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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the GEA Group AG Q2 2023 Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Oliver Luckenbach. Please go ahead.

Oliver Luckenbach - GEA Group Aktiengesellschaft - Head of IR

Thank you, Heidi. Good afternoon, ladies and gentlemen. As you can imagine, it is not a normal conference call for us given the sudden and unexpected death of Marcus Ketter this week.

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 Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director

Thank you, Oliver. As Oliver said, our Chief Financial Officer, my dear colleague and good friend, Marcus Ketter, suddenly and unexpectedly passed away on Sunday at the age of only 55. You can imagine that we are all shocked and devastated by his loss. With Marcus, GEA loses an outstanding CFO and a highly valued individual who strived professional excellence and also distinctive sense of humor will be greatly missed.

Personally, I'm also losing a dear and loyal friend. Our thoughts are with Marcus' wife, his 2 children and his entire family. Despite this tragic loss, we will now provide you with a detailed update on our Q2 numbers.

As you all know, we had a strong start into 2023, and this positive development continued in quarter 2. Order intake has been up by 2.4% organically, a decline in reported terms slightly by 1.6% year-over-year to EUR 1.38 billion.

I hope this proves to you that the fact we are not giving quarterly order intake indications anymore, was and is not a signal that our order intake will suffer. We even have an optimistic view, especially for our new technologies, for new food, for CO2 capturing and for our sustainable products. I will talk about these topics in more detail soon.
Sales has been growing nicely by 9.4% organically, leading to a strong improvement of our EBITDA before restructuring expenses by 14.4% to EUR 192 million. The respective EBITDA margin was up by 1.1 percentage points to 14.3%. Last but not least, we also increased our ROCE significantly by 4.1 percentage points to 33.8%.

Sustainability is one of our 7 strategic pillars in our Mission 26 because we are convinced that GEA can and will play a major role in the decarbonization journey of our customers. We enable our customers with our technologies and solutions to achieve their climate targets and meet ever-increasing regulations around emissions, water consumption and waste disposal by taking a more circular approach to processes.

In order to empower customers to make smart decisions for a greener future, we launched our Add Better label in June. Add Better is our ecocert promoting GEA’s sustainable solutions that are significantly more resource efficient than their predecessors. The efficiency improvements are calculated according to ISO standards and are validated by TUV Rheinland, a global leader in independent testing, inspection and certification services. This ecocert provides customers with a maximum transparency as they can access the data behind each Add Better label.

When we launched Add Better in June, our AddCool spray dryer, the marine separator and the dairy robot were the first solutions to receive the label. All 3 of them consume between 9% and 49% less energy than their predecessors.

In the meantime, other technologies have been added to the Add Better portfolio. These include also water efficient technologies like our water saving unit for the cooling of separators. By reusing the cooling water, this unit can save 99.9% water compared with the previous generation, totaling around 1.3 million liters of water per [year] (corrected by company after the call).

To give you a feeling of the magnitude, the annual water saving equals 19 40 feet freight containers full of water. So we are talking about really significant water savings here.

At our Q1 results in May, we have talked about our carbon capture technology, which, in the meantime, we installed at Phoenix Cement in Beckum, Germany. Phoenix Cement has an annual production capacity of 500,000 tons of cement and is emitting 1,000 tons of CO2 per day.

First analysis have shown that our solution is performing well and is able to capture 90% to 95% of the daily emission. The clear aim of the pilot plant is to reduce the production-related CO2 emissions through carbon capture. In addition, our customer would like to go even a step further and develop with us a complete value chain of carbon capture, including transport, storage, and if applicable, utilization.

After the successful pilot, the scale-up is planned. Due to its mobile containerized design, the pilot plan can also be used in other cement plants worldwide. We are currently seeing a strong demand for this technology, especially in Europe and North America.

CO2 is generated in many industrial processes, not only in the cement industry. And at the same time, it is also often essential for the reduction of many products, for example, in the brewery industry. No beer can be produced without CO2. The industry is dependent on the CO2 market unless they are investing into technologies to capture the CO2, which is generated as a byproduct during the fermentation process.

We do offer technologies to recover, purify and reuse the CO2. A result of our purification process is 99.998% fewer food-grade CO2, which can be used for carbonating the beer or any other beverages.

Our technologies enable the customer a circular economy with a clear benefit to be CO2 self-sufficient, and hence, independent from the CO2 market. It can even turn out to be an additional revenue stream if more CO2 has been recovered than needed for the beer production. Payback periods are short, ranging between 1.5 and 4 years, making the CO2 recovery an attractive investment.

In addition, customers can optimize their energy costs for the CO2 recovery system by reusing the waste heat arising from the CO2 recovery process.

CO2 recovery from alcoholic fermentation is not a new technology. We have systems installed in 35 countries and 4 continents. But in the last years, this technology has gained a lot of traction, and we are convinced the demand for this technology will further rise.
I will continue now with the business and financial review. We were able to continue with a positive development from Q1 ’23 by further improving the majority of our key performance indicators.

Once again, we have managed to grow our order intake organically year-over-year despite a strong prior year quarter. Due to negative FX impact, reported order intake declined by 1.6% to EUR 1.38 billion. Three large orders with a total value of EUR 81 million were received in this quarter in comparison to 2 large orders totaling EUR 52 million in quarter 2 ’22.

Quarter 2 ’23 was another quarter of strong organic sales growth. Sales was up notably by 9.4% year-over-year on an organic basis, driven by both strong service and new machine sales growth.

EBITDA before restructuring margin reached 14.3%, a significant 1.1 points increase and was driven by an improved gross margin and slightly lower operating costs.

ROCE improved further due to the strong increase in EBIT before restructuring expenses, overcompensating the higher capital employed. All divisions contributed to this positive development, except for Food & Healthcare Technologies.

Our net liquidity declined from EUR 264 million to EUR 65 million mainly because of the second tranche of our share buyback program, which we finished at the end of the fiscal year ’22.

Between the second quarter ’22 and the year-end ’22, we bought back own shares for, in total, EUR 170 million. As you all know, these shares are held as treasury shares. So all in all, another successful quarter.

Looking a bit deeper into the group performance. Order intake declined in reporting terms by 1.6% to EUR 1.38 billion due to FX effects, but grew by 2.4% on an organic basis. Liquid & Powder as well as Food & Healthcare Technologies grew their order intake organically and overcompensated the declines in the other 3 divisions.

From a customer industry perspective, beverage was again strong, but major growth contributor has been chemical in this quarter. As I just said, this quarter has seen 3 large orders, but also orders between EUR 5 million and EUR 15 million have seen an increase year-over-year.

Given the strong order backlog at the end of Q1, sales grew strongly by 9.4% in organic terms. Service sales grew organically by an outstanding 12.7% year-over-year, driven by healthy growth across all divisions.

Also new machine sales have been strong, growing by 7.7% year-over-year. While the new machine business at Liquid & Powder as well as Food & Healthcare Technologies has been flat, year-over-year the other 3 divisions have been growing their new machine business by double-digit percentage points organically.

The service sales share was 35.5%. That means 0.9 percentage points higher than last year. The strong organic sales growth, combined with an increase in the gross margin and lower operating expenses resulted in an EBITDA of EUR 192 million, an EUR 24 million improvement versus quarter 2 ’22. When looking at the EBITDA margin, we achieved a significant year-over-year improvement of 1.1 percentage points.

Now let me continue with the figures for the division Separation & Flow Technologies, which had a very strong quarter in terms of sales and profitability. Order intake declined organically by 5.3% year-over-year. This decline is purely the result of an extraordinary high order intake level in the prior year quarter of EUR 420 million. Since Q3 ’22, this division has been growing its order intake organically each quarter on average by 11.8%. This is a fantastic growth, I would say.

In this quarter, the growth in the customer industries, dairy processing, new food and in industries such as oil and gas, energy and renewable resources was unable to compensate for the decline in the other customer industries.
The order pipeline overall is on a stable level compared to prior year. The order backlog of EUR 663 million is almost on the same level as the record backlog at the end of Q1 ’23, which lays a good foundation for further sales growth in the coming quarters.

Organic sales grew considerably by 14.7% year-over-year, driven by double-digit organic growth rates of both service and new machine. The service sales share decreased on a very high level by 1 percentage points to 45.9% in the quarter.

EBITDA increased strongly by EUR 12 million to EUR 99 million and the EBITDA margin improved by 0.8 percentage points to 26.1 percent. Higher sales, declining operating costs and the better margin in the Service Business resulted in a notably increase in profitability.

Let’s move on to Liquid & Powder Technologies. Order intake increased organically by 15.8% year-over-year. While the customer industries, beverage and chemical, showed a strong positive development in this quarter, food, new food and dairy processing were below prior year’s level.

Liquid & Powder Technologies has won 3 large orders totaling EUR 81 million this quarter versus one large order of EUR 32 million in Q2 ’22. These large orders were received from the customer industry chemical for distillation and gas cleaning.

Project pipeline looks overall good with beverage in a more dynamic performance than food and dairy processing. Order backlog remains virtually unchanged from Q1 ’23 at a record level of EUR 1.6 billion.

Sales increased organically by 3.7% year-over-year. While the service sales grew organically by 17.6% year-over-year, the organic new machine sales remained unchanged.

As in the first quarter of ’23, the higher order backlog at the beginning of the year has not yet been processed as many large orders are still in the engineering phase. This explains the muted new machine sales generation in this quarter and will lead to an acceleration of sales growth later this year.

Due to the strong service sales growth, the service sales share increased by 2.8 percentage points to 23.4% in the quarter. EBITDA before restructuring expenses rose by EUR 1 million year-over-year to EUR 40 million and the EBITDA margin increased by 0.1 percentage points to 9.2%. Gross profit rose due to higher service volume and better gross margin, while operating costs remain stable.

Continuing with Food & Healthcare Technologies. Order intake was up by 2.6% organically year-over-year on an already high level of order intake in prior year’s quarter. As you might remember, Q2 ’22 contained one large order of EUR 20 million.

Even though no large order was booked in this quarter, the order intake increased from EUR 282 million in Q2 ’22 to EUR 287 million. When looking at the order pipeline, we are expecting an overall stable business environment.

Organic sales growth was 3.6% year-over-year. This was driven by a strong organic sales growth of 11.8%, which overcompensated the flattish new machine sales. As a result, the service sales share increased by 2.3 percentage points to 33.0% in the quarter.

EBITDA decreased by EUR 4 million year-over-year and the respective margin dropped from 8.1% in Q2 ’22 to 6.1% in Q2 ’23.

Gross profit declined year-over-year due to lower margins in the new machine business. The profitability of the new machine business has been impacted by the execution of some other projects with long lead times, whose selling prices had not yet accounted for the cost inflation. Operating costs, however, remains stable.

Moving to Farm Technologies. As you might remember, we have stated in our last conference call that we might see a temporary phase of lower order intake growth on the back of contracting raw milk prices and higher interest rates. Q2 has now seen a normalization of the order intake after several quarters of strong growth.
The organic order intake decline of 4.5% year-over-year was mainly driven by manure and conventional milking systems because of tougher financing conditions in combination with falling milk prices. Demand for automated milking systems, which do account in the meantime for roughly 1/4 of the business, has remained relatively stable.

Sales increased organically by 9.9% year-over-year. This strong development was driven by an organic new machine sales growth of 11.3% year-over-year and a healthy service sales growth of 8.2% year-over-year. The service sales ratio declined on a very high level by 0.9 percentage points to 44.2%.

EBITDA increased strongly by EUR 9 million and the according margin improved from [15.2%] (corrected by company after the call) from 11.3% in Q2 '22. Gross profit has been significantly above prior year's level driven by strong organic sales growth and better margins, which overcompensated the increase in operating costs.

Finally, let us turn to Heating & Refrigeration Technologies, the division with the strongest organic sales growth in this quarter. After 8 quarters of strong organic order intake growth, 14.9% on average, order intake decreased organically by 9.1% in Q2.

The year-over-year decline results from an extraordinary high order intake in the prior year quarter and postponements of larger orders into Q3. The positive development in heat pumps and sustainable engineering solutions, we call it SEnS, continued.

Organic sales increased strongly by 21.9% year-over-year and was driven by new machine sales growth, accelerating from 22.1 percentage in Q1 '23 to 28.7 percentage year-over-year in this quarter. Also service sales showed a healthy organic growth rate of 11.5%. Its sales share, however, declined by 3.2 percentage points to 35.4% due to the strong new machine sales.

EBITDA rose by EUR 3 million to EUR 16 million, and the according margin improved from 10.6% in Q2 '22 to 11.4% this quarter. Gross profit was up year-over-year due to higher sales and better gross margin, which overcompensated the increase in operating costs.

Closing the divisional chapter now with the overview on the EBITDA contribution. Except for Food & Healthcare Technologies, all divisions contributed to the profit improvement.

However, it clearly stands out that Separation & Flow Technology as well as Farm Technologies have been the major drivers accounting for more than 80% of the year-over-year EBITDA improvement.

In total, EBITDA before restructuring increased to EUR 192 million from EUR 167 million. Translational FX has lowered our EBITDA by EUR (7 million) (corrected by company after the call). Excluding this FX effect, as we have defined it in our full year guidance, our EBITDA would have improved by EUR 31 million to EUR 198 million.

Coming now to another important topic, net working capital. Net working capital increased by EUR 73 million year-over-year to EUR 458 million due to higher inventories and trade receivables as well as lower trade payables partly offset by an increase in advanced payments. The increase in inventories and trade receivables need to be seen in connection with the record order backlog of EUR 3.45 billion and the strong sales generation.

On a quarter-on-quarter perspective, net working capital went up further from 6.9% of sales in Q1 '23 to 8.5% in Q2, which is, however, still on a low level. While inventories have remained virtually unchanged, quarter-on-quarter, higher trade receivables, combined with lower advanced payments have triggered the uptick.

Due to this quarter-on-quarter uptick, the net working capital ratio went up into the guided corridor of 8% to 10% of sales. We are, however, confident that net working capital will come down over the next quarter and will be slightly below the guided corridor of 8% to 10% by year-end.

Operating cash flow was EUR 31 million, which is below prior year quarterly figure of EUR 51 million. The decline is explained by higher cash outflows for taxes and others. The position others includes mainly cash outflows for value-added tax and prepaid expenses.
The step-up in CapEx related outflow of EUR 15 million year-over-year to EUR 56 million is in line with our full year '23 guidance of around EUR 240 million. As a result, free cash flow is negative at EUR 33 million and below prior year quarterly number of EUR 11 million.

Consequently, our free cash flow conversion rate before restructuring, which is calculated over the last 4 quarters has been below the target corridor of 55% to 65% as only 34% of EBITDA was converted into free cash flow. Main reason for the lower cash generation has been CapEx of EUR 222 million and the net working capital outflow of EUR 81 million over the course of the last 4 quarters.

Free cash flow generation was significantly improved -- will significantly improve over the course of the second half, and hence, the free cash flow conversion ratio will see an increase from the current level, but we do not longer expect to reach the target corridor of 55% to 65% at year-end.

Net cash, including lease liabilities declined from EUR 247 million at the end of the first quarter to EUR 65 million driven by the negative net cash flow of EUR 52 million and the dividend payment of EUR 164 million.

Let me now talk about our financial headroom. On the left, you see our debt instruments as well as their respective utilization and maturity structure as per end of June ’23. As per June 30, merely EUR 2 million out of the EUR 62 million uncommitted that bilateral credit lines were drawn and EUR 100 million of a fixed rate borrowers note loan, which will be due on February 26th in ’25.

GEA’s liquidity position is supported with an undrawn committed syndicated credit line of EUR 650 million, whose maturity has just been extended to August ’28. That debt instrument currently serves only as an additional liquidity backup facility for us to sum it up, we have only EUR 100 million of financial debt.

Continuing now on the right side of the slide. Equity improved because of the higher net profit resulting in an equity ratio of 39.6% after 38.7% at the end of Q2 ’22. The decline in net liquidity is mainly due to the second tranche of our share payback program mentioned earlier.

Let me now come to our outlook for the fiscal year ’23. As a result of the positive development in this quarter, we confirm our guidance, which we have upgraded in May. Organic sales is expected to grow organically by more than 8% after 8.9% last year.

For EBITDA before restructuring expenses, we forecast to reach the upper part of the range of EUR 730 million to EUR 790 million with a comparable margin of [at least] (corrected by company after the call) 14%. And ROCE should exceed 32%. Please bear in mind that the guidance for EBITDA and ROCE is based on constant exchange rate.

Finally, our road map for ’23. The next important date will be the release of our Q2 results on November 8, followed by our full year ’23 results in March next year.

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

Oliver Luckenbach - GEA Group Aktiengesellschaft - Head of IR

Yes. Thank you very much, Stefan, and I want to ask Heidi to start the Q&A session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the question comes from the line of Klas Bergelind from Citi.
Klas Henrik Bergelind - Citigroup Inc., Research Division - MD

First, my condolence to GEA and to Marcus family during this very difficult time. Absolutely shocking to hear.

I wanted to ask you around FHT first, [Oliver]. You’re saying a slight EBITDA growth instead of significant previously. EBITDA is flattish in the first half that would still imply quite a meaningful improvement to the margin already by the third quarter as I see it. If you could talk...

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

Sorry, Klas, we had some technical issues. We couldn’t hear your question from the beginning. Can you please repeat it again? Sorry.

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

Sure. Now I wanted to ask you around FHT, if you can hear me. You’re saying a slight EBITDA growth instead of significant previously, and EBITDA is flattish in the first half, and that would imply a quite meaningful improvement to the margin already by the third quarter as I see it. If you could talk through why this was just a 1 quarter drag, the new FHT management team is in place, but have you started? I'm a little bit surprised to see the improvement so soon. And then on orders in FHT, underlying the large orders, you're up almost 10%. You had the issue with weakness in frozen food last quarter. Is that now improving? Or are you also seeing better momentum in Food Solutions as we hear that from others?

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

Voice quality is quite bad right now here, but I try to answer what I hopefully understood right. So the first question is about FHT and the expectation of the EBITDA in the rest of the year.

I mean the negative impact you see this quarter in FHT is based on a single event, let's say, like that on projects where we obviously, are missed to increase the prices fast enough. And this is a very, very limited amount of projects in a single unit, where we had a long time from order intake to execution, and that cause here the issues. But we expect that at the end of the year, we will be on track here again.

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

And then the growth, if you heard my question on why did we recover on the orders?

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

Yes, Klas, what do you mean by that?

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

No, it’s a tough comp. You had that weakness in frozen food last quarter, you changed management, and now growth is accelerating again. I was just wondering what is driving that?

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

Yes. I mean you know FHT is a conglomerate of various businesses. I mean frozen food is one of that, yes. But we also have, of course, pasta, we have bakery and so on. The markets are very fragmented. We have very good order intake situation also in the pharma cluster, which is also a part of that. So this is the situation here.
Klas Henrik Bergelind - Citigroup Inc., Research Division - MD

My next one is around the orders through the quarter. SFT is a normalization. But when we back out food and pharma, they are down probably in the double digits, LPT. So good solid large orders, but were all in cans, in gas, not in BP. And then in FT, automated milking systems stopped growing and the conventional side is down. So my question really here is around food and the dairy verticals. Do you think we will stay around the current level here? Or is it just tough compares? Or do you think there are reasons why food and dairy can decline quarter-on-quarter beyond seasonality here into the third?

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

Yes. I mean, what we see in our pipeline also for the rest of the year looks quite okay. So I mean we all know that we are not living in a booming environment. Interest rates are going up. The economy is not as strong as last year again. But all in all, we are very optimistic, and it's always very difficult, let's say, to make conclusions based on a single quarter only in our business.

So we don't see, let's say, any trend that dairy and food should become weaker. It's -- there is always from quarter-to-quarter a little bit a fluctuation, but we are very optimistic that we will see also investments growing in food and dairy in the future. There is no indication we have that this should decline in the medium to long term.

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

A very quick final one is on the margin in FT, very solid expansion. You're above the midpoint of your 2026 range for the division. I know it's just one quarter, but how should we think about the margin here as we enter the second half? Is it a quick normalization? Or do you think you can sort of sustain this level? And then related to that, are you planning to update the market on the margin progression, given that the above 14% for the group, if not far off your group margin about 15% 3 years out?

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

I mean last year, in Farm Technology, we had some impacts because we missed to increase prices fast enough in the hygiene business. So this is also where you can see that we recovered. We have excellent pricing models now in place. That's also the reason why you can see that the margin is high. We have an extremely good order backlog in Farm Technology. So we are also very optimistic that we can see very, very good margins here in Farm Technology for the time being.

Operator

(Operator Instructions) And the question comes from the line of Sebastian Kuenne from RBC.

Sebastian Kuenne - RBC Capital Markets, Research Division - Analyst

Yes, I can only say, yes, my sincere condolences as well to the family of Mr. Ketter. And I know that you, Stefan worked with Marcus for many more years in GEA. So I wish you all the best in this difficult time.

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

Thank you.
Sebastian Kuenne - RBC Capital Markets, Research Division - Analyst

My question is just relating to -- yes, to the situation in the dairy market as well, really and food processing. We saw about 3% volume dropped for the largest listed food processors globally. So the actual volumes of their retail sales have dropped. And at the same time, when I look at GEA's food processing order intake for the last 12 months, it looks up 12%, and that's probably not just pricing, it's probably also a bit of volume. So there seems to be kind of a discrepancy between what we see on the retail side and what we see on the equipment orders. And you mentioned already that you don't see a drop off in food processing. But could you maybe -- or do you have an explanation why we see falling retail volumes in the markets, but higher CapEx by the food processors? Is that that we look at the wrong companies that we should not look at the listed food processors, but maybe the third world and developing countries food processors? What would be your explanation that it's still growing -- yes.

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

Yes. Sebastian, difficult to say for me because I do not exactly know what kind of numbers you are looking at. I mean the food industry is a very dynamic one. There are always new products coming up. A lot of our customers are also investing in new products, be it new meat products, also be it alternative protein products. So we see a lot of investments going on here.

And I also remember we had just recently the large international trade show, Interpack, in Dusseldorf, where I also spend a lot of time and talking also to other industry players. And the mood was quite optimistic. I mean, nobody has any fear that CapEx will fall down here.

Sebastian Kuenne - RBC Capital Markets, Research Division - Analyst

Okay. And then the second question is on staff costs or operating costs. You mentioned several times that operating costs have not really increased in most of the divisions. But I think there's some -- a raise is coming up for IG Metall workers, but maybe also for your employees in other regions. Can you give us an indication of what you expect for the staff cost or maybe just generally operating costs as we go into the second half?

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

Yes. I mean there were no additional increases come this year because all the wage increases we made already in the first or second quarter. So that's all in meanwhile. And we, of course, increased prices early enough that we can also compensate that additional cost. The expectation -- or this year, we have additional wage costs or personnel costs in the area of 5% to 6%. And next year, it might be a little bit less but it will continue. And therefore, we are also continuing increasing prices. You know that we are -- and we have been very successful in increasing prices with a very few exceptions I just mentioned before. But all in all, for the whole group, we have been very successful in managing prices up. That's also what you can see in our gross margin. And yes, the wage increase this year is around 5% to 6%.

Operator

(Operator Instructions) Your next question comes from the line of Sven Weier from UBS.

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

Of course, also first up, sincere condolences for the tragic loss of Marcus from my side. My first question is actually on the use of cash. And I was just wondering when we look at the current share price, round about the average share price when you bought back stock last time, the net cash, I guess, finding M&A challenging. So I was just wondering what you added to this regarding buybacks. Is that something you would start contemplating more and more in the rest of the year? That's the first one.
Stefan Klebert - GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director

Thanks, Sven. I know this question. It's not the first time we get this question. I mean, of course, I think you understand we are thinking about all these options. And of course, we are also aware that we have to create good ideas, how can we use the cash as soon as we have made a decision, we will announce it.

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

Second question is, when we look at the guidance for the full year margin of at least 14%, I guess, to get to the 14%, you only have to have a flat margin at the second half after a strong improvement in the first half. So obviously, granted that the margin improvement in the second half will probably not be as material as in the first half, but we just discussed obviously no additional headwind from wages. So is it just you being conservative? Or are you factoring in much more headwinds from mix because in some areas, the OE share should go up relative to aftermarket, could just be more color on this one?

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

I mean we are -- you know that we increased our guidance quite early, I would say, in an environment where other companies came out with profit warnings. We always want to rather under promise and will deliver, but we feel -- we feel comfortable with our guidance. If you look at our accumulated half year numbers here. And you also know that the second half of the year is normally much stronger than the first half of the year. So I think we are fully on track, and we will also deliver good numbers at the end of this year. Again, good numbers.

And what I also need to mention maybe if -- because I think this is really remarkable. I mean when we started here my dear friend, Marcus and myself in the year 2019, the company generated an EBITDA of EUR 490 million EBITDA. And this year, despite we sold 7 companies with approximately EUR 300 million sales, we will see this year a number which is at the upper range of the guidance, which you know. So I think this is really a significant improvement. And since quarters, we are improving our profitability. And that is -- that continues. We also have our Mission 26 where we -- which we fully confirm. And therefore, you can also expect a good year ’23.

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

Third question I had was just on the dairy side. I mean, how much should we really stress the implications of the dairy price volatility on the actual order behavior? I mean I've been covering the stock for some years, and it always struck me as a bit more coincidental. To me, it seems rather that, on the Farm Technology side, you had a very high level of orders and that now normalizes maybe also a little bit independent of where exactly the milk price is today? And I guess also lower dairy prices would probably increase the pressure to automate further. So it was just really thinking should we get to hang up on what the daily milk prices do?

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

Yes. I mean the milk prices is, it was like you say, always volatile. That's very clear. They are good times or bad times for the farmers. It is definitely not falling further down. It's rather stabilizing. The demand, I think, is also for the next 5 or 10 years there. There is a growing world population. There's a growing middle class and milk is in -- dairy is in demand. So I'm not really scared about the future of Farm Technology.

And at the same time, I think we also have to make ourselves aware that Farm Technology is a very interesting recurring revenue business, yes. More than 40% of what we have in Farm Technology is recurring business. It's service, spare parts, consumables hygiene liquids. We also do more and more digitalization services here. So -- and there is also a very clear trend that the farms need to automate because otherwise, they cannot be successful in the future anymore. So I'm not scared about the medium and long-term development here as well.
Operator

(Operator Instructions) And the question comes from the line of Lars Vom-Cleff from Deutsche Bank. As there seems to be no answer, I shall move to the next questions.

Your next question comes from the line of Akash Gupta from JPMorgan.

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

I also wanted to start with offering my condolences on sudden death of Marcus. He has indeed left a long-lasting impact on GEA financial in his 4 years at the company.

Now coming back to my question, I have just one, and this is on the Slide #8 where you show this carbon capture solution. So a few questions that I have on this one is that if you can perhaps quantify what is the typical size of such modular solution? And what I mean by that is that you have 4 buckets for your size of orders. Is it less than EUR 1 million or between EUR 1 million to EUR 5 million for other categories? So that's the first part.

And then the second question is, if you can comment on your current capacity utilization and how quickly can you ramp up production in this technology?

And finally, we have seen a number of other companies also have similar solutions. Can you talk about uniqueness and any patents that you have in this technology, which will be differentiating yourself with the rest of the competition?

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

Thank you very much, Akash, for your questions. So the -- as I said, we just start with that technology. I mean we have the technology. It’s not a new technology. It’s about filtering and washing of the steam. This is a technology GEA knows since years, and we also have a lot of know-how here. But it’s not a patented technology. It’s also not a unique technology. Other companies can do that as well.

However, the market is opening now. It’s about winning the market. It’s about winning the market shares. We see ourselves very well positioned here. We already made some significant decisions to also increase staff significantly in the team. So we will ramp it up to, in the first time now up to 50 people here. And we just started with a small team of about 5 people. So we will significantly scale it up. We have very good experience now with our customer here.

It’s about, let’s say, more sales shop now being present, taking the opportunity. And I think we are very early here, and we can win a significant market share here. And we all have to be aware that the cement industry is the biggest single polluter worldwide for CO2. So there is a huge, huge volume and one installment might be depending on the size of the factory, like you said, probably between EUR 1 million and EUR 5 million, that might be the range where the cement orders in the future will be.

Operator

We will take our next question, and the question comes from the line of Lars Vom-Cleff from Deutsche Bank.

Lars Vom-Cleff - Deutsche Bank AG, Research Division - Bank Research Analyst

Of course, you also have my sympathy, and we are all sure that Marcus will be missed sadly. Quickly questioning or asking a question about the order intake. You said several times that order intake recently benefited from your chemicals customers. Do you see demand from that sector slowing down now that the outlook for the industry becomes a bit worse? Or is demand still up looking into Q3 when it comes to new order intake?
Stefan Klebert - GEA Group Aktiengesellschaft - Chairman of the Executive Board, CEO & Labor Director

Yes. Maybe it is a little bit misleading for outsiders when we talk about chemicals because this is not -- you consider being the typical chemical industry. There’s a lot of rumor and discussion, will chemical industry survive in Germany and so on. So this is more that we define it as chemical because of the applications, but also our chemical, very often are applications which are going into food and beverage industries, for instance, yes. So this is maybe important to mention.

Therefore, we see interesting opportunities. Also when we spoke about CO2 capturing for the cement industry, it’s also that we do CO2 capturing in the beverage industry. So also in breweries, in fermenter there is CO2 generated. And we also have solutions to take out the CO2 of a fermenter and make it liquid to be used for the production of beer at the end, for instance.

So therefore, we see what we define or how we define our chemical business, let’s say, we see an increasing interesting market here, absolutely. And this has, of course, nothing to do with the discussion you see in the media about the chemical industry.

Lars Vom-Cleff - Deutsche Bank AG, Research Division - Bank Research Analyst

And then I remember that in earlier calls, we discussed that there was still some supply chain bottlenecks persisting slowing down your overall sales growth. Have these supply chain bottlenecks fully disappeared in the meantime? Or are some products still start slowing you down with your growth ambitions?

Johannes Giloth - GEA Group Aktiengesellschaft - COO & Member of the Executive Board

Yes. Let me answer that question. Johannes Giloth speaking here. We have seen indeed last year a constraint in our supply, which has resolved to the largest extent. So currently, we are not even in the electronics business affected any longer on the supply chain side to further grow.

Lars Vom-Cleff - Deutsche Bank AG, Research Division - Bank Research Analyst

That is definitely good to hear. And then maybe thinking about your organic sales growth, would you be willing to split that into a price and a volume component Q2?

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

That’s not so easy possible because we are not selling to a large extent with price list. If we would have price list then it would be quite easy to calculate. So you know that the vast majority of our turnover are projects where we make normally cost-plus calculations or value-based pricing. And therefore, it’s not so easy to really split it up. We mentioned already in the past a number, and we said that it is in the area of maybe 4% to 5% what we increased in prices.

Lars Vom-Cleff - Deutsche Bank AG, Research Division - Bank Research Analyst

And then one last one, if I may. I appreciate that you started your Add Better label just recently in June. And I guess it’s a bit too early to ask which percentage of your order intake is -- can be linked to these Add Better labeled products? Or are you already -- yes.

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

Yes, I understand. That’s a very small number so far. It’s very clear because we just started 3 months ago. And these are all new products, which we now push into the market. But what is, I think, more important if you look at these 9 products, which I showed you, this is -- the most important
thing is we are really making a difference here. We can provide our customers with more sustainable solutions, and that will put us at the forefront of -- in the industry. I'm quite sure that we care and we focus about reducing energy, reducing water consumption.

I could talk 2 hours about really smart and clever solutions our engineers found because we are putting wins 1.5 years, a very clear focus on R&D and development of sustainable solutions. We even -- now we invented in GEA the sustainathon, yes. You know what a hackathon is, of course. And therefore, we invented the sustainathon. We are bringing together multidisciplinary teams focusing on issues, which has only to do to improve the state of the art by increasing water consumption -- decreasing water consumption and decreasing energy. And this is the most important message. And sooner or later, of course, we will accelerate the growth of those products, which have the label.

Lars Vom-Cleff - Deutsche Bank AG, Research Division - Bank Research Analyst

And I guess it's fair to assume that your customers are also willing to pay somewhat more for these state-of-the-art products that they have undoubtedly benefits and that -- yes, I guess your market position are then also able to negotiate, I don't know, a beneficial margin for you as well or a slightly higher margin.

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

Absolutely. Absolutely. This is exactly what we call value pricing and what we also do. Because if, examples, I mentioned we can save tons of water a month, a week, a day, it has a big, big value for our customers, yes.

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

I just had a question on new food applications. Obviously, financing costs are up. We're hearing of some start-up struggling, customers are trading down. We've seen some profit warnings in this space. You're targeted EUR 400 million sales for the out years. Can you talk about what you see here are projects anyway drying up? Do you still feel good about the EUR 400 million? I know you said that you're already conservative when you presented this number at the CMD, but you're also saying today that demand is still solid in SFT but down in LPT. So curious to hear about the new food?

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

Yes. We are still very optimistic in terms of new food. I mean the impact you see at the moment is maybe the normalization of artificial height, which was mainly in the area of plant-based food. So everybody wanted to try the plant-based food then everybody discovered that it may be not as good as meat. And that's the area where the drop mainly comes from. I personally believe that we will see in the medium to long term, significant growth in cell-based meats.

That's also where we now build a factory for a Believer Meat, which is an Australian startup, and they are building the first ever cell-based meat factory in the U.S. We build a factory for them, and they are very optimistic that they can also beat the price point they need. And once that might happen with cell-based meat, which looks like meat, which taste like meat, which is meat at the end, I'm very optimistic that we will see here things accelerating.
Operator

There seems to be no further questions. I would like to hand back to Stefan Klebert for closing remarks.

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

Okay. So thank you for participating in our call, which was a very special week for us as well. And thanks for your understanding.

I want to close the call with a summary. Q2 was another strong quarter. And I mean we had now really many, many successful quarters in a row where we really proved and showed every quarter that we are performing, and we never had a quarter 2 with a margin of 14.3 percentage in EBITDA.

We also see a positive development for the second half of the year. Also the pipeline we see makes us confident that we can deliver a great year '23 and continue our journey towards the Mission 26.

So thank you very much for your participation. Stay healthy, and talk to you next time.

Operator

This concludes today’s conference call. Thank you for participating. You may now disconnect.