Investor Relations News

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Financial results Q2 2023

Bilfinger increases revenue and EBITA margin – Strategy implementation shows first effects, outlook confirmed for full year 2023

- **Markets:** Energy transition continues to drive market for efficient and sustainable solutions
- **Orders received €1,085 million/+1 percent org.:** Stable development, 6 percent growth in E&M Europe, 32 percent growth in Technologies segment balances out decrease in E&M International due to US restructuring
- **Revenue €1,120 million/+6 percent org.:** Growth in E&M Europe and Technologies segments
- **Gross margin 10.4 percent:** Significantly increased (prior-year period: 9.9 percent)
- **EBITA margin 3.9 percent:** Significantly increased (prior-year period: 3.0 percent)
- **Strategy**: Strategic levers begin to take effect, strengthening independence from market fluctuations; efficiency program on track
- **US business:** Impact of restructuring on performance of the E&M International segment in line with expectations
- **Outlook for 2023 confirmed:** Revenue €4.3 billion to €4.6 billion, EBITA margin 3.8 percent to 4.1 percent

Industrial services provider Bilfinger is continuing its profitable growth course in the first half of 2023 in a challenging economic environment. This clearly shows that the levers of the further developed corporate strategy are beginning to have a positive effect. The company is shaping its future under its own steam. This strengthens Bilfinger's independence from economic fluctuations in the market.

Demand for solutions to improve efficiency and sustainability for customers, particularly in relation to the energy transition, remains consistently good. Revenue and earnings increased on the comparable prior-year period, as did the EBITA margin. Restructuring continues in the USA. As expected, this affects the performance of the Engineering & Maintenance International segment.

Despite the mixed sentiment in the industry, Bilfinger sees a positive market development for industrial services providers. Demand for efficiency enhancements and maintenance measures at customer plants in the chemical & petrochemical and oil & gas industries remains stable at a high level. In the pharma & biopharma industry and notably among customers in the energy sector, demand for the Group's products is still growing. Projects related to the energy transition are increasingly being initiated; currently, this applies in particular to nuclear power, district heating and hydropower plants. Bilfinger is a trusted partner to its customers in this area.

Orders received increased organically by 14 percent to €2,470 million in the first half of the year (prior year: €2,225 million). The development was positive, with a book-to-bill ratio of 1.14. Bilfinger had received a higher-than-average number of major orders in the first quarter. The orders received totaling €1,085 million in the second quarter (prior year: €1,107 million) were mainly driven by the Engineering & Maintenance Europe and Technologies segments. The revenue increase to €1,120 million (prior year: €1,078 million) reflects the good performance of the Technologies segment as well as the growth in E&M Europe. EBITA amounted to €43 million (2022: €32 million), corresponding to an EBITA margin of 3.9 percent compared with 3.0 percent in the prior year. As expected, free cash flow remained negative at -€46 million, reflecting higher net capital expenditures. The gross margin developed positively, improving to 10.4 percent (prior year: 9.9 percent).

“We have always been clear about this: At Bilfinger, we are not going to wait and see how external influences play out. With our further developed strategy, we want to shape Bilfinger's future from our own strength and independence. We are well on track to becoming the No. 1 partner when it comes to improving efficiency and sustainability for our customers. I would like to thank all of our employees for their outstanding commitment,” says Group CEO Thomas Schulz. “Demand for our solutions remains stable at a high level in our core industries and is increasing in several areas. In particular, we are benefiting from the growing markets related to the energy transition. At the same time, we are continuing to roll out our strategy and, as a crucial element of this, to implement our efficiency program. Our restructuring measures in the USA are on track. The Engineering & Maintenance business in Europe and the Technologies segment are driving our profitable growth.”

Bilfinger focuses on the strategic levers to deliver the company's profitability goals: the efficiency program, operational excellence and positioning. A key element of operational excellence is the introduction of the functional organizational structure, which will take effect on

January 1, 2024. This will significantly enhance efficiency and simplify expansion of the service portfolio in the regions. The associated Global Product Centers, which have also already been defined, are an especially important element of this new structure. The efficiency program is likewise on track.

Significant new orders were secured in the second quarter. These include the extension of the maintenance framework agreement with ExxonMobil Production Deutschland GmbH for gas drying plants in northern Germany. The contract with a minimum term of five years covers extensive maintenance and repair work as well as plant modifications in the field of electrical, instrumentation and control (EI&C) technology and mechanics for various process plants. In the United Kingdom, an international pharmaceutical group has contracted Bilfinger for a term of five years to perform engineering, procurement and construction management (EPCM) services to modernize various laboratory and research centers.

Group development in Q2 2023

Orders received by the Bilfinger Group in the second quarter remained stable at the prior-year level, at €1,085 million (prior year: €1,107 million); the nominal change amounted to a decrease of 2 percent, while organic growth of 1 percent was recorded. Orders received increased in the E&M Europe and Technologies segments. In the E&M International segment, the US business decreased as expected due to the restructuring there. The order backlog grew by 10 percent (organically 12 percent) to €3,475 million (prior year: €3,158 million). The book-to-bill ratio was 0.97; in the first half of 2023, it amounted to 1.14.

Group revenue grew by 4 percent (organically 6 percent) to €1,120 million (prior year: €1,078 million). Gross profit rose by 9 percent to €116 million (prior year: €107 million); the gross margin as a percentage of revenue thus improved to 10.4 percent (prior year: 9.9 percent). Higher profitability in the Technologies segment contributed to this development. Selling, general and administrative (SG&A) expenses decreased by 4 percent to €73 million (prior year: €76 million) despite inflation and higher revenue. This already reflects the initial effects of the efficiency program, which takes full effect at the end of the year. As a result, SG&A expenses as a percentage of revenue decreased to 6.5 percent in the second quarter (prior year: 7.0 percent).

EBITA rose significantly to €43 million in the second quarter (prior year: €32 million), corresponding to an EBITA margin of 3.9 percent (prior year: 3.0 percent). Net profit improved to €30 million (prior year: €19 million). Return on capital employed (ROCE) after taxes came to 9.0 percent (prior year: 5.1 percent).

Free cash flow was as expected at -€46 million (prior year: €19 million). This reflects the seasonal increase in the working capital requirement; in addition, net capital expenditures on property, plant and equipment came to €22 million (prior year: €8 million). Net liquidity including lease liabilities amounted to -€33 million at the end of the quarter (beginning of the year: €145 million). In the second quarter of 2023, dividends for financial year 2023 in the amount of €50 million were paid out.

Engineering & Maintenance Europe segment

Broad-based growth was recorded in the Engineering & Maintenance Europe segment. Orders received rose by 4 percent (organically 6 percent) to €694 million (prior year: €669 million) following a strong first quarter with a series of major new orders. Revenue also grew by 4 percent (organically 6 percent) to €751 million (prior year: €725 million), with a book-to-bill ratio of 0.92 in the second quarter and 1.13 in the first half of the year. EBITA was €39 million (prior year: €38 million); the EBITA margin was stable at a good level and reached 5.2 percent (prior year: 5.2 percent).

Engineering & Maintenance International segment

Orders received in the Engineering & Maintenance International segment were reduced by 22 percent (organically 23 percent) to €155 million (prior year: €197 million) due to the restructuring of the US business. Revenue decreased by 8 percent (organically 9 percent) to €171 million (prior year: €186 million). Further progress has been made toward the completion of onerous legacy projects in the US. The book-to-bill ratio stood at 0.91. EBITA was negative at -€2 million (prior year: -€1 million), corresponding to an EBITA margin of -1.4 percent (prior year: -0.6 percent). It is an integral part of Bilfinger's strategy to reduce risk in the project business and the share of projects in total revenue. This will be reflected primarily in this segment, where it will make a significant contribution to improving earnings.

Technologies segment

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Orders received in the Technologies segment increased markedly by 30 percent (organically 32 percent) to €225 million (prior year: €173 million). Revenue also grew by a significant 33 percent (organically 34 percent) to €185 million (prior year: €139 million). This segment is benefiting from strong demand from the biopharma and energy sectors. The book-to-bill ratio came to 1.22. Segment EBITA increased in the second quarter to €8 million (prior year: €3 million); accordingly, the EBITA margin improved significantly to 4.4 percent (prior year: 2.3 percent).

Outlook for 2023

Business performance in the second quarter confirms the outlook for the current financial year:

For 2023, Bilfinger expects revenue of between €4,300 million and €4,600 million (2022: €4,312 million). The Group's profitability will increase, with an EBITA margin of 3.8 percent to 4.1 percent (2022: 1.8 percent; excluding special items: 3.2 percent). This increase will stem from operational improvements, the initial positive effects of the efficiency program and the absence of charges from special items.

Following strong growth in the prior year, revenue in the Engineering & Maintenance Europe segment will be between €2,750 million and €2,950 million (2022: €2,785 million). Bilfinger anticipates an EBITA margin in this segment of 5.0 percent to 5.4 percent (2022: 3.8 percent; excluding special items: 5.0 percent).

Likewise, following a significant increase in the prior year, revenue in the Engineering & Maintenance International segment is expected to total €720 million to €820 million (2022: €798 million). The EBITA margin here will be between 1.0 percent and 3.0 percent (2022: -1.0 percent; excluding special items: -0.7 percent). This means that, despite the loss in the first half of the year, this segment will contribute positively to earnings in 2023.

In the Technologies segment, the expectation is for revenue of €600 million to €700 million (2022: €592 million) as well as an improvement in the EBITA margin to between 4.0 percent and 5.0 percent (2022: 1.4 percent; excluding special items: 3.0 percent).

Free cash flow is forecast to be between €50 million and €80 million (2022: €136 million), as there will be cash outflows of around €60 million in 2023 to implement the efficiency program, and capital expenditures will return to a normal level of around 1.5 percent of revenue.

Key figures for the Group

in € million	Q2			H1			FY
	2023	2022	Δ in %	**2023**	2022	Δ in %	**2022**
Orders received	**1,085**	1,107	-2 (org.: 1)	**2,470**	2,225	11 (org.: 14)	**4,615**
Order backlog	**3,475**	3,158	10 (org.: 12)	**3,475**	3,158	10 (org.: 12)	**3,226**
Revenue	**1,120**	1,078	4 (org.: 6)	**2,173**	2,039	7 (org.: 9)	**4,312**
Gross margin (in %)	**10.4**	9.9		**10.0**	9.9		**10.1**
EBITDA	**68**	57	19	**113**	89	27	**174**
EBITA	**43**	32	34	**65**	41	58	**75**
thereof special items	**0**	0	–	**0**	-10	–	**-65**
EBITA margin (in %)	**3.9**	3.0		**3.0**	2.0		**1.8**
Net profit	**30**	19	57	**36**	13	191	**28**
Earnings per share (in €)	**0.79**	0.46		**0.97**	0.31		**0.71**
Operating cash flow	**-24**	28	–	**-39**	-39	–	**166**
Free cash flow	**-46**	19	–	**-73**	-57	–	**136**
thereof special items	**3**	6	-50	**7**	12	-42	**-20**
Net capital expenditure on PP&E	**-22**	-8	–	**-33**	-18	–	**52**
Employees (number at reporting date)	**29,254**	30,566	-4	**29,254**	30,566	-4	**30,309**

Bilfinger is an international industrial services provider. The aim of the Group's activities is to increase the efficiency and sustainability of customers in the process industry and to establish itself as the number one partner in the market for this purpose. Bilfinger's comprehensive portfolio covers the entire value chain from consulting, engineering, manufacturing, assembly, maintenance and plant expansion to turnarounds and digital applications.

The company delivers its services in two service lines: Engineering & Maintenance and Technologies. Bilfinger is primarily active in Europe, North America and the Middle East. Process industry customers come from sectors that include energy, chemicals & petrochemicals, pharma & biopharma and oil & gas. With its ~30,000 employees, Bilfinger upholds the highest standards of safety and quality and generated revenue of €4.3 billion in financial year 2022. To achieve its goals, Bilfinger has identified two strategic thrusts: repositioning itself as a leader in increasing efficiency and sustainability, and driving operational excellence to improve the organizational performance.

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