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G1AG.DE - Q1 2026 GEA Group AG Earnings Call

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PRESENTATION

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

Thank you very much, and good afternoon, ladies and gentlemen, and thank you all for joining us today for our first-quarter 2026 earnings conference call. With me on the call are Stefan Klebert, our CEO; and Alexander Kocherscheidt, our CFO.

Stefan will begin today's call with the highlights of the first quarter and Alexander will then cover the business and financial review before Stefan takes over again for the outlook 2026. Afterwards, we will open the call up 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, Oliver, and good afternoon, everybody. It's my pleasure to welcome you again to our conference call today. Please keep in mind that we operate under our new organizational structure from January 1, '26, and hence, we'll report our first-quarter '26 results in our new divisional setup, pure flow processing, nutrition plant engineering, pharma and food applications and farm technologies.

The new organization reduces complexity and reduces costs. We have already seen first benefits from it in the first quarter and for the entire year '26, we expect savings of EUR10 million to EUR15 million, another EUR10 million is coming on top on '27.

We had a strong start in '26. Our key performance indicators improved significantly once again. As indicated with our fourth quarter release, the EUR1.8 billion order intake, which we booked in the fourth quarter of '25 was extraordinarily strong and shouldn't be considered as a new normal. We benefited from nine large orders, which, of course, cannot be repeated every single quarter.

The first quarter of '26 reflects now a more normalized level of large orders and is with an order intake volume of EUR1.5 billion and an organic year over year increase of 6.4%, a very good start to the year. This performance is surely significantly better than the industry average. Orders below EUR5 million in size were the driver of this performance. In terms of large orders, so orders above EUR15 million,

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we booked three with a total value of EUR73 million versus three large orders amounting to EUR83 million in the prior year quarter. Thus, the increase in order intake is coming from a broad base.

Sales rose by 1.2% to EUR1.3 billion. Organic sales growth amounted to 5.3%, which is already within the guidance range of 5% to 7% for the full year '26. EBITDA before restructuring expenses increased by 3.9% year over year to EUR206 million. The corresponding EBITDA margin improved to 16.2% and marked a new first-quarter record. Return on capital employed continued to rise at a high level further to 35.7% in the quarter, which is well within the full-year guidance range of 34% to 38%. Net liquidity decreased by EUR24 million year over year to EUR162 million due to a higher net working capital outflow in the quarter.

Let me briefly introduce to you our new offer that we have recently launched for our customers, GEA Security Partner. Over the past years, we have gained substantial information security expertise by implementing a holistic security approach throughout our own company. This includes hands-on experiences in securing complex global production environment, connected products, IT and OT landscapes, and regulated operations.

Since our customers are dealing with increasingly connected production environments and are facing new regulations such as the EU NIS2 directive and EU Cyber Resilience Act, they need to strengthen the security of their IT and operational technology environment. New obligations are coming up such as stronger security governance and mandatory incident reporting.

And this is exactly where our GEA Security Partner comes in. We have deep knowledge of our systems installed at the sites of our customers and therefore, can leverage our in-house security expertise to the benefit of our customers.

GEA Security Partner is a modular portfolio of complementary industrial security offerings which strengthened the security of the operational technology environment and helps them to establish the processes and structures needed to operate securely and meet regulatory requirements. The new offering enables us to turn our security expertise into a sustainable competitive advantage, strengthening customer relationships and differentiating GEA in the market.

Let me now say a few words on how the situation in the Middle East affects GEA given that the conflict has unfortunately not yet been resolved and continues to have far-reaching implications for the global economy. There are two dimensions that need to be considered, direct implications and indirect effects such as rising oil prices.

Starting with the direct implications, as already mentioned, with the publication of the full year results, our direct exposure to Middle East is low. We have neither production sites nor important suppliers in the region and we continue to negotiate projects with customers from the region. Therefore, we do not see any material direct impact on our business.

Turning to indirect effects through capacity constraints and cost inflation. We also do not see any material impact here. There are a couple of things to keep in mind. First, we are not an energy-intensive company. Last year, our energy bill amounted to less than EUR30 million and most of our energy consumption is already secured under fixed price agreements until the end of '26. Second, as just mentioned, we have no major suppliers in the region.

In addition, more than 80% of our procurement is sourced locally, which limits our dependency on global supply chains and in particular, to sea freight. Third, logistics are mostly arranged and paid for by GEA, but charged to the customer. Of course, we are not completely immune to price inflation resulting from capacity constraints and higher energy costs due to the conflict in Middle East.

We expect price increases, especially in energy intensive raw materials such as steel. In response, we are engaging in an active dialogue with our suppliers to negotiate against price increase requests and are counteracting these effects with targeted measures also with price increases whenever necessary. From today's point of view, the indirect implications remain manageable. Nevertheless, we continue to monitor the situation closely.

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With that, I would like to talk not only about the negative aspects and risk, but also about the opportunities arising from these volatile times for GEA. Due to the increasing scarcity of energy resources and the associated rise in energy costs, energy efficiency is an even more important topic than ever. Now more than ever, majority of our customers are very energy intensive.

The current situation creates an even stronger incentive to modernize their asset base and processes. At GEA, we are very well positioned to benefit from it due to our Add Better products and sustainable solutions portfolio. We have already launched our environmental label Add Better in summer '23. And this label marks GEA products and solutions that are significantly more resource efficient than their predecessors.

Solutions range from different applications such as our AddCool that reduces energy consumption for spray drying by up to 49%, and our tablet press NextGen 45 that reduces energy consumption by 27% or our electrical oven GEA E-Bake G2 that saves up to 32% energy consumption, just to mention a few of them.

At the end of '25, we had already 50 Add Better label products and the portfolio is growing further. This nicely reflects our strategy, which we follow for some years now. to innovate more energy-efficient solutions, it proves to be the right strategy more than ever before.

I now hand over to Alexander, who gives you more insight into our performance of the first quarter.

Alexander Kocherscheidt - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Thank you very much, Stefan, and also a very warm welcome from my side, ladies and gentlemen. I will now walk you through our business and financial performance in the first quarter, reflecting our new divisional setup.

Let's have a closer look at the group performance first. As Stefan has already highlighted, we had a strong start to 2026, also in terms of order intake. All divisions contributed to this positive development except for nutrition plant engineering, which faced a small decline.

From a customer industry perspective, dairy processing and dairy farming continued to be strong. In addition, pharma and other industries like distribution and storage as well as marinewere showing good demand. This underscores the broad-based strength of our order intake development. When looking at the order intake performance on a reported basis, an adverse FX translation effect of EUR49 million or minus 3.4% needs to be considered. Sales grew organically by 5.3%, driven by both new machine and service sales.

Organic growth in the new machine business reached 5.8%, supported by a strong performance of pure flow processing, pharma and food applications and in particular, of farm technologies. The service business reported a healthy organic growth rate of 4.6% once again, continuing its growth trajectory for the last 22 quarters.

On the back of the slightly stronger growth in the new machine business, the service sales share declined by 0.5 percentage points to 41.2%. EBITDA before restructuring expenses rose by EUR8 million to EUR206 million, resulting in a corresponding year-over-year margin expansion of 0.4 percentage points to 16.2%. Higher volume, better gross margin and stable operating costs were the drivers of the profitability increase.

Let's have a closer look at the performance of the divisions. I will start with Pure Flow processing, which is the former Separation and Flow Technologies division plus the compressor business unit from the former Heating and Refrigeration Technologies division. This division reported strong numbers across all key performance indicators. Significant order intake growth, solid sales as well as a further EBITDA margin expansion. Order intake rose organically by 13% year over year, driven by all order size brackets below EUR15 million.

Demand was strongest in dairy processing, beverage, food and marine. Thus, order intake strength was broad-based across both order sizes and customer industries. Organic sales grew by 6.3% year over year, driven by strong growth rates in new machine and service business. As both businesses grew roughly at the same rate, the service sales share remained almost stable at 47.5%. Higher sales volume, combined with a better margin quality in the New Machine business resulted in an improvement in gross profit.

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Operating costs rose slightly. As a result, EBITDA before restructuring expenses increased by EUR4 million to EUR126 million. The corresponding margin expanded at a high level further by 0.2 percentage points to 26.5% in the quarter.

Let's move on to Nutrition Plant Engineering, which is the former Liquid and Powder Technologies division plus the Solutions business unit from the former Heating and Refrigeration Technologies division. The division had a slower start to the year after a record fourth quarter.

As Stefan said earlier, the super strong volume of large orders we saw in the fourth quarter 2025 a should not be considered as a new quarterly run rate. Large orders tend to be lumpy, which drives higher quarterly volatility.

While Nutrition Plant Engineering had seven large orders with a total volume of EUR346 million in the fourth quarter of last financial year, we booked three large orders totaling EUR73 million in the first quarter of this financial year. All of them were in dairy processing. Thus, the strength in this customer industry continued.

On the back of the very strong performance in the fourth quarter, order intake declined year over year by 2.1% organically in the first quarter. Growth in customer industries pharma, dairy processing and distribution storage was not enough to offset the declines we saw in Beverage and Chemical. Sales declined organically by 4.8% year over year, Service sales continued its growth trajectory, increasing organically by 5.2% year over year.

At the same time, organic new machine sales declined by 9.3%, reflecting the late booking of orders in 2025. While order intake declined in the first nine months of 2025, it accelerated significantly in the fourth quarter.

However, these late booked orders in the fourth quarter could not yet be converted into sales. This is still to come and will lead to an improvement in new machine sales during the course of 2026, already beginning in the second quarter. As a result of the stronger service sales growth, the service sales share increased by 3.2 percentage points year over year to 34.4% in the first quarter.

The lower sales volume and the corresponding inferior cost absorption led to a reduction in EBITDA before restructuring expenses from EUR40 million in the prior year quarter to EUR32 million in the first quarter of 2026. The corresponding EBITDA margin fell by 1.3 percentage points to 8%. We expect a strong profitability acceleration in the coming quarters and, therefore, feel very comfortable with our divisional guidance of 11% to 13% EBITDA margin for the full year.

Moving on to Pharma and Food Applications, which is the former Food and Healthcare Technologies division. Nothing has changed here except for the name. Pharma and Food Applications reported a strong set of numbers again. This is the fifth quarter in a row with improvements in all major KPIs.

Solid organic top line growth, coupled with continuous margin improvement. Organic order intake increased by 5.9% year over year, mainly driven by orders between EUR1 million and EUR5 million in size. In terms of customer industries, Pharma and Food processing and packaging business positively contributed to this growth. Sales grew by 3.9% year over year in organic terms, driven by strong new machine sales. While the new machine business delivered an organic growth rate of 5.8%, the service business grew only slightly at 0.4%.

As a result of the stronger performance in the New Machine business, the service sales share decreased from 36.1% in the prior year quarter to 34.6% in this year -- first quarter of 2026. Despite the slightly lower reported sales volume and the lower service sales share, gross profit remained stable because of the better gross margin. Due to the lower operating costs, EBITDA before restructuring expenses rose by 6.4% to EUR33 million, leading to an EBITDA margin of 13.4%. This is an all-time high for first quarter. a strong start to the year.

Continuing with Farm Technologies. This division remained unchanged, neither changes to the portfolio nor to the name. Farm Technologies reported an outstanding quarter with double-digit growth rates in order intake and sales and a significant improvement in profitability.

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Let me give you some more details here. The favorable market environment for dairy farmers continued. After an already significant organic order intake growth of 26% in the fiscal year 2025, the first quarter of '26 reported another strong growth rate of 13.7% year over year. This increase was mainly driven by the strong demand for automated milking systems in the New Machine business.

In terms of order sizes, base orders, so orders below EUR1 million in size, showed a particularly strong performance. Sales generation continued to accelerate in the quarter following a positive organic growth momentum in the second half of 2025. Organic sales growth accelerated to 26% year over year in the first quarter.

New Machine sales experienced a substantial organic increase of 57.4%, which needs to be seen in the context of a weak New Machine business in the first quarter of 2025. Service sales grew organically at 3.9% as a result of the significant outperformance of the New Machine business, the service sales share declined from an extraordinarily high level of 58.7% in the first quarter of 2025 to 47.8% in the first quarter of 2020.

EBITDA before restructuring expenses rose considerably by 57.8% year over year to EUR34 million. Main reason for this extremely positive development is the significantly higher sales volume with the corresponding fixed cost absorption. The corresponding EBITDA margin increased by 3.9 percentage points to 16.7%, the strongest first quarter on record.

Let me close the divisional chapter with an overview of the EBITDA growth contribution in the first quarter of 2026. All divisions, except for Nutrition Plant Engineering contributed to the increase in EBITDA before restructuring expenses by improving their gross profit and, in most cases, lower operating costs. Farm Technologies was the largest EBITDA growth contributor in the first quarter on the back of significantly higher sales volume and the resulting capacity utilization.

Let me now turn to another important topic, net working capital. As in prior years, the first quarter shows the typical seasonal uptick in net working capital versus year-end. This quarter-on-quarter increase was mainly driven by a reduction in trade payables. In addition, inventories and contract assets increased due to the higher order backlog.

Year over year, net working capital remained almost stable at EUR383 million. The high volume of the large orders over the last four quarters led to higher advanced payments, which are reflected in an increase in contract liabilities. This results in a net working capital to sales ratio of 7%, placing us at the bottom of the guided corridor of 7% to 9%. On a rolling last four quarters basis, with smooth seasonality, the ratio has been stable over the last two quarters. As expected, free cash flow was negative in the first quarter of the year.

Let's have a look at the main drivers. Operating cash flow was a negative EUR125 million, mainly driven by two factors: first, the net working capital outflow from the quarter-on-quarter buildup; and second, the EUR90 million outflow in others. This position includes the outflow of bonus payments for fiscal year 2025, which, as you know, was again a very successful year.

The CapEx-related cash outflow of EUR33 million was rather low compared with our full-year 2026 guidance of around EUR240 million. This slower start is a pattern we have seen over the last two years. So we expect CapEx to ramp up in the coming quarters. As a result, free cash flow stands at minus EUR190 million, leading to a net cash flow of minus EUR240 million after deducting lease payments and interest paid. Quarter on quarter, this reflects the typical seasonal cash outflow in the first quarter, which reduces the net cash position to EUR162 million.

Like in previous years, the first quarter had a slow start in terms of cash generation, which will accelerate during the course of the year. We do expect roughly the same level of free cash flow for the full year as in 2025.

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 very much, Alexander. So after a strong start into the year and despite the conflict in the Middle East, we confirm our guidance for the fiscal year '26. There is an acceleration of sales growth to 5% to 7%. EBITDA margin before restructuring expenses between 16.6% and 17.2%. Return on capital employed in the range of 34% to 38%.

With this guidance, we expect continuous organic sales growth and further improvement in profitability for the sixth year in a row throughout all cycles and crises. Finally, our road map for '26. The next important date will be the release of our second quarter results on August 10, but I'm sure we will see many of you in the meantime at the upcoming roadshow and conferences.

Alexander, the Investor Relations team and I are on the road seeing investors almost every week until the end of June. We will occasionally be joined by one of the new Executive Board members, so we have a chance to get to know them better.

We are looking forward to meeting many of you in the coming weeks, be it in Frankfurt, Stuttgart, Munich, London, Paris, Stockholm, Copenhagen, Zurich, or Geneva. If you want to meet us in one of these places, please reach out to our IR team.

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

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

Thank you very much, Stefan and Alexander. And yes, we are ready for the Q&A. So I turn the call back to the operator, so please be so kind and open up the lines for the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Max Yates, Morgan Stanley.

Max Yates - *Morgan Stanley - Analyst*

Just my first question is around the order pipeline and kind of customer conversations that you're having. I guess we started the year at kind of EUR1.5 billion of order intake, slightly less than EUR100 million of large orders. When you think about how this evolves over the kind of coming quarters, do you see kind of large orders out there that mean we should have a couple of quarters where that number can be meaningfully more than EUR100 million? And when you think about your base order business, do you think about that sort of sequentially increasing from here broadly staying at these kind of levels or softening?

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

Thank you, Max. I'll take that question. I mean, I know that you are always concerned about order intake and growth, especially during these times. But let me once again repeat First of all, we are operating in extremely stable markets. It doesn't matter what kind of prices are around people need to eat and drink and also need medical health, and that is also what you can see.

I think GEA never ever grown so fast. If you look back the last 10 years, like we do now last year. I just want to repeat that we had an organic growth of order intake with 9.1% in the first quarter. We are above 6% with organic growth and that are very strong numbers. And the pipeline, if you look at the pipeline, the pipeline is very promising.

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We also expect that we can see very good order intake in the first half year. And by the way, not only coming from large orders, are also coming from a lot of medium-sized orders and base load. So we have a very optimistic view of the order intake even if you know that sometimes it's difficult to predict, will we book order intakes in the second quarter or third quarter. But I would be completely surprised if at the end of the year, we would not see again a very great order intake improvement and growth for this company.

Max Yates - *Morgan Stanley - Analyst*

Okay. And maybe if we could just touch on the deforming business because I guess this is the division where the market is most concerned given some of the pressure facing some of the farmers. And admittedly, it's more on the kind of crop side, that, that could feed through from fertilizer prices into grain prices. I guess the first bit is your order intake at 13.7% growth. Do you think there's any preordering in there ahead of potential price rises?

And then maybe the second bit related to dairy farming. Could you just talk through -- you talk about kind of gross profits increasing a lot. Margins have taken a big step change. Is that kind of level sustainable as we think about the rest of the year? Or is there anything unusual dairy farming margin in 1Q?

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

Yeah. I mean, first of all, you always will see some volatility in all the business in which we are in. But the good thing is that we have so many different businesses like we have not only Farm Technology. We have -- we sell heating -- cooling compressors. We sell heat pumps.

We have pasta machines. We have bakery ovens and so on. And every business has somehow a cycle. But due to the fact that we have so many businesses, it is always very, very stable what we see. When it comes to Farm Technology, we also had, in the previous year, a different situation.

We had, let's say, under load in the factory that is now turning around. And by the way, we also did and continue to do a lot of performance improvements in value engineering, in COGS programs. So I'm very optimistic that we can also keep the speed and the level of performance you see in Farm Technology. It might be, of course, that there is always a kind of volatility when the milk price is going down or feed price is going up or whatever. But over the cycle and also for the full year, we expect here also a good development.

And you know that we have a guidance for Farm Technologies this year, 14.5% to EUR16.5 million EBITDA margin since the first quarter was a very good one. But we are also very optimistic that this will stay a very good business. We also do a lot of digitalization. That also helps us to improve year by year the recurring revenue. And of course, the margin is also very interesting when we talk about digitization because COGS are very limited when we sell some more.

Operator

Klas Bergelind, Citi.

Klas Bergelind - *Citi Infrastructure Investments LLC - Analyst*

Klas at Citi. So I just want to come back to farm tech. I was wondering on the sort of indirect impact following the conflict tied to the behavior of your customers and asking this in a slightly different way, if you can go through region by region, in March and April, am I right that European farmers are now a little bit more hesitant placing orders because of potentially higher feed costs and general macro uncertainties.

You obviously have a very tough compare on orders in the second quarter. And I'm sort of interested whether we can have a slowdown in Europe beyond that effect. I will start here.

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

Yeah. I have no knowledge that we have some order acceleration simply because customers have feared that it might not be as favorable anymore in the future. So we have good products. We have expanded our product range like you know, we are also active in feeding robots. We also have developed a lot of digital products like CattleEye, where we have also important AI application.

So I'm also here quite optimistic. And as I said before, we have no reason to believe that business is declining or order intake is flattening.

Klas Bergelind - *Citi Infrastructure Investments LLC - Analyst*

Okay. Also in Europe -- okay. No, that's good to hear, Stefan. My second one is also on Farm Tech on the margin. Obviously, if I look back the last 12 months, you've sold many automated melting systems. And I was just wondering whether this has some sort of mix implication within the equipment margin. Obviously, great to see this strong operating leverage, bad utilization, but I was wondering whether the mix within equipment is also better because of selling more automated milking systems.

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

Yeah. I mean, what comes normally on top of the automatic milking system is the digitization, yes. I mean, I think we don't have a single customer, I would guess, who buys automatic milking system and no digital solutions because this is bringing the benefit.

And therefore, we also have quite intelligent and good pricing models, I would say, with the digitization. We had always things on top like now the CattleEye version where we can see with the camera at the roof of the of the farm, which animal is behaving and working differently. We can see much earlier the illness or not and connect. So these are all things which has a lot of value for our customers. and that is normally all associated with the topic automatic milking system.

Klas Bergelind - *Citi Infrastructure Investments LLC - Analyst*

Okay. My final one is on the margin in NPE. The service mix is up year over year, but the margin is weaker than I thought. I get the lower volumes on the sort of equipment side. But is there any weak sort of legacy projects moving through the backlog before you start to ramp on the new backlog just to see if there is anything else going on, on the margin?

Alexander Kocherscheidt - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Let me take this, Alexander here. So we do not see any other reason for the margin development now in Q1 other than the fact that we were lacking volume in total. Yes, you see that we have compared to the previous quarter or the last year quarter one, more than EUR30 million turnover less. And this effect and the missing margin on this led to the drop in EBITDA. So that's the reason for this development.

Operator

(Operator Instructions) Akash Gupta, JPMorgan.

Akash Gupta - *JPMorgan Chase & Co - Analyst*

I got two as well. And the first one is on your Q1 order intake, which I see growth is driven by smaller size orders. And wondering if you can quantify order growth in service and whether customer placing orders for spare parts, EBITDA, given the volatility in geopolitical environment and if that had any impact on Q1 order intake.

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And my second one is on restructuring. You had only Q1 with EUR5 million. You have not given any indication for full year in your prepared remarks. So maybe wondering if you can comment on what kind of restructuring expenses we should expect in the remaining year given 2026 is the last year when you will be splitting it out. And from next year onwards, it will be part of guidance.

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

Akash, we haven't got the first question really. Can you maybe repeat again what exactly you mean here?

Akash Gupta - *JPMorgan Chase & Co - Analyst*

I mean, you had -- so you had good growth in small size orders. And I was wondering if you had seen any prebuy of spares and -- spare parts because of the volatile geopolitical environment, I mean, the conflict in the Middle East, maybe --

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

I understand no. I mean, there is nothing which we found out here.

Alexander Kocherscheidt - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Yes, I can take the second one. So you were asking regarding the restructuring expenses. First of all, you know that this year is the last year that we will report our results before restructuring expenses. So this will come to an end in '26. We expect until the year-end, still an amount of restructuring expenses, which is less than we had last year. So we do not expect the level that we saw last year to repeat. And yes, to give you a little bit of a number, I would say we expect roughly in the region of EUR40 million this year.

Operator

Sven Weier, UBS.

Sven Weier - *UBS AG - Analyst*

Just one. Just following up on the organic growth guidance for the year because I remember you originally thought that Q1 would be the same seasonality as last year, so the lowest growth rate of the year. but it was already in the guidance range. So I was wondering, do you still confirm that, that Q1 should be the lowest growth rate? Or did the growth come out a bit higher than you would have thought?

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

Yeah. I think it was really -- like we said, a really good start into the year. Therefore, we also have been a little bit surprised about the stock market reaction today. We have no reason to believe that the next quarters will be somehow worse or going down. So we have a good order backlog.

We had last year a great order intake, especially in the fourth quarter. We have now the first quarter with a good order intake. We have a good pipeline. Also when it is about NPE, I am quite optimistic that for the first half year, we will see also an NPE higher order intake compared to previous year, higher sales compared to previous year, and our EBITDA compared to previous year. So we have a very optimistic view and that is also backed by the pipeline we see.

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And therefore, we are also very, very optimistic that we achieve our guidance. This is what we, I think, proved to do since years now. And we have no reason to be scared or afraid that we wouldn't make it.

Sven Weier - *UBS AG - Analyst*

But is it still fair to say that the second half growth rates year on year should be higher than the first half, just given the phasing on NPE of the big tickets.

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

Yeah. That should be the case, yeah.

Operator

Louis Billon, Alpha Value.

Louis Billon - *AlphaValue - Analyst*

So my first question is on the food sector. So food companies are starting to talk about inflation, and they will increase their price. So I assume this could reduce volumes. So if the work continues, should we expect a slowdown in order intake in the food sector?

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

I mean, I wouldn't expect that because -- I mean, look, this is also what you can see over the years. It doesn't matter what goes on in the world, be it COVID crisis, be it supply chain rises, be it Ukraine war, be it Iran, war, people need to eat and shrink. And that is also what we see and what we note here. And on top, I can also tell you, we see at the moment a very interesting new trend the world, and that is also something who you might have noticed, is very much interested in high protein.

So we also have many projects going on at the moment, also medium and larger ones where customers are talking to us about high-protein investments because there is a huge demand and you see meanwhile, product in the market, in the supermarket, in the stores, which exists since more than 20 or 40 years.

And they are all of a sudden now also available as high protein versions. So there is a big, big trend towards high protein. And that is something which also might trigger additional investment on our side -- our customer side.

Louis Billon - *AlphaValue - Analyst*

Okay. Very clear. And maybe another question. Could you give us more color on all your suppliers will be impacted by the war in the Middle East and how it might impact your margin?

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

Yes. Like I said before, we don't have any significant supplier in that region. And we source also a lot of things locally. GEA is still very decentralized when it comes about suppliers. And that also helps us even if logistic costs are going up, that might have less impact on GEA like compared to other companies because we have quite also decentralized suppliers.

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And of course, the old game is starting again that some suppliers trying to increase prices, but we have, like you know, a great purchasing organization, we can also defend that. whenever it is acceptable and understandable we take it, but then we also can pass it on to our customers. And therefore, as I said before in my speech, we don't see a significant impact neither from direct north or indirect effect coming out of the Middle East conflict.

Louis Billon - *AlphaValue - Analyst*

Okay. That's clear. And maybe a last question concerning New Food. So there is a strong growth this quarter from a very low base, I guess. So what the pipeline looks like in New Food for 2026? And what do you expect looking forward?

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

Yes. New Food is an area where we believe that this will sooner or later be really important for the world. We are very well positioned. But I think there is no other supplier who is as good positioned as we are, and we also expect that this year, I cannot always tell you in which quarter because this is very difficult to foresee. But we expect that this year, the order intake in New Food will be significantly higher than last year.

Operator

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

Lars Vom-Cleff - *Deutsche Bank AG - Analyst*

I've got three questions. Maybe I'll start with the first two for Mr. Kocherscheidt . If my calculation is correct, your cash conversion ratio at the end of Q1 was 4% and so far below recent ratios and your Mission 30 target of 60%. You already indicated that you're expecting free cash flow to be more or less flat year on year. So taking the current EBITDA consensus, I would end up with a cash conversion ratio of around about 50% for this year. Does this sound reasonable to you?

Alexander Kocherscheidt - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Yes, that sounds reasonable. So the 60% is the guidance that we for the Mission 30 time frame. And we have already reached it, but you cannot expect that to continue or happen every year. I think with the absolute cash that we are expecting to turn in this year, we are quite, let's say, happy with this number that we keep it on the same level like the last years. And yes, but your calculation, that sounds about right.

Lars Vom-Cleff - *Deutsche Bank AG - Analyst*

Perfect. Then we saw that your higher cost of goods sold were partially offset by lower G&A expenses in Q1. Is this a trend we can expect to continue during the remainder of '26?

Alexander Kocherscheidt - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

What did you say? Sorry, I didn't get that. Lower --

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Lars Vom-Cleff - *Deutsche Bank AG - Analyst*

Higher -- your material costs were slightly higher, but your G&A costs were lower.

Alexander Kocherscheidt - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Yeah, yeah. Yeah, sorry. Now I get it. Of course, this -- as you know, we also have in our Mission 30, a clear focus on bringing the G&A costs down and the restructuring efforts that we -- or the new setup of the company that we introduced end of last year, which is now in full operation this year, already plays a role in this G&A and this journey will continue for sure. This is exactly what we are focusing on.

Lars Vom-Cleff - *Deutsche Bank AG - Analyst*

Perfect. And maybe just as I remember, the SAP implementation, I guess, is running according to plan. Are you able to say how much of your revenue are already on the SAP platform in the meantime?

Alexander Kocherscheidt - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Yeah, we can say that. So we have -- this -- beginning of this year, we had a launch of the next wave as planned. And we are now running roughly in the region of 15% of our revenue on the new platform. There is a new rollout plan for end of this year with another chunk coming on to the platform, but it's also true that we have still a way to go, which we always communicated that this will run well into 2030, and this is exactly -- this is unchanged the time line.

Lars Vom-Cleff - *Deutsche Bank AG - Analyst*

Perfect. And then maybe ending with a quick question for Mr. Klebert. We recently saw some smaller transactions in the market without you being involved or not finally showing up as a buyer. Is there any update on your M&A pipeline and or ambitious ambitions? Or is that unchanged from what you say before.

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

No, I can give you some updates. First of all, we are not interested in mom-and-pop shops as long as they do not have a very special technology. We made some small acquisitions of that kind, but we are not looking for companies with EUR40 million, EUR50 million, EUR60 million sales because they are very, very hard and difficult to integrate in a larger corporation like ours. That should be something very special. So we are looking more for larger, should be minimum EUR100 million sales or better [500] or whatever.

So this universe is somehow limited. And I can only repeat what I always said. We don't do any stupid things. We are ready to make acquisitions. We have enough power firepower, but we buy only something when we feel it's the right price for the right target.

And we have a good a good strategy in place like you can see. I mean there are -- I don't know if you find any other example of a machine-building company having organic sales growth and order intake last year for more than 9% and now in the first quarter, 6%. This shows that we really have good products, innovative products. And therefore, we are open for M&A, but right target for the right price and then we do it.

Operator

Timothy Lee, Barclays.

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Timothy Lee - *Barclays Services Corp - Equity Analyst*

So my first question is about the large orders. So this quarter, we have three large orders like last year. The demand is a little bit lower than last year. I know the last orders will be roughly longer timing of scale every quarter. But can you give us a little bit more color on what do you expect or what we could expect in terms of the big orders because in the course of the year?

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

Yes, thanks for your question. I mean we have a very good pipeline. Also for medium and large projects, we have in the pipeline orders in the magnitude of three-digit million. We also have a lot of medium-sized projects in our pipeline. And you might remember that I also made last year the example of the Baladna order where it took one more year from handshake until we could book this order, and there was no single day when this job was on risk.

But big projects or larger projects are almost impossible to predict in which quarter they are. What I can tell you is we have no reason to doubt that our growth will come to an end. We see good order activities, good pipeline for small and for medium and also for large projects.

Timothy Lee - *Barclays Services Corp - Equity Analyst*

Understood. And then my second question is about the margin for Pure Flow Processing. I mean the margin for the quarter is flattish over the last year. Quarter, that is the biggest segment for us and for our group margin to move towards our full year guidance. I think we also need to see PFP margin to improve further from the first quarter level. So can you give us a bridge on what we can expect for the improvement in margin for the segment in the coming quarters?

Alexander Kocherscheidt - *GEA Group AG - Chief Financial Officer, Member of the Executive Board*

Yeah, I can take these things. So we are -- so with the margin that we achieved now in Q1. And if you compare this to the full year guidance for Pure Flow Processing, which sits between 26.5% to 28.5%. We expect this -- to continue this development. And there is also I think it's fair to say that there can be the expectation that this will also go up because we are now at the lower end of the guidance. And in this range, we will definitely land also for the full year.

Timothy Lee - *Barclays Services Corp - Equity Analyst*

Understood. And my last question is about China, India. This is probably for Stefan. I think this year or since the restructuring, we are putting these two regions under your direct supervision. Can you give us a little bit kind of what you have on or what you have seen to have changed in these two regions after the restructuring? And what opportunities we can expect from here?

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

I mean the org change we made with China and India is nothing you can feel now in the first quarter or in the second quarter, it's more a question of having the right setup for the future. What we do -- in the past, these countries were also very much, let's say, controlled by the divisions, a lot of discussions and so on.

So both country CEOs are reporting directly to me. And that is also what we can see now that this is accelerating decision making that we also build up more local knowledge and know-how. We will increase the number of engineering in these countries.

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We will increase also product managers and everything, which makes these countries more independent from the existing know-how areas here in Europe because we strongly believe that these countries need their own products and own R&D sooner or later. And they need to become more independent. And this is nothing which changes in one quarter or another one, but we can feel a different spirit here. We can also see, like I said, that decisions are done faster, and it goes in the right direction.

Operator

No further questions at this time. I would now like to hand back to Stefan Klebert, CEO, for closing comments.

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

Thank you. Thank you very much for your questions. Let me summarize. I think, first of all, we had really, after a very successful year last year, and it was, I think, now the fifth or sixth year in a row where we could improve all our KPIs through all cycles and crises in the world. We started again very good, and we have a very optimistic view also for the remainder of the year.

We are fully in our guidance already after the first quarter. And the first quarter, you also know is in a company like ours normally not the strongest one. So we are very optimistic that we can achieve all guidance parameter and that we are fully on track also to achieve our Mission 30 targets. And with that, I think we can close today's call. And thank you very much for your interest.

Operator

Thank you. This concludes today's conference call. Thank you for participating, and you may now disconnect. Speakers, please stand by.

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