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PRESENTATION

Operator

Good day, and thank you for standing by, and welcome to the GEA Group AG Q1 2024 conference call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your first speaker today, Oliver Luckenbach, Head of IR. Please go ahead.

Oliver Luckenbach - *GEA Group AG - IR*

Thank you, Sarah, and good afternoon, ladies and gentlemen, and thank you for joining us today for our first quarter 2024 earnings conference call. With me on the call are Stefan Klebert, our CEO; and Bernd Brinker, our CFO. Stefan will begin today's call with the highlights of the first quarter. Bernd will then cover the business and financial review before Stefan takes over again for the outlook 2024. Afterwards, we open up the call for the Q&A session. Please be aware of the cautionary language that is included in our safe harbor statement as in the material that we have distributed today.

And with that, I hand over to Stefan.

Stefan Klebert - *GEA Group AG - Chairman*

Thank you very much, Oliver, and good afternoon, everybody. It's my pleasure to welcome you to our conference call today. Before I start with the highlights of the first quarter, I would like to congratulate Bernd for his contract extension. I'm sure you have read that. Last week, the Supervisory Board has decided to extend the appointment of Bernd as Chief Financial Officer until end of June '27. I'm very pleased for this decision, and dear Bernd, I'm very much looking forward to continuing our excellent working relationship.

The market environment in the first quarter of 2024 has not materially changed since the last quarter of '23. We are still facing high interest rates, negative FX developments, and geopolitical uncertainties. But once again, we have delivered organic sales growth and a strong EBITDA margin expansion. We have continued our profitable growth journey.

In our last conference call, we indicated that order intake in the first quarter of '24 will not match last year's record order intake in Q1, which was almost at EUR1.6 billion. The current decline in Q1 is, therefore, in line with our expectations and since we are still seeing postponement of orders, order intake declined organically by 9.7%. On a reported basis, this decrease has been at 13.6% because of negative currency translation effects.

However, sales rose organically by 2.7%, in line with our full year guidance of 2% to 4% organic sales growth. EBITDA before restructuring expenses increased by 5.1% year-over-year to EUR181 million despite lower sales. The corresponding EBITDA margin rose significantly by 103 basis points from 13.5% in Q1 '23 to 14.5% in Q1 '24. Return on capital employed decreased slightly by 0.8 percentage points to 32.3%, which is, however, still an excellent value.

Let me now provide you with an update on our share buyback program. As you know, this program amounts to up to EUR400 million and will run until early '25. The first tranche of the program with a volume of EUR150 million was launched on November 9, and is supposed to run for six months. Until March 31, we already bought back 3.1 million shares worth EUR111 million in total. As of May 7, though the most up-to-date figures, we have already repurchased 3.8 million shares and spent EUR

135 million. This means that we are approaching the end of the first tranche. As there are just EUR15 million left to be spent under the first tranche, it is clear that we have completed this tranche soon. And we will, as you might have read, start soon with the second tranche with a volume of EUR250 million.

GEA is clearly a sustainability pioneer, and we have underpinned this role once more by being the first member of the DAX index family to conduct a say on climate vote. At our general meeting, which took place last week, we gave our shareholders a say on our climate protection activities. More specifically, we asked them to approve our climate transition plan 2040 as part of a consultative vote and the result was outstanding.

98.44% of our shareholders approved our plan. This is an outstanding achievement and confirms that our shareholders support our transformation to a net zero company. We firmly believe that climate action is not only urgently called for, but also pays off economically. Only companies that consistently act sustainably can remain competitive in the long term.

With that statement, I hand over to Bernd.

Bernd Brinker - *GEA Group AG - CFO*

Thank you, Stefan. Good afternoon, ladies and gentlemen. On the back of the record order intake in last year's Q1 of almost EUR1.6 billion, the order intake declined as expected year-over-year by 13.6% to EUR1.37 billion in Q1 2024. But important to notice that it improved sequentially from the levels seen in Q3 and Q4 last year. Despite a good project pipeline, postponements of orders and here, especially large orders continued. Two large orders with a total value of EUR51 million were received in this quarter in comparison to five large orders totaling EUR126 million in Q1 2023.

Q1 2024 was another quarter of attractive profitable growth. Sales was up by 2.7% year-over-year on an organic basis. This was driven by strong organic service sales growth, while organic new machine sales slightly declined. EBITDA before restructuring margin increased by 103 basis points to 14.5% because of a higher gross profit margin and lower operating costs.

Return on capital employed declined slightly from a very high level of 33.1% to 32.3% since the improvement in EBIT before restructuring expenses was not enough to compensate for the higher capital employed resulting from an increase, especially in net working capital. Net liquidity decreased year-over-year by EUR56 million to EUR218 million. Please bear in mind that we invested EUR111 million in the first tranche of our share buyback program.

Looking a bit deeper into the group performance. Similar to the last quarters, the top line of Q1 -- I'm talking about order intake and sales -- was adversely impacted by translational FX effects due to a strong euro against some of our main currencies. Order intake was negatively impacted by EUR62 million translational FX effect which, together with a lower amount of orders above EUR5 million, explains most of the year-over-year decline.

Food and Healthcare Technologies has been reporting an organic order intake growth, while the other division saw a decline on the back of a very strong, in many cases, even record, prior year quarter. From a customer industry perspective, food and once again pharma were growing. When we look at the sequential order intake development, there are two important messages.

First message, order intake in Q1 2024 was up by more than EUR100 million quarter-on-quarter. Second, all order size brackets showed a positive sequential development. Sales grew organically by 2.7%, driven by once again strong organic service sales growth of (corrected by company after the call) 9.5% year-over-year to which all divisions contributed. This is now the 15th consecutive quarter with organic service sales growth.

New machine sales, however, have been muted, declining organically by 1.1% year-over-year in the quarter. The divisional performance has been a bit mixed here. While the New Machine business and Separation and Flow, Farm, and Heating and Refrigeration Technologies has been growing nicely organically, Liquid and Powder as well as Food and Healthcare Technologies reported a decline.

Due to the strong service sales growth, service sales share stood at 38%, 1 percentage point higher than last year. This service sales share marks a new record level. EBITDA before restructuring expenses rose by EUR9 million to EUR181 million, resulting in a corresponding year-over-year margin expansion of 103 basis points to 14.5%.

Now let me continue with the figures for the division, Separation and Flow Technologies, which reported solid organic sales growth and significant EBITDA margin improvement. On the back of a record order intake in Q1 2023, the order intake decreased organically by 5.3% year-over-year. Please bear in mind that the prior year quarter contained a large order of EUR24 million in chemicals for lithium processing equipment. Therefore, the year-over-year decline is mainly resulting from the customer industries chemical and dairy processing, while food and beverage were growing.

When looking at the order intake development on a reported basis, an adverse translational FX impact of EUR31 million needs to be considered. Organic sales grew by 5.2% year-over-year, driven by solid growth rates in both new machine as well as service sales. The organic service sales growth would have been, however, higher if we hadn't had a change of a logistics provider as part of our move into new logistics center. Problems that occurred during this change were caused by our partner and led to a temporarily slower service sales recognition in Q1 with postponements to the coming quarters, predominantly to the second quarter 2024.

The order intake in service, however, has been growing year-over-year. As a result of the temporarily lower service sales growth, the service sales share declined on a very high level by 1.5 percentage points to 42% in the quarter. This is expected to positively reverse already in Q2 2024. The profitability impact resulting from the lower service sales share has been offset by a scheduled sale of a property in the United States. As a result, EBITDA before restructuring expenses increased by EUR2 million to EUR96 million, and the corresponding EBITDA margin improved further on a high level by 1.5 percentage points to 27.0%.

Let's move on to Liquid and Powder Technologies. Order intake for the quarter was down organically by 21.6% compared to a strong prior year's quarter, mainly driven by a decline in orders above EUR15 million. Liquid and Powder Technologies has received one large order of EUR31 million from the customer industry beverage this quarter versus four large orders of EUR102 million in Q1 2023.

While the customer industry's food and pharma showed a positive development in this quarter, all other industries reported a decline. Important to notice that the order intake has stabilized sequentially, being slightly up from the level in Q4 last year.

Sales declined slightly by 0.7% year-over-year on an organic basis. Service sales continued its strong growth trajectory of the previous quarters with an outstanding 15.7% year-over-year organic growth rate, marking now the fifth quarter in a row with double-digit service growth rates. At the same time, organic new machine sales decreased by 5.7%. The lower new machine sales results from a decline in the order intake in the second half of 2023, as well as in the first three months of 2024. Due to the strong service sales growth, the service sales share increased by 3.6 percentage points to a record level of 26.9% in the quarter.

EBITDA before restructuring expenses decreased by EUR4 million year-over-year to EUR26 million resulting in a corresponding EBITDA margin of 6.8%, down from 7.8% in Q1 2023. Slightly higher gross profit resulting from the improved service sales share has not been enough to compensate for the increase in operating costs.

Continuing with Food and Healthcare Technologies. Order intake for the quarter was up in organic as well as in reported terms, which is a very encouraging development. The year-over-year growth was driven by orders below EUR1 million and a large order of EUR20 million in the customer industry pharma. Not surprisingly, the customer industry pharma showed a positive development this year, while the food industry reported a decline. Sales decreased organically by 2.6% year-over-year despite a very strong organic service sales growth of 8.8%.

The service business has been growing organically by 15 quarters in a row now, raising the service share from 27% in Q3 2020 to 36% in the first quarter of 2024. The new machine sales declined organically by 8.1%, resulting from the lower order intake in freezers as well as in processing lines for the food industry in the second half of 2023. As you know, the profitability of food and healthcare technologies had been impacted by the execution of insufficiently priced projects in the last quarters and as expected, we are still seeing a small impact in Q1.

EBITDA before restructuring expenses decreased by EUR3 million year-over-year and the respective margin dropped from 10.4% in Q1 2023 to 9.5% in the quarter. However, when we're looking at it sequentially, the profitability has improved continuously since the second quarter of 2023. While the EBITDA margin has been as low as 6.1% in Q2 2023, Q3 reported a quarter-on-quarter improvement to 6.8%, followed by 7.2% in Q4 and now 9.5% in the first quarter of 2024.

As stated in previous conference calls, we are optimistic to bring the business back on track with this -- within the second half of 2024 and we are targeting for the full year an EBITDA margin between 9.5% and 11.5%, a strong improvement compared to the 7.6% in financial year 2023.

Moving to Farm Technologies. The first quarter of the year is showing strong organic sales generation and significant margin -- EBITDA margin expansion. But let me give you some details on Q1 here. As you might remember, we have stated several times that the environment for our dairy farming business is quite mixed. On the one hand, the farmers are facing higher financing costs. But on the other hand, there is this unbroken trend for automatization and consolidation.

On the back of a record level for orders in the prior year quarter, order intake declined organically by 14.7% year-over-year. Also, sequentially, the typical quarter-on-quarter improvement from Q4 to Q1 has been less pronounced as the years before, and the market sentiment is still affected by the uncertainty mainly caused by high interest rates and lack of subsidies, which are now expected for the second half of 2024, but also by the very wet weather conditions in large parts of Europe.

In terms of products, Farm Technologies had slight order intake growth year-over-year in the service business while new machine order intake declined, especially in manure and automated milking carousels due to the lack of larger orders.

When looking at the order intake development on a reported basis, an adverse translational FX impact of EUR17 million needs to be considered. Sales has been virtually unchanged in reported terms, but increased organically by 10.4% year-over-year. The strong organic sales growth has been driven by both outstanding service sales growth of 14% and strong new machine sales growth of 7%. The service share increased further on a high level by 0.3 percentage points to 47.8%.

Gross profit rose significantly due to the consistent implementation of price increases in the last months and a higher service sales share. The increase in gross profit overcompensated higher operating costs, resulting in an EBITDA improvement of EUR4 million to EUR27 million in the quarter. The corresponding EBITDA margin increased significantly by 198 basis points from 12.5% in Q1 2023 to 14.5% in Q1 2024.

Finally, let us turn to Heating and Refrigeration Technologies. This division delivered again strong organic sales growth and a significant EBITDA improvement. Also, Heating and Refrigeration Technologies faced a high comparison base for order intake in the first quarter of the year because the prior year quarter had an unusual high volume of orders above EUR5 million. The year-over-year organic order intake decline of 11.6% was purely driven by the reduction of these larger orders. Base orders, that means orders below EUR5 million, have been up year-over-year.

In terms of customer industries, food had a good demand, while most other industries reported a decline. Sales continued its growth trajectory and the division reported for the 11th quarter in a row year-over-year organic growth. The 5.8% organic growth rate was driven by both solid new machine sales growth rate of 4.2% and a strong service sales growth rate of 8.4%.

Since the service business was growing stronger, the service sales share increased by 82 basis points to 39.2%. EBITDA rose to EUR19 million, and the according margin improved significantly from 11.8% in the Q1 2023 to now 13.4% this quarter. Gross profit was up year-over-year due to the higher volume, positive mix and margin effects, which overcompensated the increase in operating costs.

Closing the division of chapter now with the overview on the EBITDA growth contribution. There are two important messages. First, we have been able to increase our EBITDA before restructuring expenses by EUR9 million. The positive EBITDA growth contribution of Separation and Flow, Farm, and Heating and Refrigeration Technologies overcompensated the profitability decline of the two other divisions. This shows once again the resilience and strength of our business model due to our product diversification.

Let me give you some additional background information on the positive EBITDA growth contribution from the other and consolidation line. The year-over-year change in EBITDA is mainly attributable to the allocation of centrally incurred expenses in line with causation, leading to a higher cost burden on the divisions. And the second important message is that translational FX has been a drag on our reported EBITDA. It has lowered our EBITDA by EUR6 million in the quarter. Excluding this FX translational effect, our EBITDA would have improved by EUR14 million from EUR172 million in Q1 2023 to EUR186 million in Q1 2024.

Coming now to another important topic, which is net working capital. As in the last years, the first quarter is showing the typical seasonal uptick in net working capital from year-end. This quarter-on-quarter increase is driven by a reduction in trade payables as well as a slight increase in inventories. In a year-over-year comparison, net working capital increased by EUR88 million to EUR457 million despite a significant reduction in inventories of EUR64 million.

Trade receivables have increased, which is not surprising to see as we are facing a tougher economic environment for receivables management due to the higher interest rates. The decrease of trade payables needs to be seen in connection with the reduction of inventories. In Q1 2023, the inventory level was on a high level due to the creation of risk buffers to mitigate the potential risk of material shortages.

The subsequent reduction of inventory, especially at Liquid and Powder, and Food and Healthcare Technologies, led to a decrease of trade payables between Q1 2023 and Q1 2024. This development is well covered by our guided corridor of 8% to 10% as the net working capital to sales ratio landed at 8.6%.

Like in the previous years, free cash flow has been negative in the first quarter of the year. But let's have a look at the details. Operating cash flow was negative EUR42 million, which can be explained by the following factors. Firstly, the net working capital outflow because of the quarter-on-quarter buildup. Secondly, the EUR82 million outflow in others. This position contained the outflow of bonus payments for fiscal year 2023 which was, as you all know, again, a very successful year.

In addition, we paid out the second and final tranche of the inflation compensation payment to all employees in Germany, which accounted for roughly EUR10 million. The CapEx-related outflow of EUR27 million has been rather low in comparison to our full year 2024 guidance of around EUR260 million. So the step-up in CapEx will be seen in the coming quarters. As a result, free cash flow stands at minus EUR57 million leading to a net cash flow of minus EUR78 million after deducting lease payments and interest paid.

The negative net cash flow in combination with the cash out for our ongoing share buyback program reduced the net cash position from EUR371 million at the end of Q4 2023 to now EUR280 million at the end of Q1 2024. Hence, the typical seasonal net cash reduction in the first quarter of the year has been more pronounced this year due to the additional cash outflow for the share buyback program.

With that, I hand back to Stefan for the outlook.

Stefan Klebert - *GEA Group AG - Chairman*

Thank you, Bernd. Let me now come to our outlook for the fiscal year '24. After a solid start into the year with further organic sales growth and excellent margin development, we confirm our full year '24 guidance. Organic sales growth of between 2% and 4%, and EBITDA margin expansion to a level between 14.5% and 14.8%, and the return on capital employed in the range of 29% to 34%.

In our last conference call, I mentioned that we will hold our next Capital Markets Day on October 1 and 2. Let me now share some more details with you. On the evening of October 1, we will invite you to an informal dinner at Ron Gastrobar. In Amsterdam, Ron Gastrobar is known for its culinary entrepreneurial dishes, and we are looking forward to spending a nice evening with you there.

Amongst other things, we will serve new food, which is produced by our customers. The next day will consist of two parts. First, presentations on strategic topics held by my colleagues and myself in the morning, and second, in the afternoon, a site visit at our customer innocent in Rotterdam. As you know, we have built the world's first carbon-neutral juice production plant for them at the harbor in Rotterdam. And we are offering you the opportunity to see our machines and engineering solutions, live in actions on their premises. The formal invitation to the event will follow in due course.

Finally, our road map '24. The next important date will be the release of our Q2 figures on August 7, and then our Capital Markets Day on October 1 and 2 in Amsterdam and Rotterdam. We are looking forward to see you there. This concludes my presentation, and I hand back to Oliver for the Q&A session.

Oliver Luckenbach - *GEA Group AG - IR*

Yes. Thank you very much, Stefan and Bernd. And over to you, Sarah, and please be so kind and open up the lines for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Klas Bergelind, Citi.

Klas Bergelind - *Citigroup Inc. - Analyst*

Thank you (technical difficulty) So first on the real estate gain, I think it was EUR10 million in SFT, but which against temporary lower service growth was a wash, [either] there was a EUR10 million hit to EBITDA from lower service growth. I'm trying to understand this better because I struggle a bit to see it as a wash. My math, it would have meant that the underlying growth in service must have been 15%, 16% with a drop-through of around 60% on the lost volume.

Totally understand that the drop-through is always higher in service, given that you have more amount of people there, but still pretty big numbers. Or put differently, the 15% to 16% is actually quite high considering the slowdown in service growth throughout last year. I thought more like 8% to 10%. So sorry, a lot of details, but I just want to understand this better how it could be a wash. Thank you.

Stefan Klebert - *GEA Group AG - Chairman*

Hi Klas. Thanks for your question. I think this all goes around the question of profitability in the service business. And I think you will not be surprised to hear us saying that we don't provide further information on profitability of the service business.

However, I can reconfirm that on the one hand side, we have the income from the real estate sale, and this was a wash with the business which we didn't form in the Q1 as part of the change in the logistics center, and we expect this service revenues to crystallize predominantly in Q2 2024, and we will see also the profit contribution of this element in Q2 2024 to the majority. So therefore, this will come later. There is a wash on the hand between the missed revenues so far and real estate sales. Sorry, not giving you more indications here.

Klas Bergelind - *Citigroup Inc. - Analyst*

Okay. No, I totally get that the service margin is much higher. But just to keep it simple, can you give us the underlying service growth, perhaps in the -- i.e., what would the service growth have (technical difficulty)

Stefan Klebert - *GEA Group AG - Chairman*

Right. Nice question, Klas, but I will not provide more details on that.

Klas Bergelind - *Citigroup Inc. - Analyst*

All right. Then quickly on the corporate line of EUR10 million versus what I thought was more like a mid-teens level. These costs, as you say, Bernd, are now at a divisional level. Was this just this quarter? Or should we model the corporate line at around EUR10 million per quarter for the rest of the year?

Bernd Brinker - *GEA Group AG - CFO*

So we have given an indication as part of our outlook early this year for the -- let's say, for the line of other and consolidation. We indicated that we expect an EBITDA margin of negative 1% to negative 1.5%. What I can (technical difficulty) you, it will be on the lower end of this range. So you should expect roughly negative 1% as part of this EBITDA line for others and consolidation. So it will be a little bit more than the EUR10 million per quarter, but it will be on the lower end of the range.

Klas Bergelind - *Citigroup Inc. - Analyst*

Okay. Very clear. My very final one for you, Stefan, on the orders. It seems like we have the seasonality with orders improving first quarter over fourth quarter. But at the same time, I think the message from you today is that you see the second half of last year as the trough for orders.

Does that mean that you think the EUR1.3 billion, EUR1.4 billion is the new level as we go through the year when you think about the pipeline, the conversions? And is there any end market where you feel things could perhaps improve quicker than others? Coming back to the dairy side, for example, given the outlook for improved subsidies, et cetera.

Stefan Klebert - *GEA Group AG - Chairman*

I mean, like also Bernd mentioned in his speech, I think if you look at the last quarters, we can see that sequentially, we are picking up again order intake. So we are also having an interesting in full pipeline also of large projects. However -- and this is also nothing new. So far, we saw a certain postponement of these large orders.

I would say, if we look out into the economy and to the situation at the interest rates, we expect that there is definitely the peak that we also might see interest rates coming down. And I'm quite optimistic that this also will have an impact in the near future on our order intake situation, and that we will see a continuously improving situation during the year when it comes to order intake.

Klas Bergelind - *Citigroup Inc. - Analyst*

Thank you, Stefan.

Operator

Sven Weier, UBS.

Sven Weier - *UBS Investment Bank - Analyst*

Yeah, good afternoon. Thanks for taking my questions. The first one is also regarding the order outlook. And I guess in the past, you've also made that a bit more rate sensitive and dependent on rates coming down in the second half. I was just wondering, how rate sensitive is it really to begin with?

Because I guess in the US, the rates don't come down as much. There's also an economic reason for that. And so customers might be doing better than you would have thought. Is not the need to invest more pressing than maybe having a [0.25 point] of lower interest rates at the end of the day? And so the second half is not so dependent on what the Fed does specifically?

Stefan Klebert - *GEA Group AG - Chairman*

Yes. Very good question, Sven. But my answer would be 50% of economy psychology and that has not only to do with the pure fact, but we see that a lot of customers have been not sure how everything is continuing with all this volatility within the world. And if we get a situation, which is a bit more stable and interest rates are coming down a little bit, I personally expect that this will also change the mood and the courage to invest more again and that is maybe more important than the pure effect. Our interest rates are down by 10 basis points or whatever or 100 basis points.

Sven Weier - *UBS Investment Bank - Analyst*

And just to make sure I got this right, when you just said to Klas' question around the -- it will get better every quarter now. Is that kind of a sequential comment? You're comparing this to Q1? Or is it as previously a year-on-year comment? Just to get this right, yeah.

Stefan Klebert - *GEA Group AG - Chairman*

Yeah. I think I'm quite optimistic that we can see quite solid Q2 in order intake. I also can say that it started quite well. And yeah, that is my comment. We are still living in a volatile world, but we see that things somehow are moving in the right direction and the situation is a bit more bullish than we saw it in the last six months, let's say, like that.

Sven Weier - *UBS Investment Bank - Analyst*

That sounds good. And my final question is just on the topic of M&A, which I guess will also be again a topic at the Capital Markets Day. But it's probably fair to say that in the last couple of years, things have been tough. Things not available. Things are too expensive. And I guess that doesn't really change.

I mean does that change any how you're thinking around capital allocation in general and just giving more importance also to the topic of buybacks? Or do you think the capital allocation is something that shouldn't change too much for the next CMD?

Stefan Klebert - *GEA Group AG - Chairman*

Yes. I think you are completely right. It was challenging in the last years to find the right targets. We made some smaller acquisitions, like you know. But it's also not that we stopped talking to potential targets. You can be sure that every month, I have minimum one or two meetings with potential targets, which we look at. And sometimes it's not the right company, sometimes it's not the right time. But sooner or later, I'm quite sure that we will also make something here.

And if we will not be successful, let's say like that, in finding the right target for the right price in the next year or next two years, then of course, we also need to think about capital allocation and we might think about what is then the right allocation like we do at the moment, the share buyback. And then we might continue to do something like that if we don't have any other ideas or maybe we have other ideas.

But it's something where I cannot tell you exactly what is going to happen in the next one or two years, because this depends heavily on the question, can we be successful in finding right targets or finding the right companies at the right price.

But we are still active in that area, and we still talk frequently and often to potential targets. But as I always said, we don't want to do any stupid things. When we do something, it should be very clear that this will be a success story, that the price is the right one, that the markets are the right one. We have a company we can trust on [end].

Sven Weier - *UBS Investment Bank - Analyst*

Understood. Thank you, Stefan.

Stefan Klebert - *GEA Group AG - Chairman*

Thank you, Sven.

Operator

(Operator Instructions) Sebastian Kuenne, RBC Capital Markets.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Thank you for taking my questions. My first relates to Liquid and Powder, where you have decent revenues, you have a nice shift towards services and also higher gross margin. But at the same time, you talk about higher operating costs. And I was wondering what's behind that? Is that something we should expect going forward? That maybe capacity utilization is not as good or pricing is coming back a little? What's the reason behind the drop? That will be my first question.

Stefan Klebert - *GEA Group AG - Chairman*

So Sebastian, I think with regard to Liquid and Powder Technologies, the main thing here for us is coverage of capacity by a sufficient order intake. And as you've seen, the order intake is on a low level. Also organic sales growth is slightly down. So therefore, it's a question of adjusting capacities and so therefore, operating costs -- managing operating costs is in the center of our activities. We have already adjusted it as part of some activities at the end of last year, and we need to carefully consider whether we need to adjust further.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Okay. So there are some costs potentially coming in the next quarters on that?

Stefan Klebert - *GEA Group AG - Chairman*

No, I would not expect that. I would not expect that. Whenever we do adaptations, let's say, we can do it with a normal fluctuation here, or with -- nothing on top, which you would need to think about.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Okay. My second question is on something that Klas already addressed, and I think you should -- it would be good if you could give a bit more detail on this. And that's on the SFT, on the gain from a property sale and then the push out of service revenues. As Klas said, the drop-through seems to be very high.

So the question really is how many of these service revenues have been pushed out? If you lose EUR10 million EBITDA, does that mean EUR30 million, EUR40 million of service revenue being pushed into Q2? And if it's such a large number, what happened there with this logistics partner? I think it's a substantial number. And maybe you can shed a little bit more light on that situation and whether it could be recurring or whether this is a one-off.

Stefan Klebert - *GEA Group AG - Chairman*

Yeah. So what we have done is we have built a new logistics center in Germany. We have transferred in -- during Q1, at the beginning of Q1, the entire business into this new logistics center. And when we started this new logistics center, we also changed the collaboration with the service provider. Now we have also a new service provider on board. So we started with the new factory, so with the new logistics center and the new service provider at the same time.

And we've seen -- we were faced with significant IT issues on the service provider side. So they were not able to do the picks for the service business as required. So there was a significant underperformance compared to demand. So therefore, we couldn't fulfill all the orders on time. So this led to a postponement of execution of orders from the first quarter into, as I said earlier, into -- predominantly into the second quarter. So we basically expect to entirely catch up in the second quarter.

And as I also said, we have even seen, in the meantime, a pickup in the order intake on the service side. So if we want to understand whether there is a negative impact on the business itself, we can say that we did not experience that. So therefore, we only see a move of revenue as well as profitability from this business into the second quarter.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

But could it not be that customers are now seeing that there are delays, and therefore, they bring service orders forward just in case?

Stefan Klebert - *GEA Group AG - Chairman*

No, I think we --

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Was it genuine service orders that you see?

Stefan Klebert - *GEA Group AG - Chairman*

We experienced that quite -- we identified the issue quite early in the quarter, and we were able to prioritize the execution of the orders in line with expectations of customers and we manage closely the customer relationships. So we even don't expect any negative impact on the customer side.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

And finally, again, the impact was EUR10 million on EBITDA. What do you then say is the push out in terms of Q1, Q2? It must be a large number, right? Otherwise, the math simply don't work.

Stefan Klebert - *GEA Group AG - Chairman*

As I said earlier, we will not comment further on this.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Okay. Thank you very much.

Operator

Christoph Dolleschal, HSBC.

Christoph Dolleschal - *HSBC - Analyst*

Hey, good afternoon, everyone. First of all, a question on the very strong currency effect seen in SFT and Farm Technologies. It was at least higher than I expected. Could you explain which countries this primarily came from, and what their revenue share was? Supposedly, high inflation countries or high --

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Stefan Klebert - *GEA Group AG - Chairman*

Yes, you're absolutely right. So major currencies where we see this impact are hyperinflation countries, Argentina as well as Turkey. Those were the biggest contributors, but we also see an impact from the Chinese renminbi. And also -- let's say that, so those are the most important currencies. So those three I would like to mention.

Christoph Dolleschal - *HSBC - Analyst*

Because obviously, the shares then of those countries must be higher than on average as a group. Can you give us a bit more detail on what the revenue shares of, say, Argentina and Turkey are for SFT and FTE? Because it has been a problem for a few quarters now, right? (multiple speakers)

Stefan Klebert - *GEA Group AG - Chairman*

Just bear in mind that in Argentina, we have seen basically an inflation in the month of December, as an example, by 100%. This has continued since then. So the impact is surprisingly high.

Christoph Dolleschal - *HSBC - Analyst*

And can you give us an idea how much roughly of revenue is coming from Argentina and Turkey? Or you don't disclose it on the [segment] level?

Stefan Klebert - *GEA Group AG - Chairman*

Let me just check whether we can provide those. So we will check and we will provide that number maybe later in the call. So maybe we can continue (multiple speakers)

Christoph Dolleschal - *HSBC - Analyst*

I have follow-up on LPT. As you already indicated in Q4 and then also to -- at the results, you said you were starting to adjust capacities because the order intake situation is not as it was expected. I was just wondering whether you can give us an update there? And what kind of capacity adjustment should we think about? I mean we were at say, EUR450 million to EUR500 million a quarter. Now we are rather at levels, say, of about EUR400 million. Is that a fair assumption? Basically, let's say, from [1.8] to [1.6] in order intake. Is that a fair judgment?

Stefan Klebert - *GEA Group AG - Chairman*

I mean you have to have in mind, when we talk about the LPT business, this is a business where we have a very high proportion of material and equipment, higher than in other divisions because the large projects has a higher spend here. Then it depends very much what do we do in LPT. Though it's difficult to give you here numbers. But I can tell you that you don't have any fear that any restructuring costs are coming here up that's not foreseeable.

First of all, because we have a very interesting pipeline, and we see and feel that we will get interesting orders in the course of the year. And secondly, it is nothing which we just start. We already started at the end of last year and beginning of this -- in the first quarter to take out people where they are not needed and adopt the organization whenever necessary. So there is nothing which should worry you here.

Christoph Dolleschal - *HSBC - Analyst*

I recall that I was just wondering when we see the margin moving up again? Because you've already started taking those measures. So as of Q2, would you expect the margin to improve again?

Stefan Klebert - *GEA Group AG - Chairman*

I mean the margin will come back when sales is picking up. That's very clear because we need additional sales to really bring up the margins.

Christoph Dolleschal - *HSBC - Analyst*

Okay. Then also on LPT, one more -- you said, you saw postponements, but you didn't see cancellations, right?

Stefan Klebert - *GEA Group AG - Chairman*

No.

Christoph Dolleschal - *HSBC - Analyst*

And then last but not least, on prices. At the Q4 call, you indicated that you see wage growth in the region of 3%, and said, okay, that is most likely to be compensated with price increases. Were they already executed, or are price increases just going to come (multiple speakers)

Stefan Klebert - *GEA Group AG - Chairman*

Yeah. Yeah. It's not that we have one single day where the whole GEA Group world rate is increasing prices. So it depends on countries. It depends on divisions or even business units. In some of our businesses, we have price list and others we do project calculations.

So it's not that we can say, has it been executed, yes or not. It's more of a continuous process in which we are in, where we are talking and challenging our businesses frequently and regularly. And also this year, we had already meaningful price increases in different areas.

Christoph Dolleschal - *HSBC - Analyst*

All right. Thank you.

Stefan Klebert - *GEA Group AG - Chairman*

I would like to come back to your earlier question on the currencies. I would like to refer to our presentation and in the backup on slide 34. You can find all the information on our currency exposure there. So there you see based on order intake, the split for the Q1 2024. And just to name the countries and currencies which I've just named here, is China, is -- we have an 8% share of our entire orders on group level. For Turkey, we have 2% of total order intake and for Argentina, 1%. So we share that only on group level and not on divisional level.

Christoph Dolleschal - *HSBC - Analyst*

Yeah. I mean I've seen that, and that from these numbers, I wasn't able to really conclude why the other numbers were down so much, but I'll try to do the math on the back of that. Thank you.

Stefan Klebert - *GEA Group AG - Chairman*

Okay. Thank you. Welcome.

Operator

Sebastian Growe, BNP Paribas.

Sebastian Growe - *BNP Paribas - Analyst*

Hello, everybody. Thanks for taking my questions. First one would be around the FHT segment. You had a more than 200 basis points margin recovery and now hitting the lower bound of the '24 target range, so 9.5% to 11.5%. And that is despite the sales dropping 20% roughly, sequentially that is.

So I guess my question again, the backdrop, is how should we think about the trajectory from here, both from a mix perspective, that's what's in your order backlog? As you also gave a bit of color around the LPT segment and the order pipeline. How should we think about the outlook in terms of demand going forward for this segment? And then I would have one more, but maybe we can start here first.

Stefan Klebert - *GEA Group AG - Chairman*

I think what you can see is that we -- and that is also what we guided and told in the last call that, we can get rid of the issues in FHT, we will get rid of the issues in FHT. That is also what you can see here, which is -- that we are now in Q1 already at a margin, which is already at the lower end of the guidance range we have for this year for FHT. So we are here quite good underway and a lot of measures are in place. So that I can confirm, like I promised you, that we have identified the issues, we have addressed the issues and we are managing the issues.

Sebastian Growe - *BNP Paribas - Analyst*

But would it be fair to assume that with the better mix in the backlog, that there's a lot of self-help just from executing more of the newer projects within new structures? And then if volumes were to come on top and maybe can comment on the pipeline, then there would be additional leeway? Is that the right sort of framework?

Stefan Klebert - *GEA Group AG - Chairman*

Yeah, sounds good. Yeah. I think so, yeah.

Sebastian Growe - *BNP Paribas - Analyst*

Good. And what sort of pipeline?

Operator

Thank you. And there are no further questions. So I will now hand the conference back to Mr. Klebert for final remarks.

Stefan Klebert - *GEA Group AG - Chairman*

Yes. Thank you very much. Thank you all for your good questions and for your interest. I hope that we could show you that GEA is delivering again and again and again. We are delivering what we promise. We are, again, a bit better in terms of profitability like you might have expected. And we are in line with our growth rate of sales. We are also optimistic that the order intake will pick up during the course of the year.

And that is my summary from today. So stay tuned, and thanks for your continuing interest, and then we will talk to each other again when we release our half year numbers. Thank you very much, and have a good day.

Operator

Thank you. This does conclude the conference for today. Thank you for participating, and you may now disconnect. Speakers, please stand by.
