kingdom

5 Chancery Lane
London EC4A 1BL
United Kingdom
T: +44 207 406 7548

Asia Pacific

Millennium Business Park
Sector 3, Building # 4, Mahape
Navi Mumbai 400 710
India
T: +91 22 6772 5700