

# From upheaval to new start – Vom Umbruch zum Aufbruch

## Creating a multinational leader in construction services

2019 half-year results  
Media and analysts conference

Zurich, 20 August 2019





## Highlights and key developments

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Implenia achieved **EBITDA of CHF 72.9 million** in the first half of 2019

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Implenia **confirms earnings expectations** for transitional year 2019, as well as medium-term target margin for EBITDA

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All divisions contributed to positive result;  
**Development and Buildings in particular achieved very good results**

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**Corrective measures are working**; despite **good underlying performance**, **Civil Engineering and Specialties** are, as expected, still subject to continued negative influences

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**New organizational structure is proving effective** and, thanks to clear roles and responsibilities, is enabling **rapid implementation of our strategic initiatives**



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**André Wyss**  
CEO



## Financials

**Marco Dirren**  
CFO



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**André Wyss**  
CEO



## Q&A

**André Wyss**  
CEO

**Marco Dirren**  
CFO



First half-year 2019

## Business Update: Implenla Group and its Divisions





# Implenia Group – result confirms our expectations

**6,369** (+2.2%)

**Order Book**

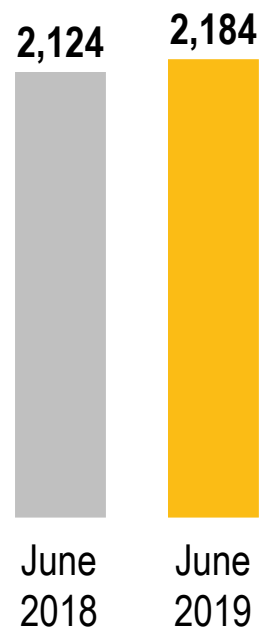
CHF million



**2,184** (+2.8%)

**Revenue**

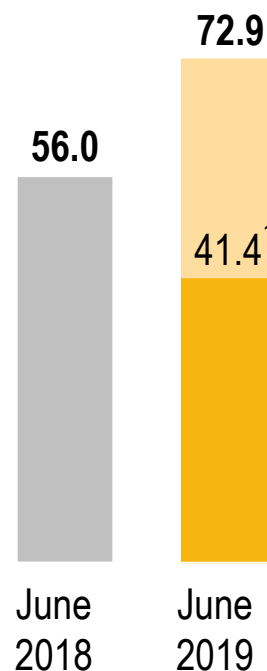
CHF million



**72.9** (n.a.)

**EBITDA**

CHF million



- **Better quality in Order Book** thanks to more selective order acquisition
- **Revenue growth** attributable to **internationalisation strategy** in Civil Engineering (incl. FX +4.8%)
- **Good underlying performance** overall by the divisions
- **As expected, EBITDA** brought down by lack of contribution margin from projects corrected at the end of 2018, and by costs of strategy implementation
- **No further unexpected corrections identified**

<sup>1</sup> Excl. IFRS 16



# Implenia Group's four entrepreneurial divisions



### Development

**Integrated project developer**  
with innovative business models

Site and property development



### Buildings

**End-to-end construction services provider**  
for all types of new builds and refurbishments

General and total contractor



### Civil Engineering

**Specialised civil engineering business**  
with strong engineering capabilities

Tunnel construction, special foundations and regional business (e.g. road and railway construction)



### Specialties

**Differentiated provider**  
in attractive niches and with a focus on innovation

Wooden construction, formwork, facade technology, pretensioning technology, construction site logistics, gravel plants



# Development – strong result and good prospects



**199** (+25.2%)

### Real estate portfolio

CHF million



**27.4** (n.a.)

### EBITDA

CHF million



- **Successful sales**, e.g. KIM inno-living in Winterthur
- **Markets** in relevant segments show **positive development**
- More **investment in the division's portfolio**, net CHF 13.5 million in first half-year and CHF 40 million since June 2018
- **Real estate portfolio June 2019 at CHF 199 million at purchase value**
- Evaluating greater value creation:
  - Investing in investment properties combined with **innovative financing models**
  - **Geographical orientation:** Team started in Germany

<sup>1</sup> Excl. IFRS 16





# Buildings – order quality improves

**2,771** (-16.9%)

**Order Book**

CHF million



**1,103** (-1.4%)

**Revenue**

CHF million



**21.3** (n.a.)

**EBITDA**

CHF million



- **A more selective acquisition policy** is improving the quality of the Order Book
- **Revenue in Switzerland and Austria** slightly higher than a year ago
- **Shortages of certain trades in Germany** lead to slightly lower revenue than previous year
- **Immediate measures in South Baden** largely complete
- Focus on **complex large-scale projects** in line with strategy
- **Good market position** in Switzerland, Germany and Austria

<sup>1</sup> Excl. IFRS 16



# Civil Engineering – making use of market opportunities internationally



**3,455** (+26.1%)

**Order Book**

CHF million



**1,118** (+7.7%)

**Revenue**

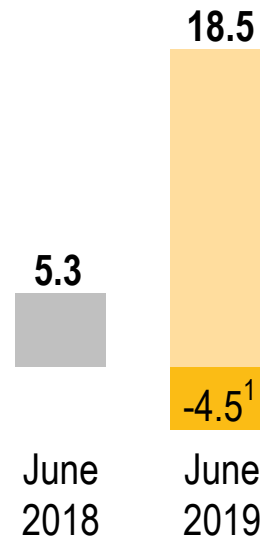
CHF million



**18.5** (n.a.)

**EBITDA**

CHF million



- **Order Book is broadly based** – underlines good positioning in home markets
- **Continued positive revenue and earnings effect** from large-scale projects
- **Turnarounds** in Swiss regional business and in Germany **progressing according to plan**
- **Measures in Norway** having an impact, no further corrections identified
- **Good position in home markets** to take advantage of market opportunities

<sup>1</sup> Excl. IFRS 16





# Specialties – niche services and innovation

**144** (-11.6%)

**Order Book**

CHF million



**120** (-14.2%)

**Revenue**

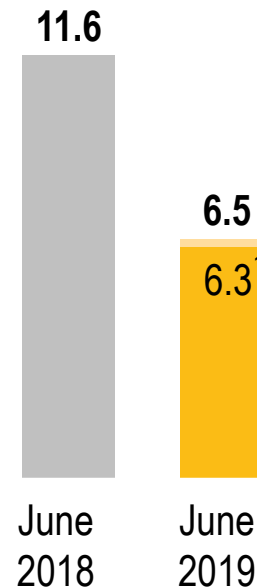
CHF million



**6.5** (n.a.)

**EBITDA**

CHF million



- **Successful acquisitions** in wood construction, in pretensioning and facade technology
- Reduced revenue owing to external **project delays in wind energy projects**
- **Strategic review of individual businesses** within division by end of the year
- **Measures in Poland having an impact**, no further corrections identified
- Creation of “**Implenia Innovation Hub**”
- **Appointment of Anita Eckardt** as Division Head from 1 September 2019

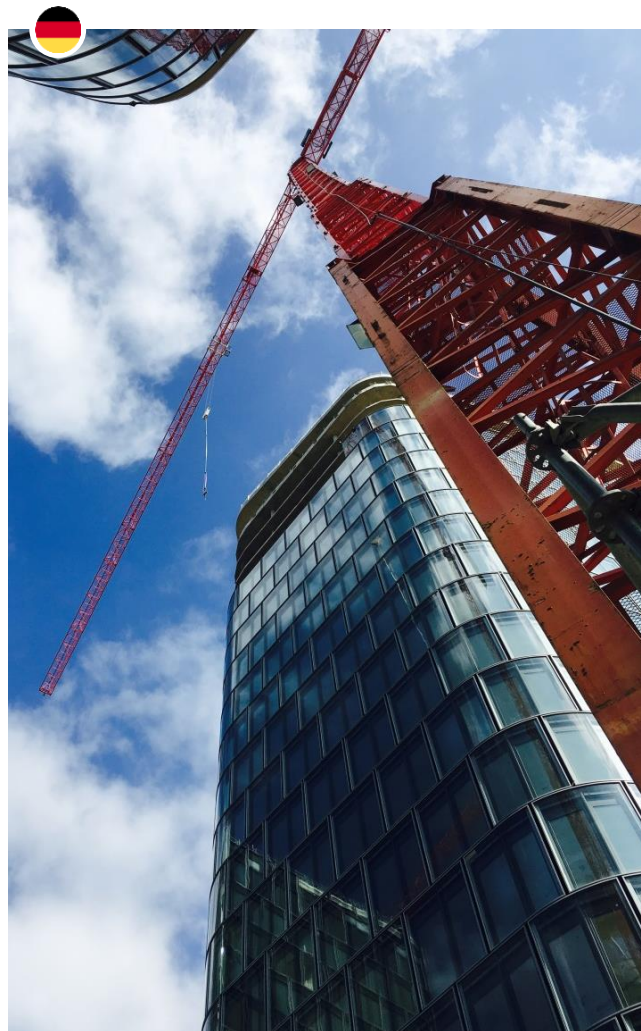
<sup>1</sup> Excl. IFRS 16



# What we are every day: construction services provider for complex major projects



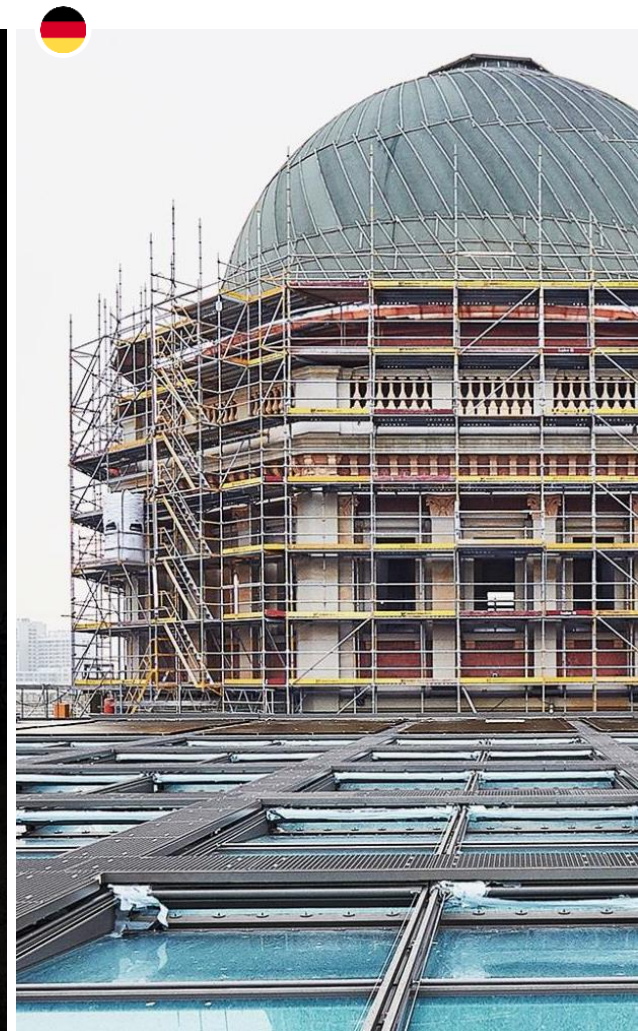
**Development** "Fribourg-Alt.671"



**Buildings** "Bavaria Towers", Munich



**Civil Engineering** "CERN", Cessy



**Specialties** "Humboldt Forum", Berlin



First half-year 2019

# Financials





# Overview of new IFRS 16 standard

## IFRS 16

### Balance sheet

- Total assets
- Equity ratio
- Net-cash-position



### Income statement

- EBITDA
- EBIT
- EBT



### Cash flow statement<sup>1</sup>

- Cash flow from operating activities
- Free cash flow
- Cash flow from financing activities



## Impact on Implenla as at 30.06.2019

- Total assets + CHF 131.0 million
- Equity ratio -0.9%

- EBITDA + CHF 31.5 million

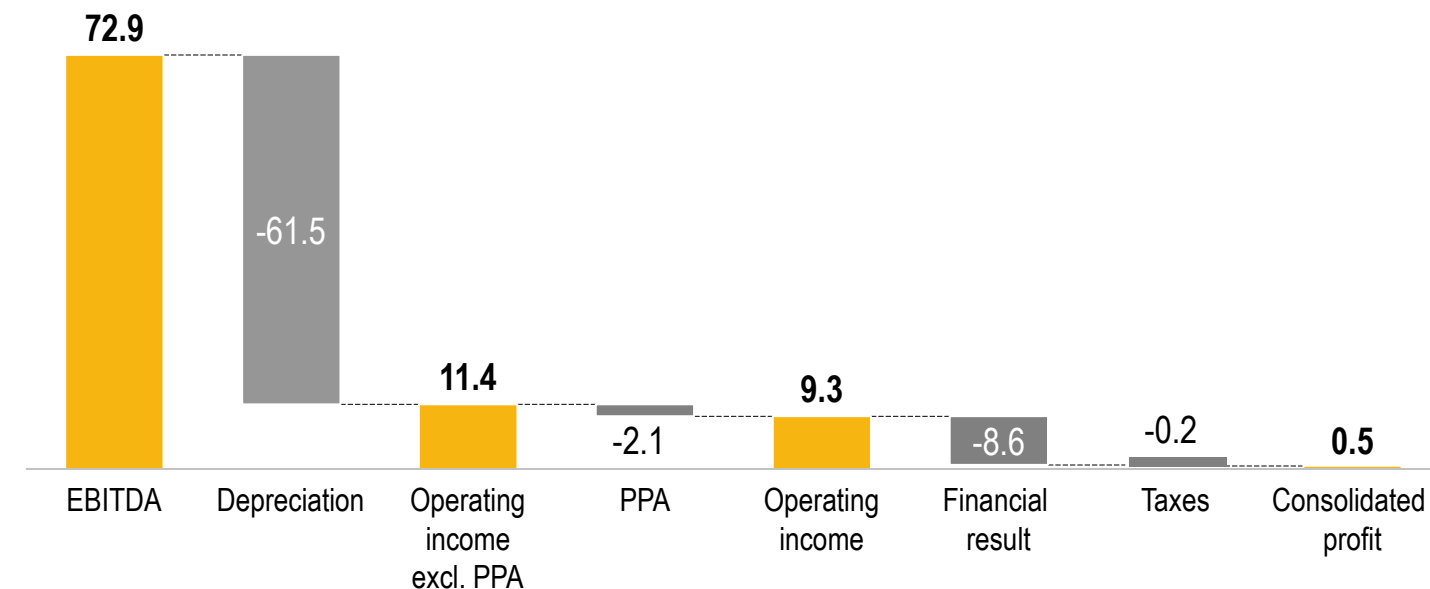
- Free cash flow + CHF 29.4 million

<sup>1</sup> IFRS 16 has no influence on reported total cash flow



## Result in line with our expectations

### Income statement (shortened), CHF million



2019<sup>1</sup>

41.4	-31.5	9.9	-2.1	7.8	-6.4	-0.4	1.1
2018	-14.6						
56.0	-28.8	27.2	-9.1	18.1	-6.2	-3.0	8.9

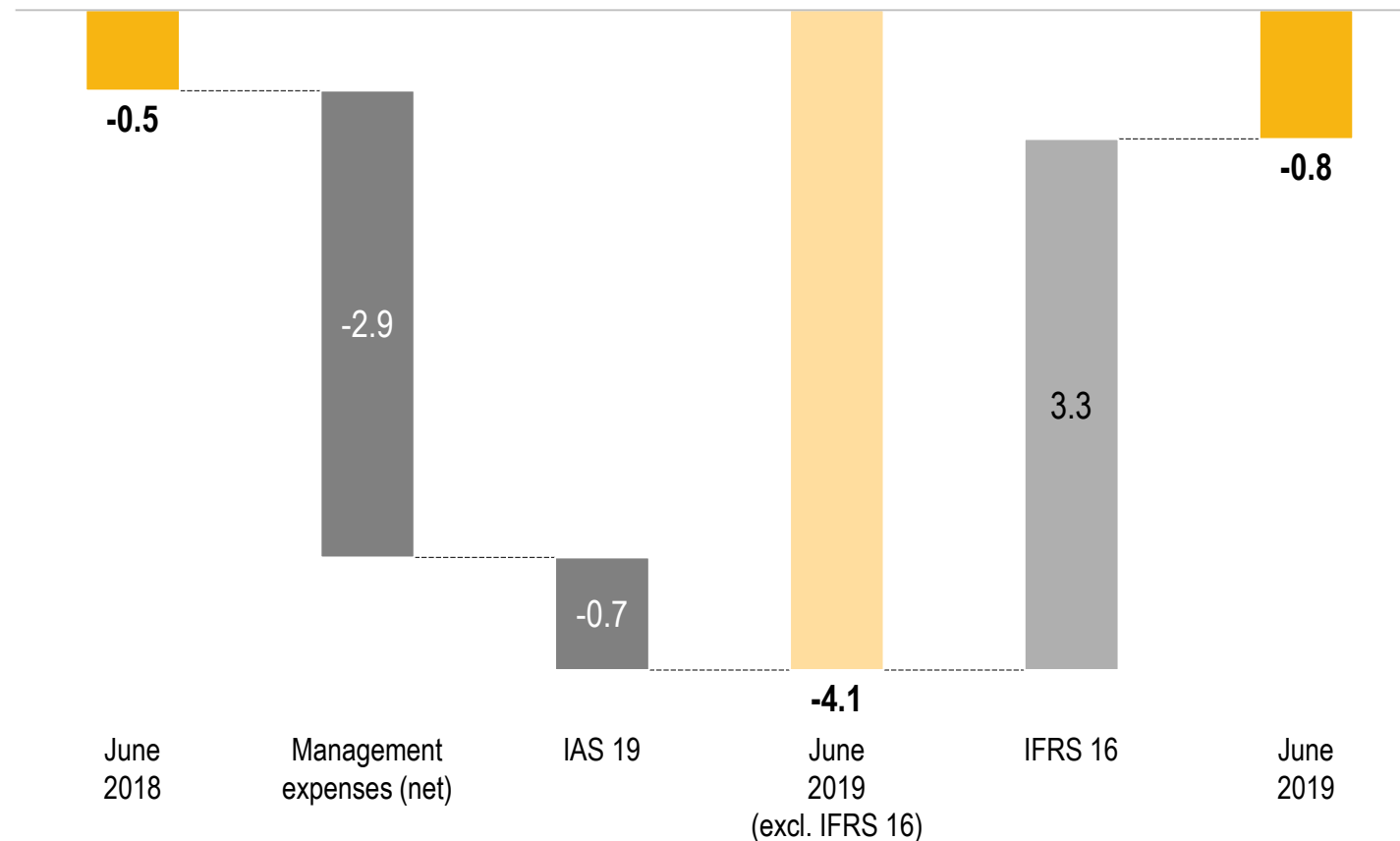
<sup>1</sup> Excl. IFRS 16

- **EBITDA<sup>1</sup>** deviation of CHF 14.6 million:
  - Two-thirds due to lack of contribution margin in Norway and Poland as communicated at end-2018
  - One-third due to costs of strategy implementation
- Compared to previous year, **depreciation** (excl. IFRS 16) on a comparable level
- **Operating income excl. PPA** lower as a consequence (predicted in Outlook)
- Remainder of **PPA amortisation** for **2nd half 2019**: CHF 2.1 million
- **Financial result** and **taxes** as expected



### Higher costs are mainly due to the implementation of the strategy

#### Change in EBITDA of the functions, CHF million



- **Core initiatives of strategy implementation** in the first half of 2019:
  - Value Assurance
  - Procurement Excellence
  - ERP-Transformation INSPIRE
  - New organization
- **Approximately 50% of the costs for strategy implementation** (a total of approximately CHF 10 million) are management expenses, the other half are divisional costs



### Implenia's balance sheet is solid

#### Assets (shortened), CHF million

	30.06.2019	30.06.2018
Cash & cash equivalents, derivatives	706.0	823.3
Real estate transactions	198.8	158.7
Other current assets	1,204.7	1,199.8
<b>Total current assets</b>	<b>2,109.5</b>	<b>2,181.8</b>
Goodwill	300.5	310.5
Rights of use from leases	139.7	-
Other non-current assets	403.6	385.4
<b>Total non-current assets</b>	<b>843.8</b>	<b>695.9</b>
<b>Total assets</b>	<b>2,953.2</b>	<b>2,877.7</b>

- Continuing high level of **cash and cash equivalents**
- **Real estate transactions** valued at acquisition cost; market value much higher
- **Other current assets** almost unchanged, despite late payments by a few customers
- **Rights of use from leasing** (IFRS 16) lower than expected as of balance sheet date
- Increase in **other fixed assets** driven mainly by CAPEX needed to handle Order Book



# Implenia is determined to maintain its investment grade rating

## Equity and Liabilities (shortened), CHF million

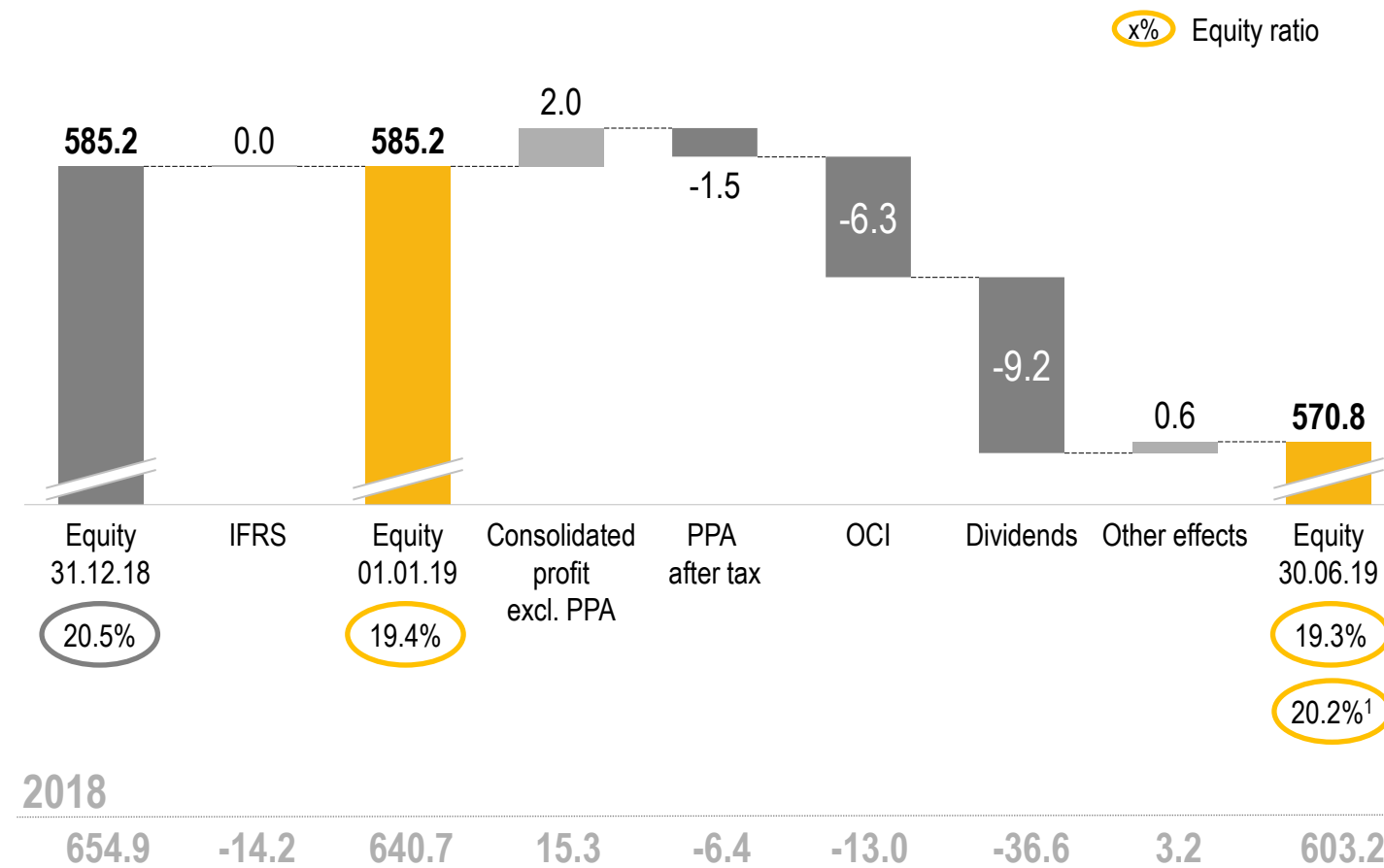
	30.06.2019	30.06.2018
Accounts payable	411.0	475.1
Other current liabilities	1,254.5	1,170.9
<b>Total current liabilities</b>	<b>1,665.5</b>	<b>1,646.0</b>
Long-term financial liabilities	606.9	499.5
Other non-current liabilities	110.1	129.1
<b>Total non-current liabilities</b>	<b>717.0</b>	<b>628.6</b>
<b>Total equity</b>	<b>570.8</b>	<b>603.2</b>
<b>Total equity and liabilities</b>	<b>2,953.2</b>	<b>2,877.7</b>
<b>Equity ratio</b>	<b>19.3%</b>	-
<b>Equity ratio excl. IFRS 16</b>	<b>20.2%</b>	<b>21.0%</b>

- Lower **accounts payable** because of prompter payments to creditors
- Increase in **financial liabilities** due to IFRS 16; no other significant changes
- Robust **net cash position** (excluding liabilities from leasing) of around CHF 200 million
- **Equity ratio** remains solid by industry standards (including subordinated convertible bonds: 26.2%)



## Equity ratio – confident about year-end position

### Change in equity (shortened), CHF million

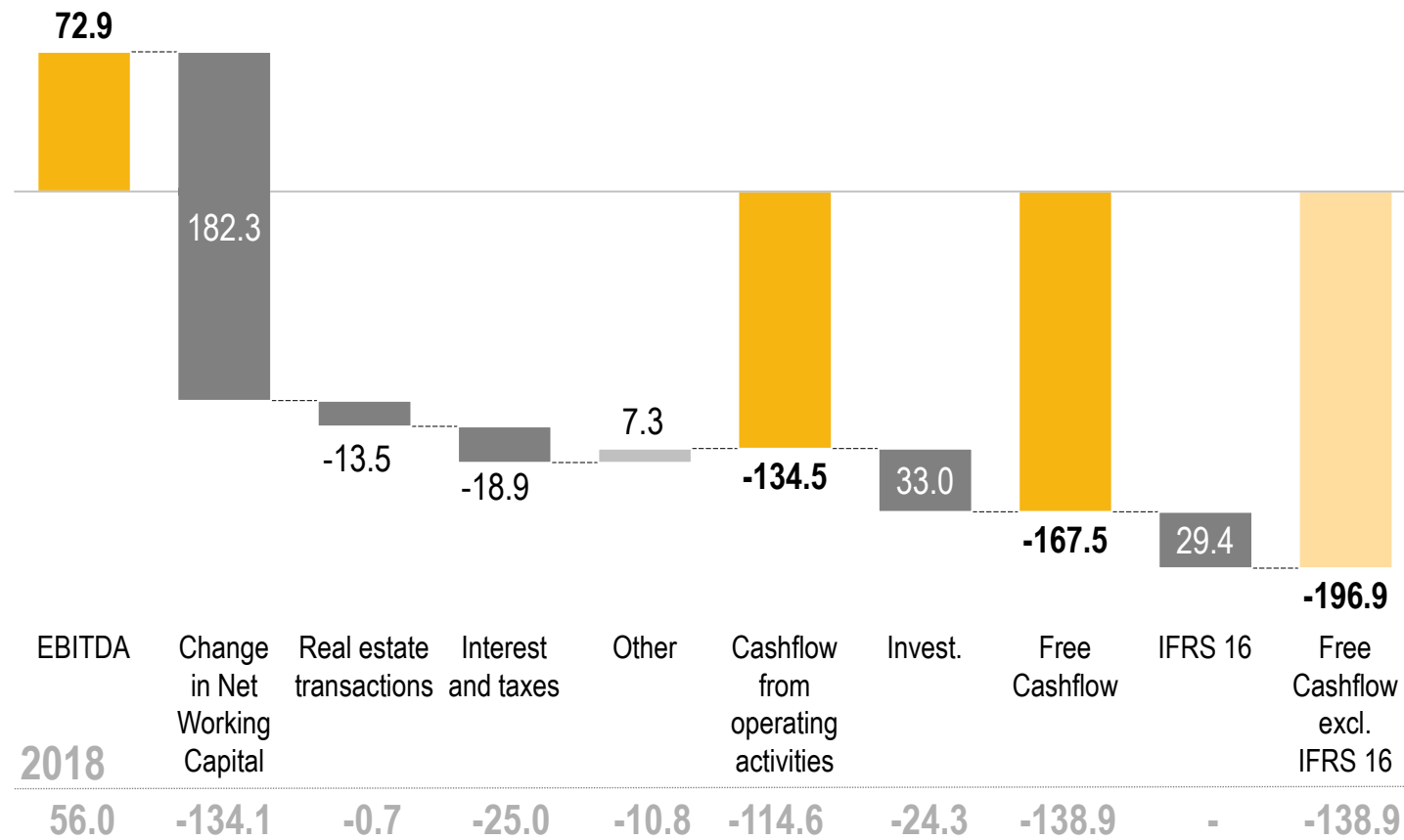


- **Equity** influenced by purchase price allocation (PPA), other comprehensive income (OCI) and dividends
- **PPA amortisation:** CHF 90 million in total since 2015
- **Equity ratio:** IFRS 16 leads to a reduction of 0.9% due to increase in total assets
- **Increase in equity ratio** expected in second half of 2019 owing to **increases in income** and lower **PPA amortisation**



### Free cash flow influenced by various reporting date effects

#### Free cash flow, CHF million



- Reporting date-related change in net current assets
- Generally successful incoming payments – delays caused by late payments by a few customers
- More timely payments to creditors
- Higher investment in machinery fleet
- Continuous Investments in Division Development's portfolio



First half-year 2019

## Strategy Update





# We strive to be a multinational leader in construction services

## Vision



**Be a multinational leader  
in construction services**

## Mission



**Sustainably develop properties and construct buildings  
as well as infrastructure with and for people to fit their modern living,  
working and mobility needs**





# Our four strategic pillars and what we achieved since we launched

## Portfolio



**Strong differentiated businesses**

Portfolio of four critical-sized, differentiated and entrepreneurial **Divisions in attractive markets** defined and implemented

Organic and inorganic portfolio optimization options across geographies and the value chain further detailed

## Profitable growth



**Increased market share and margins**

Operational Excellence Program for future growth:

- New, holistic Value Assurance framework
- Digitalization (BIM, ERP transformation)
- Procurement Excellence
- Lean Construction Toolbox roll-out

## Innovation



**Fast scaling of proven innovations**

Innovation Hub to be launched in September:

- Five innovation fields derived from mega trends
- 3-gate process (validate, pilot, implement) supported by tools and coaching

## Talent and organization



**Right people and skills in right roles**

New operating model quickly implemented:

- Entrepreneurship, functional excellence and local relationships
- Simplicity, consistency and clear roles & responsibilities enable strategy implementation

[Deep-dive on next pages](#)



# Value Assurance: Holistic framework to improve performance being implemented



	up until 2018	2019	from 2020
Governance	<ul style="list-style-type: none"><li>▪ No holistic Group-wide <b>Risk Management framework</b></li><li>▪ Milestone only for Tender approval</li><li>▪ <b>Decision-making</b> competency mainly based on <b>volume</b></li></ul>	<ul style="list-style-type: none"><li>▪ <b>4 project classes</b> based on risk factors, with <b>committees</b> for decision-making and escalation</li><li>▪ <b>Milestones</b> for Project Selection, Tender Approval and execution for <b>large projects</b></li></ul>	<ul style="list-style-type: none"><li>▪ <b>Project classes</b> based on risk factors <b>refined by analytics</b></li><li>▪ <b>Milestones</b> for Project Selection and Tender Approval plus <b>Reviews during execution for all projects</b></li></ul>
Standards	<ul style="list-style-type: none"><li>▪ <b>No standardized</b> classification and reporting across units</li><li>▪ <b>Limited analytics to assess patterns</b> of successful projects</li></ul>	<ul style="list-style-type: none"><li>▪ Group-wide standardized <b>classification</b> and <b>reporting</b></li><li>▪ Group-wide <b>early warning indicators</b> and <b>first analytics</b></li></ul>	<ul style="list-style-type: none"><li>▪ Standardized <b>classification</b> and <b>reporting</b> incl. <b>early warning indicators</b> and <b>analytics tools</b> embedded in ERP</li></ul>
Organization	<ul style="list-style-type: none"><li>▪ <b>Limited Risk Management resources</b> to evaluate projects and drive <b>knowledge sharing</b></li></ul>	<ul style="list-style-type: none"><li>▪ Ramp up of <b>Value Assurance organization</b> and <b>new capabilities</b> initiated</li></ul>	<ul style="list-style-type: none"><li>▪ Value Assurance <b>Org. &amp; networks for knowledge sharing in place</b></li><li>▪ New <b>capabilities</b> e.g. SWAT</li></ul>



# Digitalization: ERP transformation and further deployment of BIM on track



### ERP-Transformation INSPIRE

#### up until 2018

- **Fragmented processes and systems** (e.g., due to acquisitions)
- Transformation and digitalization program **INSPIRE** initiated

### Building Information Modeling (BIM)

- BIM capability built up, with development of first **use cases**, mainly in **planning phase**
- **Different levels of maturity** and expertise across countries

#### 2019

- Enterprise-wide **mapping of core** and support processes
- **Blueprint** for future harmonized processes defined

- **Set of use cases** enlarged (planning and execution phase)
- **Roll-out** of use cases across countries through **group wide BIM strategy**

#### from 2020

- **Blueprint implementation** piloted in Switzerland in 2020
- **Roll-out of refined blueprint** to all markets from 2021

- **Roll-out of use cases** across countries as per defined plan
- **BIM as competitive advantage**, with model-based core processes and enabled workforce



# New organization and operating model implemented, with benefits for the Group



	up until 2018	2019	from 2020
Businesses	Fragmented businesses with (partially) overlapping scope and activities	Four integrated businesses with clearly defined scope, activities and accountability	Portfolio optimization via organic and inorganic moves to drive profitable growth
Functions	Primarily locally focused functions	Integrated and elevated (no Corporate Center) functions with global reach	Functions driving best practices and knowledge exchange across divisions and countries
Countries	Several contact persons in countries for external stakeholders and internal alignment	One defined contact person in each country (Country President as coordinating role)	Country organizations contribute to shaping the future of industry as thought leaders and employers of choice



First half-year 2019

# Outlook

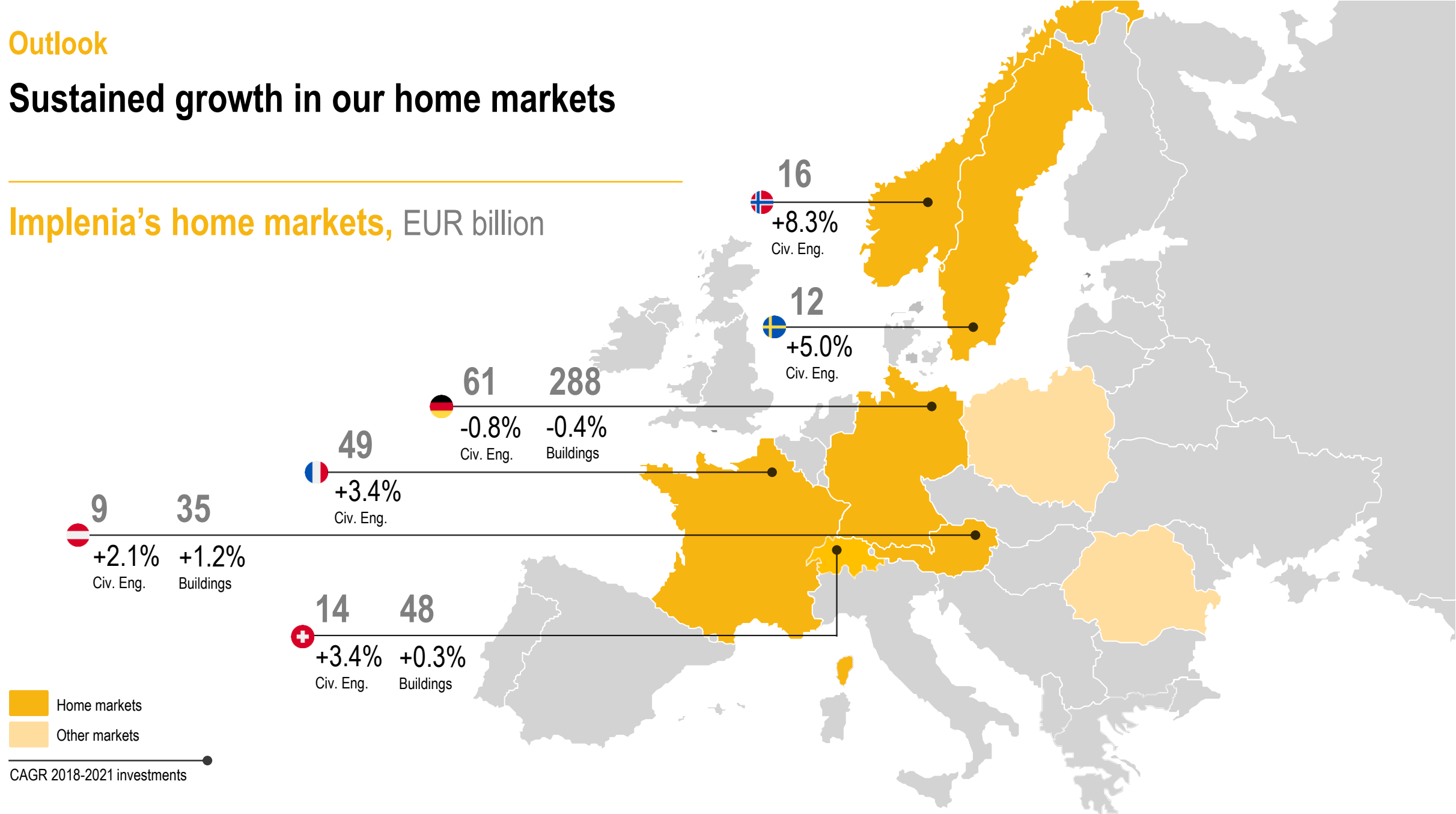




## Outlook

# Sustained growth in our home markets

## Implenia's home markets, EUR billion

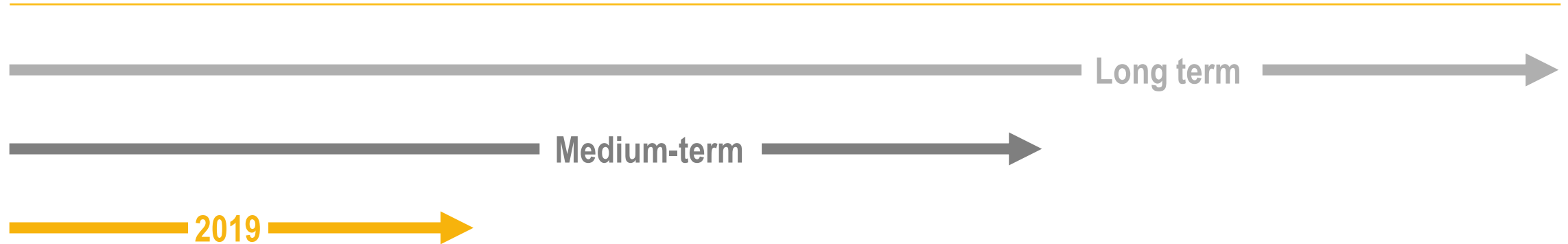


Source: Euroconstruct June 2019, Average Forecast Investments 2019-2021



## Outlook

### We have a strong plan for our way forward



Creation of **conditions for long-term profitable growth**

**Financial strengthening of our business** (incl. cash flow)

Commitment to **investment grade rating**

**Profitable growth and market share gain** in our markets and innovation

Transformation of our business through **innovation** in our **projects, services, and ways of working**



## Outlook

### Guidance and medium-term target confirmed

	2019	Medium-term target
EBITDA <sup>1</sup>	<p>Over CHF 150 million <u>before</u> cost of strategy implementation</p> <p>Expected strategy implementation costs of around CHF 20 million</p>	<p>Confirmation of <b>target margin</b> from <b>5.25% to 5.75%</b></p>
Revenue		<p><b>Grow profitably</b> and in <b>all our markets</b> to gain market share</p>

<sup>1</sup> Excl. IFRS 16



# Dates and Contacts

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Capital Market Day	1 October 2019	<b>Capital Market Day</b> 1 October 2019 Time: 9.30 a.m. to 5 p.m.
2019 Annual Report	25 February 2020	
AGM	24 March 2020	
Contact for investors	Marco Dirren, CFO ir@implenia.com, +41 58 474 45 15	
Media contact	Silvan Merki, CCO communication@implenia.com, +41 58 474 74 77	



**We are happy to answer your questions**



**Implenia®**



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2017-09-08