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CORPORATE PARTICIPANTS

Oliver Luckenbach *GEA Group AG - Head of Investor Relations*

Stefan Klebert *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Bernd Brinker *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

CONFERENCE CALL PARTICIPANTS

Klas Bergelind *Citi - Analyst*

Sven Weier *UBS - Analyst*

Sebastian Kuenne *RBC Capital Markets - Analyst*

Christoph Dolleschal *HSBC - Analyst*

Akash Gupta *JPMorgan - Analyst*

PRESENTATION

Oliver Luckenbach - *GEA Group AG - Head of Investor Relations*

Thank you very much and good afternoon, ladies and gentlemen, and thank you for joining us today for our second 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 second quarter and 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 of the Executive Board, Chief Executive Officer*

Thank you, Oliver, and good afternoon, everybody. It's my pleasure to welcome you to our conference call today. In the second quarter of 2024, GEA has once again delivered organic sales growth and a significant EBITDA margin expansion. Order intake declined year over year by 3.5% in organic terms, but has been above the trough levels seen in Q3 and Q4 '23 of EUR1.25 billion and EUR1.26 billion.

Sales rose organically by 1.6%, benefiting from a further expansion of our service business. EBITDA before restructuring expenses increased by 4.7% year over year to EUR201 million. The corresponding EBITDA margin rose significantly by 89 basis points from 14.3% in Q2 '23 to 15.2% in Q2 '24. Return on capital employed decreased on a high level to 32.3%.

Since we have continued with a very positive operating performance in the second quarter of '24, we have decided to raise our EBITDA margin and ROCE guidance for the full year '24 on July 10. We are now expecting the EBITDA margin for the full year '24 to be in the range of 14.9% to 15.2%, considerably up from the prior guidance of 14.5% to 14.8%. The new guidance range for return on capital employed is 32% to 35%, also above the prior range of 29% to 34%. The new guidance implies that we might already achieve our ambitious financial targets under our Mission 26, two years earlier than planned. This would be a fantastic achievement.

And we have another reason to be proud of ourselves. The US news magazine, TIME, and Statista, actually determined the world's most sustainable companies of 2024. Over 5,000 companies have been evaluated globally to identify the top 500 companies. And GEA has not only made it into the top 500 but achieved rank 33. And if you look at Germany only, we are even number three. So we are not only running ahead in terms of our financial targets under Mission 26, but we also continue to remain a front runner with regards to sustainability.

The positive development and here I'm talking about our financial and business profile has been recognized by two major international credit rating agencies, which are already assessing our credit worthiness for many years; Fitch and Moody's. Both made positive changes to the assessment of GEA in the second quarter. Fitch has confirmed the BBB rating, but has raised the outlook from stable to positive while Moody's has upgraded the long-term rating from Baa2 to Baa1 and changed the outlook from positive to stable.

Let me now provide you with a quick update on our share buyback program, which represents an important element in our capital allocation strategy. As you know, we have completed the first tranche of our share buyback program in May and have started with the second and final tranche at the beginning of June. This tranche will run until early '25. As of end of June '24, we have executed [EUR180 million] (corrected by company after the call) or 45% out of the EUR400 million program. And I can already share with you the latest numbers as of yesterday's closing. We have bought back 5.9 million shares since the beginning of the program until yesterday's closing, which represents 3.4% of outstanding shares.

With that, I hand over to Bernd.

Bernd Brinker - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Thank you, Stefan. Good afternoon, ladies and gentlemen.

Let's start with order intake. As we've left the trough levels of Q3 and Q4 2023 behind us, but continued to face postponements of larger orders and CapEx restraints from our customers in the second quarter. As a result, the order intake declined by 6.7% year over year to EUR1.29 billion. Sales was up by 1.6% year over year on an organic basis. This was driven by strong organic service sales growth while organic new machine sales declined.

EBITA before restructuring margin increased considerably by 89 basis points to 15.2% because of a higher gross margin. ROCE declined slightly from a very high level of 33.8% to 32.3% since the improvement in EBIT before restructuring expenses was overcompensated by higher capital employed, resulting from an increase in noncurrent assets and net working capital. Net liquidity decreased year over year only by EUR33 million to EUR32 million despite the cash outflow of EUR341 million for the dividend payment and the ongoing share buyback program.

Looking a bit deeper into the group performance. As in the previous quarters, but to a lesser extent this time, the top line of Q2, and I'm talking about order intake and sales was adversely impacted by translational FX effects due to a strong euro against some emerging market currencies like the Argentinian peso and the Turkish lira. Order intake was negatively impacted by EUR44 million translational FX effect.

Adjusting for this effect, the order intake declined in organic terms by 3.5% year over year. This decline was purely driven by the lower volume in the mid-sized order bracket between EUR5 million and EUR15 million, all other order size brackets, including the base orders below EUR5 million were up year over year. From a customer industry perspective, not only beverage and food were growing also dairy processing has slightly picked up. The growth in these customer industries was overcompensated by the decline in the other customer industries.

Sales grew organically by 1.6%, driven by once again outstanding organic service sales growth of 12.1% year over year to which all divisions contributed. The catch up effect from postponed service sales from the first quarter at Separation & Flow Technologies also contributed to this strong development. For the last four years, the service business has been growing organically in each single quarter, an impressive development.

New machine sales have been impacted from the decrease in the order intake in the last four quarters and has therefore declined organically by 4.1% year over year in the second quarter. Due to the strong service sales growth, the service sales share stood at 38.9%, [3.3-percentage] (corrected by company after the call) points higher than last year. EBITDA before restructuring expenses rose by EUR9 million to EUR201 million, resulting in a corresponding year-over-year margin expansion of 89 basis points to 15.2%.

Now let me continue with the figures for the division Separation & Flow Technologies, which reported strong performance for all key performance indicators. Strong organic order intake and sales growth, coupled with considerable improvement in profitability. Order intake increased organically by 11% year over year, which was mainly driven by the customer industries food, and pharma. And also beverage, marine, environmental applications and the demand for new food was strong. So overall quite broad based order intake strength. When looking at the order intake development on a reported basis and adverse translational FX impact of EUR31 million needs to be considered.

Sales in reported terms were slightly higher than in the prior year quarter, but significantly higher when adjusting for the negative FX translation effects. Organic sales grew by 7.3% year over year, driven by an extraordinary organic service sales growth of 17.4%. This growth rate has been positively impacted by the catch up effect from postponed service sales in the first quarter. As you might remember, the service sales in the first quarter have been impacted by a change of our logistic provider as part of our move into a new logistics center. Problems that occurred during this change were caused by our partner and led to postponed sales generation. This has been solved in the meantime and a significant share of the postponed sales -- service sales in Q1 have been recognized in Q2.

New machine sales have declined slightly by 1.3% organically. On the back of the very strong service sales growth, the service sales share has increased considerably by 4.7-percentage points to 50.6%. The higher service sales share in combination with the better margin quality in the new machine business resulted in a significant year-over-year improvement of the EBITDA margin by 119 basis points to 27.3% in the second quarter. Because Separation & Flow Technologies has already been growing its sales organically by 6.3% in the first half of 2024, we raised its divisional sales guidance for the full year 2024 from the original range of 1% to 4% organic sales growth now to 5% to 8%.

Let's move on to Liquid & Powder Technologies where we have further expanded our service business and the order intake has improved sequentially. Order intake for the quarter was down organically by 9.1% year over year, purely driven by a decline in orders between EUR5 million and EUR15 million. The volume of large orders has been slightly higher than in the prior year quarter in the base orders, so all orders below EUR5 million in size have been up year over year.

Two out of the three large orders received in this quarter were coming from the customer industry beverage and one was awarded in chemicals. So it is not surprising to see that the customer industry beverage showed overall positive development in this quarter. In addition, dairy processing and pharma were also doing well. The growth in these customer industries was overcompensated by the decline in chemicals, which benefited from three large orders in the second quarter of 2023.

When looking at the sequential order intake development, it is important to notice that the order intake has continued its sequential improvement being slightly up from the level in Q1. Sales declined 2.4% year over year on an organic basis. Service sales continued its strong growth trajectory of the previous quarters with an 8.7% year-over-year organic growth rate. At the same time, organic new machine sales decreased by 5.8%. The lower new machine sales results from the decline in the order intake in the second half of 2023 as well as the low level of order intake in the first half of 2024. Due to the stronger service sales growth, the service sales share increased by 2.7-percentage points from 23.4% in Q2 2023 to 26.1% in this quarter.

EBITDA before restructuring expenses rose by EUR3 million year over year to EUR43 million, resulting in corresponding EBITDA margin of 10.2%, up from 9.2% in Q2 2023. Higher gross profit resulting from the improved service sales share and better project margins has been the main profitability driver. Operating costs have remained stable year over year. Since Liquid & Powder Technologies has reported an organic sales decline of 1.6% in the first half of 2024, we adjusted its divisional sales forecast for the full year 2024 from the original range of 2% to 8% organic sales growth to a range of 2%-minus and 2%-plus.

Moving to food and health care technologies, which continued its sequential profitability improvement and generated solid organic service sales growth. On the back of a high comparison base and slow investment decisions of our customers, the order intake decreased organically year over year by 11.5%. Both customer industries, food and pharma, reported a decline. Although Pharma has received one large order totaling EUR15 million in the quarter.

Sales decreased organically by 3.8% year over year, despite solid organic service sales growth of 4.2%. The new machine sales declined organically by 7.7%, resulting from the lower order intake in the second half of 2023. As a result, the service sales share expanded from 33.0% in the prior year quarter to 35.8% in the second quarter.

EBITDA before restructuring expenses continued its quarter-on-quarter improvement, reaching now EUR24 million in the quarter, significantly up from the low point of EUR15 million in Q2 2023. The corresponding margin has not only improved from the trough levels of 6.1%, but also increased sequentially from 9.5% in the first quarter to 9.8% in the second quarter. When looking at the EBITDA margin in the first half of 2024, which stands at 9.7%, we are fully on track to meet our full year EBITDA margin target range of 9.5% to 11.5%.

Continuing with Farm Technologies, which had once again strong service business in the quarter, but suffered from investment restraints of farmers in its new machine business. The market sentiment has not necessarily changed since last quarter. It is still affected by uncertainty resulting from high interest rates, lack of subsidies, and downward pressure of milk prices in some regions like, for example, China. As a result, the order intake decreased by 12.8% year over year organically, driven by the decline in the new machine business. In terms of products, the new machine business was mainly facing lower demand in manure and automated as well as conventional rotaries and here, especially from China and the United States.

When looking at the order intake development on a reported basis and adverse translational FX impact of EUR7 million needs to be considered. Sales grew organically by 1.4% year over year, driven by outstanding organic service sales growth of 13.0%. This marks another quarter of double-digit organic service sales growth at Farm Technologies. New machine sales declined organically by 7.8%, reflecting the above-mentioned market sentiment. The service share increased further considerably on an already high level by 3.5-percentage point to 47.7%.

EBITDA before restructuring expenses decreased slightly by EUR2 million to EUR28 million as the higher gross margin was overcompensated by lower sales volume and higher operating costs. The corresponding margin decreased by 38 basis points from 15.2% in Q2 2023 to [14.9%] (corrected by company after the call) in Q2 2024.

Finally, let us turn to heating and refrigeration technologies. This division delivered once again a very solid set of results. Strong organic order intake growth, further service expansion, and significant rise in profitability. Let me run you through the details.

Heating & Refrigeration Technologies has reported strong organic order intake growth of 8.8% year over year, which can be attributed to two reasons. First, the increase in the number of larger orders. Larger orders for this division are orders with a volume of more than EUR1 million, but below EUR5 million. And second, the strong demand development in small orders, which are below EUR1 million in size.

In terms of customer industries, distribution and storage as well as food where the main growth drivers. Predominantly in food, we are supporting multinationals, which are executing their net zero programs. Sales decreased slightly by 0.6% organically. The strong organic service sales growth of 7.2% was not enough to fully offset the organic sales decline in the new machine business of 4.9%.

The service share, however, increased considerably by 279 basis points to 38.2%. EBITDA rose to EUR18 million and the corresponding margin improved significantly from 11.4% in Q2 2023 to 12.5% this quarter. Gross profit was up year over year due to positive mix and margin effects, which overcompensated the increase in operating costs.

Closing the divisional chapter now with the overview on the EBITDA growth contribution in the first half and in the second quarter of 2024. There are two important messages. First message, we have been able to increase our EBITDA before restructuring expenses in both time periods considerably. So this positive performance, almost all divisions contributed. While Liquid & Powder Technologies contributed positively to the profitability growth in the second quarter, it was overcompensated by the weaker development in the first quarter so that the overall contribution in the first half has been slightly negative.

For Farm Technologies, it is exactly the opposite. The strong performance in the first quarter has overcompensated the negative growth contribution in the second quarter, leading to an overall growth contribution in the first half of 2024.

And now the second important message. We have managed to improve or at least keep gross margin -- sorry, gross profit stable in all divisions, despite facing declining sales in many cases. This reflects our pricing discipline as well as the effects of our efficiency programs.

Coming now to another important topic, net working capital. In a year-over-year comparison, net working capital increased by EUR29 million to EUR486 million despite significant reduction in inventories of EUR50 million. Main reason for this rise is the lower volume of trade payables, which needs to be seen in connection with the reduction of inventories.

As you know, we are currently focusing on the reduction of our safety stocks to bring them back to the levels we had before all the supply chain bottlenecks occurred. This net working capital development is well covered by our guided corridor of 8% to 10%, and the net working capital to sales ratio landed at 9.1%.

Free cash flow has been strong for the second quarter, but let's have a look at the details. More than 58% of the EBITDA before restructuring expenses has been converted into operating cash flow. After a high net working capital outflow of [EUR115] million in the first quarter, the outflow has been lowered to EUR28 million in the second quarter. Main reasons for the outflow were the lower amounts of advance payments received in the quarter as well as higher quarter-on-quarter inventories.

The CapEx related outflow of EUR41 million has been rather low in comparison to our full year guidance 2024 of around EUR260 million. This is mainly driven by the build up of our new site for lyophilization in Germany where groundbreaking took place in March this year, where the main investments will occur during the second half of 2024. So the step up in CapEx will be seen in the coming two quarters.

As a result, free cash flow stands at EUR83 million, leading to a net cash flow of EUR64 million after deducting these payments and interest paid. The strong net cash flow was offset the cash out for our ongoing share buyback program and the dividend payments so that we ended the quarter still being net cash with EUR32 million.

Bearing in mind that we had a negative free cash flow in the first half of 2023 and the first half of 2022, the positive free cash flow of EUR26 million in the first half of this year is a very solid achievement. As a result, we have improved our last four quarters' free cash flow conversion ratio from 48% for end of the first quarter to now 62% at the end of Q2. We are comfortably within the target corridor of 55% to 65%. However, as stated earlier, there is a step up in CapEx expected for the second half of 2024. This will have an impact on our cash conversion ratio.

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

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Thank you very much, Bernd.

Let me now come to our raised outlook for the fiscal year '24. As I have already presented to you at the beginning of today's call, our raised guidance for the EBITDA margin and ROCE, let me only add here that we are, of course, confirming these upgraded target as well as our unchanged organic sales growth guidance of 2% to 4% for the full year of '24.

Finally, our roadmap for 2024, the next important date will be our Capital Markets Day on October 1 and 2 in Amsterdam and Rotterdam. We will kick it off with an informal dinner at Ron's Gastrobar on the evening of the 1 where you will also -- where we also will serve you alternative proteins, followed by presentations and site visit on the October 2 to our customer, Innocent. The invitation will be sent out in the next days, and we are looking forward to seeing you there.

That concludes my presentation, and I hand back to Oliver for the Q&A.

Oliver Luckenbach - *GEA Group AG - Head of Investor Relations*

Yeah. Thank you very much, Stefan and Bernd. And yeah, with that, I also hand over to the operator, and please start the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Klas Bergelind, Citi.

Klas Bergelind - *Citi - Analyst*

My first one is on the order pipeline. We obviously had this issue with larger orders not coming through because of high interest rates among other things. Now that beat my forecast, but we know also more widespread weakness across the midsized orders essentially confident and as I understand it, that second half orders can be higher in the first. Do you think, Stefan, large orders from our [EUR15] million will now come through even more into the second half? Or is this going to be more broad based also on an inside level, midsized here? And was that just an anomaly in the quarter?

Thank you.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Okay. Thank you, Klas.

First of all, I think what I can tell you is that we expect a second half of the year, which will be bigger in order intake than the first half of the year. And we are also very confident that it will be also above the last year's second half of the year. I think this is quite a clear message.

We also have a lot of interesting large projects in the pipeline and it is like sometimes quite difficult to predict. Is it now that Q3 or Q4? When we will see this order coming in? Or might there be also a risk to be postponed to '25? But I can tell you and confirm you that there are many interesting projects around and we are optimistic that we also see in the second half of the year interesting large orders kicking in. And also mid-sized orders, we have an interesting pipeline.

So as I said, we are looking cautiously optimistic to the second half of the year. The environment is not the best all over the world. It's very clear but what we see here in our pipeline is quite promising. We will see a higher order intake compared to the first half year and also compared to the last year, second half of the year.

Klas Bergelind - *Citi - Analyst*

Thank you.

And my second one is on the margin in SFT. It's a very solid development there. Obviously, the service growth came back here following the logistics issues in the first quarter, which obviously improved the mix, but also, Bernd, you talked about the new machine business that's all embedded margin. One thing that's becoming apparent is reporting season among the industrials. We see companies starting to talk about pricing running through the cost inflation and that this can normalize into the second half. And in some cases, we see it already come to. The [overearning effect normalizing weighing on EBITDA. I guess the service expansion, I can understand] (technical difficulty) (multiple speakers)--

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Klas, you are almost impossible to understand. There is a very bad voice quality. I don't know if you have a chance to improve that, but it's very difficult to understand.

Klas Bergelind - *Citi - Analyst*

Okay, can you hear me now?

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Not getting so much better. There was a huge echo at the end.

Klas Bergelind - *Citi - Analyst*

Was around the price versus cost boost in the quarter. Is pricing running ahead of cost inflation in SFT.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Okay. Got it.

I mean, the price increases we have been able to make during the last months are not in that magnitude like we could increase prices in the last two years, let's say where we had the high inflation rate. And it was also not as necessary as it was during that period of time. So the performance you see also in SFT is not really based on pricing. That's really efficiency measures and of course, also a little bit of catch-up effect from the missing service business, which we saw in Q1.

Klas Bergelind - *Citi - Analyst*

Okay. Well, that's good to hear.

My very final one, if you can hear me is on tariff thinking ahead of the year with elections there in November. Can we talk about your sourcing strategies at this point now where you're more local-for-local versus sourcing components from China into the US, in particular?

Thank you.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Okay. I mean what the good message is here. I mean, you might remember that we are informed also very often that we have quite a broad range of suppliers almost everywhere, which is a potential which we also could use during the last years to improve our purchasing policy. But the positive thing is that we are not depending on certain regions or certain areas. So we always would have a choice and even if geopolitical tensions would increase, I can say that we are not depending here on similar markets.

Operator

(Operator Instructions)

Sven Weier, UBS.

Sven Weier - *UBS - Analyst*

The first one is following up on Klas's question on the orders and looking a little bit beyond what you see in the second half because we are -- you've reached the obviously out this year the 15% margin target already. And the other aspect of the guidance of 4% to 6% organic growth. I think we're all conscious of the fact that probably the orders need to improve also after the second half. So I was just wondering what do you see as the pipeline beyond second half is as promising, I guess so but maybe you can add a few words on this one.

Thank you.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

I mean, I just can repeat what I said. We expect the second half, which will be better than the first half and will also be better than the -- compared to the last year's second half. The pipeline is interesting. The pipeline is there. The environment is like it is but we also see a little bit of trend already in the early cycling business that this is picking up. So let's see.

I mean, the world is volatile. Like we all know, especially when we look at the last few days, but it is -- I mean, the good thing -- you know our business very well, Sven, and we are very resilient business. So as long as they are human beings on the planet who need to eat and drink something, sooner or later, our customers have to order, especially when we see a growing world population that makes me very optimistic that we also -- we'll see quite a solid second half of the year when it is about order intake.

Sven Weier - *UBS - Analyst*

Yeah, that sounds familiar, Stefan.

The second one is also a follow-up on pricing because more on the project business side because we had obviously the update from Krones last week and they said that clients are more proactively asking for pricing discounts, obviously also seeing the some cost deflation. They say they will be very disciplined about it. But I was just wondering if that is also maybe something that stretched us the project decision-making a bit further because clients are a little bit more price aware on the project side?

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah. I mean, clear price is becoming a bigger issue than maybe two years ago where everybody was in that after COVID cycle and having a need to order. That's -- I mean in the machine building business as we always have a little bit cycles so but we keep our prices stable. There is also -- I always say no market ever was growing by decreasing prices. And that is a question of discipline and we are quite optimistic that we also will keep our margins here while getting also interesting orders in the future.

Sven Weier - *UBS - Analyst*

Sounds good.

And the final question I had was just on farm tech because there you kept the organic revenue guidance unchanged at plus 2% to 6%. So should we assume that the dip we saw in Q2 orders is just the dip and you see that coming back in the second half? Or any other reason why you keep being confident on the 2% to 6% for farm tech?

Bernd Brinker - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Sven, Bernd here.

So I think in farm tech, we are still confident that we need for full year indication which we have given. So therefore, for us, there was no reason to adjust this. We only changed for the reasons we've just highlighted. We changed the order intake numbers for the [solid sales] numbers for SFT as well as for LPT. And we increase the return on capital employed expectation for heating and refrigeration technologies. But for farm tech, given what we see in terms of pipeline, given what we see in terms of expectation for the full year, no reason to adjust the indication

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Sven Weier - *UBS - Analyst*

Because I guess that's more short lead-time business, right? So you are somehow also dependent on what you get in terms of orders in the second half, right?

Bernd Brinker - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Indeed, the lead time is shorter compared to the bigger project business in other areas.

Operator

Sebastian Kuenne, RBC Capital.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

I have a follow-up on the farm tech. The backlog is about eight months so I can understand that you maintained the guidance for growth, but the softness of the overall farming market is not going away with US farm income like dropping very drastically, Europe not great, Brazil very tough times these days. What's your confidence for 2025 for the demand?

This is my first question. Thank you.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah, what is the confidence. I mean, first of all, I mean, we don't guide anything for '25 yet. It's very clear. But I mean, it's also dairy is a very important food worldwide. There is no doubt and it comes from cows and there is a continuous underlying trend towards more automation. That is also a consolidation of farms is going on.

There are good reasons why, especially in the US, the farm technology market is down that it has also something to do, of course, with the high interest rate, that also has something to do with a lot of taxes the farmers still have to pay based on the good years they had in the last years. So and that is something which might cause at the moment a little bit of downturn here.

In China, we see the milk price is under pressure, which also might recover sooner or later because there's always a cycle. And if you sum that up, I think sooner or later that will come back because like I said before as long as there are human beings who need to eat and drink, that's the same like it is ready for farm technology. The milk needs to come from somewhere. And the consolidation of farms is going on, the world population is increasing, and therefore, we strongly believe that this is a continuously growing market.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Okay, thank you.

Then on food processing, do you have discussions with investors basically saying that people can go to restaurants, which is unprocessed food or people can go to supermarkets, which is processed food. We have a massive staff cost inflation in the restaurants. So the budgets tilt towards supermarkets instead. And therefore, we have higher volumes and therefore, we need to win more money for food processing equipment. Is this a discussion that comes up or with either investors or with the food processors themselves? What is the reason for your confidence for food processing these days?

Thank you.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah, it's also based I would say on the underlying trends that people -- I mean, world population is growing. We have a growing urbanization. So people are more living in larger cities compared to years before. It's not this kind of small cities and they don't have their own garden.

Food Processing, I think will continue as long as world population is growing as long as people are clustering together in large cities that are important trends. And to be honest, also, restaurants are becoming more and more expensive. And if you see who can really afford to go to restaurant every week, it's, I would say, only a small proportion of the population who can afford that. And therefore, I think there are very, very good reasons why we see that food processing is a growing market and will also grow and continue to grow in the future as well.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Yeah, sure. But we will have these days more discussions with food processors saying we see more demand because of that shift from restaurant takeaway towards supermarkets? Or is that not the discussion you have currently (multiple speakers)--?

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

To be honest, I don't know that was no discussion I had in the last weeks or months. But as I said, I can understand -- if there is a trend I also would say it's rather a trend towards more food processing than towards people are going more of the restaurant simply because of cost issues and cost reasons and other mega trends.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Understood. My final brief question is on currency.

And since Q3 last year, we see very strong currency headwinds that are somewhat above what the model should show -- currency model show. And you mentioned Argentina, Turkey still being a relatively high portion of revenues. And is this something you think will roll over then in Q3 that we see a much lower currency headwinds, especially in SFT? Or is this something we should expect for the rest of the year?

Bernd Brinker - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

So Sebastian, I don't want to share my view on currency movements going forward, so I don't have the crystal ball available. We don't (multiple speakers)--

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Sebastian Kuenne - *RBC Capital Markets - Analyst*

You have your currency as of today and you have your budget probably?

Bernd Brinker - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Yeah, sure, sure. But obviously the question on reported numbers and organic numbers is something which significantly depends on the development of the currencies throughout the rest of the year. We have a view this is part of our guidance as far as organic sales growth is concerned. But other than that, I don't want to share my view on currency movements going forward?

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Yeah, because it's not part of your guidance, that's why I'm asking. Okay, thank you so much anyway. Thank you.

Operator

Christoph Dolleschal, HSBC.

Christoph Dolleschal - *HSBC - Analyst*

I've got a few follow-ups.

The first one again on order intake. Consensus currently looks at around EUR2.7 billion. And when I take your view so far, like I it should be above H1 and above H2 last year. I would assume you feel comfortable with that number?

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah.

Christoph Dolleschal - *HSBC - Analyst*

Okay. That was a quick one.

And then again, on the order intake shortfall in Farm Technologies at least against estimates. I remember that you said that the European Union subsidies are coming late this year and this obviously impacts the demand from the farmers in Europe. So could you probably give us an indication in farm technologies? How much of the, say, decline is structural, i.e., China, US; and how much of it is maybe just the delay because of Europe being late this year? And actually when are these European subsidies coming?

Bernd Brinker - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

So I think this is a very artificial question, which is very difficult to give you a precise answer. So what we see is that there are -- so we have an expectation on subsidies, especially in some European markets. This is not the case for the US market, neither for the Asian market. There are some other structural elements in markets such as China and the US, which we have just discussed already.

So for Europe, we still expect for some selected countries that subsidies will kick in but I cannot give you a clear separation of effects for the second half.

Christoph Dolleschal - *HSBC - Analyst*

Okay, but subsidies are going -- do you know when they're going to come, Q3 or--?

Bernd Brinker - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Unfortunately, unfortunately, this is not something which we know definitely. So there is an underlying expectation that this will happen in the course of the end of Q3, early Q4.

Christoph Dolleschal - *HSBC - Analyst*

Okay. And then again foreign exchange. Could you give us a rough idea of how much the revenue shares of Argentina and Turkey are within SFT because here the currency impact is obviously the biggest and you don't disclose this on a group level but it would be easier to model if we would know roughly how much comes from those countries in SFT?

Bernd Brinker - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Yeah, sure. So we are not disclosing those numbers.

Christoph Dolleschal - *HSBC - Analyst*

And then okay. Last but not least on the verticals.

Could you give us an idea of how you see your most important verticals developing in the second half and especially because chemicals is currently still a drag, how you see the chemicals vertical performing in H2?

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah, I mean, we have interesting projects also going on in our chemicals verticals. I mean, chemical is a very broad thing to know that we are focusing in our chemical business very much on sustainable solutions. So for instance, we have interesting projects in carbon capture. We are active in lithium preparation and recycling. These are interesting things which are going on for us that we might be a little bit different from the traditional or typical average chemical vertical, but also here, we see, yeah, promising and interesting activity.

Operator

Akash Gupta, JP Morgan.

Akash Gupta - *JPMorgan - Analyst*

I got two as well and I'll ask one at a time.

My first one is a follow-up on your demand comment. Can you talk -- can you tell us about a bit more about this recovery in demand that you are expecting, where is it coming from? Is it in Europe, Asia, Americas?

And could you also elaborate by business unit stack? Where do you expect more recovery, whether it's in dairy farming, dairy processing, food, or beverage? And where you are more cautious on demand recovery going into second half?

So that's the first one to start with.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Okay. So what I can tell you, Akash, is so food has been a growth contributor in the first half and continues to develop well. But here depends on the specific application. So beverage was strong in 2023 with some projects already arriving such as in LPT and some projects are partially postponed are taking their time in the negotiations picture and pharma is fine as well as development in -- as well as the development in heat pump technology.

Dairy farming market sentiment has not necessarily changed so we've touched upon that already. Since the last quarters is still affected by the uncertainties, which we have discussed, high interest rates, lack of subsidies, and some downward pressure of milk prices in some regions, especially China. And last one on the dairy processing, we see some slight pickup here, mainly on the project side.

Akash Gupta - *JPMorgan - Analyst*

And maybe just a follow-up to that. When we look at the split between Q3, Q4, shall we expect more stronger Q4 than Q3? Or have you already received some quarter in July that gives you more confidence on second half recovery and mean that Q3 could also be strong already?

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

You know, Akash, how difficult it is to predict quarters in our business quarter (technical difficulty)--

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Operator

Please standby. The conference will resume shortly.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Hello?

Operator

Hello, you're back in the room.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Okay. So traditionally, I would say normally the Q4 should be a little bit stronger than the Q3. That's what we expect but it is very, very short period of time. When we talk about quarter, when it is about our business and especially if it is about larger orders and larger projects.

Akash Gupta - *JPMorgan - Analyst*

Thank you. And my second question is on upcoming Capital Markets Day.

In terms of if you can provide us some flavor of what we shall expect and what shall we not expect. And maybe on the same topic, Stefan, when you came in, GEA was in the middle of a perfect storm and you have steered the ship out of the crisis. Do you think now is the time for you to move back to adjusted EBIT or operating profit and guidance metric from EBITDA, which will also align your profitability KPI with the rest of the capital goods sector.

Thank you.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

I think what you can expect is interesting day with a lot of news and with a timeframe which will -- if you have clear indication until the year 2030. And hopefully, Akash, you can also join us the evening before for dinner because that will also be interesting because we also try to serve you a variety of new foods, like I said before to really taste the future. And the second day, we also revisit our customer, Innocent, which is also a perfect example of how we combine our technology with sustainability. So all in all, I think it is really worthwhile to join us. And please I apologize that I can't spoil it too much today.

Operator

Sven Weier, UBS.

Sven Weier - *UBS - Analyst*

I had a few follow-up questions, please.

The first one is on CapEx. I think you reiterated the EUR260 million, meaning that you, I think, have almost EUR200 million in H2. I was just wondering if there is not maybe the chance that things move into next year on the CapEx side? Because that seems really quite a big number for one half.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah. I'm happy to take that question, Sven.

So I admit that from first glance, it looks like that, but we are very confident as of today that we will come very close or even meet the EUR260 million based on the investment, the decisions we've already made, and which will lead to the cash outflow in the second half. So no reason for us to adjust the CapEx guidance.

Sven Weier - *UBS - Analyst*

And should we still assume this number to come down meaningfully than in '25? I suspect you will probably also give a midterm guidance at the CMD, but is it still fair to assume that this is a very elevated level this year and it will start to normalize again next year.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

So in general, I would also not spoil it too much, but I can confirm that we guided for a level of roughly EUR200 million through -- during our Mission 26 journey. That is still the case when we announced the EUR260 million. We clearly indicated that this was driven by a very single project lyophilization, and this will not be the case on a regular basis going forward. So you should expect us to come down at least to the EUR200 million.

Sven Weier - *UBS - Analyst*

Understood. And the final thing from my side is just wanted to check in on M&A whether there's any new developments there? Or is it still very much the same as we heard it now for some time?

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Yeah. I mean, we are always looking. We are always in touch with companies, but there is nothing which would be on a maturity level right now where I could tell you something what is different now, but also here, I'm quite optimistic that sooner or later, we will find right targets. But it's like you know, Sven, we also don't want to do any stupid things not buying too high prices, not buying any companies which are in trouble. So therefore, we are quite selective but cautiously optimistic also here.

Operator

Thank you. As there are no further questions, I would now like to hand back to Stefan Klebert for any closing remarks.

Stefan Klebert - *GEA Group AG - Chairman of the Executive Board, Chief Executive Officer*

Yes. Thank you, operator, thank you, everybody, for your participation and for your questions.

Let me summarize today's statements. First of all, we had a strong first and half of the year with a record EBITDA margin for a first half. That is really, I think, remarkable and outstanding. Also, ROCE is exceeding 30% for the eighth quarter in a row. We raised our EBITDA margin and ROCE guidance for full year '24, implying we might already achieve our Mission 26 targets two years earlier.

And we have left the trough levels in order intake of EUR1.25 billion and EUR1.26 billion behind us, and we are expecting a higher order intake in half -- in the second half than we had in the first half year. We will present to you our strategic plan and targets until 2030 at our Capital Markets Day in October. And I think also that will be a worthwhile day with interesting information what kind of additional potentials we see in GEA.

That concludes my presentation, and I hand back to the operator.
