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PRESENTATION

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

Yes. Thank you, Sarah. Good afternoon, ladies and gentlemen, and thank you for joining us today for our third-quarter 2024 earnings conference call. With me on the call are Stefan Klebert, our CEO; and Bernd Brinker, our CFO.

Stefan will begin today's call with the highlights of the third quarter. Bernd will then cover the business and financial review before Stefan takes over again for the outlook for 2024. Afterwards, we open up the call for the Q&A session. Please be aware of the cautionary language that is included in our safe harbor statement as in the material that we have distributed today. And with that, I hand over to Stefan.

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

Thank you, Oliver, and good afternoon, everybody. It's my pleasure to welcome you on our conference call today. In the third quarter of 2024, GEA has once again delivered a significant EBITDA margin expansion. We have mentioned for many months that we are expecting an order intake recovery in the second half of this year and the third quarter confirmed our expectation.

Order intake rose year over year by 4.3% to EUR1.3 billion. In organic terms, the increase has been even more pronounced with a year-over-year growth rate of 6.6%. Sales rose organically by 1.4%, benefiting from a further expansion of our service business.

EBITDA before restructuring expenses increased by 4.9% year over year to EUR217 million. The corresponding EBITDA margin rose significantly by [76 basis points] (corrected by company after the call) from 15.3% in Q3 '23 to 16.1% in Q3 '24. This marks a new record level. Return on capital employed decreased on a high level to 32.3%.

Since we have continued with a very positive operating performance in the third quarter of '24 with a record EBITDA margin, we have again decided to raise our profitability guidance for the full year '24 on October 11. We are now expecting the EBITDA margin for the full year '24 to be in the range of 15.4% to 15.6%, up from the prior guidance of 14.9% to 15.2%.

All other guidance parameters have been confirmed. The divisional guidance remains unchanged. The strong profitability performance in the third quarter and the raised EBITDA margin guidance once again demonstrates our ongoing earnings improvement. And as you all know, there is more to come with our recently published Mission 30 strategy, which will be implemented step by step.

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What else happened in the third quarter? I have just mentioned our Mission 30 strategy, which was launched at our Capital Markets Day on October 2. After meeting our Mission 26 targets two years earlier than planned, the Mission 30 is our new North Star. Underpinned by sustainability, the strategy for the upcoming years focuses on growth, value, and impact.

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% to 2030. The ambitious plan points out how we continue to grow profitability and at the same time, we will significantly expand our sales share of sustainable solutions. If you were unable to follow the event, I would encourage you to have a look at our detailed slide deck or the replay, which is available on our Investor Relations web page.

Only one week later, the GEA Supplier Summit took place, an event which has been introduced by my colleague, Johannes Giloth, five years ago and has developed into one of our most important annual events. Our most important suppliers, our preferred suppliers, are invited each year to our summit to get an update of our success story, celebrate those with outstanding performance, and get to know more on our strategic innovations.

This year, we had once again a strong focus on how our suppliers can help us to develop more sustainable solutions and products. The relationship with our top suppliers is growing more and more into partnerships, partners which are supporting us on our profitable growth, innovation, and digitalization journey. As a result, we are allocating more spend to them.

Since '22, the spend with this group of strategic suppliers has increased by 37%. And last but not least, we have announced a strategic partnership with Believer Meats. Together, we will focus on optimizing the performance, efficiency, and environmental impact of large-scale cultivated meat production, starting with chicken and expanding to other products.

This collaboration will drive advancements in bioreactor technology, perfusion systems, and cell media reuse while reducing environmental impact through optimized water usage, power consumption, and circular economy initiatives like waste stream utilization. The aim of this partnership is to lower production costs, streamline technology transfer, and scale operations efficiently to make cultivated meat more affordable and accessible.

Believer Meats is currently constructing the world's largest cultivated meat production facility in the United States, which we equip with processing technology. The facility is planned to go into operation at the beginning of '25 and will have the capacity to produce at least 12,000 metric tons of cultivated chicken annually without slaughtering a single animal in the production process, an exciting project, which has the potential to be a game changer for the entire alternative meat industry.

Let me now provide you with a quick update on our share buyback program, which represents an important element in our capital allocation strategy. As you know, we have complemented the first tranche of our share buyback program in May and have started with the second and final tranche at the beginning of June.

As of end of September '24, we have executed EUR229 million or 57% out of the EUR400 million program. And I can already share with you the latest numbers. As of yesterday's closing, we have bought back 6.6 million shares since the beginning of the program until yesterday closing, which represents 3.9% of outstanding shares.

We bought these shares back at an average price of EUR37.80, which is already today a successful investment because the current stock price is 21.6% higher. With that, I hand over to Bernd.

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

Thank you, Stefan. Good afternoon, ladies and gentlemen. Let's start with order intake. As Stefan said, we have seen the expected pickup in order intake, which was particularly encouraging due to the strong development of orders below EUR1 million in size. For large orders, so orders above EUR15 million, we continue to face investment restraints from our customers.

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We have obtained one large order of EUR59 million versus three large orders totaling EUR138 million in the prior year quarter. Against this backdrop, the order intake increase is even more remarkable. Sales was virtually unchanged in reported terms, but up by 1.4% year over year on an organic basis. This was once again driven by strong organic service sales growth, while organic new machine sales declined.

EBITDA before restructuring margin increased considerably by 80 basis points to 16.1% because of a higher gross margin. ROCE declined slightly from a high level of 33.9% to 32.3%. The reduction in return on capital employed results from an increase in capital employed, which increased stronger than EBIT over the last four quarters because of higher noncurrent assets and higher net working capital.

Net liquidity decreased year over year by only EUR167 million to EUR66 million despite the cash outflow of EUR230 million for the ongoing share buyback program and the dividend payment of EUR169 million in May this year.

Looking a bit deeper into the group performance. The top line of the third quarter, I'm talking about the order intake and sales, has been less adversely impacted by translational FX effects than in the last quarters. While negative translation effects have been as high as 7% in the prior year quarter, the impact came down significantly for the order intake in this quarter.

In organic terms, the order intake rose by 6.6% year over year to which all divisions contributed. The increase was resulting from strong growth in orders below EUR1 million as well as midsized orders between EUR5 million and EUR15 million.

From a customer industry perspective, the growth was mainly driven by dairy processing, once again, food and chemical, but also dairy farming, new food, distribution and storage, Environmental applications as well as other customer industries contributed to it. Thus, another positive indication, the order intake increase was not triggered by one or two industries only but has been broad-based.

Sales grew organically by 1.4%, driven by once again outstanding organic service sales growth of 11.1% year over year, to which all divisions contributed. The service business continued its growth trajectory over the last 16 quarters.

New machine sales continued to be impacted by the decrease in the order intake in the last quarters and has therefore, declined organically by 4.1% year over year. Due to the strong service sales growth, the service sales share stood at 39.2%, 3 percentage points higher than last year.

EBITDA before restructuring expenses rose by EUR10 million to EUR217 million, resulting in a corresponding year-over-year margin expansion of 80 basis points to a record level of 16.1%. 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 indicator, strong organic order intake and sales growth, coupled with considerable improvement in profitability. Order intake rose organically by 13.4% year over year, which was mainly driven by the customer industries dairy processing, beverage and food. Environmental applications, chemical and new food contributed, too.

The order intake growth was not only broad-based in terms of customer industries, also all regions reported an organic increase. When looking at the order intake development on a reported basis, an adverse translational FX impact of EUR20 million needs to be considered.

Organic sales grew by 6.5% year over year, driven by an excellent organic service sales growth of 14.5%. New machine sales have remained almost stable, declining only slightly by 0.4% organically. On the back of the very strong service sales growth, the service sales share has increased on an already high level further by 2.6 percentage points to 48.7%. The higher service sales share resulted in a significant year over year improvement of the EBITDA margin by 110 basis points to 27.1% in the third quarter.

Let's move on to liquid and powder technologies, where we have significantly expanded our EBITDA margin and the order intake has improved sequentially as well as year over year. Order intake for the quarter was up organically by 4.8% year over year, even though we have received only one large order totaling EUR59 million versus two large orders amounting to EUR122 million in the prior year quarter.

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As the large order is a dairy processing order, it is not surprising to see that the customer industry, dairy processing, showed overall a positive development in this quarter. In addition, chemical, food and new food were also doing well.

The decline in the customer industry, beverage, needs to be seen on the back of the two large orders awarded in the prior year quarter. When looking at the sequential order intake development, it is important to notice that the order intake has continued its sequential improvement since Q4 last year.

Sales declined by 7.6% year over year on an organic basis. Service sales maintained its strong growth trajectory on the previous quarters with a 5.7% year-over-year organic growth rate. At the same time, organic new machine sales decreased by 11.7%.

The lower new machine sales results from a decline in the order intake in the second half of 2023 as well as the low level of order intake in the first half of 2024. Due to the stronger service sales growth, the service sales share increased by 3.3 percentage points from 23.7% in Q3 2023 to now 27.1% in this quarter.

Despite declining sales, EBITDA before restructuring expenses rose by EUR4 million year over year to now EUR50 million. This increase is driven by the stable gross profit because of better project margins and improved service sales share, combined with a reduction in operating costs. Consequently, the EBITDA margin was significantly up from 10.5% in Q3 last year to now 12.5% in the quarter, the highest level ever achieved for a third quarter.

Moving to food and healthcare technologies, which continued its sequential profitability improvement and generated strong organic service sales growth. Organic order intake increased slightly by 0.6% year over year, although no large order was booked in the quarter. The prior year quarter contained a large order totaling EUR16 million from the pharma industry.

The growth in the customer industry, food, offset the decline in pharma, which mainly resulted from the high comparison base because of the large order received in Q3 last year. Sales grew organically by 3.4% year over year to which both the new machine business and the service business contributed.

The service business reported a strong organic growth rate of 6.6% year over year, and the new machine sales increased organically by 1.6%. As a result, the service sales share expanded from 34.4% in the prior year quarter to 35.4% in the third quarter this year.

EBITDA before restructuring expenses continued its quarter-on-quarter improvement, reaching now EUR26 million in the quarter, significantly up from the low point of EUR15 million in Q2 2023 and the EUR17 million in Q3 last year. The corresponding margin has not only improved year over year, but also increased once again, sequentially, from 9.8% in the second quarter to 10.1% now in the third quarter. Main driver behind the profitability expansion are significantly better gross margins and stable operating costs.

Continuing with farm technologies, which had a strong service business in the quarter as well as a solid profitability improvement but continued to suffer from investment restraints of customers in its new machine business. Order intake increased slightly by 1.1% year over year organically. The growth in the service business overcompensated the decline in the new machine business for conventional and automated milking systems.

When looking at the order intake development on a reported basis, an adverse translational FX impact of EUR6 million, which corresponds to 3.5% of the order intake needs to be considered. Sales declined organically by 4.0% year over year. The very strong organic service sales growth of 10.7%, again, a double-digit organic service sales growth was not enough to entirely offset the organic new machine sales decline of 15%.

The service share increased further considerably on an already high level by 6.2 percentage points to now 49%. EBITDA before restructuring expenses decreased slightly by EUR1 million to EUR32 million as the higher gross margin was overcompensated by lower sales volume and higher operating costs. The corresponding margin nevertheless rose by 50 basis points from 15.7% in Q3 last year to now 16.2% in Q3 2024.

When looking at the first nine months of this year, farm technologies has achieved an impressive EBITDA margin of 15.2%, which puts the division comfortably within the guided corridor of 13.5% to 15.5% for the full year.

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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 an EBITDA increase. Let me run you through the details.

The division has reported solid order intake growth of 6.1% year over year, which was driven by strong demand development in base orders. Base orders are all orders with a ticket size of less than EUR1 million, which is basically our bread-and-butter business.

In terms of customer industries, distribution and storage remains a growth contributor. In addition, and probably not surprising to hear after having mentioned it already for several other divisions, dairy processing showed good demand.

Sales rose significantly by 12.9% organically. And this strong growth was driven by both, a very strong new machine business and service business. This division has considerably increased its new machine sales by [11.9%] (corrected by company after the call) organically on the back of a high order backlog and a general positive market environment.

The service business grew even stronger organically by 14.7% year over year, so that the service sales share improved further by 60 basis points to 37.8%. EBITDA before restructuring expenses rose by 11.8% to EUR20 million due to a strong improvement in gross profit. The corresponding margin of 13% remained on the already high level of the prior year quarter.

Closing the divisional chapter with the overview on the EBITDA growth contribution in the first nine months and in the third quarter of 2024, there are two important messages. First message, we have been able to increase our EBITDA before restructuring expenses in both periods considerably. And to this positive performance, all divisions contributed except for farm technologies in the third quarter. But overall, the very solid divisional EBITDA development is a clear sign that the group's EBITDA improvement is broad-based.

And the second message, we have managed to improve or at least keep gross margin profit stable in all divisions despite facing declining sales in some cases. And this holds true for the first nine months as well as the single quarter of Q3. Strict cost and price discipline, savings from our procurement and production optimization programs as well as the effects from the ongoing efficiency measures are the drivers behind this.

Coming now to another important topic, which is net working capital. In a year over year comparison, net working capital increased by EUR45 million to EUR494 million, mainly because of lower contract liabilities, which were only partially compensated by a reduction of contract assets. Inventories declined significantly as we continue to focus on removing our safety stocks.

This net working capital development is well covered by our guided corridor of 8% to 10% as the net working capital to sales ratio landed at 9.3%. Thus, the net working capital ratio remained stable within the guided corridor.

Free cash flow has been solid for the third quarter, but let's have a look at the details. The net working capital related cash outflows is becoming lower. While we started the year with a net working capital outflow of EUR115 million in the first quarter, the outflow has been lowered to EUR28 million in the second quarter and now limited to EUR15 million in this quarter. As a result, around 83% of the EBITDA before restructuring expenses has been converted into operating cash flow.

The pickup in CapEx-related outflow of EUR53 million after only EUR68 million in the first half of 2024 is in line with our indication of a step-up in CapEx in the second half and our full year 2024 guidance of around EUR240 million. Another rise in CapEx will be seen in the next quarter, so in the Q4 of 2024, mainly because of the progress in our new pharma site in Elsdorf, Germany. Thus, free cash flow stands at EUR126 million, leading to a net cash flow of EUR107 million after deducting lease payments and interest paid.

The solid net cash flow overcompensated the cash out for our ongoing share buyback program so that we ended the quarter with a net cash position of EUR66 million. Free cash flow of EUR152 million has been strong in the first nine months, up by nearly 50% from the EUR102 million achieved in the first nine months of 2023. The free cash flow generation over the last four quarters has been solid, too, reaching almost EUR390 million.

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The corresponding cash flow conversion ratio landed at 53% of EBITDA. Keep in mind, and as just mentioned, that we are expecting a further step-up in CapEx for the fourth quarter of 2024, which will have an impact on our cash conversion ratio. With that, I hand back to Stefan for the outlook

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

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 two things in the last months. First, that we are expecting a recovery in the second half of '24; and second, that the second half of '24 should be better than the first half.

The order intake performance in the third quarter has been the first step in the right direction. When looking at the order intake development on a rolling last four-quarter basis, the second quarter has marked the through, and the third quarter a turnaround. We are optimistic that the fourth quarter will confirm this trend.

As I have already presented to you, at the beginning of today's call, we have raised our profitability guidance once again. Let me only add here that we are, of course, confirming the upgraded EBITDA margin target as well as our unchanged organic sales growth guidance of 2% to 4% and ROCE of 32% to 35% for the full year '24.

The next important date will be the release of our full year figures on March 11 in '25, but I'm sure we will see many of you at the upcoming roadshows and conferences. Bernd, the Investor Relations team, and I are on the road seeing investors almost every week until mid of January. And I'm looking forward to meeting many of you in the coming weeks. This concludes my presentation, and I hand back to Oliver for the Q&A.

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

Yeah. Thank you very much, Stefan and Bernd. And with that, I turn the call back to you, Sarah. Please be so kind and open up the line for the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Klas Bergelind, Citi.

Klas Bergelind - *Citi - Analyst*

Thank you. Hi Stefan and Bernd. Klas at Citi. So my first one is on the margin in FTE, but also in LPT. There is quite a big boost from positive mix from new machine sales coming down like this with service still being solid. Was there anything else driving this?

Perhaps looking at price cost, did you get through more pricing than you might have expected earlier in the year? And so I'm really trying to understand if the solid margin performance here in FTE in particular, was just mix driven or also driven by other factors? I'll start there.

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

Okay. Klas, so no, there is nothing to be mentioned beyond what you just asked. So it has been purely driven by things which we have mentioned. So on the one hand side, the mix element, which was a clear driver.

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Second, for LPT, as I tried to highlight, I think decrease in operating costs, which is also an element of addressing capacity things in the course of the last quarters. And in FTE, it's basically a continuation of the strong pricing efforts, which we constantly do as well as the strict cost management.

Other than that, I mentioned the service share, which increased, which also added to that. And also important that the gross margin from our new machine business across our portfolio has increased. And this is also true for those divisions you just mentioned. So it's basically coming from all pieces, but no additional things which might be onetime elements.

Klas Bergelind - *Citi - Analyst*

Yeah. The reason why I'm pointing this out is obviously, we've seen a similar mix impact at other industrials when machine sales come off like this versus solid service growth. And it's not really specific to you, but still obviously means that we can't extrapolate this margin. It creates a quite tough compare into '25. But it's good to hear that the new equipment margin is also up in all divisions. So okay.

Then my second one is on the growth in SFT on the service side. I was under the impression that the issue following the change of the logistical supplier was almost fully solved there in the second quarter, but we get another strong quarter with strong service growth again. Is this underlying or some growth that we should have had early in the year? I'm trying to understand if the service growth in SFT will now slow a lot here into the fourth quarter. Thank you.

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

So we -- it was not our intention to confuse you with our details on the introduction of the new service element in SFT. But as we earlier said, so we had a shortfall as a result of the introduction of the new site of the logistic things in the first quarter. It was almost entirely compensated already in the second quarter. There was the one or the other small element, which went over into the third quarter, but there was not a significant element which distorted the third quarter.

So you should really see this as an underlying performance development. So nothing to be confused about that. So I would really say that this was a clean quarter for SFT in terms of service performance.

Klas Bergelind - *Citi - Analyst*

Okay. My third and final one is on the risk of impact from tariffs. Just want to cross check some numbers here. US sales is 20%. And I think you have earlier said that around 93% is sourced locally, i.e., 7% bought in. And I guess this is sourced from China. Are those numbers correct? Or is there anything else that we need to consider?

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

No, the numbers are in line with what we share with the public. So the magnitude of our US business is roughly 18% or 19% of the overall revenue base. And the local sourcing in the US is a little bit more than 90%. So I think we even shared the 93%, which you asked for. So I can confirm both numbers

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Klas Bergelind - *Citi - Analyst*

Thank you.

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Operator

Sven Weier, UBS.

Sven Weier - *UBS - Analyst*

Good afternoon. Thanks for taking my questions. The first one is just following up, Stefan, on the order intake. Obviously, you're repeating the second half outlook better than first half, which obviously suggests to us another sequential pickup in the fourth quarter.

I mean I just wonder, do you see that driven by large ticket orders now coming back? Or do you see that also the momentum still coming from the service business? And also in this context, maybe any early thoughts what you think that this tonight's election outcome means for the actual decision-making, especially maybe of your US client base?

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

Thank you, Sven. I think it's a mix of everything when we looked at the order intake. But like you could see and hear from Bernd also, the improvement or increase in the third quarter is mainly based on a very good basic business.

It's not impacted by larger projects. It's even the opposite. However, we see more and more tendency that also larger projects, we are talking about since months, let's say, are becoming more concrete that customers are now also more concrete about closing the deals.

And so we have many things in the air, which might come, hopefully, in the next months. So that's the reason why we are quite optimistic. So it's a mix of a very good performing and developing service business. It's also a very good basic business. And on top of that, we expect also larger projects to kick in more significant than at the first half of the year.

Yeah, the question of the impact of the US, let's see what comes. Like Bernd mentioned, we are already buying many things locally for those things we deliver, or we buy in the US. Of course, we need to also think about further localization, which we do anyway and anyhow not only in the US. That's, I think, a must for all machine building companies worldwide. So I'm not really scared that something significantly will change for us here.

Sven Weier - *UBS - Analyst*

And do you think that your US clients, you probably also have a few projects in the pipeline, will now find it easier to go ahead? Or do you think the election makes a difference there?

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

I wouldn't say that that makes a difference now, yes, because I mean, there's a lot of rumor and thoughts, but let's first see what in concrete terms is happening. I think those things we have in the air at the moment, they are -- they might be decided in due time. And I don't expect that we see any significant impact now from the election in the US for our business.

Sven Weier - *UBS - Analyst*

The second question I had is kind of a follow-up question to Klas' question on, obviously, you now have tough margin comps. You're improving the margin this year by at least 100 basis points. On the other hand, you have the new 2030 target.

I mean I always took it also in the past that you're aiming for a steady margin improvement towards the goal. So I guess whatever you come up with in March as a guidance, I guess you're not intending to stand still also next year on margins despite the tough comp.

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

I guess so, too, Sven.

Sven Weier - *UBS - Analyst*

That sounds good. And maybe the final question is just on your industrial heat pump business. I was just curious because we obviously saw a few weeks ago that BASF is going ahead with the biggest, I think, industrial heat pump in the world. I was just curious if that is also in your neighborhood as a product? Or would you cover that? Or is that too big of a scope?

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

It's difficult to comment on that because I don't have the details here right now. But what I can tell you and confirm that our heat pump business is significantly growing over proportionally. And that's also -- if you remember our presentation from the Capital Markets Day, it's one of the verticals where we expect a really strong growth rate also in the future.

So independent of who the customers are, we see a lot of opportunities, be it in a combination with existing larger projects which we sell anyway to make them more energy effective, be it district heating or whatever. So this will also be a growth driver for GEA in the future.

Sven Weier - *UBS - Analyst*

Understood. Thank you, Stefan.

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

Thank you, Sven.

Operator

Akash Gupta, JP Morgan.

Akash Gupta - *J.P. Morgan - Analyst*

Yes. Hi, good afternoon. And thanks for your time. I got a few as well. The first one I have is on your order intake growth. So again, you don't split your order intake growth between new machines and service. But if we look at into sales, you had 11% growth in service.

And if I assume that your orders and revenues in service are similar, then I get 1% decline in new machine orders. So maybe if you can comment on what sort of growth you are seeing in service and new equipment in your Q3 order intake. That's the first one.

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

Yeah, Akash, so as you rightfully said, we don't share those numbers in order not to discuss too deeply into the area of order intake, and we would like to continue. So therefore, no additional disclosure on this order intake.

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Akash Gupta - *J.P. Morgan - Analyst*

Okay. But maybe just a follow-up to that. Do you get service orders, which are long duration like multiyear service agreement? And do you book all of these multiyear service agreements in one go? Or do you book them as you go and do service at a point in time?

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

So Akash, we don't book it as a long-term contract. So therefore, we book only the elements, which are shortly ahead of us. So if we -- let's assume we get a three-year contract, we don't book the entire contract at one time.

Akash Gupta - *J.P. Morgan - Analyst*

Thank you. My second one is on your margin resiliency. Margins were quite impressive in the quarter. And we see that despite lower equipment sales, you were still able to improve margins, which show a good cost control on the new equipment side of the business.

The question I have here is that how much of this cost control on new equipment side to protect your profitability or reduce impact of under-absorption is driven by permanent actions like you have seen some -- you have done some restructuring in LPT?

And how much of that is maybe some temporary actions like utilizing holiday accruals of some employees? So maybe you can share some color on this margin resilience in your project business that what is driving the cost base control here? Thank you.

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

I think what we can share here, Akash, is that we started to do capacity adjustments at the end of last year already. This included also provisioning for a certain reduction in FTE, and this reduction in FTE is executed and has been executed in the course of the first months in 2024. And there are still the one or the other elements to be done in the fourth quarter.

So therefore, this has obviously a very positive impact in order to cope with capacity reductions. But at the same time, we are also very, very careful in terms of adding additional capacities here. So cost efficiency is on a -- has high priority. And other than that, the additional margin expansion is also due to the fact that in project execution, we have been very successful in the year 2024 in order to cope with project risks.

Akash Gupta - *J.P. Morgan - Analyst*

Thank you. And my final one is on your corporate expenses. When I look at third quarter, they were up EUR11 million year-on-year. Is there anything that is changing or maybe any color on what is driving higher corporate costs? Thank you.

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

I think with regard to corporate costs, I would like to indicate our guidance, which we have given early this year. The guidance was 1% to 1.5%. And you should expect that the cost will land close to 1%.

Akash Gupta - *J.P. Morgan - Analyst*

Thank you.

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Operator

Sebastian Kuenne, RBC.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Yeah. Thank you for taking my questions. My first relates to your comments on interest rates and interest rate development where you mentioned that you think projects will come back and one reason would be lower interest rates.

Now, this is not a situation that we are seeing at the moment. So what makes you confident that these large projects are not further delayed or even canceled, or tenders are being pushed out? That would be my first question. Thank you.

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

Yeah, maybe, it's a little bit the situation that a lot of many customers waited a certain period of time when interest rates picked up. They knew that they might be able to postpone things for 6 or 12 months or so. But I think more and more, a lot of customers are adapted to the current situation.

They know how the environment is. They know how the interest rates are. They don't expect any huge surprises. And that I feel, and I think make them also, again, more positive to make decisions and to do something, which they have in mind already since months.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Understood. Second question is on the order backlog. If I run the numbers, it appears that there was a cancellation or several cancellations amounting to about EUR100 million, which looks quite chunky. Is this just a new booking? Or do I do something wrong in my calculation? I just would like to have some clarity, if possible.

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

No, I think this will go back to, let's say, wrong assumptions in your model. So this is nothing we can confirm from our side. So there is no large cancellation. This is not something which we regularly see in our industry.

And if there are cancellations, if it would have happened, it would have been covered for the cost element. But we cannot confirm the number you have just shared. It's by far, far, far lower.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Okay. Then lastly, again, on the new equipment versus service ratio. If I look into FTE, for example, and I assume that you include about one-third of your service revenues in your order intake, it then appears that order backlog for new equipment has halved or actually more than halved in the last 12 months.

And with revenues in new equipment dropping 15% and probably falling further, I was wondering what the current capacity utilization is for Farm Tech, but also actually for some of the other areas where new equipment revenues are dropping sharply and where service is actually taking a very large portion now of the backlog. Thank you.

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

I mean it's right what you say. In farm technology, we see, let's say, a lower utilization of our factory, but this is something we did foresee. We adapted ourselves. We are flexible, and we made the necessary things, which have been -- which we need to do to maneuver through the situation.

It's also here that many factors are around, which are impacting the order intake situation of farm technology in the last months. But like you know, there's always a cycle. And also, we expect that this is picking up in latest next year.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

So for now, you would think that you carry the excess capacities with you for some time?

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

No, we don't do. We adjusted that. And we are quite flexible here. We have temps. We have also used different methodologies to adapt ourselves from the labor situation. So we are fine with the situation, and we can easily cope with that.

Sebastian Kuenne - *RBC Capital Markets - Analyst*

Thank you very much.

Operator

Sebastian Growe, BNP Paribas Exane.

Sebastian Growe - *BNP Paribas Exane - Analyst*

Yes, good afternoon, everybody. Thanks for taking my questions. The first one would be around demand and especially around the order backlog of EUR3 billion. If you could share with us how much of that is then relating to fiscal '25?

And I'm asking that question in wake of the fact that the backlog is down around EUR300 million year on year. At the same time, you have been calling the bottom in demand. So I would just be interested in getting some color around the visibility that you have at this stage going into the next year.

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

So in general, Sebastian, the order backlog in the magnitude you just described, I would say, 85% or so belongs to -- I would assume goes into 2025. The rest will move in the years ahead.

Sebastian Growe - *BNP Paribas Exane - Analyst*

Okay. Understood. And has it meaningfully changed so that you have different visibility levels going into '24 at the end of '23, so to just really get a better understanding how much visibility is down in a year-on-year comparison?

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

No, we do not really see a change in the pattern of the timing for order intake once it's converted into revenue.

Sebastian Growe - *BNP Paribas Exane - Analyst*

Okay. And as you also made the point around operational improvements and project execution. Yesterday, I heard that one of your competitors that had significantly reduced lead times. So the question I'm having around that backdrop is if you could -- or how quickly really you can benefit then from any potential acceleration in orders that you alluded to before?

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

I mean we have a lot of flexibility in our production, let's say. And when order intake situation picks up, we can easily also benefit from that. We will also benefit from that. We also -- like you can see in our increasing profitability this year despite we have very low growth rates, that also might give you some indication what could happen if we see much more overabsorption and the volume kicks in again.

Sebastian Growe - *BNP Paribas Exane - Analyst*

That makes sense. And then the last one is around project margins. We had previously the discussion around price mix more for the year '24. But given that you had made some positive commentary, I think, around pricing in the year '24, can you just share with us how much on a like-for-like comparison project margins are up in the backlog, roughly speaking?

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

We don't disclose here any specific margins for projects. But like you can also see, also where our largest projects are, we are developing in the right direction despite the volume is not at the peak. So we continue also, of course, with price increases.

Of course, in '24, it was not possible to increase prices like we could increase in the year '22 and '23. On the other hand, also costs were not up in the same magnitude. We even had the opportunity to source different components, which were available for lower prices than before. And that all kicks in. And we see also here a very good and stable and improving situation in the project management in the margin.

Sebastian Growe - *BNP Paribas Exane - Analyst*

All right, thank you.

Operator

(Operator Instructions) Lars Vom-Cleff, Deutsche Bank.

Lars Vom-Cleff - *Deutsche Bank - Analyst*

Good afternoon. Three quick questions, if I may. The first one regarding your LPT division. I mean, revenue was relatively weak in Q3 given a lack of new machine sales. Do you expect an improvement of the situation in Q4 already? Or shall we expect momentum to continue like we've seen so far this year also for the last quarters of the fiscal year or the last months of the fiscal year?

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

Yes. I mean the order intake situation in LPT, when we talk about a single quarter, it is the most difficult to predict because this is very often -- the larger projects normally are kicking in into LPT. And therefore, it's not so easy always to predict how it will be.

However, as I said before, we have a lot of interesting things in the air. And they might come already in the fourth quarter, they might come next year. But it doesn't matter. If they all come or not come, we will definitely be above the Q3. That's basically nothing which is a secret because this is if you calculate.

And what we need in the Q4 that my promises come true that the second half is better than the first half of the year, and it's also better than the last year's second half. Then it's quite easy that you can expect the Q4 where the order intake is higher than -- even again higher than the Q3. It is a clear statement, independent of how many large projects might kick in.

Lars Vom-Cleff - *Deutsche Bank - Analyst*

No, that is for sure. I mean if H2 is better than H1, let's say, 1% better, you would need a Q4 order intake close to a double-digit percentage figure or improvement in order to make that happen. Now, maybe if I said order intake, no, I meant revenue, LPT revenue, shall we expect momentum to pick up there or in Q4 or also the negative momentum to continue?

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

So as we indicated, Lars, the low organic sales growth or the negative sales growth in Q3 was driven by low order intake last year and earlier this year. And this is something which we should not expect to change significantly in the course of the fourth quarter.

Lars Vom-Cleff - *Deutsche Bank - Analyst*

Okay. Perfect. Thank you. And then with regards to your net working capital to sales, target corridor, you're still referring to the old one of 8% to 10%. But under Mission 30, you intend to lower this to 7% to 9%. I might have forgotten it, but when shall we expect you to officially switch to your new target corridor?

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

So what we will do is we will continue to measure 2024 against the guidance for Mission 26, then we will strive for moving into the Mission 30 target. And I think the main negative contributor to the current net working capital is the low advanced payment element and the low business volume. So if this goes into the area, which we expect for 2025 following, then we will move definitely into the new corridor.

Lars Vom-Cleff - *Deutsche Bank - Analyst*

Okay. Understood.

Operator

Thank you. And there are no further questions at this time. So I would like to hand the conference back to Stefan Klebert for closing remarks.

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

Thanks, operator. So thanks, everybody, for participating in that call. I try to summarize some important messages from today. First of all, we delivered another strong performance in this Q3 and also in the first nine months.

We increased our EBITDA margin target twice this year and are well on track to deliver our Mission 26 targets already in '24, two years earlier than expected. Especially if you compare that to other machine building companies, I think it's an outstanding performance you see here.

Beginning of October, we also presented our Mission 30 to you, which is about further growth, which is about value creation and also impact. And we set ourselves new ambitious financial targets for 2030, amongst others, EBITDA margin corridor of 17% to 19%, which is, of course, then a very clear best-in-class margin if we will be there.

And third, looking ahead for '25, that is of interest for you, we are quite optimistic to continue our successful financial performance also next year. So don't expect that we are going backwards. We believe and we think that also '25 will be another year in the row of continuing performance increase of GEA. Thank you for listening and have a nice day.

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