Source: Implenia

I Executive summary

I DESCRIPTION OF THE COMPANY

Implenia AG is a **provider of construction and real estate services, operating primarily in Switzerland and Germany**. The company specialises in developing, building, and managing specialised buildings and infrastructure projects. Additionally, it delivers tunnelling and related infrastructure services in selected international markets.

A simple sum of its parts gives us a value that is more than double what the current capitalisation reflects.

Key growth levers:

The company's business units are benefiting from favourable market conditions, while current share prices continue to reflect a significant discount to the estimated intrinsic value. This **valuation gap** is largely **attributed to the market's limited recognition of the anticipated medium-term growth potential**. Projections indicate a gradual acceleration across core business lines, with growth expected to remain flat at 1–2% in 2025, increasing to 2–3% in 2026, and reaching approximately 5% in 2027, primarily driven by rising public sector investment in Germany.

Implenia is pursuing an asset-light growth strategy aimed at enhancing financial flexibility and improving return on equity. By divesting capital-intensive units, such as its Equipment & Technology Services business in Austria, and acquiring service-oriented companies like Wincasa, Implenia is **shifting toward scalable, high-margin activities**. This strategic focus supports sustainable growth with reduced capital expenditure and increased operational efficiency. **Growth is driven further by the development of high-margin business areas through a combination of organic initiatives, targeted acquisitions, sector-focused specialisation and deeper integration along the value chain**.

There is a significant gap in the Swiss and German development markets due to a combination of rising housing demand and constrained supply. Population growth, **increased immigration, and a shift toward smaller households have significantly boosted housing demand**. At the same time, the **supply** side **faces challenges such as high building costs and declining construction activity**[1] (in 2023, only 24,200 building permits were approved, the lowest in 11 years: -8% y-o-y and 31% below the long-term average). A **key structural issue** is the **limited availability of building land**, driven by restrictive spatial planning policies – particularly the revised Spatial Planning Act of 2014 – which has curtailed the expansion of residential zones and reduced opportunities for new development. This imbalance has led to rising rents and record-low vacancy rates[2] (1.08% housing stock available in June 2024, 5.1% lower y-o-y) across the country.

Germany's increasing public investment in infrastructure and housing presents an opportunity for Implenia. Germany has announced a comprehensive **€500 billion investment plan** to be deployed over the next decade to modernise particularly relevant[3] infrastructure. As a provider of integrated construction and real estate services, Implenia is well-positioned to benefit from this expanded public spending initiative, which is expected to drive demand across its core competencies in complex infrastructure projects, civil engineering and sustainable urban development.

II MAIN BUSINESS AREAS

Currently, Implenia has four divisions:

1. **Real Estate** (26.4% of total EBIT in 2024[4])
2. **Buildings** (39.4%)
3. **Civil Engineering** (28.1%)
4. **Specialties** (6.1%)

As of 1 April 2025, the company is organising its business portfolio into three divisions.

The Real Estate and Buildings Divisions will be merged into:

1. BUILDINGS. A one-stop-shop integrated contractor offering consultancy, planning, engineering and project management services. Implenia is a specialist with extensive experience

(1) Source: Bauinfo, UBS AM, Real Estate & Private Markets (REPM), Letzter Datenpunkt 4Q23
(2) Source: the Federal Statistical Office
(3) Railway infrastructure, roads, public transport, digital infrastructure and education. Source: Die Bundesregierung
(4) Excluding Corporate EBIT

in the design and execution of complex new buildings and modernisation projects, covering the entire value chain from initial analysis to turnkey delivery. It operates in two business units:

a) Real Estate Development
Real Estate Development purchases plots of land, develops them and resells them after development, typically for a substantially higher price either together with a construction contract or after construction of the new building, but always before tenants move in. This ensures that the real estate portfolio is accounted for at procurement value on Implenia's balance sheet and not at market value. As of December 2024, the difference was CHF >100 million, implying the same amount of 'hidden reserve'. Furthermore, the Real Estate Development business unit also holds a 14.3% stake in a leading Swiss Property Developer called "Cham Swiss Properties", which is also listed on the Swiss Stock Exchange.

b) Building Construction
The Buildings division operates in Switzerland and Germany, with a roughly 70% vs 30% revenue split between the two countries. As Implenia pursues a differentiated sector-oriented approach, their Buildings construction business unit focuses on sectors such as healthcare (hospitals and laboratories [accounting for >25% of the division's order book]), data- and logistics centres [accounting for ~5% of the division's order book], large and complex mixed-use sites [accounting for ~15% of the division's order book], leisure facilities [accounting for >10% of the division's order book]. Additionally, Buildings Construction is also present in residential and commercial building construction [each representing ~20% of the division's order book]. Implenia explicitly engages in large and complex projects and hence does not focus on low-margin single- and multi-family home construction. The division's customer base is a balanced mix of government-owned entities and large corporations.

The company aims to be as asset-light and specialised as possible, hiring external experts and subcontractors to handle construction, thus positioning itself as a project manager rather than a traditional construction company, where margins are typically lower.

2. CIVIL ENGINEERING. A provider of a) tunnelling services throughout Europe, as well as b) civil and special foundations services in Switzerland and Germany. The company is recognised as a European leader in complex and challenging tunnel projects. These projects offer significantly higher margins compared to other generic civil engineering work. As a consequence, Implenia plans to increase the proportion of high-margin tunnelling projects to improve the overall profitability of the company. Furthermore, Implenia has extensive experience in building state-of-the-art bridges as well as energy infrastructures.

The division's customers are predominantly government or government-linked entities, implying close to zero customer default risk. Generally, contract length tends to be longer (3+ years) for the division, given its tunnelling business unit. As Implenia is increasing its proportion of tunnelling projects, the order book has been going up and is expected to continue to increase going forward.

3. SERVICE SOLUTIONS. As a provider of services for the construction sector, Implenia integrates specialised expertise across engineering, project planning and asset management. This includes the services provided by Wincasa, Switzerland's leading provider of real estate management services, including centre and mixed-use site management, as well as construction management. All units within this division operate under highly asset-light, market-driven business models.

Implenia acquired Wincasa for CHF 171.6 million in 2023, and it contributes significantly to the company's EBIT. By expanding Wincasa's business, Implenia expects to increase its own revenue streams and operational efficiency. Wincasa's EBIT pre-PPA amortisation amounted to CHF 20.3 million in 2024 (>10% EBIT margin), implying that Implenia was already able to generate CHF ~5 million in synergies within 1.5 years after the acquisition. Such synergies were mainly cost savings, such as IT, HR, marketing, finance function costs, as well as rental savings. Implenia is expecting an additional CHF 5 million in revenue synergies at the latest by 2027. Such revenue synergies are expected to be a) Implenia providing clients with a unique end-to-end offering, incl. real estate management services, a first of its kind offering in Switzerland; and b) Wincasa, which manages ~250,000 properties across Switzerland, has a view on which of the buildings require modernisation or new build construction services in the near-term. As a consequence, Implenia will have an early involvement advantage.

III VALUE PROPOSAL

Implenia's strategy is centred around managing large, complex projects with a focus on sector-oriented specialisation, diversification and serving a broad range of customers, minimising risks, while maximising opportunities through strict application of Value Assurance, Implenia's risk management process.

Implenia has significantly improved its equity ratio, more than doubling it from 10.3% at the end of 2020 to 21.2% at the end of 2024, without any capital increase.

The company is on track to achieve its medium-term financial goals, including an EBIT margin of greater than 4.5% and an equity ratio of 25%. These targets are expected to be reached by 2026–2028.

Implenia aims to further boost profitability by focusing on several key areas:

- optimising existing business via a) consistent implementation and further optimisation of the value assurance process; and b) by operational excellence and further improvement in productivity and efficiency by applying more AI tools, BIM (building information modelling, enabling better visualisation, design and coordination of the construction of the project, hence reducing delays and cost overruns), and lean construction on Implenia's projects.
- growing existing business via increased focus on their highly complex sector-oriented specialisation (healthcare and research, data and logistics centres, tunnelling & mobility, energy infrastructure), whereby margins are substantially higher.
- developing new high-margin businesses along the full value chain with forward and backwards integration. This may include selective acquisitions, similar to the Wincasa acquisition from 2023, primarily focusing on the Swiss and German markets.

The company further expects to increase its free cash flow via a combination of:

- improved trade receivables and claims management
- more balanced real estate investments, e.g. in 2024, Implenia has conducted significantly above-average net land purchases
- continued strict asset-light strategy, which requires fewer investments in property, plant and equipment
- increased pre-payments as a result of a) lower interest rates across Europe. Switzerland has a new 0% interest rate, and b) an expected rising Buildings Division order book, based on the pipeline and generally brighter outlook across markets in this segment. The pre-payment percentages for Buildings projects tend to be higher than for Civil Engineering projects

IV MANAGEMENT TEAM FOCUSED ON VALUE CREATION

In 2018, Implenia appointed a new CEO, formerly with Novartis, where he held senior positions. Upon joining Implenia, one of his first actions was to implement a comprehensive risk management framework by introducing the Value Assurance Process, which became a central pillar of the company's approach to managing risks and opportunities within projects.

The CEO and his team thoroughly reviewed past projects over the 2019 and 2020 period, identifying numerous issues from old legacy projects that were not acquired via the new Value Assurance Process, where things had not gone as planned. The strict implementation of Value Assurance for all new projects and the transformation led to substantial improvements in the company's operational quality.

As part of the new strategy, Implenia refocused its portfolio with a clear emphasis on high-margin business (mid-term EBIT margin guidance of >4.5%) and an asset-light model across the value chain. The strategy also emphasised a sector-oriented specialisation and a concentration on urban areas (except for tunnelling and related infrastructure construction). Previously, the company had a broader geographic focus, competing with local players who could offer lower prices locally and in construction types that were less complex and hence attracted more competitors. By narrowing its focus, Implenia aims to deliver more profitable growth without compromising on quality and with a conservative risk approach. On many occasions, the company has chosen not to bid on projects deemed too risky (mostly from a contractual perspective) or too competitive, as it focuses on maintaining quality and profitability, rather than competing on price alone.

Since April 2025, Jens Vollmar, formerly Head of the Buildings Division and with Implenia since 2013, has been appointed as the new CEO. He continues to pursue the previously implemented strategy.

V SUM OF PARTS

- Real estate development business (market value): CHF 297.0M
- 14.3% stake in Cham Swiss Properties (market value): CHF 157.3M
- Buildings division excluding Wincasa, valued at a 10x (EBITDA – CAPEX) multiple: CHF 49.1m (excluding EBITDA of Wincasa) x 10 = CHF 491.4M
- Wincasa (CHF 20.3M in EBIT Pre-PPA Amortisation). We are applying a multiple of 14 x EBIT pre-PPA Amort as this business has substantially higher margins than the rest of Implenia (~10%) and additional synergies are expected to be generated in the coming years. 14 x 20.3 = CHF 284.2M

- Civil engineering division, valued at 10 x (EBITDA – Net CAPEX): (117.358 – 20.5) = CHF 968.5M
- "Other businesses not yet accounted in the above" (which were included in the Specialties Division in 2024). These are amongst others: Timber Construction, Facade Technology, BBV, SISAG, Encira, BCL and Planovita. We have assumed an annual growth rate of 10% until 2029, a 10% EBIT margin by then, applying a multiple of 14xEBIT in 2029 and discounting that figure back to the present = (((151.99*(1.1)^5)*0.1)*14)/(1.1)^5 = CHF 212.8M
- (Net debt) / cash = - CHF 291.0M
- We apply a discount of 10 x EBIT (corporate and other division) = 10 x CHF 10.58M = - CHF 105.8M

Total Equity Value = CHF 2,014.3M