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## PRESENTATION

**Oliver Luckenbach** - *GEA Group Aktiengesellschaft - Head of IR*

Good afternoon, ladies and gentlemen, and thank you for joining us for our first quarter 2023 earnings conference call. With me on the call are Stefan Klebert, our CEO; and Marcus Ketter, our CFO. Stefan will begin today's call with the highlights of the first quarter. Marcus will then cover the business and financial review. And afterwards, Stefan takes over again for the outlook. Afterwards, we open up the call for the Q&A session.

As always, I would like to start by drawing your attention to 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.

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

Thank you, Oliver, and good afternoon, everybody. It's my pleasure to welcome you to our conference call today.

Once again, we had a strong start into the year, this time into fiscal year 2023. Despite a record order intake in Q1 last year, we have further increased order intake organically by 3.9% to almost EUR 1.6 billion. With regard to sales, growth was even stronger, organically up to 13.9% to about EUR 1.3 billion. Due to the fact that we are continuously passing on price increases, we managed to improve our EBITDA before restructuring expenses significantly by 24.3% to EUR 172 million. The respective EBITDA margin was up by 120 basis points to 13.5%. Last but not least, we also increased our ROCE by 3.8 percentage points to 33.1%.

On the back of this extraordinary strong performance in the first quarter, we decided to upgrade our guidance for fiscal '23 as follows. For organic sales growth, we are now expecting an increase of more than 8%. EBITDA before restructuring expenses is forecasted to be in the upper part of the range of EUR 730 million to EUR 790 million. The expectation for the respective EBITDA margin is now raised to at least 14.0%. And with regard to ROCE, we are guiding for more than 32%. Please bear in mind that the guidance for EBITDA and ROCE is based on constant exchange rates.

Let me now come to 2 sustainable technologies and solutions for our customers. You all know that GEA is mainly operating in the food, beverage and pharmaceutical sectors, 3 energy-intensive industries where GEA technologies can make a big difference. But we are also able to support other high-emission industries on their journey to carbon-neutral production.

Take the cement or glass industry, for example. We have engineered a process that captures CO2 from production before it is released into the atmosphere. This helps making industrial processes more ecofriendly. There are interesting options allowing for a sustainable use of the captured

carbon. It can be safely stored, for example, in depleted oil or gas fields. An approach, which is referred to as carbon capture and storage, or the captured carbon may be used as a raw material in industrial processes.

This is known as carbon capture and utilization. Both options helped to reduce the carbon footprint of the industrial sector. We offer our customers flexible, small or medium-sized CO<sub>2</sub> capture plants. The pilot plant shown on this picture allows our expert to continuously advance the system in cooperation with our customers. Of course, carbon capture is just one lever in an overall system of climate-friendly management, but we are convinced that it will take us a long way towards a more sustainable future.

Let me now introduce another interesting technology to you: lithium production and processing. In view of the growing demand for electric vehicles, demand for lithium is increasing worldwide. Lithium hydroxide is used as a starting material for the production of batteries for electric vehicles. Other applications include photo developers, ceramic products and the production of borates. GEA is offering technologies for all key process steps in lithium production and has won a large lithium order in the first quarter. We are equipping additional production lines of the energy storage and specialty chemical groups, Albemarle, for the production of lithium hydroxide.

The order value for the 2 centrifuge packages is EUR 24 million. The filtration and sedimentation centrifuges will be installed at the company's Kemerton lithium hydroxide processing plant in Western Australia. That concludes my first part of my presentation, and I hand over to Marcus.

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**Marcus A. Ketter** - GEA Group Aktiengesellschaft - CFO & Member of Executive Board

Thank you very much. Also a warm welcome from my side. As you just said, we had a strong start into the year with a very healthy Q1 2023, where we've managed to exceed last year's Q1 record order intake number of EUR 1.54 billion by 2.4% or 3.9% in organic terms. Five large orders with a total value of EUR 126 million were received in this quarter in comparison to 3 large orders totaling EUR 92 million in Q1 2022. EBITDA before restructuring margin reached 13.5% and was driven by an improved gross margin.

Operating costs increased due to higher expenses for selling and administration. ROCE improved further due to the strong improvement in EBIT before restructuring expenses, overcompensating the increase in capital employed. All divisions contributed to this positive development.

Our net liquidity declined from EUR 412 million to EUR 274 million, mainly because of the second tranche of our share buyback program, which we finished at the end of fiscal year 2022. Between the first quarter 2022 and year-end '22, we bought back own shares for a total EUR 170 million. As you all know, these shares are held as treasury shares. So all in all, a very successful quarter.

Looking a bit deeper into the group performance. Order intake grew to a record EUR 1.58 billion, a 3.9 percentage year-over-year increase on an organic basis. Three divisions grew their order intake organically while Liquid & Powder Technologies and Food & Healthcare Technologies reported a decline. From a customer industry perspective, dairy farming and beverage were strong again, but also new food has been a strong growth contributor.

As I just said, this quarter has seen several large orders: 4 in Liquid & Powder Technologies and 1 in Separation & Flow Technologies. But also our base orders, these are orders below EUR 1 million, have seen an increase year-over-year. Given the strong order backlog at the beginning of the year and the fading of supply chain bottlenecks, sales generation strongly accelerated to an organic growth rate of 13.9% in the quarter.

Service sales grew organically by an outstanding 16% year-over-year, driven by healthy organic service sales growth of all divisions. Also new machine sales have been very strong, growing by 12.7% year-over-year. Two divisions have been particularly strong. Farm Technologies and Heating & Refrigeration Technologies growing the new machine business even by more than 20% organically.

The service sales share was 36.6%, 0.4 percentage points higher than last year. The strong organic sales growth, combined with an increase in the gross margin overcompensated higher operating expense, resulting in an EBITDA of EUR 172 million, a EUR 34 million improvement versus Q1 '22. When looking at the EBITDA margin, we achieved a significant year-over-year improvement of 1.2 percentage points.

Now let me continue with the figures for the division Separation & Flow Technologies, which had a very strong quarter. Order intake grew organically by 13.0% year-over-year. Demand was strong in the customer industries chemical, dairy processing and renewable resources and in nearly all size brackets. As Stefan has told you a few minutes ago, SFT has won a large order with a total volume of EUR 24 million for filtration and sedimentation centrifuges, which will be used at our customer Albemarle for lithium hydroxide processing. The order backlog is substantially up by 17% year-over-year and 13% quarter-over-quarter to EUR 670 million, which lays a good foundation for further sales growth in the coming quarters.

Organic sales grew considerably by 14.4% year-over-year, driven by double-digit organic growth rate of both service and new machines. The service sales share, while being already on a high level, increased further by 0.9 percentage points to 46.7% in the quarter. EBITDA increased strongly by EUR 14 million to EUR 95 million and the EBITDA margin improved by 0.6 percentage points to 25.5%. Higher sales, good capacity utilization in the new machine business and the higher service sales share resulted in a significant increase in gross profit, which overcompensated higher operating costs.

Let's move on to Liquid & Powder Technologies. Order intake decreased organically by 2.0% year-over-year, while the customer industries beverage, food and new food showed a positive development in this quarter. Dairy processing, chemical and pharma were below prior year's level. Liquid & Powder Technologies has won 4 large orders totaling EUR 102 million this quarter versus 3 large orders totaling EUR 92 million in Q1 2022. These large orders were received from the following customer industries: 2 in dairy processing, 1 in food, and 1 in new food.

The one in new food has been the cell-based meat we talked about during the last conference call. When looking at our order intake performance year-over-year, I would classify Q1 as a strong quarter, even being 2% below last quarter. Q1 '22 was an exceptional quarter as many orders were placed after a rather soft COVID year '21.

This was mainly the case for large dairy processing projects in Asia Pacific and North America. Since then, there is back on a long-term normalized level with a lot of good small and mid-sized projects as well as increased service business. Overall, we see a healthy project pipeline across all our customer industries. Sales increased organically by 2.1% year-over-year. While the service sales grew organically by 11.6% year-over-year, the organic new machine sales declined slightly by 0.4% year-over-year.

The high order backlog at the beginning of the year has not yet been processed as many large orders are still in the engineering phase. This explains the muted new machine sales generation in the quarter and will lead to an acceleration of sales growth over the coming quarters. Despite the muted sales growth, EBITDA before restructuring expenses rose by EUR 2 million year-over-year to EUR 30 million, and the EBITDA margin increased by 0.5 percentage points to 7.8%. Gross profit rose due to improved project margins, while operating costs remained virtually unchanged.

Continuing with Food & Healthcare Technologies. Order intake was down by 8.3% organically year-over-year. The decline is mainly driven by the business unit frozen foods due to some larger orders in the prior year quarter. Most other areas in food and pharma at similar order levels compared to Q1 '22.

Organic sales growth was 14.9% year-over-year, driven by both a very strong new machine and service sales growth. The service sales share increased by 0.4 percentage points to 32.2% in the quarter. Despite strong sales levels, order backlog remains at historically high levels, which indicates further sales growth momentum. EBITDA increased by EUR 5 million year-over-year, and the respective margin improved from 9.6% in Q1 '22 to 10.4% in Q1 '23. Gross profit increased year-over-year due to healthy organic sales growth, while operating costs were under proportionally impacted from higher administrative expenses.

Moving to Farm Technologies. Q1 has been the fifth quarter in a row with strong year-over-year organic order intake growth, hitting a record order intake level of EUR 253 million. Solid global demand for automated milking and manure equipment is driving the 6.6% organic order intake growth. Given the strong organic order intake growth in the past quarters and our expectation that the contraction of milk prices as well as rising interest rates will lead to some slow decision-making processes, we might see a temporary phase of moderate order intake growth going forward.

The order backlog is substantially up by 14% year-over-year and 19% quarter-over-quarter to EUR 346 million, which lays a good foundation for further sales growth in the coming quarters. Sales increased organically by 24.7%. This very satisfactory development was driven by outstanding

organic new machine sales growth of 29.7% year-over-year and a very healthy service sales growth of 19.9% year-over-year. Due to the very strong new machine business, the service sales ratio declined by 2.8% to 47.6%.

EBITDA increased strongly by EUR 13 million and the respective margin improved to 12.5% from 6.8% in Q1 '22. Gross profit has been significantly above prior year's level, driven by strong organic sales growth and also due to consistent price adjustments during the last month, which overcompensated the increase in operating costs from higher selling expenses.

Finally, let us turn to Heating & Refrigeration Technologies, another division with extremely strong order intake and sales growth in the quarter. Order intake increased organically by an outstanding 32.5% year-over-year. This strong development was driven by a significantly higher volume of orders in both, between EUR 1 million and EUR 5 million as well as between EUR 5 million to EUR 15 million, and good demand in North America.

From a customer industry perspective, distribution, storage centers, climate control as well as marine have shown good growth in the quarter. The trading environment remains positive. The decarbonization of processes is a strong growth driver, which is reflected in a high demand for heat pumps. Almost all regions with a good outlook, and the U.S., in particular, look interesting. Also in this division, the order backlog is substantially up by 25% year-over-year and 20% quarter-over-quarter to EUR 268 million, which is great for sales generation in the coming quarters.

Organic sales increased strongly by 19.2% year-over-year and was driven by new machine sales growth accelerating from 7.4% in Q4 '22 to 22.1% year-over-year in this quarter. Also, service sales showed a healthy organic growth rate of 14.9%. Its sales share, however, declined by 3.5 percentage points, was 38.4% due to the strong new machine sales. EBITDA rose by EUR 3 million to EUR 60 million and the respective margin improved from 10.7% in Q1 '22 to 11.8% this quarter. Gross profit was up year-over-year due to higher sales and better gross margin, which overcompensated the increase in operating costs.

Closing the divisional chapter now with the overview on the EBITDA contribution. And as you can see, all 5 divisions contributed to the profit improvement. There are, however, differences in the extent of the contribution, and it clearly stands out that SFT as well as FT have been the major drivers behind the year-over-year EBITDA improvement. In total, EBITDA before restructuring increased to EUR 172 million from EUR 138 million. There has been only, basically, 0 translational FX impact this quarter.

Coming now to another important topic, net working capital. As of the last year, the first quarter is showing the typical seasonal uptick in net working capital from year-end. This quarter-over-quarter increase is driven by an increase in inventories, which in turn is triggered by our strong order backlog. In a year-over-year comparison, net working capital increased by EUR 77 million to EUR 369 million due to higher inventories and trade receivables as a result of the strong business development, partly offset by an increase in trade payables and advanced payments. Despite the year-over-year and quarter-over-quarter uptick in net working capital, remain with a net working capital to sales ratio of 6.9%, well below the guided corridor of 8% to 10%.

Coming now to another important topic, cash generation. Operating cash flow was a negative EUR 49 million, which is below prior year's quarterly figure of minus EUR 14 million. The decline is explained by the following: firstly, a higher net working capital outflow resulting from the inventory buildup due to the elevated order backlog; secondly, higher outflow in provisions of EUR 88 million; and thirdly, a EUR 46 million cash outflow for others.

The provision position contains the outflow of bonus payments for fiscal year '22, which was, as you all know, a very successful year. In addition, we paid out the first tranche of the inflation compensation payment to all employees in Germany, which accounted for roughly EUR 10 million. The position others includes mainly cash outflows for prepaid expenses and a minor effect from valuing our currency derivatives.

The slight step up in CapEx related outflow of EUR 2 million year-over-year to EUR 35 million is in line with our fiscal year '23 guidance of around EUR 240 million. As a result, free cash flow is negative with EUR 52 million and below prior year's quarterly number of negative EUR 28 million. Consequently, our free cash flow conversion ratio before restructuring, which was calculated over the last 4 quarters, has been below the target core of 55% to 65% as only 41% of EBITDA was converted into free cash flow.

Main reason for the lower cash generation has been the net working capital outflow of EUR 88 million over the course of the last 4 quarters. However, we expect to be within our cash conversion ratio of 55% to 65% for the whole year '23, even though that might be at the lower end of that range. Net cash, including lease liabilities, declined from EUR 347 million at the end of the fourth quarter to EUR 274 million, driven by the negative net cash flow of EUR 72 million.

Let me now talk about our financial headroom. On the left, you see our debt instruments as well as their respective utilization and majority structure as per end of March '23. As per March 31, merely EUR 1 million out of the EUR 61 million uncommitted bilateral credit lines were drawn and EUR 100 million of a fixed rate borrower's note loan, which will be due in February '25. GEA's liquidity position is supported with an undrawn committed syndicated credit line of EUR 650 million, with maturity due in '27. This debt instrument currently serves only as an additional liquidity backup facility for us. To sum it up, we have only EUR 100 million of financial debt.

Continuing now on the right side of the slide. Equity improved because of the higher net profit, resulting in an equity ratio of 40.4% after 37.7% at the end of Q1 '22. The decline in net liquidity is due to the second tranche of our share buyback program mentioned earlier. Adjusted for the buyback, the net liquidity position, including lease liabilities, which results to EUR 444 million.

And finally, some good news from our credit rating agencies. Moody's has confirmed our Baa2 rating and has upgraded the outlook from stable to positive in March '23. With that, I hand back to Stefan with the outlook.

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**Stefan Klebert** - GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director

Thank you, Marcus. Let me now come to our outlook for the fiscal year '23. First of all, we have decided to, if no longer a quarterly order intake indication because we want to avoid short-term speculations. However, and I say that very clear, we do feel very comfortable with our current order pipeline. Otherwise, we would not have upgraded our full year '23 guidance.

As a reminder, the upgraded guidance is as follows. Organic sales is now expected to grow organically by more than 8%. Our EBITDA before restructuring expenses, we forecast to reach the upper part of the range of EUR 730 million to EUR 790 million, with a comparable margin of at least 14%. And ROCE should now exceed 32%. Please bear in mind that the guidance for EBITDA and for ROCE is based on constant exchange rates. Finally, our road map for '23, the next important date will be the release of our Q2 results in August 10, followed by our [Q3] (corrected by the company after the call) results in November.

This concludes our presentation, and I hand back to Oliver for the Q&A.

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**Oliver Luckenbach** - GEA Group Aktiengesellschaft - Head of IR

Yes. Thank you very much, Stefan and Marcus. And I want to hand the call back to you, operator, to start the Q&A, please.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) And now we're going to take our first question, and it comes from the line of Klas Bergelind from Citi.

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**Klas Henrik Bergelind** - Citigroup Inc., Research Division - MD

Hi, Stefan and Marcus. Klas at Citi. My first one was on the next quarter orders then, but I'll leave that, Stefan. The one I have is really on FX for you, Marcus, to start with expectations out there. Quite wide-ranging, from a negative EUR 20 million, I think, to flattish at the EBITDA level. You don't have that much transaction exposure, but sometimes there are some moving parts, which is tricky for us from the outside to gauge. How much at

the current spot do you think we should adjust for at the upper end of the EUR 790 million at the EBITDA level? No FX impact or all the way down to a negative EUR 20 million? I'll stop there.

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**Marcus A. Ketter** - GEA Group Aktiengesellschaft - CFO & Member of Executive Board

Klas, good question. Quite frankly, we feel actually very comfortable with the fiscal year consensus for the EBITDA before restructuring, and we are fully aware that the consensus is actually on a reported basis, but of course, before restructuring there. So we looked at different scenarios in regards to the translational FX effect. And as I said, with the fiscal year consensus, we see here for the EBITDA before restructuring, we feel comfortable with that. Translational FX effects, as in the first quarter, were basically around 0.

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**Klas Henrik Bergelind** - Citigroup Inc., Research Division - MD

Yes. No, that's good. Now to get to negative EUR 20 million, which is a similar drag, I think, as you had back end during COVID, you need to have quite a negative scenario for FX in the second half. So unless your mix of cost versus income have changed considerably, might not look that likely.

Okay. The second one is on the cost inflation. Am I right to think that the EUR 128 million in net cost inflation for the year that there is some -- maybe some downside to that number that it can come in lower, given what we see on the cost side? And also, when you think about your price increases, how much of these, if you could remind us, would be tied to that inflation? It seems like pricing out of the backlog is relatively sticky, but curious on any comments there.

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**Marcus A. Ketter** - GEA Group Aktiengesellschaft - CFO & Member of Executive Board

So when we look at, actually, the cost inflation on the supplier side, we still stick with the number we said, but we see actually that it might be a little bit less than that. So that -- the direction is actually -- it could be a bit lighter than the EUR 128 million we mentioned there. So -- and on the order backlog, I would say, as price increases, that's sticky. Absolutely.

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**Klas Henrik Bergelind** - Citigroup Inc., Research Division - MD

Okay. My third and final one is on the large order in SFT. We don't see that often, it's in lithium. Obviously, in the short term, maybe the battery outlook is mixed, but in the very long term, it's very solid. If we can talk about the opportunity SFT can grow into something bigger. Also, carbon capture, you're providing a slide here. Obviously, some of your peers have a much more meaningful exposure to some of these decarb drivers, but it would be really good if you could get some sort of base level, i.e., how much of both within HRT, but also within SFT, can we sort of call being green new growth so we can have a base to work from?

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**Marcus A. Ketter** - GEA Group Aktiengesellschaft - CFO & Member of Executive Board

Okay, Klas, we're actually looking at the green base of revenue there. And we have not come up with our own methodology here. So that's why we do not give out our own methodology numbers for green revenue and the baseline for that. So we are not there yet in that spend given on these kind of numbers because we are optimally -- we are discussing internally if that makes sense for investors or not to have our own definition of green revenue and green OpEx and CapEx. We cannot give you a baseline as of today.

However, HRT, and also partly SFT just mentioned, is, of course, the business is driven by decarbonization, and which is, of course, that trend, which we are seeing right now in Germany. I mean, every news, it includes CO2 and climate. So we think we are absolutely on track with that. However, we don't give out numbers right now because we have not, as I said, our own methodology for green revenue business.



**Operator**

And the next question comes from the line of Sven Weier from UBS.

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**Sven Weier** - *UBS Investment Bank, Research Division - Executive Director and Analyst*

The first one is around the guidance increase. And Stefan, you already mentioned, when you stop guiding on orders, you wouldn't have done raising the guidance if demand was bad. But I was just wondering, I mean it comes relatively early for you, guys. I mean we hardly see that for you before that you raised guidance already a few weeks after giving it in the first place. So I would just wonder if you could give some more color what else has driven that. Is it a combination of supply chains improving more than you thought? Is it also that you feel you have now more visibility on demand for in, for out in the rest of the year? What is it that has really driven such a quick upgrade of the guide?

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

Yes. I mean thanks for the question, Sven. At the end, I mean, look, if one quarter is in the box, we have 9 remaining months, and it's a question of the math at the end. Also, if we would have stick to the guidance, your question would have been, don't you expect any growth anymore for the remaining 9 months if we achieve a growth rate in sales more than 12% in the first quarter? And then we would guide for a total growth of 5%. That sounds not really realistic.

So it's very clear that we see a continuous, very good business. We have a very good order intake this quarter. Just remember that last year, the growth rate of order intake was more than 20%, and we beat that number again this quarter. We also have a solid pipeline. We also expect that we see a good full year.

We also see that on the supply chain, the problems are, let's say, becoming less. We are more confident than, let's say, some months ago that we get all the products we need to execute the order backlog. That altogether makes us very optimistic. And therefore, we thought it's the right time to upgrade the guidance because we feel comfortable that this is what we can deliver.

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**Sven Weier** - *UBS Investment Bank, Research Division - Executive Director and Analyst*

Understood. And then I was just wondering when we think about the EBITDA guidance. Even if we take the high end now, and your growth rate on the top line is basically for the coming quarters, it doesn't really imply any more margin improvement for Q2 to Q4. So you basically had all the improvement already in Q1. Is that really what we should expect? So you have further top line growth. You have some more savings, I guess. So what's behind that?

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**Marcus A. Ketter** - *GEA Group Aktiengesellschaft - CFO & Member of Executive Board*

Well, we said top line growth is going to be above 8%. Okay, the growth rate in the next quarter might be a bit lower than in the first quarter there, but you can still expect the sales growth in the coming quarters. You also said that the EBITDA margin, we expect is going to be above 14.0% EBITDA margin. So there's also -- there's also growth improvement here on the EBITDA margin side.

On the other hand, we also have to take, of course, into account that there is wage cost increases of around EUR 80 million still to come. So we need to factor this in. All the rate increases did not start from January 1, but started beginning of April and beginning of May. So this is also coming our way.



**Sven Weier** - *UBS Investment Bank, Research Division - Executive Director and Analyst*

And final question, if I may, just on the motive again of declined order pipeline. I mean I just came off another call with another food equipment maker, and we've been discussing around how much impact is there from the inflation benefits that some of the food and beverage companies are obviously making at the moment, how much does it stimulate also the CapEx budgets.

I mean the answer the other company came away was that they rather see the opposite, that they see the food and beverage companies under pressure from the supermarkets to come up with ever-lower cost, and that's driving the investment into more efficient machines and cost reductions on there. Is that the same what you are seeing?

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

I mean, first of all, let me say what is, I think, very important. And that's also what you can see during the last years. We are in a very stable business environment. I mean, as long as people are living on the planet who need to eat and drink something, we are in a very safe harbor and our customers will continue to invest. That's, I think, very, very important to understand.

We also feel that there are many, many additional opportunities for us to grow, be it new food, for instance, be it the new technologies we just explained, CO2 capturing, lithium, but also the drive and the necessity from our customers to upgrade and invest into more sustainable products. And we just recently announced and disclosed our new advertising label, which is fit-certified process for products, which contribute significantly to a better world in terms of saving energy or saving water or saving resources.

And there is a very clear trend when we talk to our customers. They are very open, and they also need to invest in more resource-efficient equipment. And that also will drive the growth in our industry.

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**Operator**

And the next question comes from the line of Max Yates from Morgan Stanley.

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**Max R. Yates** - *Morgan Stanley, Research Division - Equity Analyst*

Just my first question was just around what you're seeing regionally. I think in one of your divisions, you called out North America being particularly strong. But could you talk more broadly about -- are you seeing very different trends across Asia, Europe and North America? Or is it all sort of relatively consistent when you think about your orders?

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

I mean North America is quite strong. That's right. Also, the Asian region is still very, very good here. So if we compare the regions, I would say North America and Asia are the drivers.

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**Max R. Yates** - *Morgan Stanley, Research Division - Equity Analyst*

Okay. And maybe just a quick follow-up, and I fully appreciate sort of you don't want to guide on orders. I guess, my only kind of question is when I look at the pattern of orders last year, it was obviously a very strong Q1. And then we kind of ended the year almost EUR 200 million lower by the time we got to Q4.

So I guess what I was trying to work out is to what extent is a kind of 1.5, 1.6 level in Q1 representative of just strong seasonality? Or for many businesses, we think about kind of run rate from there. I guess the simple question is, will orders be sort of closer to that kind of 1.5, 1.6 level? Or should we be thinking about kind of normalizing kind of down to what we saw the rest of the year?

Because I guess if we think about sequential versus year-on-year, if we stay at these sequential levels, we're going to see very, very strong year-on-year growth rate. So any help you can give us around whether this is a seasonally strong Q1 or it's -- this is a decent run rate.

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

I mean we committed in our Mission 26 to a continuously annual growth, and we are extremely optimistic that this is exactly what we can deliver. As I said, we stop to give indications in the -- from a quarter-to-quarter similar to avoid speculations. And that has nothing to do with our confidence. We see a continuous interesting pipeline, and we also see a continuous growth in our business.

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**Max R. Yates** - *Morgan Stanley, Research Division - Equity Analyst*

And I guess that comment is extended to orders as well.

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

Pardon?

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**Max R. Yates** - *Morgan Stanley, Research Division - Equity Analyst*

So that comment around continuous growth, I would assume that, that is true of order intake as well.

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

Yes. If -- I mean we cannot grow in sales if order intake is decreasing, that's very clear in the medium to long term. On the other hand, it's also very clear and normally in our business that sometimes a quarter is not the right dimension to really, let's say, judge the performance. Because large orders, when it is about EUR 50 million, EUR 80 million, EUR 100 million or so, they also can easily swap from one quarter to the other. And that has nothing to do with our market situation, with our performance, with willingness to invest. And therefore, it is more important to look at the full year.

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**Operator**

(Operator Instructions) Now we'll go and take our next question. And it comes from the line of Akash Gupta from JPMorgan.

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**Akash Gupta** - *JPMorgan Chase & Co, Research Division - Research Analyst*

Yes. My first one is also on orders. I mean you have been pretty consistent in guiding on quarterly orders. And you are abolishing this practice, which comes at a time when some of your peers are reporting high uncertainty and talking about customer hesitant to sign of CapEx in the near term due to banking crisis. So I wanted to ask if this high uncertainty to convert the pipeline into orders is also playing a role in your decision to not guide on quarterly orders? And should we expect a higher-than-normal volatility in quarterly orders going forward, at least in the next couple of quarters? That's question number one.

**Stefan Klebert** - GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director

Okay. I can maybe give you a simple answer. The answer is no.

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**Akash Gupta** - JPMorgan Chase & Co, Research Division - Research Analyst

So just to confirm, you don't see any high uncertainty to convert the pipeline into farm orders.

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**Stefan Klebert** - GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director

Can you repeat that? I understood that you are asking if we expect a larger volatility in the future. And that was my answer. I said no.

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**Akash Gupta** - JPMorgan Chase & Co, Research Division - Research Analyst

Okay. And then the second one, I...

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**Marcus A. Ketter** - GEA Group Aktiengesellschaft - CFO & Member of Executive Board

Akash, the decision we made not to give a quarterly order income indication was not based on the volatility of order intake at our competitors, not at all. We thought this is the time actually to go and go a little bit -- go more long term than just quarterly view.

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**Akash Gupta** - JPMorgan Chase & Co, Research Division - Research Analyst

Okay. But you don't see any higher level of -- higher than normal level of volatility in the near term as some of your competitors are saying.

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**Marcus A. Ketter** - GEA Group Aktiengesellschaft - CFO & Member of Executive Board

No.

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**Akash Gupta** - JPMorgan Chase & Co, Research Division - Research Analyst

Okay. And then the second question I have is on this energy-efficient solution, which you have been talking about quite some time. I mean when we look at your order and particularly base orders, do you have an indication in terms of how much of your orders are driven by these energy-efficient solutions, which may have a faster payback period? And therefore, despite all the macro headwinds we see on the horizon, the fundamentals for this part of the business may be superior than the rest of the group. So any color on that would be great.

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**Stefan Klebert** - GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director

This is, at the moment, not such a significant number because we also know that the pressure on customers is just started with the grind war to really put a focus on energy savings. We are also about launching this product, but we sold already very successfully. Some of them, for instance, I also mentioned in former calls, the AddCool solution where we add a heat pump to our spray dryers, which is really a significant saving in energy.

That's also a product we sold, very successful already. And this will accelerate because there is an increasing pressure to save energy. I think the minds in our -- from our customers are much more open than before to do something to save energy. Then additional pressure is to do something to reduce the CO2 footprint. So this will accelerate.

The most important message is that GEA is, I would say, really at the forefront in the industry here, because we are really focusing on -- in our R&D on this kind of innovations. We already have a lot of these products available for sale, and we already have achieved some really great successes that customers are accepting and also appreciating that we have this kind of product.

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**Operator**

And the next question comes from the line of Sebastian Growe from BNP Paribas Exane.

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**Sebastian Growe** - *BNP Paribas Exane, Research Division - Analyst*

Two on those that are mostly on the plant engineering heavy businesses, starting with LPT. So when I look at the numbers and it give me like a rather slow start to the year. At the same time, however -- for the execution. At the same time, however, the order trend has been quite encouraging starting as of second, third quarter last year. So the question on (inaudible) how we should think of the further acceleration on execution in the coming quarters? Will these orders become rather quickly then into revenues or turn into revenues? And the same also for the EBITDA, should we see a sequential acceleration here for the segment in particular?

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

Yes. I mean when we talk about LPT, you know that always the vast majority are large projects, which normally take a while between order intake and until we see the full effect in the P&L. We have a very, very solid backlog here and also sales conversion, which we can expect for this year. And there is also a very good and optimistic view that we continue our growth story in LPT as well.

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**Sebastian Growe** - *BNP Paribas Exane, Research Division - Analyst*

Okay. That sounds good. And if we then move on to the other large plant engineering maturity with FHT. My understanding is that you had some changes implemented at the -- in the segment. Maybe you can talk around that and particularly to what extent we can draw any meaningful conclusions from what, so far, the track record has been in terms of getting to the 13% to 15% margin corridor? And if can you talk around the measures, that would be very much appreciated.

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

That's right that we made some changes in the FHT, also in the management last year. This is simply because we feel that we can accelerate the positive development, which we saw at this division also. And this is what we intend to do. We reorganized internally some parts of that division. And it's simply, let's say, to accelerate our improvement story here. And we have a target set in the Mission 26 that this division will achieve a margin 13% to 15%, and there is no change.

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**Sebastian Growe** - *BNP Paribas Exane, Research Division - Analyst*

And although it's very early days, would you even go as far as those very implemented changes could have the potential to even go beyond that very target range?

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

I think, first, we do the 13% to 15%. And once we have that achieved, we think about the future.

**Operator**

And now we're going to take our last question for today. And it comes from the line of Rizk Maidi from Jefferies.

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**Rizk Maidi** - *Jefferies LLC, Research Division - Equity Analyst*

Thanks for taking the follow-up. I actually had 2. Number one is, in previous quarters, you've been helpful in terms of talking about the price increases that you're achieving in your orders versus your revenues. And if my memory is correct, we're talking about 3% to 4% on the revenue side and perhaps more, 5%, 6% on the orders. Maybe if you could just comment on Q1 orders, Stefan, and the revenues and the pricing contribution, please?

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

Yes, I can actually confirm what you said. I would say in the order intake, it is rather a little bit lower, maybe 4% to 5%. But in sales, you are right with the numbers you mentioned, yes.

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**Rizk Maidi** - *Jefferies LLC, Research Division - Equity Analyst*

Yes, perfect. And then secondly, if we think about the EBITDA upgrade and thinking about the different sort of items that you gave in the last sort of presentation. Maybe what has sort of mainly changed? I mean you talked about wage inflation of EUR 80 million, really starting from Q2, any changes on the input cost increase or the pricing sort of assumptions behind your EBITDA upgrades? Any thoughts there would be helpful.

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

Yes. I mean the expectation, Marcus just mentioned, that we have calculated or expected number of EUR 140 million. It will definitely, from today's point of view, everything what we see not worsening, rather the opposite. We see even that it is a little bit a better perspective for us. And that also might help us to come up -- come out with the numbers we are promising.

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**Rizk Maidi** - *Jefferies LLC, Research Division - Equity Analyst*

Okay. Understood. And then lastly, any reason why we should not assume the sort of normal seasonality when you think about Q1 and the full year within GEA?

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

You are asking about if -- can you please repeat more precise in your...

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**Rizk Maidi** - *Jefferies LLC, Research Division - Equity Analyst*

It's just -- it's a seasonal business, right? And just perhaps, is there anything fundamentally that has changed in the business that perhaps the previous seasonality...

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**Stefan Klebert** - *GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director*

No, no, definitely not. No. There is no change. I mean there is always a kind of seasonality in our order intake on a quarter basis, which you also can see if you look at the patterns in the last years. Also, last year, we had a seasonality, let's say, quarter-by-quarter, but there is nothing underlying --

there's nothing which changed or makes us -- any which makes us nervous about the future, also nothing. And yes, we also are looking forward to deliver even better numbers like we guided before. And that's the reason why we also upgraded our guidance.

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**Operator**

There are no further questions at this time. And I would like now to hand the conference over to Oliver Luckenbach for any final remarks.

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**Oliver Luckenbach** - *GEA Group Aktiengesellschaft - Head of IR*

Good. Okay. So thank you for participating in our call. I would like to summarize the key takeaways from today's call.

So first of all, after a very successful '22, we had another very strong first quarter, with strongly rising sales and earnings and a record order intake. Secondly, we have very promising sustainable innovations and technologies, also outside our very robust core markets, food, beverage and pharma. Thirdly, we feel very comfortable with our current order pipeline, otherwise, we would have not upgraded our full year '23 guidance.

Have a nice weekend, yes, and talk to you soon again.

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