Implenia Way Forward

Implenia accelerates strategy implementation and sets new targets after rigorous risk assessments of Portfolio

Media and analysts conference

Webcast, 27 October 2020

Overview (I/II)

Implenia finalized strategy implementation reviews for all Divisions, including a re-evaluation of opportunities and risks for all projects. This reinforced the need to sharpen and accelerate strategy execution

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Implenia intends to concentrate its activities on core, solid-margin businesses. This will significantly improve the Group's risk profile, focusing on integrated construction and real estate services in Switzerland and Germany. Only Tunnelling and related infrastructure projects shall also be conducted in other markets

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As a consequence, Implenia needs to take unavoidable and painful measures such as Portfolio adjustments, restructuring including layoffs, as well as write-downs and rightsizing of businesses and functions

Overview (II/II)

Restructuring is planned to affect up to 2,000 FTE by 2023, thereof ~750 layoffs, of which ~250 in Switzerland. The plan is to transfer ~1,250 FTE to new ownership. Implenia expects yearly savings of CHF >50 million and a ~20% reduction in its asset base by 2023, with restructuring costs amounting to CHF ~60 million

In the context of divisional strategy implementation reviews, rigorous risk assessments including re-evaluation of claims/litigations for all projects were conducted. This revealed the need for extraordinary write-downs of CHF ~200 million in 2020, for projects that all started before 2019, particularly in sub-unit Civil, and especially in Civil Sweden

Continued negative COVID-19 impact is anticipated at CHF ~50 million for FY 2020 from today's perspective

Reported EBITDA for 2020 is expected to be CHF ~ -70 million. In line with its asset-light strategy, Implenia will report future performance in EBIT. For 2021, EBIT of CHF >100 million (>3%) is expected, an equivalent of CHF >200 million EBITDA (~5.5%). Implenia is solidly financed to achieve these targets

Board of Directors and Management are fully convinced Implenia is well positioned to become a strong and profitable company with substantially improved risk profile. Implenia is firmly on its way to realizing its vision of becoming a leading multinational integrated construction and real estate services provider

Strategy – Sharpening and accelerating execution

Strategy implementation reviews for all Divisions finalized – need to sharpen and accelerate strategy execution

Highlights since new strategy announced

- Groupwide **strategic initiatives** successfully **executed** and **proving to be effective**
- Implementation of **new operating model** and **new corporate values** under leadership of **new management team**
- Comprehensive **operational excellence** program
- Newly established **innovation stage-gate** process
- Systematic **reviews** of **strategy implementation**, portfolio and performance of all Divisions

Strategy implementation reviews

- Strategy implementation reviews including **re-evaluation** of **opportunities** and **risks** for **all projects** in all phases
- As communicated in HY1.2020, **need** to **sharpen** and **accelerate strategy implementation**
- Sharpening and acceleration concerning **Portfolio** and **Profitable Growth**

Consequences of sharpening and accelerating are restructuring including layoffs, write-downs and rightsizing of businesses and functions

Objectives of sharpening and accelerating

- Sharpening and accelerating **strategic priorities Portfolio** and **Profitable Growth**
- Concentrate on **core, solid margin businesses**
- **Significantly improve risk profile** of the company
- Ultimate goal to become a **leading construction and real estate services provider** in **Switzerland** and **Germany**

Consequences

- **Unavoidable** and **painful measures** such as:
  - **Portfolio adjustments**
  - **Restructuring** including **layoffs**
  - **Extraordinary project write-downs** and partial goodwill impairment
  - **Rightsizing** of businesses and functions

Sharpen and accelerate Portfolio initiatives: Four focus areas

Portfolio

Focus on core strategic and performing businesses

- Focus on real estate, large-scale buildings and infrastructure in Switzerland and Germany
- In other markets, because of continued challenges in sub-unit Civil, only Tunnelling and related infrastructure projects conducted

Divestments and ramp-downs

- Various non-strategic, non-performing and non-core businesses are planned to be divested or closed (e.g. Modernbau)
- Divest and reduce participation in independent businesses to become more asset light

Restructuring will affect our workforce

- Current restructuring is estimated to affect up to 2,000 FTE by 2023, thereof ~750 FTE layoffs, of which ~250 FTE in Switzerland. Of all impacted employees, ~1,250 FTE planned to be transferred to new ownership[1]
- Rightsizing, externalization and/or automation in support functions

Externalize selected asset-heavy activities and properties

- Increasingly source project-related third-party services instead of owning them e.g. yards and equipment
- Strengthen role as construction service provider
- Assets expected to be reduced by ~20% until 2023 (e.g. yards and equipment)

[1] Implenia will fulfil its social responsibility and keep ultimate layoffs as low as possible. Planned reduction of workforce is subject to information and consultation procedures as required under respective local law.

Integrated offering in Switzerland and Germany – only Tunnelling and Specialties offered in other markets

Division	Real Estate[1]	Buildings	Civil Engineering			Specialties	Rightsizing
Business Unit			Civil	Tunnelling	Special Foundations		
Switzerland	✓	✓	✓	✓	✓	✓	
Germany	✓	✓	✓	✓	✓	✓	
Austria		✗	✗	✓	✗	✗	
Sweden			✗	✓	✗		
Norway			✗	✓	✗		
France				(✓)			
Romania			✗				
Others						✓ ✗	

[1] Previously named Development

✓ Presence (✓) Observe ✗ Sell/ramp-down

Division Real Estate: Diversification towards real estate solutions

Ambition

Value-oriented real estate partner for customized projects, comprehensive services and scalable products

Services

- Real Estate Development
- Real Estate Services
- Real Estate Products & Off-site Solutions

Markets

Leading real estate developer in **Switzerland**, **expansion** with services and products to **Germany** in progress

Note: Division previously named Development

Revised strategic priorities

- ✔ Increase development of **own attractive Real Estate Portfolio**, i.e. Landbank
- ✔ Establish new **Real Estate Services** e.g. for Ina Invest within the scope of **Portfolio** and **Asset Management**
- ✔ Establish new **partnership-based contract models** for real estate developments
- ✔ Strengthen **digitalization** along entire **customer journey**
- ✔ Build Portfolio of scalable **Real Estate Products** for international markets
- ✔ Develop **prefabrication** competencies for **industrialized** real estate implementation

✔ Focus ✖ Sell/ramp-down

Division Buildings: Transform to end-to-end construction service provider

Ambition

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

Services

Consulting | General Planning | General / Total Contractor | Builder | Moderni-zation

Markets

Leading general and total contractor in **Germany and Switzerland** with **strong local networks**

Revised strategic priorities

- ✔ Expand new **planning** and **consulting capabilities**
- ✔ Focus on **complex buildings/modernisations**
- ✔ Establish new **partnership-based contract models**
- ✔ Shift to end-to-end **construction services** with focus on **upper part of the value chain**

- ✘ **Close down non-performing businesses** (e.g. Bau GmbH, South Baden)
- ✘ **Reduce project realization capacities** at lower end of value chain
- ✘ **Transfer** Buildings services in **Austria to best possible owner**

✔ Focus ✘ Sell/ramp-down

Division Civil Engineering: Focused market presence and tunnelling expertise

Ambition

Expert for complex Civil Engineering projects
in Switzerland and Germany and with Tunnelling beyond

Services

Tunnelling

Special Foundations

Civil

Markets

Core markets are **Switzerland and Germany, Tunnelling and related infrastructure** in further markets

Revised strategic priorities

- ✓ **Tunnelling and related infrastructure** in all markets
- ✓ Expand **planning, engineering** and **realization capabilities**
- ✓ Shift from generic to **complex projects**
- ✓ Focus on **Switzerland** and **Germany**
- ✓ Establish new **partnership-based contract models**
- (✓) **Observe Tunnelling** business in **France**

- ✗ **Stop sub-unit Civil** in **Sweden, Norway, Austria, Romania**
- ✗ **Stop sub-unit Civil** business in **Switzerland in certain areas**
- ✗ **Stop Special Foundation** business in **Austria, Sweden, Norway**
- ✗ **Reduce project realization capacities** at lower end of value chain and **ownership of yards/equipment**

✓ Focus (✓) Observe ✗ Sell/ramp-down

Division Specialties: Manage Portfolio of high-performing offerings

Ambition

Expert in construction industry niches, providing deep construction know-how, products and services to customers

Services

- Aggregate quarries
- Post-tensioning & geotechnical systems
- Facade engineering
- Timber construction
- Engineering, logistics & other services

Markets

Leading in **niches** in Switzerland and Germany, **strong positions** and **international growth**

Revised strategic priorities

✓ **Turnaround attractive and strategic businesses** with performance improvement potential

✓ **Invest and scale performing businesses** (e.g. facade solutions, building technology services)

✓ **Invest in new business models** with focus on engineering and planning competence (e.g. Timber Construction and Formworks)

✗ **Close down non-core/non-strategic/non-performing businesses** (e.g. Modernbau)

✓ Focus ✗ Sell/ramp-down

Sharpen and accelerate Profitable Growth initiatives: Two focus areas

Opportunities & risk management

- Increase of **transparency** through our new operating model under new management team
- Reduction of volatility in **opportunities** and **risk assessments** through implementation of rigid 3 Lines of Defense including **Value Assurance**
- **Governance** and **internal control system** will allow to further reduce project risks to sustainably improve realized profitability

Profitable Growth

Operational Excellence

- **Procurement:** Positive bundling and sourcing internationalization journey to be continued
- **Digitalization:** Leverage new ERP platform, BIM, process automation e.g. in Finance and HR
- **Lean construction:** Applied in all complex projects
- **Cash conversion cycle:** Further improvement of cash conversion cycle; focus claims and working capital

Project risk assessments, Extraordinary write-downs

Rigorous risk assessments revealed the need for write-downs of CHF ~200 million for FY 2020 for projects that started before 2019

Write-downs 2020

- **Rigorous risk assessments for all projects conducted** as part of divisional strategy implementation reviews
- **Revaluation of all claims and litigations** showed that estimate had been **too optimistic,** all of them for **projects** that **started before 2019**
- **Changed Swedish Management** and consequences in **Sweden** further assessed

Detailed timeline

- **Dec 2018** — **Announcement of value adjustments** of up to CHF 90 million after risk assessment
- **Mar 2019** — **New group strategy announced incl. new Operating Model/values**
- **Mid 2019** — Roll-out started **Value Assurance class I** and **II projects**[1]
- **End 2019** — **New management team complete**; Roll-out started **Value Assurance class III** and **IV projects**[1]
- **Q2/Q3 2020** — **COVID-19**, **challenges** in sub-unit **Civil**, rigorous **risk assessment** for all projects as part of divisional strategy implementation reviews
- **Today** — **Extraordinary write-downs of CHF ~200 million for FY 2020 particularly in sub-unit Civil, and especially in Civil Sweden as well as in some other markets**

[1] All projects get grouped in four classes based on complexity level (class I highest complexity, class IV lowest complexity)

Key reasons for write-downs are weaknesses in operational leadership and processes/transparency before 2019

	Before 2019: Weaknesses in operational leadership and processes/transparency	**Since 2019:** New operating model, new management team and new processes
Operational leadership	▪ **Focus on volume/growth** rather than margin ▪ Weak **cross-country controls** ▪ No fully **integrated international operating model** ▪ Underestimated and unmanaged **cultural hurdles**	▪ **Margin key selection criterion** part of Value Assurance ▪ **Global Divisions/Functions** ▪ **Standardization** of financial controlling/reporting ▪ **New values** and increased transparency
Processes/ transparency	▪ **Limited escalation** mechanisms ▪ **Unbalanced opportunity** and **risk assessment** ▪ No standardized **performance tracking** ▪ Weak **review culture** during execution ▪ Only **partial view on costs** ▪ Substantial **calculation mistakes** in offerings	▪ **Revised risk governance set-up** including **Value Assurance** to adequately assess opportunities and risks ▪ **Review phase as integral part of Value Assurance** process during entire project timeline ▪ **Standardized tools** to ensure high quality

Value Assurance: Each project runs through standardized process to rigorously assess opportunities and risks along the entire project timeline

Value Assurance governance

All projects get classified

- Class I (highest complexity)
- Class II
- Class III
- Class IV (lowest complexity)

Value Assurance Committee

Depending on the project classes, **dedicated committee** for **decision-making and escalation**

Value Assurance process and benefits

Market evaluation → Tender → Execution

Project Selection

Prioritize and focus bid preparation on strategically and financially attractive tenders

Standardized process with templates and tools (such as project classification matrix)

Tender Approval

Review and adjust offers' risks and opportunities and approve or decline submission

Improved understanding and quantification of risks/ opportunities reflected in tenders and contract clauses

Project Reviews

Review progress, identify potential issues, agree on risk mitigation/opportunity capture measures

Decreased delta between calculated and realized profit margin

Value Assurance is effective –
due to long project timelines quantitative impact on margin will be visible in near future

COVID-19 impact

COVID-19 continues to negatively impact our FY 2020 performance

COVID-19 continues to impact financial performance

- **Closed sites** in France, Austria, some Swiss cantons, forced closures by some clients
- **Productivity loss and delays in output** because of hygienic and other measures
- **Delays** or **cancellations** of **orders**
- Partially **interrupted supply chains**

We are in contact with **all clients and suppliers** to **minimize negative effects** such as penalties

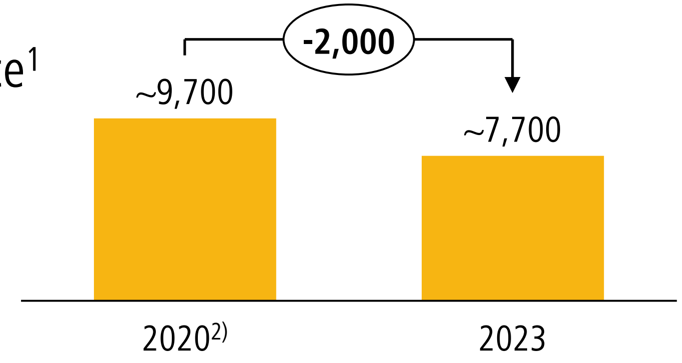
CHF ~50 million

Anticipated COVID-19 impact for FY 2020 as of today

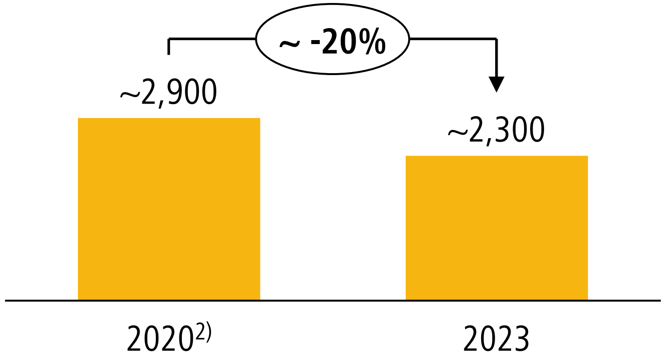
Finance Update

Sharpened and accelerated strategy implementation with significant impact on workforce and asset base yielding >50 million savings p.a.

Planned workforce[1]
FTE



Total assets
CHF million



In CHF

>50 million	**Annually recurring savings** vs. 2020 estimate (gradually becoming effective until 2023)
~30 million	**Goodwill impairment**
~60 million	One-time **restructuring costs** (to be provisioned in 2020; mainly driven by redundancy costs)

1) Approx. 1,250 FTE transfers and 750 FTE layoffs, thereof layoffs of 250 FTE in Switzerland 2) Year End Estimate

Temporary extraordinary effects on equity ratio; confident for the future

Equity and assets (shortened)

CHF million	12/2019	06/2020	12/2020[1]
Total equity	591	503	~300
Total assets	3,083	3,003	~2,900
Equity ratio	**19.3%**	**16.7%**	**>10%**

Temporary decrease of equity ratio in 2020 due to **extraordinary effects**:

- Project write-downs and partial goodwill impairment
- Restructuring costs
- COVID-19
- FX effects
- Ina Invest transaction

Equity ratio upside potential and (mid-term) outlook

- **Upside potential** from remaining **Development Portfolio** would lead to an **equity ratio above 15%**
- New **earnings** and expected **dividends** from **42.5% shareholder participation** in Ina Invest Ltd.
- Impact of **subordinated convertible bonds** not reflected (>5pp)

Planned **strategic initiatives** sharpened & accelerated, e.g. **divestment** of selected non-core activities and **externalization** of asset-heavy activities leading to an **expected equity ratio of >20% within the next 2 years**

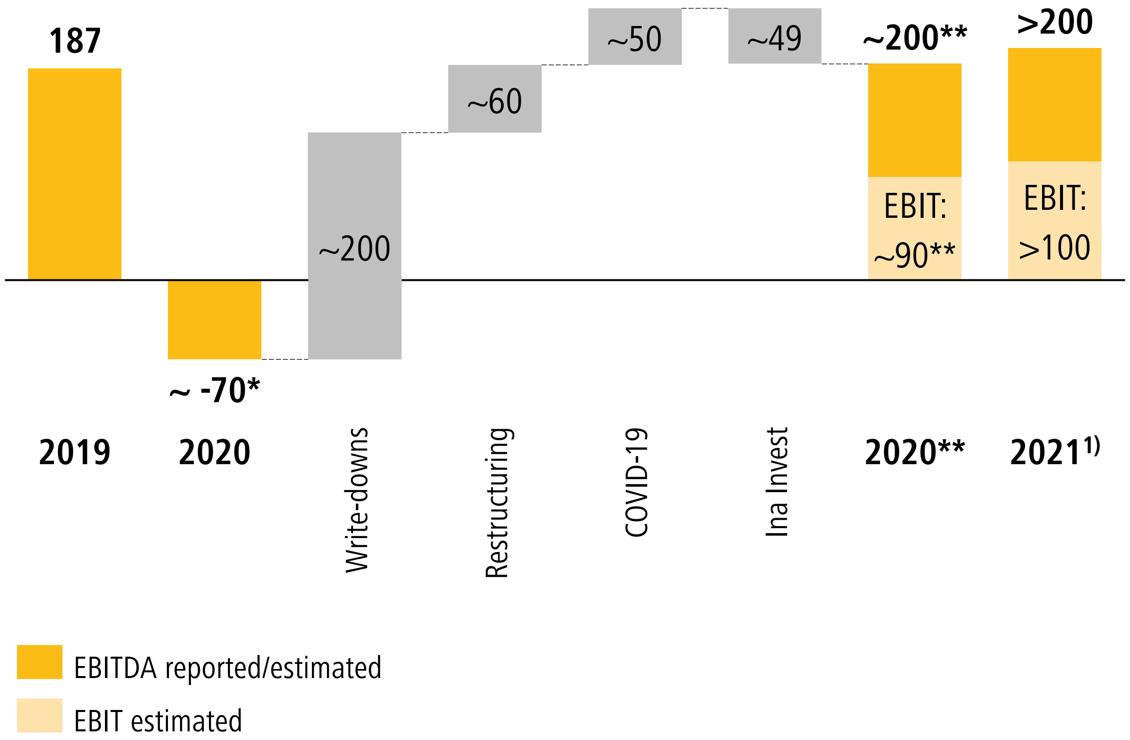
Implenia is **solidly financed** to achieve its targets

1) Year End Estimate

Over CHF 100 million EBIT expected for 2021 (equivalent to over CHF 200 million EBITDA)

EBITDA respectively EBIT 2019 to 2021

CHF million



* EBITDA estimated for 2020

** EBITDA respectively EBIT estimated for 2020 before extraordinary effects

1) Planned 2) Not EBITDA relevant

Expected EBITDA of approx. CHF -70 million (equivalent to CHF ~ -200 million EBIT) **impacted by extraordinary one-off effects:**

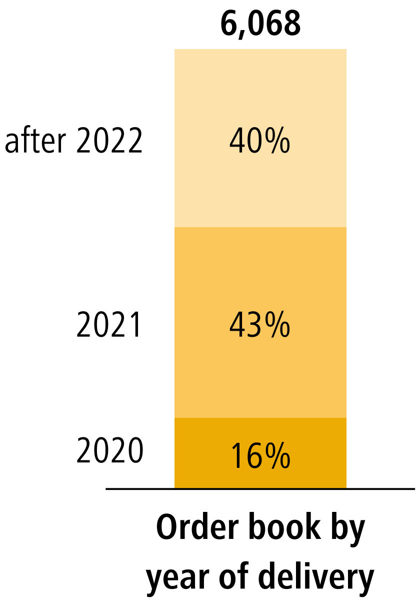
- Incremental Ina Invest transaction impact of CHF +49 million
- COVID-19 impact of approx. CHF -50 million
- Extraordinary project write-downs of approx. CHF -200 million
- Restructuring costs of approx. CHF -60 million

Note: **Goodwill impairment** of approx. CHF 30 million expected[2)]

Two thirds of expected revenues for 2021 already in order book

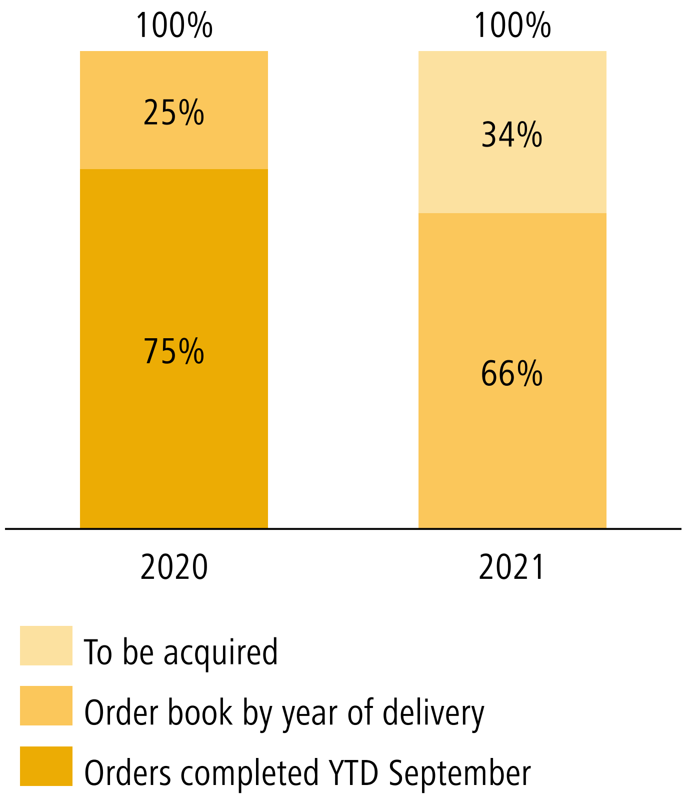
Order book[1)]

CHF million; split by year in %



Revenue comparison (estimated)

Split in %



- **Order book remains at a high level and is of improved quality** (CHF 6’068 million)
- Estimated revenues for **2020 confirmed by current orders**
- **>65% of estimated revenues 2021 already secured** by current orders with systematically **increased quality**

1) As of September 2020

2020 impacted by extraordinary one-off effects; high-visibility supporting 2021 target and mid-term target confirmed

2020

Expected EBITDA of approx. CHF -70 million

equivalent to CHF ~ -200 million EBIT

2021

Expected EBIT of CHF >100 million (>3% EBIT margin)

equivalent to CHF >200 million EBITDA respectively EBITDA margin of ~5.5%

Mid-term target

Expected 4.5% EBIT margin

approx. equivalent to previous mid-term guidance of 6.5 % EBITDA margin

We are convinced we are well positioned to become a strong and profitable company with substantially improved risk profile

Attractive market outlook

- Market growth remains **positive** despite COVID-19 impact
- Total **construction output** is expected to **recover in 2021** with approx. **+6% growth**

Extraordinary write-downs

- Confidence that all significant **extraordinary write-downs** from earlier acquired projects are disclosed

Opportunity and risk management

- **Risk management** procedures proving effectiveness
- Increasing **predictability** of **value creation**

Win of lighthouse projects

- **Buildings:**
  e.g. Kantonsspital Aarau, Alto Pont Rouge Geneva, Südcampus Bad Homburg
- **Civil Engineering:**
  e.g. Modernization Waldenburgerbahn in Basel-Land

We are convinced to deliver strong financial performance in all divisions in FY 2021

Dates and Contacts

2020 Full-year Report	3 March 2021
2020 AGM	30 March 2021

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We are looking forward to answering your questions

Thank you very much

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