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G1AG.DE - Full Year 2024 GEA Group AG Earnings Call

EVENT DATE/TIME: MARCH 11, 2025 / 1:00PM GMT

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PRESENTATION

Rebecca Weigl - *GEA Group AG - Deputy Head - Investor Relations*

Good afternoon, ladies and gentlemen, and thank you for joining us today for our fourth quarter and fiscal year 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 our highlights of the last year. Bernd will then cover the business and financial review before Stefan takes over again for the Outlook 2025. 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 very much, Rebecca, and good afternoon, everybody. It's my pleasure to welcome you to our conference call today.

2024 was again a strong year for GEA. Our business developed better than initially expected, so that we raised our guidance for the EBITDA margin twice during the year. As a result, we have already achieved the financial targets of our Mission 26 strategy in 2024, two years ahead of schedule. This success is even more remarkable in view of the global environment that continues to be characterized by economic crisis, geopolitical conflicts and considerable uncertainty in many markets.

After accomplishing our Mission 26, we presented to you at our Capital Markets Day in October, the next chapter in our growth story, Mission 30, underpinned by sustainability, the strategy for the upcoming years focuses on growth, value, and impact.

Sustainability is not only at the heart of our strategy, it is already a key success factor today. We have made remarkable progress in this area in '24 and have positioned ourselves as a sustainability front runner.

We were the first company in the DAX index family to hold a say on climate vote at our last Annual General Meeting. The overwhelming support of 98.4% for our climate transition plan 2040 was a strong signal for us to continue on our pathway to net zero.

2024 was a strong year for GEA and also a very successful year for our shareholders. In '24, total shareholder return was 30.7%, well above our benchmarks, such as the MDAX, Stoxx TMI industrial engineering, and the DAX 50 ESG.

Let me share with you the performance of the most important financial indicators. In our last conference call, we told you that we expect the order intake in the second half to be higher than in the first half of '24, and we delivered what we promised. Order intake in the first half stood at EUR2.7 billion while the second half achieved EUR 2.9 billion resulting in an order intake for the full year '24 of EUR5.6 billion. This represents a year-over-year increase by 1.5% or 4.6% in organic terms.

Sales rose by 0.9% to EUR5.4 billion. Organic sales growth amounted to 3.7% in line with our guidance of 2% to 4% organic sales growth.

EBITDA before restructuring expenses increased by 8.1% year-over-year to EUR837 million. The corresponding EBITDA margin improved from 14.4% in '23 to 15.4% in '24, hitting the twice raised guidance range of 15.4% to 15.6%. We are now on the highest profitability level ever. Return on capital employed rose on a high level further to 33.8%, well in the guided range of 32% to 35%. In short, we delivered again.

Our shareholders should not only benefit from the strong share price performance, we would also like to share our success with them through a higher dividend. So we propose an increase of 15% to EUR1.15.

GEA performed not only well in '24 but over the years before. Thanks to this strong performance, we were able to achieve our Mission 26 targets two years earlier. And as you can see on chart seven, we have even exceeded these targets.

Our great teams around the world are behind this success. They have made it possible with a great commitment, expertise, and drive. For this reason, we have decided to pay a one-time special bonus to all GEA employees worldwide in the amount of EUR1,526 in Country Group One, a sum that represents our 15% EBITDA marching target and our Mission 26. I would like to extend my utmost respect and gratitude to all GEA teams worldwide for the exceptional performance.

Mission 30 is now our new North Star. It is a consistent continuation of our Mission 26 and it's based on the three pillars of growth, value, and impact. For profitable growth, continuous value enhancement, and our contribution to a better world. We aim for an organic sales CAGR of more than 5% annually up to 2030. In addition, the EBITDA margin is expected to reach 17% to 19% with a return on capital employed targeted to rise to more than 45% in 2030.

We have done tremendous work in establishing GEA successfully as a sustainability front runner in recent years, but we are not standing still. We continued our journey in '24 with our sale and climate and by launching two new sustainability KPIs as part of our Mission 30, which are contributing to our purpose engineering for a better world.

Our continued efforts in the field of sustainability were also recognized externally, as you can see on the chart. While we already have leadership positions in several ratings like MSCI and CDP, we managed to improve further to best-in-class in others.

In the corporate sustainability assessment of Standard and Poor's Global in '24, GEA ranked among the top 5% of its industry and managed to be the only German machinery company in the Dow Jones Best-in-Class World Index, previously known as Dow Jones Sustainability World Index.

In January '25, GEA received a platinum rating from EcoVadis, which places GEA in the top 1% of all companies worldwide for sustainability management. And last but not least, the Time Magazine and Statista honored us as one of the world's most sustainable companies in '24, more precisely, we have been ranked on position 33 worldwide and number three in Germany. These are remarkable recognitions of our achievement in sustainability.

We also made progress on our pathway to net zero in '24. Let me share with you more details. The green line here depicts the decarbonization trajectory of our own operations, the so-called Scope 1 and 2 emissions. Already by '26, we target a 60% greenhouse gas emission reduction, and by 2030 we aim for a reduction of 80% in our own operations emissions.

The blue line shows the decarbonization pathway on product level, which is called Scope 3. Here we aim for a reduction of 27.5% by 2030. In 2040, we aim to be net zero along the entire value chain, so in all the three scopes. Setting an ambitious targets is one thing. Delivery on them is another. And at GEA, as you know we walk our talk.

I can proudly tell you that in '24, we have already achieved a 58% emission reduction in our own operations and a 33% reduction in Scope 3. Hence, we are already ahead of our decarbonization pathway and very well on track to reach or even outperform our targets.

One of the newly launched sustainability KPIs in '24 is the share of sustainable solution sales. Sustainable solutions are defined as our Add Better portfolio, solutions that are classified as sustainable in accordance with the EU taxonomy and our so-called Scope 4 products.

We have set ourselves the target that these products and solutions will account for more than 60% of our sales in 2030. In '24, this ratio stood at 41.6% thereof, and I think this is a really impressive number and worth to highlight it. 39.5% out of this is EU taxonomy aligned sales.

In order to make our sustainable solutions more tangible, let's have a look at a recent customer example. SalzburgMilch, one of Austria's leading dairies and a long-standing customer of GEA was looking for innovation to manufacture its products as sustainable as possible.

In March '24, our water saving unit was piloted at one of our separators on their side, the result was impressive, a significant reduction in water usage of 1.26 million liters per annum. In view of this success of our first installation, SalzburgMilch has ordered three more water saving units. This will enable our customers to save a total of over 5 million liters of water annually. I think this example nicely demonstrates how our sustainable solutions enable our customers to become more resource efficient and thereby reduce their operating costs.

Another example of sustainable solution is our latest innovation, EngySpeed, our solution for resource saving dairy production. Here, EngySpeed represents a paradigm shift in the design of separators. Instead of smaller but faster rotating centrifuges, which are still standard in many places today.

Larger bowl diameters with lower bowl speed come into play. This means, for our dairy customers that they achieve the same throughput with less speed and less power requirement. Thereby, they are reducing energy costs by up to 40%. EngySpeed has been validated with our Add Better labels in '24.

Continuous direct compression lines are another great example of our innovation push. Not only is it a more sustainable solution for manufacturing tablets, it also contributes to a better world as it enables the pharma industry to bring new medicines to patients more quickly.

In December, this innovative solution has received our Add Better label and thus is now part of our sustainable solutions portfolio. We have presented continuous tableting as one of our growth verticals under our Mission 30 at our Capital Markets Day in October, and we can already demonstrate some success stories in '24, after having supplied multiple R&D systems for product development and successfully commissioned the first commercial product lines, we have received several orders for more production lines in '24.

In particular, two multinational pharma customers were highly interested in our innovation and ordered multiple product lines with a total value of more than EUR50 million in '24. By the way, this is one or was one of the verticals we also presented during our Mission 30 presentation.

As stated earlier, Mission 30 is based on the three pillars of growth, value, and impact. We not only drive our financial ambition, but we also aim to create responsible innovations, and we make a positive and lasting impact in the communities we serve.

GEA has already been living up to its responsibility for people and the environment for many years, but we are now taking our community engagement to the next level. Last month we have established our own foundation. As you know, GEA was already committed to donate 1% of its profit to charitable causes each year, and the foundation will strengthen this commitment.

To accelerate our impact, we support strong organizations such as UNICEF, Viva con Agua, as well as Kinderdorf and Deutsche Universitätsstiftung among others to deliver a positive benefit to communities and young people around the world.

For example, the SOS Children Village in Dusseldorf needed a new house due to high demand for assisted living for children growing up without their parents. We are financing the construction works for this new home in the amount of EUR740,000 until '26. By doing so, we want to enable and empower children from our home base in Dusseldorf to have a better future in terms of equal opportunities.

This is just one example, how we contribute with our community engagement to a better world.

With that, I hand over to Bernd.

Bernd Brinker: Thank you, Stefan. Good afternoon, ladies and gentlemen. Let's start with order intake. As Stefan said, we delivered what we promised. Order intake in the second half of 2024 to be higher than in the first half of 2024, which also implied a strong year-over-year improvement in the fourth quarter. And this is exactly what we have delivered.

Order intake rose by 26.8% year-over-year, supported by large orders. We have received seven large orders, so orders above EUR50 million with a total value of EUR230 million versus only two large orders amounting to only EUR41 million in the prior year quarter.

Organic sales growth has accelerated from 1.9% in the first nine months of the year to 8.7% in the quarter. The growth was driven by both new machine and service sales. EBITDA before restructuring margin increased considerably by 140 basis points to 15.9% because of a higher gross margin.

Higher profitability also supported the return on capital employed development, which further improved on a high level to 33.8%. Net liquidity decreased year-over-year by only EUR28 million to EUR344 million despite the cash outflow of EUR230 million for the ongoing share buyback program and the dividend payment of EUR169 million in May 2024.

Looking a bit deeper into the Group performance, order intake rose to a new record level of EUR1.6 billion in the quarter, driven by a broad-based order intake strength. To the organic year-over-year growth of 29.3%, all divisions, customer industries and almost all order size brackets contributed.

While we clearly benefited from several large orders, we would not have needed them to show year-over-year growth. Even if the total value of large orders had remained flat year-over-year, we would have been able to report a double-digit percentage growth rate. This confirms the statement made at the last conference call that we are not dependent on large orders for a sequential order intake improvement.

While all customer industries contributed to the year-over-year order intake growth, dairy processing, and food showed a particularly strong development. Sales grew organically by 8.7% driven by both new machine and service sales. The service business continued its growth trajectory of the last 17 quarters and reported an outstanding organic growth rate of 19.1% year-over-year.

The new machine sales increased organically by 2.7%. As a result of the stronger growth rate in the service business, the service sales share expanded to 39.2%, 2.9 percentage points higher than last year.

When looking at the full year 2024, the service sales ratio stood at 38.9%. EBITDA before restructuring expenses rose by EUR35 million to EUR239 million resulting in a corresponding year-over-year margin expansion of 140 basis points to 15.9%. The higher service share and improved gross margins in the new machine business were the main drivers of the profitability increase.

Now, let me continue with the figures for the division separation and flow technologies, which reported strong performance for all key performance indicators. Organic order intake and sales growth coupled with the record EBITDA margin.

While almost all customer industries added to the organic order intake growth of 24.1% year-over-year, food, dairy processing, and beverage once again, as in the third quarter, stood out in terms of their growth contribution. The order intake growth was not only broad based in terms of customer industries, also all regions reported on organic increase.

Organic sales grew by an outstanding 23.2% year-over-year, driven by an excellent organic service sales growth of 31.9% and a very strong new machine sales growth of 14.9%. On the back of the excellent service sales growth, the service sales share has increased on an already high level further by 2.2 percentage points to now 51%.

The strong sales growth, higher service sales share, and improved gross margins resulted in a significant year-over-year improvement of the EBITDA margin by 100 basis points to 28.2% in the fourth quarter. This marks a new record level for separation and flow technologies. To sum it up here, a very strong finish of the year.

Let's move on to liquid and powder technologies which achieved a record order intake in the quarter and a strong service sales growth. Order intake rose organically by 54.5% year-over-year and hit a new record level of EUR582 million. The sharp increase was mainly but not exclusively driven by six large orders with a total volume of EUR192 million. In the prior year quarter, only two large orders amounting to EUR41 million were booked.

Large orders received in the quarter were coming from various customer industries. Two large orders in dairy processing, two in food, one in beverage, and another one in chemical. Therefore, it is not surprising to see that exactly these customer industries showed an overall positive development in the quarter.

Sales increased by 4.2% year-over-year on an organic basis. Service sales accelerated its strong growth trajectory of the previous quarters with the 17% year-over-year organic growth rate. At the same time, organic new machine sales remained almost unchanged year-over-year.

The flattish new machine sales resulted from the lower order intake levels in the previous quarters. This is expected to change during 2025 with a pickup in the order activity seen in the fourth quarter. Due to the stronger service sales growth, the service sales share increased by 2.1 percentage points year-over-year to 26.6% in the fourth quarter.

On the back of higher sales volume, better project execution, and higher service sales, gross profit rose, but not enough to fully compensate for the increase in operating costs. As a result, EBITDA before restructuring expenses declined by EUR3 million year-over-year to EUR59 million. Consequently, the EBITDA margin decreased from 13.3% in Q4 2023 to 12.3% in the quarter.

Moving to food and healthcare technologies which continued its sequential profitability improvement and generated strong order intake growth. Organic order intake increased strongly by 19.7% year-over-year, driven by a large order of EUR38 million in pharma.

As Stefan stated earlier, we have seen the first customers ordering our innovation of continuous tablet production in 2024, and this was exactly one of these orders. It's a perfect example of how innovation enables additional growth opportunities.

In addition to the customer industry pharma, food was the growth driver too, so both customer industries were contributing to the order intake strengths. Sales declined organically by 5% year-over-year because of the negative development in the new machine business.

Low levels of order intake in the last quarters resulted in an organic new machine sales decline of 8.3% in the fourth quarter. The service business grew by 1.9% year-over-year, thus expanding the service sales share from 33.0% in the prior year quarter to 35.4% in the fourth quarter.

EBITDA before restructuring expenses continued its quarter-on-quarter improvement since its low point in quarter two, 2023 of EUR15 million. The fourth quarter marks the sixth quarter in a row with a sequential profitability increase. EBITDA reached now EUR31 million with a corresponding margin of 11.3%, significantly up from the 7.2% of the prior year quarter. Main driver behind the profitability expansion are significantly better gross margins and lower operating costs.

Continuing with farm technologies which reported an improvement in all major KPIs. Let me run you through the details. Order intake increased organically by 9.4% year-over-year due to a strong development in base orders. The growth in the service business and in conventional milking overcompensated the decline in automated milking.

We noticed a slight improvement in market sentiment in December, but it's still uncertain whether this trend will continue. There are still low milk prices and subsidy levels in Japan, and China is still facing milk price pressure.

Sales rose organically by 7.8% year-over-year. The service business continued its strong performance, growing organically again for the fourth quarter in a row at double digit rates. New machine sales declined by 2.7% in organic terms because of the investment restraints of farmers which we experienced in the last quarters.

The service share crossed the 50% mark and stood at 50.6% in the quarter. This represents a considerable increase of 530 basis points from an already high level of 45.3% in the prior year quarter.

On the back of the higher service share and improved product margins, EBITDA before restructuring expenses rose by EUR8 million to EUR32 million. The corresponding margin increased sharply by 360 basis points from 12.2% in quarter four 2023 to now 15.8% in Q4 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 and sales growth combined with further EBITDA margin expansion. The division has reported an outstanding organic order intake growth of 19.7% year-over-year, which was driven by strong demand development in orders with a ticket size of less than EUR5 million.

In terms of customer industries, food was the main growth driver. It's an attractive industry that we can serve with our decarbonization solutions. In addition, distribution and storage, pharma and dairy processing contributed to the order intake strength.

Sales rose significantly by 14.3% organically as this strong growth was once again driven by both strong new machine business and service business. New machine sales increased considerably by 18.6% in organic terms on the back of the general positive market environment and good demand for heat pump related products and solutions.

The service business grew organically at a lower rate than the new machine business, so that the service sales share declined by 230 basis points to 35.5%. EBITDA before restructuring expenses rose by 30.3% to EUR22 million due to a strong improvement in gross profit because of the higher sales volume and margin effects. The corresponding margin of 12.8% showed an expansion of 150 basis points compared to the margin in the prior year quarter. To sum it up, another strong quarter also for heating and refrigeration technologies.

Closing the divisional chapter with the overview on the EBITDA growth contribution in the full year and in the fourth quarter of 2024. There isn't -- there is one important message to draw from the two charts. All divisions improved their gross profit despite facing declining sales in some cases, and this holds true for the full year 2024, as well as the single quarter of Q4.

Price discipline, cost discipline, savings from our procurement and production optimization, efficiency gains, as well as strong service business are the drivers behind it. And this in turn explains why we have been able to increase our EBITDA before restructuring expenses in both periods considerably.

Coming now to another important topic, net working capital. Networking capital declined by EUR166 million from EUR494 million in the third quarter to EUR327 million in the fourth quarter. The strong reduction results mainly from a combination of lower inventories and higher trade payables, significantly overcompensating the increase in trade receivables.

In a year-over-year comparison, we have even managed to bring net working capital below the already low level of the prior year quarter. The year-over-year improvement by EUR19 million is driven by the strong reduction in inventories, which was the focus of the work on working capital in the course of 2024.

This resulted in a net working capital to sales ratio of only 6.0%, which is well below the guided corridor of 8% to 10%. The strong outperformance confirmed that we can become even more ambitious going forward. As presented to you at our Capital Markets Day in October, we are now targeting a net working capital to sales ratio of only 7% to 9% until 2030.

Cash generation was strong in the last quarter of the year. Free cash flow of EUR353 million marks a new record on a quarterly level in recent history. Let's have a look at the details. While we have experienced a net working capital related cash outflow of EUR159 million in the first nine months of 2024. The fourth quarter overcompensated it with a strong inflow of EUR167 million.

Main drivers of this strong achievement have been lower inventories and higher trade payables. The positive cash contribution of the position others is mainly related to provisions for bonuses. As Stefan said, 2024 has been a strong year for GEA thanks to the exceptional performance and dedication of our teams worldwide. Therefore, we have decided to pay our employees, in addition to their regular bonuses, an additional Mission 26 Early Achievement bonus.

The pickup in CapEx related outflow of EUR150 million was in line with our indication of the step up in CapEx in the second half and our full year 2024 guidance of around EUR240 million. Thus, free cash flow stands at a record level of EUR353 million leading to a net cash flow of EUR325 million after deducting these payments and interest paid.

The strong net cash flow clearly overcompensated the cash out for our ongoing share buyback program so that we ended the quarter with net cash position of EUR344 million. The strong free cash flow of the first nine months of 2024 coupled with the record free cash flow in the fourth quarter resulted in a free cash flow of EUR505 million for the full year. This represents an increase of 50% from the EUR337 million achieved in 2023.

The corresponding cash conversion ratio landed at 64% of EBITDA, which is another strong improvement from the 50% reported for 2023.

As Stefan already mentioned earlier, we will propose a dividend per share of EUR1.15, so EUR0.15 higher than last year. This is in line with our updated dividend policy, which we presented to you at our recent Capital Market Day. Under the new policy, regular payout ratio of approximately 50% of net income is targeted.

As we would like to gradually move into this new policy, we are raising the payout ratio from 38% in 2023 to an estimated payout ratio of 43% in 2024. We are not only a constant and attractive dividend payer, but our shareholders are also benefiting from our share buyback programs. We finished our EUR300 million buyback program at the end of 2022 and are currently executing the EUR400 million program initiated in November 2023.

Let me provide you with a quick update on the current execution of the 400 million share buyback program. As of the end of December 2024, we have executed EUR284 million or 71%. I can already share with you the latest numbers as of yesterday closing.

We have bought back 8.6 million shares since the beginning of the program until yesterday's closing, which represents 4.97% of our outstanding shares. We bought these shares back at an average price of [EUR40.50] (corrected by company after the call) which is already today a successful investment because the current stock price is almost 40% higher. So we are talking about the benefit of EUR137 million.

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

Thank you, Bernd. Before talking about our fiscal year guidance, let me share with you our view on the current order intake situation. With regards to our order intake development, we have highlighted during the first nine months of '24 that we are expecting a recovery in the second half of '24. This expectation has been fulfilled.

When looking at the order intake development on a rolling last four quarter basis, the second quarter has marked this through. Since then, we have seen a good order intake development. We finished the year '24 with an order backlog of EUR3.1 billion which is on prior year level of this EUR3.1 billion to EUR2.6 billion will be converted into sales in '25, so more than 80%.

This is a slight reduction compared to the end of '23, where 90% of the order backlog was convertible into sales in the next 12 months. The reason for the lower ratio is the strong order intake of large orders in the fourth quarter of '24 because large orders have often lead times beyond 12 months.

The other backlog, which will be converted into sales in '25, lays a good foundation for sales generation in '25 and it secures our sales for the first half year.

At GEA, we don't want to stand still. We want to make continuous progress towards the Mission 30 targets. We have set ourselves based on the invoiceable order backlog, the strength of our service business, and the good order intake development, we guide for an organic sales growth of 1% to 4%.

For EBITDA before restructuring expenses, we expect a further marginal improvement to a level between 15.6% and 16% after 15.4% in '24. Finally, we expect the return on capital employed to be in the range of 30% to 35%. With this guidance, we expect for the sixth year in a row, a continuous growth, further improvement in profitability.

Let's have a closer look at the EBITDA margin bridge and its key components. Since the launch of our Mission 26, we paid a dedicated Mission 26 bonus to our employees, and this payout has been on average roughly EUR15 million per year.

For '24, as stated earlier, we will pay our employees a special bonus for the early achievement of our Mission 26. It's in total a bit more than EUR30 million. This year in '25, we intend to continue to pay our regular Mission 26 bonus. And if this regular bonus has been lower in the past, you see a positive net effect of the Mission 26 bonus in the bridge.

We are expecting further personnel cost increase of around 2% to 3% in our EUR1.8 billion personnel cost bill. As you know, we intend to offset the cost inflation we are facing by own price increases.

With regards to G&A, we aim for a positive EBITDA contribution of EUR100 million by 2030. Due to the nature of the underlying project, these savings will be more back end loaded, therefore, we are not yet showing any positive contribution in the bridge.

For '25, we expect a net negative contribution. One pillar of our G&A program is our repositioned global ERP program, Transforms 360. And as shared with you at our Capital Markets Day, we estimate an increase of annual implementation costs of EUR10 million to EUR15 million until 2030. This is reflected for the financial year '25.

With regard to costs, we aim for savings of EUR120 million under our Mission 30. These savings should be quite evenly split until 2030.

Summing up, we are expecting a further improvement from last year's EBITDA margin before restructuring expenses of 15.4% to a figure ranging between 15.6% and 16%. For '25, there is at the end only one key priority, our Mission 30. We want to make progress in all three dimensions growth, value, and impact.

Finally, our roadmap for '25, the next important date will be in less than two months. Our Annual General Meeting on April 30. It will be once again a virtual AGM and on May 8, we will be back with our Q1 figures, but I'm sure we will see many of you in the meantime at the upcoming roadshows and conferences.

And the Investor Relations team and I are on the road seeing investors every week until the end of March, be it Paris, London, Frankfurt, Toronto, or New York. I'm looking forward to meeting many of you in the coming weeks, and this concludes our presentation, and I hand back to Rebecca for the Q&A.

Rebecca Weigl - GEA Group AG - Deputy Head - Investor Relations

Thank you very much, Stephan and Bernd.

And with that, I hand back the call to you, Sarah. Please be so kind and open up the line for the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Sven Weier, UBS.

Sven Weier - UBS Investment Bank - Analyst

Yeah, good afternoon. Thanks for taking my question. The first one is, coming back to the order intake. Obviously, a good number in Q4 to say the least, but obviously wondering how you think about sustainability of the order level. I guess the Q4 level is a bit high to be sustainable in Q1. But I mean in the previous years, whenever you had such a strong order intake, the following quarters were considerably lower.

So how do you feel about the demand level and potential orders in the first half? Thank you.

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

Thank you, Sven. I expected this kind of questions. And it's very clear that it is important. Let me say it in that way. That it is sometimes difficult to predict a single quarter in our industry. However, what I can say that we have a lot of interesting projects in the pipeline in the air, and therefore, I expect really a good year for GEA, even if I can't tell you and I don't want to start again to guide any quarter, as you know.

But, the pipeline we see is promising. We have interesting project activities, and let's say the turnaround of the order intake, which you could see in the one chart I presented is something where we believe and feel that it is really continuing in a good way, even if I cannot promise you which projects are now coming through in which quarter.

Sven Weier - UBS Investment Bank - Analyst

Yeah, thank you for the color, sir, and I guess also the strength and the base orders remains because I mean, as you said earlier, you start with a EUR200 million headwind from the backlog, but you still expect sales up at least one. So I guess at least in the base orders, the info out orders, you continue to see good growth for now.

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

Yes, absolutely. I mean, yeah, clear. Also, if you look at the order intake in the fourth quarter, it was not only based on large projects, it was also a good order intake situation in all our divisions.

Sven Weier - UBS Investment Bank - Analyst

Sounds good. Thank you.

The other question I had is just something totally different and that concerns your tax rates. You are now guiding for considerably higher tax rate in the P&L for this year. I was just wondering how is the cash tax rate changing? Is that a pure non-cash situation? Is your cash tax rate remaining the same or how should we think about the cash tax rate?

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

Yeah, Sven, I will take that question. So first of all, the current year for 2024 tax rate is basically in line with what we indicated. We indicated 23%. We came up with a little bit more than 24%. What we always have is in this fourth quarter, we do an estimate of the profitability development in certain countries, and the most important country here for us is the US, where we have significant tax loss carried forward.

And if our assumptions change significantly to the positive or the negative, then we have a deviation here. That was the reason also back in 2023 that we had a significant lower tax rate in the fourth quarter. This was not the case anymore because we already have relatively high tax expectations for the US, so it's not a deterioration of our expectations, but it's basically a continuation of what we already expected at the end of 2023. This in general with regard to the tax rate.

With regards to the cash -- tax, we don't believe that there is a significant change. We believe that it will continue with the basic cash tax rate which we also had this year, so for 2024.

Sven Weier - UBS Investment Bank - Analyst

That's very clear. Thank you both.

Operator

Sebastian Growe, BNP Paribas Exane.

Sebastian Growe - BNP Paribas Exane - Analyst

It's good afternoon, everybody. Hi. I have one question on PTE and the question is around the capacity cuts that you have taken so far and the related layoffs in the segment. Now with apparently the order having picked up quite tremendously in the year '24 and quarter form in particular, do you feel that you have the right sort of capacity and the right ability at this point to handle a likely continued volume uplift in the segment? I would like to start the MMF for one more.

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

Yeah, thanks for that question. Yes, we feel very comfortable here that we have not a bottleneck of any resources. The adaptations we made add a lot of do with organizing things differently, becoming more effective, so we don't have any fear that we cannot fulfill what we take in.

Sebastian Growe - BNP Paribas Exane - Analyst

On the special items as such, so I think it is LPT on the one side with the EUR20 million roughly in charges, EUR10 million alone in quarter four and almost also a EUR10 million charge taken at FHD in the fourth quarter. Can you just help us a little what is behind that?

You just mentioned that you have been organizing things differently. Is it or is there more to come when it comes to sort of special charges that we should expect? And with that, if you could help us probably to frame that very, very special item or need for further restructuring then going into '25, that would be helpful.

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

Okay. So for what we have seen in the course of this year, so for 2024 is the continuation of the restructuring efforts in LPT including the divestment of our business [Vipul].

In, FHT we have also continued our restructuring, which we already started at the end of 2023. In the current year, so in 2025, we might see a minor restructuring charges related to the farm technologies business where we are seeing lower demand.

You can see that if you compare the order intake for 2024 with 2023 where we are down and that is also an environment which hasn't really improved yet. So there, we might see one or the other lower restructuring charge as well.

Sebastian Growe - *BNP Paribas Exane - Analyst*

Okay, so and the last one is just on the mix going into '25. Apparently you see now, especially the large order piece coming back with quite good momentum here. Could you help us to make us understand better how the service, this is my trend into the year '25 and then how much of a sort of cannibalization might one to see if we in the new unit, all the original equipment business is coming back at the expense of service, how should we think about that?

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

I mean, our service business will continue to grow. This is our clear expectation, our plan. And even if we are on a very high level already, we see still potential for improvement to grow further. That is very clear. We don't see real cannibalization effects here. Because as you know and as I also explained before, we have also a lot of innovations, a lot of new products which are entering different segments or different niches, and therefore, we are quite optimistic that we can grow both areas, new installation as well as service.

Operator

Sebastian Kuenne, RBC Capital Markets.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Yeah, thank you for taking my question. One is on the EBITDA guidance that there's still an EBITDA before restructuring charges, and it relates a little bit to the question you have already received. Do you see an incentive now to book further or bigger cost in 2025? Because after '25, you are guiding with EBITDA after restructuring. That's my first question.

And secondly, your long-term guidance on growth is 5% or above 5% organic, and to reach your EBITDA margin target, you need about 60 bps of marginal improvement per year. But in your '25 guidance, you are slightly below that level for both metrics. Is this a little bit driven by the general uncertainty or do you actually see only a slow improvement in food and dairy processing? What's the trigger here? Thank you very much.

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

Okay. So let me start with the first question. So with regard to EBITDA margin, so, we have a very different set of rules here internally in order to qualify for restructuring charges. There is clear policy available. And it's not for an option for the divisions to do the one or the other transaction based on restructuring cost.

What we indicated, is, as you also asked, so restructuring charges will only be disclosed separately until the end of fiscal 2026. Beginning 2027, we will only base our guidance and our numbers on reported numbers. So there is no incentive at all.

With regard to the magnitude, we indicated already earlier that we expect in the year 2023 -- from '23 until '26, a magnitude of EUR130 million to EUR150 million restructuring charges. We might end up a little bit higher, not significantly higher, but a little bit higher due to things which happened later once we have disclosed those numbers such as the Russian war, which also influenced our restructuring charges.

So therefore, slightly more than EUR150 million most probably, but no incentive at all, and I don't see any rush to move into restructuring charges. This is not part of our policies.

Sebastian Kuenne - RBC Capital Markets - Analyst

And just to follow up on that question, there's also no management incentive for the EBITDA before restructuring at the moment or, can you just.

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

Yeah, there is -- our incentive scheme which is disclosed in all detail, is referring to financial results before restructuring, so in line with our strategy. But this will also obviously change after 2026 when we will change into reporting numbers.

Sebastian Kuenne - RBC Capital Markets - Analyst

Okay. Thank you.

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

With regard to your second question long-term growth ambitions, yes, we indicated that we will expect a CAGR of more than 5% until 2030. And the sequential improvement in EBITDA margin is, let's say, we show here a conservative approach as we always do. And this is also based on the current business environment where we see the one or the other issue in the economic environment, but other than that, we are still convinced that we will make it into the range for 2030 which we indicated.

Sebastian Kuenne - RBC Capital Markets - Analyst

Okay. Thank you so much for your help.

Operator

Uma Samlin, Bank of America.

Uma Samlin - Bank of America Merrill Lynch - Analyst

Hi, good afternoon, everyone. Thank you very much for taking my question. So my first question is on your service growth drivers. So you've had very strong sales growth with around 19% year on year growth in service in Q4. Can you perhaps give us a bit more insight on the drivers and the sustainability of that into 2025?

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

Yeah, it's a huge package of a lot of activities and measurements, what we do in service. It starts with -- you know that GEA is a very differentiated business in very different areas and business unit. It starts with creating transparency about installed bases. It continues with adding sales, people for service, especially, coming up with new contract models, pricing activities. So it's really a big, big portfolio of activities which we are rolling out very consequently, which helps us to drive the service growth.

Uma Samlin - *Bank of America Merrill Lynch - Analyst*

Thank you very much. And my second question is on your older trends in the US. What do you hear? Do you see any impact from the tariffs and, what are the kind of talks you hear from your customers because that's one of your biggest markets.

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

Yeah, we don't see any impact from tariffs because there are so far no additional or no new tariffs for everything we export out of Europe. That's the vast majority of, let's say, what we bring to the US. We also have already local production in the US. We saw a lot of local things whenever we have larger projects in the US, so I'm quite relaxed about the tariff discussions.

And you also have to know that I would say the excellent machine building cluster sits in Europe, mainly in Germany and north of Italy. This is where you find the excellent machine building companies. So even if they would bring up any tariffs for Europe, I doubt that this might impact our industry segments. I think it'll most likely impact automotive industry or so.

And if there would be some tariffs, I would say all the leading companies sitting in Europe could add that on the calculation mainly.

Uma Samlin - *Bank of America Merrill Lynch - Analyst*

That's super helpful. Thank you very much.

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

Thank you.

Operator

Thank you. This concludes the question-and-answer session. I will now hand back to Stefan Klebert for closing remarks.

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

Yeah, thank you very much. Thank you for your interest. I think we could show you and explain to you that we have another, made another successful year in '24, and we are very optimistic that this journey continues in '25, which then will be the sixth year in a row where GEA shows organic growth and increasing profitability.

Of course, it's difficult to predict single quarters of all the intake in our business, but I can repeat what I said. I'm very optimistic that we will have a good year ahead, that this also will be a good year in all our divisions, and also for the underlying business as well as for larger projects where we have an interesting pipeline.

Also, our innovations which we have, which make us a leader in sustainable solutions are promising and we also see here a growing business. So all in all, we are looking forward to opting to a good, another good year in '25.

Due to the fact that we have to close the call now at 3 o'clock, if there are any further questions, so please don't hesitate to contact IR department like always, and many of you will see Bernd or myself or the team from Investor Relations during the next days and weeks in roadshows.

Thank you very much for your interest, and this concludes our call.

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