Implenia, Analyst and Media Conference

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Q&A, Full English Translation of Transcript

Tommaso Operto, Analyst, UBS: Thank you. Tommaso Operto from UBS. I have three questions, if I may. First, income from joint ventures increased quite significantly. To my knowledge, this also includes Cham Group. How much of this increase is attributable to the better-than-expected result from Cham? I will ask the questions one by one.

Jens Vollmar, CEO, Implenia: On Cham, I can answer that. Is the question exclusively related to Cham, or to JV income in general?

Tommaso Operto, Analyst, UBS: Yes, indeed.

Jens Vollmar, CEO, Implenia: Both.

Tommaso Operto, Analyst, UBS: Both. But mainly Cham.

Jens Vollmar, CEO, Implenia: Cham accounts for a low single-digit million amount. It is essentially in line with expectations and is included in the result. You [Stefan Baumgärtner] can correct or add to that later. As for income from JVs more broadly, we are increasingly involved in large, complex infrastructure projects, and we generally enter into these together with joint venture partners. Why? For several reasons. It gives us greater tender certainty, allows us to allocate and share risks more effectively, and enables us to combine technical expertise as well as resources and machinery more efficiently. These are the reasons why we enter JV structures, and they tend to be somewhat more profitable, which is also why we pursue them. There is also a certain accounting effect here, because SG&A costs tend to be allocated more to our own projects. And if the other portion becomes larger compared with purely non-JV projects, this has an impact on profitability.

These are essentially the reasons why the JV result is higher, and Cham Swiss Properties really accounts for a low single-digit million amount.

Tommaso Operto, Analyst, UBS: Could you remind us how much it was last year? In the year-on-year comparison, was this actually more of a negative effect, if it was only a low single-digit amount?

Jens Vollmar, CEO, Implenia: Yes, it is comparable, I would say.

Stefan Baumgärtner, CFO, Implenia: The half-year figures are very comparable.

Jens Vollmar, CEO, Implenia: Last year, we also had a low single-digit million amount.

Stefan Baumgärtner, CFO, Implenia: But the major difference comes from the JVs, right. We absolutely want to pursue large, complex projects, which on average are more profitable. And, very important from an accounting perspective, not all overhead costs are fully allocated to these JVs, in some cases they are, but not all. That is the difference.

Tommaso Operto, Analyst, UBS: Thank you. The second question is regarding free cash flow. Stefan, you already touched on this earlier, but I wanted to ask whether you could elaborate a bit further on what the main factors were behind the better net working capital. At first glance, the higher payables seem to have had an effect, but you said they were actually somewhat lower. It would be helpful if you could provide a bit more detail.

Stefan Baumgärtner, CFO, Implenia: Thank you very much. I will start directly. The first important point is that we were able to improve free cash flow by CHF 51 million compared with the prior year. Where did this improvement come from? On the one hand, as you said, it did not come from trade payables. We pay our creditors on time, but we do have higher obligations towards subcontractors and suppliers. Why is that? Again, because of larger, more complex projects. We are doing many major contract completions and are increasingly trying to negotiate back-to-back arrangements with customers, partners and suppliers. This means that work performed in the past that has not yet been invoiced is still there and, in some cases, has not yet been invoiced to or paid by the customer. We address this together.

Jens Vollmar, CEO, Implenia: Here too, we work in partnership with suppliers. That is why these liabilities have built up over time, or during this half-year. Again, this has nothing directly to do with trade payables. They have actually decreased slightly.

Tommaso Operto, Analyst, UBS: Thank you. My final question is on the outlook. You have this guidance of CHF 10 million to CHF 20 million in additional costs, which will slightly reduce EBIT. What are the relevant factors behind this? Is it because you may still hire additional people, or is it more related to a potential additional acquisition?

Jens Vollmar, CEO, Implenia: These are exactly the two factors that essentially play a role. More than 50% of this relates to people. So, a large part of the investments we intend to make is in people. We can see this already: we are hiring people, we have already hired many, and they are currently being deployed in tender activities. One example is the hospital in Schaffhausen. This is a large project for which the tender has just been submitted. The related effort is currently being expensed. So, we are on track. We are also still looking for additional specialists.

We have not yet filled all the roles we need in order to meet the additional demand. The remainder is also related to M&A activities. In the first half of the year, we had zigmo engineering, and we are also continuously looking at further complementary opportunities in Service Solutions, particularly in higher-margin areas that supplement the portfolio upstream and downstream, for example in property management or planning, where they offer synergy potential.

Holger Frisch, Analyst, Raiffeisen: Holger Frisch, Raiffeisen. I also have three questions, which I will ask one by one. The first concerns the Service Solutions division. We saw a significant improvement in the EBIT margin in the first half, from 7.5% to 9.7%. Could you explain a bit what is behind this and what led to this significant improvement, and whether this is now a level that can be expected going forward?

Jens Vollmar, CEO, Implenia: Thank you for the question. First of all, we are really pleased with the development of the service business. I am currently also representing the division side, so I know the background very well. It is a whole package of measures. On the one hand, we have of course reduced our SG&A costs; on the other hand, we have also combined certain areas. We merged Encira with Planovita, not only for cost reasons, but because we now see synergy potential between building services planning and building physics, for example. We have also become more cost-efficient with Wincasa. In addition, I have to say that our construction logistics business has developed very positively, both in terms of order intake and project profitability. Our goal, of course, is not to let the margin deteriorate, but to continue improving it. In that sense, we will also continue working to maintain this margin level.

Holger Frisch, Analyst, Raiffeisen: Thank you. My second question concerns contract assets and contract liabilities. You explained that the objective is to reduce contract assets and increase contract liabilities. In the first half of the year, however, we saw that contract liabilities in particular declined significantly. Could you perhaps elaborate a little on the reasons for this and on the specific measures you are taking to reverse this trend?

Stefan Baumgärtner, CFO, Implenia: Yes. This is very important: it [the contract assets] is primarily about additional claims from customers. These are often geological in nature, not always, but frequently geological. These are what we refer to as claims. The important point is that these claims are negotiated very early, invoiced very early and collected as quickly as possible. On the other hand, on the liabilities side, it is very important that we continue to work intensively on new contracts to obtain down payments and advance payments as quickly as possible.

Stefan Baumgärtner, CFO, Implenia: And the larger the projects are, the longer it can take until the project actually starts properly; there can also be delays. We therefore expect to be able to improve this further in the second half of the year and also in 2027, with advance payments increasing again as projects get underway. By underway, I do not just mean that they have been awarded, but that they move into the planning phase and into the construction phase, allowing us to significantly increase customer down payments. These were reduced in the last period.

Holger Frisch, Analyst, Raiffeisen: Good, and my final question is on Buildings. There were also several acquisitions in this area. I saw two. Could you perhaps say what acquisitions these were specifically?

Jens Vollmar, CEO, Implenia: In the real estate area within Buildings, we made two acquisitions on the buyer side. We acquired two properties in Onex, in Western Switzerland, directly adjacent to a plot of land we are developing, in order to benefit from certain site-related advantages.

Jens Vollmar, CEO, Implenia: One more point, we also acquired one in Lausanne in the first half of the year.

Joel Knupp, Analyst, Zürcher Kantonalbank: Joel Knupp, Zürcher Kantonalbank. I have two questions regarding free cash flow conversion, which you want to continue improving. If you look back at the past five financial years and exclude the Wincasa acquisition, you arrive at a free cash flow conversion of just over 60%. You want to increase that further. My question is about the levers you see going forward. You mentioned reducing contract assets and increasing contract liabilities. I would be interested to know what other levers, what other change factors you see to sustainably increase free cash flow conversion?

Jens Vollmar, CEO, Implenia: It is also a mix of many different measures. Let me approach it differently: we have changed incentive structures. We have changed internal reporting so that people are effectively charged for the capital they require, so that they see it and also see it reflected in their bonus. That is one topic we introduced this year. We are also working on a wide range of contractual topics that we are trying to optimize, both with subcontractors and with our customers. Then, of course, there is the focus on projects: how quick I process it and how I measure work progress, and so on. This also has a lot to do with internal training, where we are currently doing a great deal, in addition to adapting processes. We have also introduced new meeting formats. We have implemented cash reviews, ensuring that the operational units place even greater focus on cash. So it is a whole mix of measures where we see potential. Our goal is to achieve at least 80% EBIT cash conversion.

Stefan Baumgärtner, CFO, Implenia: Just very briefly. All of that is extremely important, and the key point remains what you said: invoicing extremely quickly and, above all, collecting claims quickly, entering into negotiations with customers quickly, getting claims accepted, and securing advance payments.

Joel Knupp, Analyst, Zürcher Kantonalbank: Yes, the second question also concerns free cash flow conversion. Specifically, the swings we have seen in the past. Historically, we have seen very large swings in free cash flow conversion. With the increasing focus on high-margin projects and attractive niches, as you call them, can we expect these swings between individual financial years in free cash flow conversion to decrease somewhat compared with the past?

Jens Vollmar, CEO, Implenia: In principle, that should be the case, of course, and that is also the goal. I believe we have also shown, to some extent, that this has developed in that direction over recent periods. Of course, one can never rule out that a payment, particularly from German public-sector clients, may arrive a week later, especially if it is backloaded towards the end of the year. But over the cycle, we always say it must be at least 80%. That cannot necessarily be applied to every single period, but over the cycle it has to be the case. In major projects, there are sometimes individual payments in the double-digit million range. And if such a payment is slightly delayed, that naturally has an impact. Frankly, we have seen that before and continue to see it from time to time.

I believe I can even say that in this first half-year, a large amount was received on 1 July. That is inconvenient, but sometimes, to be honest, it is simply outside our control. The important point is that the money is received. In Germany, public-sector clients can sometimes be somewhat slower until payment is made.

Stefan Baumgärtner, CFO, Implenia: I would like to add one very important point. We should not assume that the periods will become completely flat. We will continue to reduce the volatility, but the first half-year will remain lower for industry-related reasons, while the second half-year will be higher. This is heavily dependent on the customer base. Around two-thirds of our business is with public-sector clients. They have their budgets, and in many cases they spend those budgets towards the end of the year. We are working to make this increasingly even and smooth, but in a business with so many public-sector customers, it will probably not be possible to become completely flat at some point. But we do want to keep improving, as you said.

Joel Knupp, Analyst, Zürcher Kantonalbank: Thank you very much. Next, my last question in relation to the Buildings revenues. The order book indicates that we can expect a relatively positive development going forward. The question is: given the shorter project cycles, when will the revenue that we can already see in the order book start to come through? Can we already expect some increase in the second half of the year, or will the major uplift come in 2027?

Jens Vollmar, CEO, Implenia: It is as you say: the time between order intake and revenue generation is significantly shorter than in civil engineering, where you may have long tunnel construction or infrastructure projects. That said, there are also projects we have increasingly moved into, namely design-and-build projects, where we first carry out the design. This means the phases are somewhat longer, or at least that there are certain optimization phases in the design. They are not as long as a full design-and-build process, but there are optimization phases before execution begins. In that respect, we do expect fast growth in Buildings, including already in the second half of the year, where we should start to feel some of that. I think we can say that we are very positive and optimistic.

Stefan Baumgärtner, CFO, Implenia: Given the number of groundbreaking ceremonies we have had in Germany this week alone.

Jens Vollmar, CEO, Implenia: Yes, indeed. Our Head of Buildings in Germany is currently rushing from one groundbreaking ceremony to the next.

Silvan Merki, Chief Communications Officer, Implenia: Are there any further questions here in the room at the moment? Otherwise, I will switch to a few questions from the chat. ZKB, also Martin Hüsler, asks: “Short- and long-term provisions decreased by around CHF 35 million compared with the previous year. What is the economic background to this, and how much of it was due to releases of provisions?”

Jens Vollmar, CEO, Implenia: Okay, from a technical perspective, you [Stefan Baumgärtner] can answer that in a moment. Perhaps I can first say something more generally. What is important for us is that we monitor the project portfolio very closely, on a monthly basis, and also as part of the closing process to assess whether there are any surprises in the project portfolio. We always look at the top 20 projects, as well as the lowlights and highlights. When we look at whether there were any major or larger surprises in the projects where something developed differently from what we had forecast, that was de facto not the case in the first half of the year either. Of course, there may be individual projects where things improve. There are projects that develop somewhat less favorably, but the major surprises that would be associated with releasing old provisions to cover new problem projects — that is not the case. Rather, if there were releases or uses of provisions, then logically this can only be related to reserves or provisions that had been created for projects in the past and were then used for that purpose, because the projects developed as we had expected them to.

Stefan Baumgärtner, CFO, Implenia: Technically speaking, this relates to the creation, or booking, of new provisions, the release of provisions that are no longer needed and, above all, the usage or consumption of provisions. We are also still working through projects from the legacy portfolio. Provisions that we created for those projects are still being used. Very importantly, under our Value Assurance Framework and risk management approach, we are moving ever closer with the effective margin and effective costs to our calculated project margin and costs. The closer we get to that point, the more this should and must flatten out.

Silvan Merki, Chief Communications Officer, Implenia: Thank you very much. Martin Hüsler asks: "Depreciation and amortization are around CHF 19 million lower. What is that due to?"

Jens Vollmar, CEO, Implenia: That will most likely be related to the type of revenue we lost. That was more asset-heavy revenue. Therefore, the EBITDA also had an impact, and the D&A or the D&A issue is probably equally relevant. Ultimately, what is much more relevant for us is the bottom line: What is the EBIT? And in that respect, that perhaps also underlines the focus on more white-collar asset-light business and certainly the decline in asset-heavy business that we have seen.

Stefan Baumgärtner, CFO, Implenia: The Brenner Tunnel is very much at the heart of this, where the breakthrough has now taken place. This means that all the tunnel boring machines — two huge tunnel boring machines — as well as all the conveyor belts, transport systems, the entire tubing factory and everything else are coming to a stop. The focus is now shifting to interior works. That is why this was an asset-heavy business, with revenue now somewhat lower and depreciation also significantly lower as a result. But as new projects ramp up again over time, this will naturally grow again as well. So depreciation will definitely tend to increase again over the coming years.

Silvan Merki, Chief Communications Officer, Implenia: Nicolas Jäggi asks a follow-up question: "Is there a right level of D&A as a percentage of sales going forward?"

Jens Vollmar, CEO, Implenia: That depends on the business mix in total revenue.

Silvan Merki, Chief Communications Officer, Implenia: Another question from Martin Hüsler: "In the segment reporting, it is noticeable that the EBIT margin in Civil Engineering is twice as high." We have actually already answered this. "What are the reasons for this?"

Stefan Baumgärtner, CFO, Implenia: We have answered that. We do not charge all overhead costs fully to the joint ventures. But we also clearly want these large projects to have a higher margin on average. That is exactly the strategy we are pursuing, and it is the combination of those factors.

Silvan Merki, Chief Communications Officer, Implenia: Chaima Ferrandon from ODDO BHF asks: “Order book growth in Germany looks particularly strong in the first half-year, both in Buildings and in Civil Engineering. Could you give us more color on which segment is driving this more strongly? Do you see this pace of order intake continuing in the second half-year and into 2027?”

Jens Vollmar, CEO, Implenia: In the first half of 2026, this was mainly driven by Buildings. Looking at the last twelve months, I would say the second half of last year was mainly driven by Civil Engineering. So it is both. Looking at the pipeline and current order intake, especially in Germany, we are quite optimistic that Germany will continue to be a growth driver for Implenia. This is what we feel within the organization and what we see in the markets. Just yesterday, as I already mentioned, the published building permit figures increased significantly. Hopefully, this level will be sustained. Looking purely at order intake, the picture is quite positive.

Silvan Merki, Chief Communications Officer, Implenia: Lukas Spang from Tigris Capital asks: “Could you provide a bit more insight into the additional MEP assignment for the data center project mentioned?”

Jens Vollmar, CEO, Implenia: Yes, we have built up teams, or are currently in the process of building them up. We have been able to hire specialists in this area. We have now received these assignments, in particular one large assignment. We expect further assignments in the second half of the year. They are very high-margin.

Silvan Merki, Chief Communications Officer, Implenia: Also from Lukas Spang: “Are you currently planning for revenue growth in 2026, so that the new major contracts can already contribute in the second half of 2026?”

Jens Vollmar, CEO, Implenia: It is a mix of both. Some projects are now starting very quickly. In Sweden, for example, project Korsvägen will already contribute to revenue in the second half of the year. Other projects will take somewhat longer. We have always said that we expect revenue this year to be roughly flat compared with the previous year. Then there are the major projects that will really start ramping up, like Nordmainische [S-Bahn], Ostbahnhof Munich, Zurich-Winterthur. These are projects that will only generate their full revenue from next year onwards, and in some cases will only reach their full potential the year after that.

Silvan Merki, Chief Communications Officer, Implenia: Chaima Ferrandon is asking: "You mentioned ongoing evaluation of acquisition opportunities in Service Solutions. Do you currently have specific targets in view?"

Jens Vollmar, CEO, Implenia: Of course, there are always specific targets. But we do not provide further details on this or give more specifics.

Ken Wong, Analyst, IFS: Ken Wong from IFS. I have one more question on the pre-calculated project margin. This has increased nicely to 7.9%. You delivered an effective margin of 3.4%. The project margin has increased somewhat more than the effective margin. But the two should continue to converge. You have issued guidance of 4.5%, which would still leave a difference of around 3.4 percentage points. How do you see the path from here? Are you expecting a final margin gap of perhaps two percentage points, or one and a half, as projects are executed? What is the trajectory? And do you believe you can increase this project margin further?

Jens Vollmar, CEO, Implenia: Okay, thank you for the question. I am not sure I understood you one hundred percent. But first of all: the pre-calculated margin is the project margin. What we must not compare here is the EBIT margin of 3.4%, also still in the first half-year. We really need to be careful here, because between the project margin and what ultimately remains as EBIT, there is still the entire SG&A component. We want to reduce that further. That is something we are continuously working on. At the same time, of course, we also want to further improve the pre-calculated margin. It did not increase to the same extent in the first half-year as it did in the second half of last year, but it did increase again. That means we can, and were again able to, be more selective in targeting high-margin projects. Now, what happens to the margin, to the EBIT margin?

We have said that we want to reach 4.5%. In the first half of the year, we were at 3.4%. The second half of the year is significantly stronger than the first half, especially in Civil Engineering, where the business is highly weather-dependent. We had a poor winter, it has to be said. The first three months, particularly in northern Germany, were not exactly very encouraging. Nevertheless, the second half of the year will be strong. That was also the case last year. Back then, I believe we were well below 2% in Civil Engineering in the first half of the year. Now we are at 2% in the first half of the year, and in the second half of the year we then reached. I do not remember exactly where we ended up in Civil. But our objective is to reach the 4.5% EBIT margin in the short to medium term, and then we would announce new targets.

We are optimistic already on the basis of our existing order book, with the 7.9% across the board, that is the entire order book. There are also older orders still included in it.

This means that, as we work through the old order backlog and build up new orders, the margin increases overall. That is simple mathematics. The new orders therefore have an even higher margin than the 7.9%. This means we are optimistic that we can achieve the 4.5% EBIT margin from the existing order book over the coming periods. That is probably the simplest answer. But of course, we do not want to stop there; we want to improve further. So, I hope that answers the question.

Torsten Sauter, Analyst, Kepler Cheuvreux: Yes, hello. Torsten Sauter, Kepler Cheuvreux. I have one brief question that is independent of the financial figures. You briefly presented the AI strategy on one of the slides, with a few bullet points. Could you perhaps say a little more about that? Maybe also give us a sense of where Implenia stands compared with the competition. And then, I believe I have heard that AI may also have negative effects, or that it is expected to have effects, for example, on pricing. I think I heard that in the context of Arcadis and construction planning. Could you perhaps also give us a sense of what the negative aspects or potential risks of AI could be for your business?

Jens Vollmar, CEO, Implenia: Thank you for the question. It is really a very good question. First of all, what is our strategy in the area of AI based on? The fundamental prerequisite is that we have an AI policy, together with data protection and all related topics. That is the first pillar of what is needed, also as a listed company, so that we do not do things in an uncontrolled way. Secondly, we provide training. We have made a major push in education, because the ideas and the things that can be done with AI in daily business need to emerge from employees, from the people who work with it. That is why we launched a broad-based training campaign in the first half of the year, where we try to inform as many employees as possible about the possibilities of AI. That is the second element: education. And then we have many use cases. That is the third part.

We have around 40 use cases at Implenia where we are testing AI: how we can reduce costs, how we can increase productivity, including on projects, and across all kinds of areas. These range from visual AI applications to classic self-management with Copilot, meaning how we can increase our own efficiency. There are also so-called disruption spaces, for example in planning and processes. We have identified several important and relevant fields in which we are already using AI applications today, for example the Value Assurance approach. The tender phase in particular is extremely important. In tendering, Value Assurance today includes templates and clear prerequisites and requirements for what is needed. And what is very important is calculation: comparing the construction description, the calculations and the plans, a reconciliation process that today, or in the past, involved a great deal of manual work.

In the future, and this is where we will also use AI, it is not about bypassing the process in any way, but about improving and optimizing it so that we can say even more precisely what the construction costs will really be. With regard to risks, I believe that at the end of the day, construction still has to be carried out physically. And that is perhaps also an advantage for us compared with other industries. Someone still has to pour the concrete and place and install the steel or reinforcement. In that respect, we see far more opportunities than risks. I do not think someone will say, “I will simply build my AI house.” I do not believe that will happen. Bridges and tunnels also have to be physically built. Of course, there may be greater transparency and better forecasting capability on the customer side.

That is absolutely true, but it will only help us. Today, we do not suffer from everyone knowing from the outset where construction costs are heading. Quite the opposite: we suffer precisely because we often do not all know where construction costs are going. Customers sometimes expect construction costs that are far too low; later they turn out to be much higher, expectations diverge and mutual trust is affected. If, with AI applications, we can ensure that everyone starts from a different and better level of knowledge right from the beginning, then I believe that will only help us as a professional construction company to engage with our customers in a way that ultimately leads to a win-win outcome, rather than to claims and disputes. So personally, I believe AI will help us as a company, but it will also help the industry in many ways.