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Brunel

Brunel Intl NV(2Q26 Results)

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CORPORATE SPEAKERS:

Peter de Laat
Brunel International N.V; Chief Executive Officer
Toine van Doremalen
Brunel International N.V; Chief Financial Officer

PARTICIPANTS:

Simon van Oppen
Kepler Cheuvreux; Analyst
Konrad Zomer
ABN AMRO; Analyst
Mark Schwartzenburg
ING; Analyst

PRESENTATION:

Operator^ Hello everyone, thank you for joining us and welcome to the Brunel second quarter 2026 and first half of 2026 results call. After today's prepared remarks we will host a question-and-answer session. If you would like to ask a question press star one to raise your hand. To withdraw your question press star one again. I will now hand the conference over to Peter de Laat, CEO. Please go ahead.

Peter de Laat^ Thank you very much, good morning, everybody and welcome to our call on the results for the second quarter of 2026. To start with the highlight, the second quarter developed as expected with the trends we saw in the first quarter of this year continuing. That means a strong performance in DACH, improved profitability in our global business and still a challenging performance in the Netherlands.

But besides that, it has been a very hectic and busy quarter and I want to mention a couple of items that passed, have happened in the second quarter. First of all, I want to start with the conflict in the Middle East and I want to start with the people aspect of it. In the second quarter they tried to get the Rastafari plant live again and have been running in Qatar that was impacted by attacks earlier this year and in doing so they encountered a huge explosion that resulted in 13 casualties and 66 injured people including one of our specialists.

Yes, a huge tragedy and also another setback for that region. And then to the other elements, so the second quarter was also the first time this year that we saw the entire quarter impacted by the conflict in the Middle East. Our activity level dropped immediately after the conflict started at the end of February and then remained relatively stable after that.

But it also means that now we have three months impacted in the quarter and that explains why the trend is a touch softer than we saw in the first quarter. And especially with the huge revenue and EBIT contribution the Middle East still has on a group and I'm really proud of the resilience of our performance in that region and even more proud of the dedication of our team and all our specialists working in that region. Another thing element that happened in the second quarter is that we formally announced and started the execution of our updated strategy.

We had a Capital Markets Day, we had also internal kickoff and I'm very encouraged by the progress we're making so far. And to mention a couple of items there, we're expanding our teams, empowering grid and defense in new verticals and also making progress on a revenue in those segments. Not yet enough to disclose it separately but we're making nice progress, we're very happy with it.

The other part is the continuation of our AI implementation. We have a Neo solution that's a completely AI driven solution for our services and our interaction with clients and candidates and we started piloting that in Q4 last year and that's going so successful that we decided to accelerate the rollout to all regions in the end of this year. Nice progress there and nice results as well. Another element and I started already with the challenging performance in Netherlands in April, our new managing director in the Netherlands started and she immediately embraced the strategy.

She's not taking let's say the first hundred days to observe the situation but she's already impacting our activities and so far, I'm really happy with the progress we're making and that also includes the refocus again on the engineering market in the Netherlands where it all started for Brunel where we used to be very strong but we lost a lot of market share and we want to regain that.

And then finally in the quarter we have been recognized as one of the fastest growing staffing companies in the US and that's measured over the last five years and we're in the top 50 there and as one of the bigger companies. So I am also proud of that performance and with that I want to hand it over to Toine for the financial details.

Toine van Doremalen^ Thank you, Peter, good morning, everyone. In terms of the quarter two results, we were close to the 300 million as Peter mentioned we're a impact of the Middle East. Still a big part of the Middle East is holding its revenue in the margins and we'll get back to later to that but we see growth not coming through as expected.

Gross profits is 52 million that's organically and also reporting wise about one percent down gross margin stayed stable at 17.3% and we also see there the impact of the perm revenue where we continue to see growth of about 6% in the quarter and even 20% year-to-date.

Operating costs still favorable compared to last year these obviously are the cost reduction programs we initiated last year but also as mentioned those will be partly used also for investments and sales business development and a new strategy and also there, we start to see the impact in quarter two and also expect that impact of the investments for the main part of the year. In the long EBITs then at EUR 6 million for the quarter which is stable from a reporting perspective and organically two percent up this quarter.

Then for the H1 results EUR 597 million about EUR 300 million per quarter and then the trends are more or less the same for gross profits organic one percent down operating costs also down for the first half and then EBIT is 3% of organic for the first half at 14 million rounds. If you then dive a little bit deeper into the regions Peter already mentioned we have continued to see good performance in DACH compared to last year with about a 12% organic revenue growth year-on-year and a positive EBIT contribution of 800,000 euros compared to a loss of last year. So momentum is there.

Netherlands and Belgium there we have seen the negative impact both in revenue as well as EBIT and the turnaround is a full progress as also Peter highlighted. And then for the global business in total stable revenue but the growth in underlying profitability whereby obviously Middle East indeed is a bit down as already indicated before both revenue as well as profitability but the other regions are doing well in terms of profitability.

We also discussed in Q1 at Asia although revenue is down that is for a big part also driven by a change in service model there for certain customers where we serve much more secondment services where we do get the full margin or our full fees but not the full top line as we see some of our other services. So profitability is still strong there with a nine percent growth in the quarter. That is for Q2. Then H1 I will be short as the trends are the same both for DACH, the Netherlands as well as the global business.

The main outlier here is that we still see Middle East in combination with a strong Q1 showing organic growth for the first half but still a little bit less profitability given the challenges there in the second quarter. Perm revenue already mentioned 20% up for the first half and then EUR 14 million EBIT for the first half which is three percent up organically. Gross margin this shows the split in gross margin as well as revenue by region.

We've also split this as we have introduced the capital markets day between Europe and the global business. You can see at the bottom that the margin that we have seen margin challenges in the European business in the Netherlands but specifically also in DACH and that is where we see a strong revenue growth but also, we see supply consolidation at our customers. We've also indicated that last time where we see more revenue but then at sometimes at lower margins.

Then in the global business gross profit was slightly down -1% organically to EUR 51.6m and gross margin stable at 17.3% and that is partly that service mix in specifically Asia. That is what I would like to highlight here. Let me go a little bit deeper into the regions starting with DACH.

Again 13% increase in revenue, margin of 24% although lower than last year for the reasons that I mentioned. The cost program that we introduced last time has had this full impact and also shows in a stronger bottom line for a total EBIT of 800,000 compared to a loss last year in the quarter.

Then the Netherlands and Belgium and here also with the scope of the new managing director we have decided to combine also our reporting the Netherlands and Belgium together where obviously Netherlands is by far the bigger part of that and then the revenue decline that we

have shown is in combination of the market challenges that we see but also with the organizational changes.

Also, that is impacting in the short term the performance. In line with the low activity level also cost has been reducing and we will stay for vigilance in terms of cost levels but also want to make sure that we set up the organization for success for growth and then as Peter mentioned the turnaround program is progressing well. So Australasia is continuing a strong performance that we also did see in prior quarters.

Revenue still up year on year, gross margin increased to 11.5% and is 100 basis points up compared to last year and the EBIT increased or improved 11% organically to 1.9 million. So a strong performance of the team there and also the strong conversion ratio. The Americas also there we continue to see good performance a growth of organically 6% year on year in the quarter gross margin also increased there slightly with 50 basis points.

Underlying EBIT despite the increase in margin and revenue was flat and that was also reflecting the continued investments we're making in the region to take advantage of the opportunities that we see there. Conversion ratio of close to 24%. Middle East I think most has been said already by Peter about this region and also the resilience of the team there focusing on customers and contractors but obviously there has been some impact on the top line and the bottom line and specifically we also see that new projects and new growth is being pushed out.

So we see a slight decline in revenue as well as in bottom line. We stay vigilant here on cost and also the region here continues to have the highest conversion ratio and we want to make sure that we are ready for growth when that returns. Asia already mentioned there the service mix so on the one hand the revenue decline of 13% in the quarter looks like a lot but underlying we see limited impact in our gross profits and even margins and then improving given the service mix.

EBIT was flat year on year reflecting that swap in services between top line and margin and also here we continue to invest in future growth. Conversion ratio was stable around 33%. Then the rest of the world that is a combination of Europe and Africa and Taylor Hopkinson as mentioned before Belgium has moved to the Netherlands and it's now the Netherlands and Belgium together.

Here we see that revenue increased in across this rest of world region with about 9% organically. Margins are also up close to 200 basis points or more than 200 basis points and then also EBIT returns to positive area 800,000 profit compared to a small loss last year. So also here performance is picking up and that is also contributing to the good performance in the global business.

Then if we add that up, I've touched on most. I already mentioned that the perm business has been up 6% in the quarter and twenty% year to date. Gross margin is flat and an underlying EBIT is up two% organically also in the back of still good cost control across the regions. Then this shows the gross profit by vertical. As Peter mentioned the new verticals will be reported later but not at this stage. Conventional energy is more or less flat obviously also impacted by the Middle East conflict.

Renewables shows growth as well as mining. Future mobility shows some growth that of course is also the impact of the growth that we see in DACH and Germany and then in the Netherlands you see some decline in the financial and public sectors in line with what we also reported in prior quarters. Then moving on to net profit. We showed the net profit of slightly over EUR5 million that compares to a EUR 0.3 million last year. Last year as you can recall we booked quite some one-off costs related to the restructuring that we did at that moment. In this quarter we did book some one-off cost.

There's still some small restructuring going on here and there and also there's some strategy and transformation costs included in that EUR 1.3 million. Earnings per share at EUR0.10 cents compared to one cent last year and then the tax rate has normalized around 35%. Last year that was much higher given quite some special items but this is normalized tax rate that we also expect for the remaining part of the year.

Then cash flow as usual with the seasonality we see negative cash flow in the first half of the year, negative EUR14 million. It was less negative than the year before and basically this follows the usual seasonality specifically of our receivables. Net cash position of, net debt position of four million which compares to about EUR 32 million net cash at the end of the year and then restricted cash out of that is close to EUR11 million in line with end of last year.

Of course, the cash position also reflects the dividend payout that was done in June of this year. Then the outlook, this is in line with what we have seen in Q2 and also Q1. We will remain cautious here also given the macroeconomic and geopolitical uncertainty specifically in the Middle East and any fallout of that. So we expect the trends to continue meaning global business in the Netherlands as well as the Middle East. We expect the same trends to continue before Q3. With that I hand it back over to you.

Peter de Laat^ Yes and then I want to open the floor for any questions you might have.

QUESTION & ANSWER:

Operator^ We will now begin the question-and-answer session. Please limit yourself to one question and one follow-up. If you would like to ask a question, please press star one to raise your hand.

To withdraw your question press star one again. We ask that you pick up your handset when asking a question to allow for optimum sound quality. If you are muted locally, please remember to unmute your device. Please stand by while we compile the Q&A roster. Your first question is from the line of Simon van Oppen with Kepler Cheuvreux. Your line is now open. Please go ahead.

Simon van Oppen^ Thank you, operator and good morning, gentlemen. I have a question on operating leverage. You have saved roughly EUR 30 million in cost since Q2 2024 and we see despite top line being slightly negative in Q2 that underlying EBIT is up 2% organically.

When can we expect a bit more operating leverage from all the cost savings initiatives that you have done so far? And then secondly, I was wondering on the dynamic of your temp

versus perm business. We see permanent placement or permanent recruitment being up 6% organically and contracting revenue down 2% organically in the quarter.

Curious to hear your thoughts on what is driving the let's say difference in perm versus contracting.

Toine van Doremalen^ Hi, Simon, good morning. In terms of the leverage, we have seen over the last quarters as you mentioned the last 18 months significant improvement in our cost base. Obviously, we also have seen a reduction in revenue and with that margin and some margin pressure specifically in Europe. So the lower cost base is fully into the numbers.

In the meantime, we're also investing. What obviously we're getting ready for is growth and also achieving that growth with no or very limited additional costs. So you see that we have bottomed out in Q1 and Q2. Obviously middle east is a bit uncertain but that operating leverage will start to show as we start to grow as well. But obviously the lower cost base is fully there.

Simon van Oppen^ And maybe as a follow-up what do you expect to achieve in an environment where your top line remains relatively flat? How much operating leverage going forward?

Toine van Doremalen^ Well we do expect growth right. So the lower cost base is there Simon. Obviously if we would not grow moving forward then we would need to relook at cost since we have invested in growth. But we do expect growth to return also with the new strategy and the focus on new verticals. So I have no concerns that the operating leverage will start to show moving forward.

Peter de Laat^ Yes, or slightly rephrased if the growth does not materialize what we don't expect then we need to reduce the cost. Yep, all right thank you. And the TEMP versus PERM, nice question. So TEMP has a slightly different let's say cyclicality than PERM. Our clients start building their own organizations first. That's where we can help them with PERM before they start hiring external contractors.

And that's TEMP of course. So that means it's promising that PERM is picking up. That's promising for what will happen with the TEMP activities and that's also why we are expecting growth.

Simon van Oppen^ All right that's very helpful. Thank you very much.

Peter de Laat^ And to add to that I'm also very pleased that PERM is doing well across the globe and all verticals that we do PERM in. Thank you. Thank you.

Operator^ Your next question is from the line of Konrad Zomer with ABN AMRO. Your line is now open. Please go ahead.

Konrad Zomer^ Hi good morning. Thank you. A question on your performance in the Netherlands. Can you explain to us in a bit more detail what you see in terms of timing of the refocusing on engineering? What's going to happen to your other activities like in financial services in the public sector? And also, in Q2 your revenues were down 21 percent. The cost

base was down eight. Obviously that cost base will continue to come down further. But when do you think that will be aligned with the developments in your revenue base?

Peter de Laat^ Yes, good question. So the timing on the focus obviously we started immediately after all the we've implemented all the changes in April this year with the focus on engineering. But that starts with building your teams and intensifying our client relationship.

So it's a bit hard to put an exact timing on it when we will see the benefits of that. But I'm cautiously optimistic that towards the end of this year we will see the first real benefits of that. And what will happen with the other verticals?

We continue to have a strong position in those in the financial services in the public sector. But those verticals, the markets are declining there. So I'm convinced that we will continue to do well in those markets but I don't expect any significant growth coming from those verticals.

And then finally I agree that there is a mismatch between our current cost level and our revenue and margin level in the Netherlands. And most of the resets should be done by the start of next year so that next year we will have a more decent profitability in the Netherlands. Not yet at the levels we've seen in the past but a nice uptick.

Konrad Zomer^ Okay, but then I'd like to hear a bit more about the word refocusing because from what you just said I understand that you're going to keep the other businesses. You even said they will continue to do well. To be honest, if I look at the performance in Q2 with both financial services in the public sector down more than 30% year-on-year, I wouldn't classify that as doing well. So what's going to happen to those people in those businesses? Will they continue to remain employed? Will they get the backing from the management? How do you see that develop?

Peter de Laat^ And so, to start to have the backing of the management and in those verticals the cost level pretty much have been adjusted to the activity level. So the overall performance of those verticals is not too bad I would say. But it's not visual in the overall numbers because of the investments we're doing in all the engineering verticals where we are expanding our sales teams to make sure that we can be more successful in the engineering verticals.

Konrad Zomer^ Right. Okay then maybe as a final question on this topic. I think that engineering at the moment is about 30-35% of your business in the Netherlands. Correct me if I'm wrong, but I think that's roughly the ballpark number. Let's say you're one year ahead and you've done all the things that you wanted to do. What percentage of your overall revenues in the Netherlands do you think consists of engineering?

Peter de Laat^ Yes, so your current assessment of what engineering is in the total business analysis is pretty accurate. And for next year we should see the first benefits and then resulting in that it will go to between 40 and 50% of our overall business. But it does take time to regain what we've lost.

Konrad Zomer^ Yes. Okay thank you very much.

Operator^ Your next question is from the line of Mark Schwartzenburg with ING. Your line is now open. You may please go ahead.

Mark Schwartzenburg^ Yes, good morning. Let's see what's left. Yes, I first want to discuss the outlook. You say trends are continuing from what we observed in the second quarter. But I would say comps are getting quite a bit easier. So how should I read that? And also, with Germany. Resilient because we accelerate from plus seven to plus 12. Comps still easy. Should we expect then a sort of low double-digit growth to continue? Is that what you're trying to say or is it still going higher because of easier comps? The same bit for the other regions.

Peter de Laat^ So it's the latter part. So the sequential trend will continue and help by the easier comps then that will show improved trends year on year.

Mark Schwartzenburg^ Okay. That should improve. And what do you see in Germany? Because you had a bit of an acceleration. If I read the outlook, it feels a bit more cautious. Is it because it's stagnating a bit and the quarter-on-quarter improvement in volumes?

Peter de Laat^ Or what do you see there? Yes, it is stagnating a bit overall. But that's the balance of continuing challenging automotive market. And you surely have read the BMW announcement this week. So that's not helping. But we see the other verticals and especially defense power and grid and wider energy. We see continued growth there. And the uncertainty is that it's not fully clear how challenging automotive is and how fast we can grow in the other ones.

Mark Schwartzenburg^ Yes, because you see in automotive that things are stagnating or coming down a bit further.

Peter de Laat^ Yes correct.

Mark Schwartzenburg^ And then on the Middle East. As expected, the trend came down. You flagged it also at the Q1 numbers. Project delays. What is the current situation? What should we expect for the second half? Will that come down a bit further because of all the tensions still going on and strikes and what have you? What should we expect? Can we go minus 10 or will it stay at this level in terms of trend?

Peter de Laat^ The trend will -- it will go down slightly more. That's just because projects are completed and no new ones are started, but that's only very small impact.

Mark Schwartzenburg^ Okay, okay.

Peter de Laat^ And based on what we see today, that's based on what we see today, but there's a lot of things changing there all the time, obviously.

Mark Schwartzenburg^ Okay, clear. And then on the Netherlands, to come down on that again, because I feel a bit like Konrad, that if your business is down 40% and you see the numbers behind it in the segmental split, you think we're going to talk quite small numbers. And what makes you certain that in financial services, which are positioned there, that it

won't continue to go down as long as AI is maybe getting rid of some of those repetitive things, jobs and financial services.

Should you just take a decision then at some point, hey, we refocus here, we invest in engineering. At the same time, you're still underwater a bit in the other two verticals. Why don't you just make a bigger cut and say, well, we take a decision here, what should be positioned there? Because now indeed, the core space is only down 8% because you're holding on to some staff and there might be a lot of idle and underproductive. So should you take a decision there?

Peter de Laat^ So I already addressed that there's a mismatch between cost and activity level, and that needs to be fixed. But at the moment, the performance and the development in both financial services and public sector is pretty stable. And longer term, I fully agree that those verticals might be impacted more by AI. But at the moment, we still see more than sufficient opportunity there to continue doing that. And they are profitable, the verticals, and we're using those proceeds to invest in our engineering verticals.

Mark Schwartzenburg^ Yes, I would say that the productivity must be very low. When you're down 40%, I think it can’t be that they make really good margins, or at least margins that are --

Peter de Laat^ A little bit in perspective, direct to indirect for public sector and financial services is one to 10. And in engineering, it's 1 to 5 or 1 to 6.

Mark Schwartzenburg^ There's a totally different gross margin apparently

Peter de Laat^ No, the gross margin is similar.

Mark Schwartzenburg^ Maybe that should also go up one to five, six. Maybe with AI tools, it should also go to one to 10. And you're saying that --

Peter de Laat^ No, but the low --

Mark Schwartzenburg^ The story lines is of the other staffers.

Peter de Laat^ No, the low direct to indirect ratio is especially the result of the investments we're doing in the engineering vertical. And that ratio should also go to 1 to 10.

Mark Schwartzenburg^ Okay. That's right. That's clear. Then maybe on the cash position, the final question. Can you give us a bit of a feel for the second half? Because I know seasonality, different payments, etc., etc. Do you -- Would you say you will come out -- That depends, of course, on the growth in the fourth quarter. I fully understand that. But ballpark, rather stable trends that you're currently seeing. Would you arrive a bit at around the same level as last year or a bit higher or a bit lower? What would you guess?

Toine van Doremalen^ Yes, so -- Thanks, Mark. So last year, we're around EUR 35 million. That would really be the upper side of the range, I would say. Of course, it depends on

growth and how much working capital we need to keep for that. As usual, the second half is cash generating for the business, so we expect that. But again, 35 is at the higher side.

Mark Schwartzenburg^ Okay, that's clear. Well, thanks very much.

Toine van Doremalen^ Thank you.

Peter de Laat^ You're welcome.

Toine van Doremalen^ Thank you, Mark.

Operator^ As a reminder, if you would like to ask a question, please press star one to raise your hand. We ask that you pick up your handset when asking a question to allow for optimum sound quality. And if you are muted locally, please remember to unmute your device. Please stand by while we compare the Q&A roster again. Your next question is from the line of Konrad Zomer with ABN AMRO. Your line is now open. Please go ahead.

Konrad Zomer^ Hi. Thanks again. I would like to ask a question on your performance in Asia. I think it was very good, particularly because you were able to keep your profits flat year on year while your top line came down. And you mentioned in your prepared remarks that it was partly down to a business mix difference. I think you mentioned secondment.

I just wanted to check, is that like a deliberate decision to focus more on permanent placement? Is secondment, is that what you refer to as permanent placement or is that something else? And if it's not a deliberate decision, can you talk us through the market dynamics as you see them, which explain the difference in profit and revenue development?

Peter de Laat^ Absolutely. To start, it's absolutely a deliberate decision. And what we consider secondment is where we support our clients for their staff with all the global mobility matters to make sure that they can work compliantly in-country.

And as a result, we only get a monthly fee instead of that we also have to pay the salaries, which also increases your revenue. So for secondment, we only have the fee, which is a monthly fee, and that's 100% margin. And it's a deliberate decision of a new service offering that we have implemented. So secondment is not permanent.

Konrad Zomer^ Right, right.

Peter de Laat^ But the global mobility part is very important for everything we do in Asia, also the contracting. So that's also why we are able to offer it as a standalone service to our clients for their own staff.

Konrad Zomer^ And is it because your clients demand you to provide these services or is it that you've decided to offer these services yourselves?

Peter de Laat^ No, we decided to offer it ourselves.

Konrad Zomer^ Right. So this trend is likely to continue going forward in Asia?

Peter de Laat^ Yes, but it won't be a stable trend, because it's pretty much linked to the project dynamics. Yes, if you have a bigger project with a lot of people, with a lot of contractors, then this part will diminish a bit. And if the project is slightly lower level, then the trend will continue with more staff, people going to the region.

Konrad Zomer^ Okay, thank you.

Operator^ Your next question is from the line of Mark Schwartzenburg with ING. Your line is now open. Please go ahead.

Mark Schwartzenburg^ Yes, thank you. And yes, just with the answer to call out on Asia in the mind, maybe difficult to answer, but I just wanted to ask about the gross margin. Do you think you've basically reached a bit of a bottom there with Perm now improving and as a common being a bit behind, but also now with maybe some stabilizing trends? Should we then have seen maybe the low point in that gross margin trend?

Peter de Laat^ Overall, I think we have, especially with the sequential decline in Netherlands stopping and growing again. So that also resets the mix. And the margin improvements we see in Australasia and Asia, I think we've seen the bottom.

Mark Schwartzenburg^ And then maybe a final one in terms of projects. Is there anything to mention in terms of maybe in Americas or New Guinea or stuff where projects are ramping up, where you see some accelerating momentum or is everything rather stable?

Peter de Laat^ You mentioned New Guinea and I'm a bit cautious on mentioning it again, because we've mentioned it a lot. But every time they find another reason for delay, but at the moment they expect FID in this quarter. So that should be promising. And in the U.S., there are several LNG projects, slightly smaller continuing. But all in Americas, I would say, and that will especially help our activities in Asia next year, because the construction for those projects will be done in Asia.

Mark Schwartzenburg^ All right. Thanks very much. OK.

Operator^ We have reached the end of the Q&A session. I will now turn the call back to Peter de Laat, CEO, for closing remarks. Please go ahead.

Peter de Laat^ Thank you very much for attending this call. I'm very pleased to see the trends continuing. And like Toine already said, we are really expecting growth to start materializing in the next couple of months. And then we also see the operating leverage come into effect. So that means that I have a very optimistic position for the future. And we'll push to make it work and to get as much out of it as possible.

And what's also supporting us is that we see a favorable trend with the generalist offers, and they are typically six to nine months ahead of what we see. So that's also supporting our expectations on growth. So happy to tell you more about that in the next quarter. Thank you very much and enjoy the summer. Thank you. Goodbye.

Operator^ This concludes today's call. Thank you for attending. You may now disconnect.