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GEA with improved EBITDA margin and strong free cash flow in third quarter; outlook for 2023 confirmed

- Order intake down 9.1 percent to EUR 1,247 million (Q3 2022: EUR 1,372 million), particularly due to negative currency effects of EUR 96 million; slight organic decline of 1.7 percent
- Organic revenue growth of 6.9 percent; reported revenue stable at EUR 1,351 million (Q3 2022: EUR 1,354 million)
- EBITDA before restructuring expenses up 4.2 percent to EUR 207 million (Q3 2022: EUR 199 million)
- EBITDA margin before restructuring expenses increased by a further 0.6 percentage points to 15.3 percent (Q3 2022: 14.7 percent)
- ROCE up markedly to 33.9 percent (Q3 2022: 30.6 percent)
- Free cash flow significantly increased by 81 percent to EUR 187 million (Q3 2022: EUR 103 million)
- Net working capital as a percentage of revenue in the last 12 months, improved to 8.3 percent (Q3 2022: 8.9 percent); slight decline in net liquidity to EUR 233 million (Q3 2022: EUR 235 million)
- Outlook for 2023 fiscal year confirmed

In a challenging environment, GEA again delivered a robust performance in the third quarter of 2023. EBITDA before restructuring expenses rose by 4.2 percent to EUR 207 million. The corresponding EBITDA margin improved by 0.6 percentage points to 15.3 percent. Return on capital employed (ROCE) climbed from 30.6 percent to 33.9 percent. Free cash flow increased significantly to EUR 187 million.

Order intake decreased by 9.1 percent to EUR 1,247 million; organically, the decline was just 1.7 percent. Revenue declined by a slight 0.2 percent to EUR 1,351 million, but grew by a substantial 6.9 percent organically. The development of these two figures was particularly influenced by negative currency effects caused by the stronger euro, which reduced order intake by EUR 96 million and revenue by EUR 85 million.

“We are currently navigating an environment dominated by rising interest rates, negative currency trends and geopolitical uncertainty. Notwithstanding these negative influences, we have demonstrated our economic resilience,” says CEO Stefan Klebert. “The growth in the EBITDA margin, which has reached more than 15 percent for the first time in six years, is particularly positive. We also significantly increased our free cash flow.”

Order intake and revenue performance hampered by negative currency effects

At EUR 1,247.4 million, order intake in the third quarter of 2023 was down by 9.1 percent on the prior-year level of EUR 1,371.7 million, primarily due to currency effects. Organic order intake declined by just 1.7 percent. The beverage and pharma customer industries recorded significant double-digit growth, while all other industries declined – in some cases sharply. Three large orders (> EUR 15 million) amounting to a total of EUR 138 million were secured. Two of these large orders were recorded by the Liquid & Powder Technologies division and one by the Food & Healthcare Technologies division.

Revenue decreased slightly by 0.2 percent to EUR 1,351.1 million (Q3 2022: EUR 1,353.6 million). In contrast, organic growth of 6.9 percent was achieved; all divisions, with the exception of Food & Healthcare Technologies, contributed to this development. Among the customer industries, notably dairy farming, dairy processing, beverage and chemicals performed positively. The share of the particularly profitable service business was further increased to 36.2 percent in the third quarter of 2023 (Q3 2022: 34.5 percent).

Strong service business leads to improved earnings

Third-quarter EBITDA before restructuring expenses rose 4.2 percent to EUR 207.0 million (Q3 2022: EUR 198.7 million). The corresponding margin improved by 0.6 percentage points to 15.3 percent (Q3 2022: 14.7 percent). The higher share of the service business contributed significantly to this positive development.

Profit for the period climbed by 12.9 percent to EUR 120.8 million (Q3 2022: EUR 107.0 million). Earnings per share increased accordingly from EUR 0.61 to EUR 0.70, with earnings per share before restructuring expenses up from EUR 0.66 to EUR 0.72.

Alongside improved earnings, cash flow from operating activities rose clearly in the third quarter to EUR 235.7 million (Q3 2022: EUR 146.5 million), especially due to higher advance payments and a decline in trade payables. With only a slight change in investing activities, free cash flow rose sharply by 81.0 percent to EUR 186.9 million (Q3 2022: EUR 103.3 million). Around 95 percent of EBITDA was thus converted into free cash flow (before restructuring expenses).

Net liquidity, including lease liabilities, amounted to 232.9 Mio. EUR as at the reporting date of September 30, 2023 (September 30, 2022: 235.1 Mio. EUR). Net working capital as a percentage of revenue improved to 8.3 percent compared with 8.9 percent in the prior-year quarter. Return on capital employed (ROCE) increased noticeably from 30.6 percent to 33.9 percent.

“The strong cash generation this quarter is also particularly notable. We managed to convert virtually all of our EBITDA into free cash flow,” adds CFO Bernd Brinker. “The growth in ROCE is also impressive, reaching the highest level ever achieved by GEA.”

The first nine months of 2023 at a glance

In the first nine months of the current fiscal year, order intake declined by 2.5 percent (organic: growth of 1.6 percent) to EUR 4,209 million (9M 2022: EUR 4,319 million). Negative currency effects amounted to EUR 148 million in the period from January to September. The impact on revenue was EUR 129 million. In spite of this, revenue rose by 5.7 percent (organic: 9.8 percent) to EUR 3,964 million (9M 2022: EUR 3,751 million). EBITDA before restructuring expenses climbed 13.1 percent to EUR 570.3 million in the reporting period (9M 2022: EUR 504.4 million). The corresponding EBITDA margin further increased to 14.4 percent from 13.4 percent in the prior year. At EUR 300.3 million, profit for the period was noticeably higher than in the same period of the previous year (EUR 255.9 million). Earnings per share increased accordingly from EUR 1.45 to EUR 1.74. Earnings per share before restructuring expenses rose from EUR 1.62 to EUR 1.89.

Outlook for 2023 fiscal year confirmed

GEA has confirmed its forecast for fiscal year 2023, which was raised in May 2023. The company still expects revenue to grow on an organic basis by more than 8.0 percent. EBITDA before restructuring expenses at constant exchange rates is anticipated to be at the upper end of a range between EUR 730 million and 790 million. At the same time, GEA aims improve the EBITDA margin before restructuring expenses to at least 14.0 percent. GEA expects ROCE to be more than 32.0 percent, at constant exchange rates.

Key Financial Figures of GEA

(EUR million)	Q3 2023	Q3 2022	Change in %	Q1-Q3 2023	Q1-Q3 2022	Change in %
Results of operations						
Order intake	1,247.4	1,371.7	-9.1	4,209.5	4,318.6	-2.5
Book-to-bill ratio	0.92	1.01	-	1.06	1.15	-
Order backlog	3,348.7	3,414.9	-1.9	3,348.7	3,414.9	-1.9
Revenue	1,351.1	1,353.6	-0.2	3,964.2	3,751.0	5.7
Organic revenue growth ¹	6.9	10.2	-336 bps	9.8	8.7	117 bps
Share of service revenue in %	36.2	34.5	161 bps	36.1	35.1	101 bps
EBITDA before restructuring expenses	207.0	198.7	4.2	570.3	504.4	13.1
as % of revenue	15.3	14.7	64 bps	14.4	13.4	94 bps
EBITDA	203.2	188.1	8.0	539.6	466.0	15.8
EBIT before restructuring expenses	162.0	154.7	4.7	437.2	371.7	17.6
EBIT	158.2	144.1	9.8	406.2	331.2	22.6
Profit for the period	120.8	107.0	12.9	300.3	255.9	17.4
ROCE in % ²	33.9	30.6	326 bps	33.9	30.6	326 bps
Financial position						
Cash flow from operating activities	235.7	146.5	60.9	217.1	183.6	18.3
Cash flow from investing activities	-48.8	-43.2	-13.0	-115.6	-97.0	-19.2
Free cash flow	186.9	103.3	81.0	101.5	86.6	17.2
Net assets						
Net working capital (reporting date)	448.7	445.6	0.7	448.7	445.6	0.7
as % of revenue (LTM)	8.3	8.9	-51 bps	8.3	8.9	-51 bps
Capital employed (reporting date) ³	1,831.2	1,758.1	4.2	1,831.2	1,758.1	4.2
Equity	2,424.8	2,333.2	3.9	2,424.8	2,333.2	3.9
Equity ratio in %	41.3	39.4	182 bps	41.3	39.4	182 bps
Net liquidity (+)/Net debt (-) ⁴	232.9	235.1	-0.9	232.9	235.1	-0.9
GEA Shares						
Earnings per share (EUR)	0.70	0.61	15.3	1.74	1.45	20.5
Earnings per share before restructuring expenses (EUR)	0.72	0.66	9.9	1.89	1.62	16.8
Market capitalization (EUR billion; reporting date) ⁵	6.3	6.0	4.9	6.3	6.0	4.9
Employees (FTE; reporting date)	18,773	18,197	3.2	18,773	18,197	3.2
Total workforce (FTE; reporting date)	19,700	19,286	2.1	19,700	19,286	2.1

1) Adjusted for currency and portfolio effects.

2) EBIT before restructuring expenses of the last 12 months. Capital employed average of the last 4 quarters and excluding goodwill from the acquisition of the former GEA AG by former Metallgesellschaft AG in 1999.

3) Capital employed excluding goodwill from the acquisition of the former GEA AG by former Metallgesellschaft AG in 1999.

4) Including lease liabilities of EUR 156.2 million as of September 30, 2022 (prior-year EUR 165.8 million).

5) The market capitalization include treasury shares; XETRA closing price as of September 29, 2023: EUR 34.96; XETRA closing price as of September 30, 2022: EUR 33.34

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About GEA

GEA is one of the world's largest suppliers of systems and components to the food, beverage, and pharmaceutical industries. The international technology group, founded in 1881, focuses on machinery and plants, as well as advanced process technology, components, and comprehensive services. With more than 18,000 employees working across five divisions and 62 countries, the group generated revenues of more than EUR 5.1 billion in fiscal year 2022. GEA plants, processes, components, and services enhance the efficiency and sustainability of production processes across the globe. They contribute significantly to the reduction of CO₂ emissions, plastic usage, and food waste. In doing so, GEA makes a key contribution toward a sustainable future, in line with the company's purpose: "Engineering for a better world".

GEA is listed in the German MDAX and the STOXX® Europe 600 Index and is also among the companies comprising the DAX 50 ESG and MSCI Global Sustainability and the Dow Jones Sustainability Europe Indices.

More information can be found online at [gea.com](https://www.gea.com).

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