Press Release

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Financial results Q3 2023

Bilfinger significantly increases EBITA margin – strategy implementation on track – Group outlook for full year 2023 confirmed

- **Market situation:** Stable across all regions; market skeptical about German economy
- **Orders received €1,030 million / -5 percent org.:** Stable performance at E&M Europe and Technologies, in total decrease due to repositioning in USA
- **Revenue €1,117 million / +7 percent org.:** Double-digit growth at E&M Europe and Technologies, decrease in USA as planned
- **Gross margin 11.0 percent:** Improved, positive impact of de-risking in portfolio
- **EBITA margin 5.1 percent:** Significant increase, positive contributions from all segments
- **Free cash flow €61 million:** In line with expectations
- **Net profit €37 million / Earnings per share €0.98:** Significant increase
- **Strategy:** Implementation on track, efficiency program completed by end of 2023
- **Stork acquisition:** Strengthens positioning in core business in the Netherlands and Belgium, closing expected in the first half of 2024
- **Group 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 significantly increased its EBITA Margin in the third quarter. This is also a result of successfully implementing the strategy. The efficiency program will be completed by the end of 2023 and the acquisition of Fluor's industrial services business Stork in the Netherlands and Belgium will strengthen the core business.

Demand is stable across all regions and industries. There is skepticism in the market regarding the German economy. Bilfinger sees a positive development worldwide for its core business, the improvement of efficiency and sustainability of industrial plants. This offers numerous opportunities, particularly in the area of the energy transition.

The EBITA margin increased significantly in the third quarter of 2023 to 5.1 percent, 1.7 percentage points higher than in the prior-year period. All three segments contributed to this good outcome. The implementation of the strategy continues to have an impact, especially in terms of operational excellence. Good cost discipline and successful de-risking contributed to the improvement in the margin. Revenue increased by 7 percent organically to €1,117 million (Q3 2022: €1,075 million), reflecting the high level of orders received in the last nine months. As expected, free cash flow was on prior-year level, at €61 million. Orders received in the third quarter totaled €1,030 million. While orders received in the E&M Europe and Technologies segments were stable, they were down in the E&M International segment due to the business repositioning in the USA.

“We are executing our strategy. The focus is on boosting EBITA and cash flow,” says Group CEO Thomas Schulz. “As planned, we have almost completed the efficiency program. It will take full effect from 2024. Business development in the past quarter confirms our goal of becoming the No. 1 in improving efficiency and sustainability for our customers. I would like to thank all of our employees, who deliver outstanding performance for our customers day after day.”

Bilfinger is continuing to implement its strategy with the anticipated acquisition of Stork, the Fluor Group’s industrial services business. The contract was signed on September 6 and the transaction is expected to close in the first half of 2024. With this acquisition, the Group aims to strengthen its core business in a market where it is already well positioned. Particularly in the Netherlands and Belgium, Bilfinger is broadening its service offering for customers and, following the successful closing of the transaction, will expand its workforce to over 4,600 qualified employees.

“The planned integration of Stork will strengthen our position in one of our most important markets,” says Thomas Schulz. “We look forward to welcoming our highly-qualified colleagues from Fluor’s industrial service business Stork once the transaction is completed.”

As announced at its Capital Market Day in spring, Bilfinger expects average annual market growth of around two percent across its core industries and regions in the coming years. “The sentiment may be skeptical in individual industries, such as chemicals, or regions, like Germany. But Bilfinger’s flexible strategy means we can respond to short-term market developments. We are therefore confident of achieving our mid-term targets,” Schulz says. Bilfinger has confirmed the Group outlook for the current financial year (revenue €4.3 billion to €4.6 billion, EBITA margin 3.8 percent to 4.1 percent).

The company secured major large-scale orders also in the third quarter. In Lithuania, the Group is assisting the Ignitis Gamyba energy group in expanding the Kruonis hydropower plant by providing a full-service package for pressure piping that is unique in Europe. This is Bilfinger's first hydropower contract in the Baltic states and underscores the strategic goal of expanding the core business in adjacent regions. An international pharmaceutical group has commissioned Bilfinger with piping construction for a European production plant. The order is part of a broader project portfolio for the customer, based on Bilfinger's expertise in efficient, GMP-compliant (Good Manufacturing Practice) execution of major projects and its sustainability strategy. Additionally, Bilfinger helps customers improve efficiency and sustainability with innovations from within the Group. For a major energy group from the Middle East, for instance, the industrial services provider has developed a digital tool to optimize pump operation that reduces not only costs but also has the potential to decrease energy consumption and reduce the assets' carbon footprint.

Group development in Q3 2023

At €1,030 million, orders received by the Bilfinger Group in the third quarter were down on the prior year (€1,118 million); the nominal change amounted to a decrease of 8 percent, with an organic decrease of 5 percent. Orders received in the E&M Europe and Technologies segments were stable, while in the E&M International segment they were lower compared to the prior year due to the repositioning of the US business. The Group's order backlog grew by 5 percent (organically 12 percent) to €3,378 million (prior year: €3,211 million). The book-to-bill ratio was 0.92 in the third quarter (prior year: 1.04) and 1.06 in the first nine months of 2023.

Group revenue grew by 4 percent (organically 7 percent) to €1,117 million (prior year: €1,075 million). E&M Europe and Technologies showed double-digit growth rates, while E&M International decreased as planned. This was due to the completion of assembly projects in the USA, whereas business in the Middle East continued to grow. Gross profit increased by 8 percent to €123 million (prior year: €114 million); the gross margin as a percentage of revenue improved to 11.0 percent (prior year: 10.6 percent). This was due not only to good capacity utilization, but also to the de-risking of the portfolio, which is an important component of the operational excellence strategic lever. Thanks to strict cost discipline, selling, general and administrative (SG&A) expenses were reduced despite inflation, decreased by 10 percent to €70 million (prior year: €78 million). This meant that SG&A expenses as a percentage of revenue decreased noticeably to 6.3 percent in the third quarter (prior year: 7.3 percent).

EBITA increased significantly in the third quarter to €57 million (prior year: €37 million). The EBITA margin improved in all three segments, rising in total to 5.1 percent (prior year: 3.4 percent). With financial income stable, net profit increased to €37 million (prior year: €22 million). Return on capital employed (ROCE) after taxes came to 10.4 percent (prior year: 6.6 percent) and thus exceeded the 8.9 percent weighted average cost of capital.

As expected, third-quarter free cash flow was almost on the prior-year level at €61 million (prior year: €69 million); the Q3 2022 figure had included high inflows from advance payments received. Net liquidity including lease liabilities amounted to €5 million at the end of the quarter (beginning of the year: €145 million).

Engineering & Maintenance Europe segment

Orders received in the Engineering & Maintenance Europe segment were stable at €670 million (prior year: €667 million), with a slight organic increase of 2 percent. Revenue grew by 10 percent (organically 11 percent) to €741 million (prior year: € 676million), while the book-to-bill ratio stood at 0.90 in the third quarter (prior year: 0.99) and 1.05 in the first nine months of the year. EBITA increased to €44 million (prior year: €37 million), with the EBITA margin rising to 6.0 percent (prior year: 5.4 percent); this again shows initial positive effects from the implementation of the strategy, particularly in the operational excellence lever.

Engineering & Maintenance International segment

Orders received in the Engineering & Maintenance International segment decreased due to the repositioning of the US business, decreasing by 43 percent (organically 42 percent) to €127 million (prior year: €223 million). Revenue decreased by 24 percent (organically 22 percent) to €166 million (prior year: €218 million) due to the completion of assembly projects in the USA. In contrast, revenue in the Middle East continued to grow. The segment's book-to-bill ratio was 0.76 in the third quarter (prior year: 1.03) and 1.03 in the first nine months of the year. EBITA was positive at €2 million (prior year: -€2 million), corresponding to an EBITA margin of 1.0 percent (prior year: -0.9 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 is reflected primarily in this segment, where it makes a significant contribution to improving earnings.

Technologies segment

Orders received in the Technologies segment were stable at €185 million (prior year: €187 million). Revenue grew by a significant 21 percent (organically 22 percent) to €185 million (prior year: €153 million). The segment continues to benefit from strong demand from the biopharma and energy sectors. The book-to-bill ratio came to 1.00 in the third quarter (prior year: 1.23) and 1.10 in the first nine months of the year. Segment EBITA increased to €10 million (prior year: €6 million); accordingly, the EBITA margin improved significantly to 5.5 percent (prior year: 4.0 percent). This once again reflected de-risking in the portfolio as an important element of the operational excellence lever.

Outlook for 2023

Business performance in the third 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 between €720 million and €820 million (2022: €798 million). The EBITA margin (2022: -1.0 percent; excluding special items: -0.7 percent) will improve to between 0.0 and 0.5 percent, but will thus be below the previously planned target corridor of 1.0 to 3.0 percent.

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).

For the items summarized under Reconciliation Group / other (2022: -€29.3 million), Bilfinger now anticipates EBITA of between -€15 million and -€20 million in 2023 (before: between -€20 million and -€25 million). The good performance in Other Operations contributes to this.

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

	Q3			YTD			FY
	2023	2022	∆ in %	**2023**	2022	∆ in %	**2022**
Orders received	**1,030**	1,118	-8 (org.-5)	**3,500**	3,343	5 (org.+8)	**4,615**
Order backlog	**3,378**	3,211	5 (org.+7)	**3,378**	3,211	5 (org.+7)	**3,226**
Revenue	**1,117**	1,075	4 (org.+7)	**3,290**	3,114	6 (org.+8)	**4,312**
Gross magin (in %)	**11.0**	10.6		**10.3**	10.1		**10.1**
EBITDA	**77**	61	26	**190**	151	26	**174**
EBITA	**57**	37	55	**122**	78	57	**75**
thereof special items	**0**	0	-	**0**	-10	-	**-65**
EBITA margin (in %)	**5.1**	3.4		**3.7**	2.5		**1.8**
Net profit	**37**	22	67	**73**	35	112	**28**
Earnings per share (in €)	**0.98**	0.56		**1.95**	0.86		**0.71**
Operating cash flow	**70**	81	-14	**30**	42	-28	**166**
Free Cashflow	**61**	69	-12	**-12**	12	-	**136**
thereof special items	**-4**	-3	-	**-11**	-15		**-20**
Net capital expediture on PP&E	**-10**	-14	-	**-45**	-37	-	**-52**
Employees (Number at reporting date)	**29,077**	31,279	-7	**29,077**	31,279	-7	**30.309**

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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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