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Overall Economic Development

As a globally active company, the Nemetschek Group is influenced by worldwide economic developments and industry-specific trends. These developments also have an influence on the future earnings, financial and asset situation of the Group.

The development of the global economy is currently influenced by many factors whose effects are associated with uncertainties. In many parts of the world, the Covid-19 pandemic has led to new and extensive restrictions due to the spread of the Omicron variant. These firstly comprise the containment measures determined by individual governments, but the high number of people infected and quarantining may secondly also lead to restrictions in public and business life and their associated impacts. Furthermore, the rises in energy, raw material and logistics costs over the course of the pandemic, combined with continuing supply bottlenecks, are dampening economic developments in different industries.

Beyond the pandemic, there are still high uncertainties regarding political conflicts and their potential impact on future economic development. Relations between Russia and Ukraine and trade relations between the USA and China are worthy of mention here. As long as the war remains isolated between Russia and Ukraine, the Nemetschek Group currently sees general economic and inflationary developments in particular as the main risks. In addition, shifts in economic investments (from infrastructure/sustainability to defense) can also have a negative effect on the business. The current business (revenues) in Ukraine and Russia is not material for Nemetschek. In the event of an expansion of the armed conflict, further risks could be added.

Moreover, continuing uncertainties as regards implementation of the United Kingdom's exit from the European Union (EU) are also having an impact on the global economy. The growing efforts and activities of individual economic areas to transition to a more sustainable economy (e.g. the European Green Deal in the European Union) may also bring about significant changes in the economic environment.

At bottom, however, in its Annual Report 2021/2022 published on November 10, 2021, the German Council of Economic Experts anticipates global gross domestic product (GDP) will rise by 4.4% in 2022. The World Economic Outlook Update published by the International Monetary Fund (IMF) on January 25, 2022 also forecasts global economic growth of 4.4% for 2022. In October 2021, the IMF still envisaged growth of 4.9%. The forecast the IMF published in January 2022 takes account of more up-to-date insights, particularly those pertaining the development of the Covid-19 pandemic and geopolitical events.

The following developments are forecast for the regions of significance for the Nemetschek Group. GDP in the **eurozone** is expected to grow by 4.3% (German Council of Economic Experts) and 3.9% (IMF) in 2022. According to the German Council of Economic Experts, GDP in Germany is expected to grow by 4.6% in 2022, while the IMF sees growth in Germany at 3.8%. For the **USA**, the German Council of Economic Experts expects growth of 4.4% in 2022, while the IMF expects growth of 4.0%. For **Asia**, the German Council of Economic Experts forecasts GDP growth of 4.8%. It anticipates growth of 5.0% for China. In its latest forecast, published in January 2022, the IMF estimates 4.8% economic growth for China, citing, in particular, the impact of the "zero tolerance" policy for tackling the Covid-19 pandemic and the economic consequences of property developers' financial problems as reasons for this.

Overall, the uncertainties associated with the above forecasts are great and depend above all on the further course of the pandemic and further development of political and economic conflicts, crises and conditions. Any occurring or increasing risks or deterioration in conditions may have a negative effect on the development of the global economy. Equally, a faster end to the pandemic, resolution of conflicts or improvement in conditions may also provide positive impetus for the global economy that also has significance for the industries and regions of relevance to the Nemetschek Group.

Sources: German Council of Economic Experts, Annual Report 2021/2022 dated November 10, 2021 and International Monetary Fund, World Economic Outlook Update dated January 25, 2022.

Sector-Specific Development

Construction Industry

The Covid-19 pandemic has shown that the construction industry is highly resilient overall. The European construction industry recovered as early as 2021 and reached the level of revenues achieved in 2019, contrary to expectations. The experts at Euroconstruct also expect growth of +3.6% for 2022. The forecasts for 2023 and 2024 are somewhat more cautious, with experts anticipating growth of 1.5% at the most. The positive outlook is clouded by uncertainties as regards supply chains, raw material prices and the shortage of skilled workers.

Although, unlike in the previous year, the **German** construction industry is expected to grow in 2022, this remains below the average for the Euroconstruct countries at +1.1%. The same applies to other smaller markets in **Europe**, including Switzerland (+0.7%), Norway (+2.5%) and Austria (+2.6%). The highest growth rates in **Europe** for 2022 are expected in Ireland (+8.4%), Spain (+8.0%), Hungary (+7.2%), Great Britain (+5.9%) and Italy (+5.6%).

In the **USA**, construction output is forecast to grow by +3% in both 2022 and 2023. Growth is expected to climb to +6% in the subsequent years, driven especially by infrastructure construction. The reason for this is the USD 1.2 trillion infrastructure package adopted in 2021 which is making civil engineering a growth driver in the US construction industry in the medium term.

Sources: ifo (Nov. 2021) – 92nd Euroconstruct Summary Report; FMI (Oct. 2021) – 2021 North American Engineering and Construction Outlook Fourth Quarter Edition; GTAI (Nov. 13, 2021) – Tiefbau erfüllt in den USA die Erwartungen; GTAI (July 1, 2021) – In China wird 2021 kräftig weitergebaut; GTAI (Sept. 27, 2021) – Indien stockt Investitionen im Infrastruktursektor auf; GTAI (Sept. 28, 2021) – Indiens Baubranche erwartet weitere Erholung für 2022; GTAI (Oct. 18, 2021) – China will Infrastruktur weiter kräftig ausbauen; GTAI (July 30, 2021) – Japans Bauwirtschaft hofft auf neue konjunkturelle Impulse, um die Auftragsbücher füllen zu können; GTAI (Sept. 14, 2021) – Smart Cities sind langfristige Investitionsprojekte; RICE (Dec. 2021) – Quarterly Outlook of Construction and Marco Economy; IBEF (Dec. 2021) – Indian Infrastructure Industry Analysis

Digitalization in Construction

Digitalization in the construction industry is less advanced than in other industries. The reasons for this include the high degree of fragmentation and low margins in the construction sector. Nevertheless, a large number of players in the construction industry view the digital transformation as a key competitive advantage and strategic priority. The Covid-19 pandemic may further accelerate existing trends such as digitalization in the medium to long term. Accordingly, the Nemetschek Group is operating in a market that remains dynamic and offers great growth potential in the coming years. The increasing establishment of an open standard for data exchange, which creates compatibility between different software solutions and thus promotes the increasing establishment of BIM, will have a particularly positive effect. The driver behind this development is the international non-profit organization buildingSMART, which promotes digitalization in the construction industry.

Sources: www.buildingsmart.org; IFS (Oct. 2020) – Understanding construction and engineering spending on digital transformation; InEight (July 2021) – Global Capital Projects Outlook – Optimism and Digitization; McKinsey (June 2020) – The next normal in construction; McKinsey (Feb. 17, 2017) – Reinventing construction through a productivity revolution; Verdantix (Dec. 2020) – Market Overview: AEC Software

Company Expectations

Despite the uncertainties associated with the continuing Covid-19 pandemic and current geopolitical conflicts, the Nemetschek Group aims to continue its business policy geared toward sustainable and profitable growth and will invest in further internationalization and the development of new-generation solutions. It will also continue to drive forward its strategic initiatives within the four segments. The Executive Board is carefully monitoring the further development of the current uncertain general economic situation in order to be able to make adequate decisions within the framework of the growth strategy.

Internationalization

As a company that is globally active in the AEC/O industry, the Nemetschek Group is focusing on those markets that currently offer the greatest potential and which have already made BIM mandatory or are in the process of establishing BIM standards. In addition to markets in Europe, the Nemetschek Group focuses on regions in Asia/Pacific, including Japan and Australia, as well as on the USA. The USA is the world's largest single market for AEC/O software and for the Nemetschek Group a significant but competitive sales market in which the company experienced an above-average development. The US market will therefore continue to play an important role in the implementation of the growth strategy.

The same applies to the Media & Entertainment segment. Europe, Asia and the USA are key regions here too.

Further internationalization is also a significant growth driver for the Nemetschek Group because the existing brands in the USA and Europe mutually enrich each other in their expansion.

Networking, Sales Approach and New-Generation Solutions

The group structure consists of a strategic holding company and the operational business. The company's operating activities are carried out via four segments with a total of 13 brands. An Executive Board member or Segment Manager has been assigned to each of the four segments and works closely with the brands within the segment. They also strengthen brand cooperation and networking so as to reduce the complexity resulting from the diversity of brands. The merger of the Graphisoft and DDS brands on one hand and the Precast Software Engineering, SDS/2 and Allplan brands on the other make it possible to offer the respective multidisciplinary customer segments a BIM product portfolio that addresses their all-round needs. The platform-based BIM solution from Allplan takes the so-called "buildability" into account right from the start in order to ensure continuous BIM workflows even during the transition from the planning phase to the construction phase.

As part of the merger of DDS and Graphisoft, the competence of DDS for technical building equipment was bundled with the technology platform and global market position of Graphisoft. In this

way, the – complementary – competences and strengths of both brands can be used and growth can be further advanced.

Thus it is not only “smaller” brands that benefit from the presence and sales strength of the internationally focused Graphisoft and Allplan brands. In particular, this integrated product portfolio now enables them to address the needs of integrated, multidisciplinary customer groups in an even more targeted way.

The Nemetschek Group continues to use innovative solutions to make the workflow in the construction process more efficient, to target new customer segments, to support the cooperation of the brand companies in their international growth strategies and to share best practices within the Group.

Even before the Covid-19 pandemic, it was evident that there was increasing investment in the public sector and especially in infrastructure measures. This development has been reinforced by the pandemic, which is also partly due to the different aid and economic stimulus programs of individual governments. The Nemetschek Group would like to further expand its activities in this segment focusing in particular on technically complex solutions such as bridge and tunnel construction.

At the same time, Nemetschek is focusing on future topics that will shape and change the construction and media industries. New technologies such as artificial intelligence (AI), digital twins, robotics, automation or the use of Internet-of-Things sensors will further change the AEC/O markets in the future and at the same time increase the market potential. The Nemetschek Group recognised these topics and has occupied them both with its own developments and with investments in start-ups. Augmented and virtual reality will also change not only the AEC/O industry, but also the media and entertainment market. The Nemetschek Group has become significantly stronger in the Media & Entertainment segment over recent years, due in part to the acquisitions of Redshift, Red Giant and the acquisition of the Pixologic business operations. The comprehensive range of solutions now covers all five key areas of application from modeling, animation, rendering and painting to sculpting. As a result, Nemetschek has significantly expanded its customer base. With the expanded portfolio, Maxon has already established a good position in the huge 3D animation as well as emerging Metaverse market.

Subscription/Software as a Service (SaaS) and Sales Approach

The brands of the Nemetschek Group will continue to offer their customers a certain degree of flexibility when purchasing software. Customers can choose between the classic license model, including the service contract option, and flexible rental models

(subscription or software as a service). Rental models in particular make it possible to tap into new customer groups, as many customers would like to use the software flexibly and without a one-off license fee. In the four segments, the offer and implementation of rental models are at different stages of progress. In doing this, the Nemetschek Group addresses the different needs of customer groups, depending on area of application and region.

In the Design segment, brands such as RISA already generate a large part of their revenues with rental models. The major portion of revenues for the brands still comes from license models and software service contracts. In the future, it is planned to continue expanding the range of rental models in the Design segment, which is partly to target new customers and to provide them with a high degree of flexibility.

In the Build segment, the top-selling brand Bluebeam, which continues to generate the majority of its revenues in the USA but has also grown significantly outside the US during 2021, will increasingly migrate to rental models in the second half of 2022. To make the range of rental models as attractive as possible, the brand will offer customers added value with new features. Based on the strong growth in new users in 2021, Bluebeam will start the subscription transition from a significantly higher user base in 2022. At the same time, Bluebeam 2021 has already started testing the new subscription solutions with selected customers to gain sound feedback and insights. Nemetschek is convinced that this will maximise customer benefits, accelerate growth, and successfully launch the conversion from an even higher user base in 2022.

In the Manage segment, the Spacewell brand already offers rental models. This approach will continue in the future.

In the Media & Entertainment segment, the Maxon brand started the migration to subscription in the third quarter of 2019. The Maxon ONE product suite bundles all features into one attractive offer for creative users. Maxon now generates around 70% of revenues with subscription, with contributions from the recently acquired and already integrated brands Redshift and Red Giant. The successful migration is reflected in the strong growth of the brand and the significant broadening of the customer base.

The strategic objective is to increase visibility and predictability with the successive increase in recurring revenues from rental models while still maintaining close customer contact and increasing customer satisfaction by a faster pace of innovation.

Growth – Organic and Inorganic as well as Investments in Start-ups

The sustainable organic development of the Nemetschek Group will continue to be supplemented by value-adding acquisitions with the objective of closing gaps in the Group portfolio and thus extending and rounding out the technological expertise in the workflow of construction processes. A further goal of acquisitions is to further increase the Nemetschek Group's market shares in the international markets.

Thanks to high cash flows and the solid balance sheet structure, the Nemetschek Group has the financial resources to finance its planned future growth through acquisitions, cooperations and partnerships. As in the past, the preferred form of financing for acquisitions is possible via current cash flow, the liquidity portfolio and borrowing capital.

In the 2021 financial year, Nemetschek further expanded its Media & Entertainment segment and significantly strengthened its positioning in the fast-growing metaverse market with the acquisition of the business operations of the Los Angeles-based US company Pixologic, a specialist in digital 3D sculpting and painting.

In addition, Nemetschek has invested in start-up companies in order to further increase its innovative strength. Last year, for example, Nemetschek took minority stakes in three young and innovative companies from Germany, the USA and Norway as part of financing rounds. We will continue these start-up investments in the future, because product excellence and innovative strength are the key to ensuring that we can continue to offer architects, engineers and facility managers real technological added value in the future.

Focal points and objectives of the Nemetschek Group's acquisition activities are described in detail under [<< 1.2 Targets and Strategy – Acquisitions >>](#). In addition, the activities carried out in connection with acquisitions and divestments in the 2021 financial year are described in detail under [<< 3.2 Business Performance in 2021 and Key Events Influencing the Company's Business Performance – Acquisitions/Divestments >>](#) as well as in the notes to the consolidated financial statements under [<< Acquisition of Subsidiaries >>](#).

Investments and Liquidity

As in previous years, operating cash flow in 2022 should help increase Group liquidity and provide sufficient scope for planned investments in development, as well as sales and marketing by the individual segments.

Important cost items for the Nemetschek Group include personnel expenses and other operating expenses. The Nemetschek Group will continue to recruit additional experts and retain existing employees worldwide in a targeted manner in 2022 and therefore expects a moderate increase in personnel expenses. Other operating expenses, including selling expenses, will also tend to rise in 2022 regarding the further planned international expansion. In individual cases, key elements of the investment planning for 2022 are to be re-examined and assessed in the context of the ongoing uncertain business environment, taking account of the potentially changing conditions. The Nemetschek Group is continuing its investment policy in order to implement its corporate strategy aimed at profitable growth.

Dividends

The shareholder-friendly dividend policy of Nemetschek SE based on continuity is to be continued in the coming years. Taking into account the respective overall economic development as well as the economic and financial situation of the company, the Executive Board plans to continue to distribute around 25% of the operating cash flow as a dividend to the shareholders and thus allow them to participate appropriately in the economic success of the Group.

General Statement on Expected Development

Outlook for the Nemetschek Group

Over the more than two-year duration of the Covid-19 pandemic, the Nemetschek Group has demonstrated it has a crisis-resistant business model. Furthermore, it continued to pursue its strategic objective of profitable growth with great momentum in the 2021 financial year. Thanks to recurring revenues from service contracts subscription, which now account for a share of around 61%, the Nemetschek Group has a high degree of planning security. In addition, the international positioning of the Group and the targeting of different customer groups across the four segments offer a broad risk diversification. Added to this is the financial structure of the Nemetschek Group with an equity ratio of around 51% and high cash generation.

In our forecast for business performance, we assume that the global economy and that the global economy – as forecast, for example, by the German Council of Economic Experts and the IMF – will grow by around 4% in 2022.

As long as the war remains isolated between Russia and Ukraine, the Nemetschek Group currently sees general economic and inflationary developments in particular as the main risks. In addition, shifts in economic investments (from infrastructure/sustain-

ability to defense) can also have a negative effect on the business. The current business (sales) in Ukraine and Russia is not material for Nemetschek. In the event of an expansion of the armed conflict, further risks could be added.

Furthermore, we have assumed positive development in the construction industry overall in our forecast for 2022. We view the requirement for digitalization in the construction industry as an additional and key growth driver for our business. This comes in addition to ever higher sustainability standards in the planning, construction and management of buildings. Despite a short-term dip in growth, the development of the construction industry has demonstrated its high level of resilience in the face of the Covid-19 pandemic. Construction output thus reached the pre-crisis level of 2019 in many key markets as early as 2021.

The media and entertainment industry, in turn, benefits from a continuously increasing demand for high-quality content and animation by creatives and the increasing use of visual effects (VFX) in films and videos. In addition, there is the trend around metaverse and the creation of an artificial environment. Nemetschek expects a huge market potential and, through its Maxon brand, is well positioned to benefit from the future growth of the market.

In general, it should be noted in the forecast that the development of the exchange rates that are relevant to the Nemetschek Group influences the revenue and earnings development of the Group and could therefore also have an impact on the achievement of the forecasted growth. Key foreign currencies that are important for the Group are in particular the US dollar and the Hungarian forint. Analogously to previous years, the forecast for 2022 was prepared on the basis of constant exchange rates.

Taking account of general economic and industry-specific conditions, the Executive Board has a positive outlook for the 2022 financial year. On the basis of constant exchange rates and the current brand portfolio, it is anticipating revenue growth to be in the 12%–14% range. Recurring revenues are expected to grow at an above-average rate, thus further expanding their share of total revenues. The EBITDA margin is expected to be in a range of 32%–33%.

These forecasts are subject to the express proviso that the global economic and industry-specific conditions do not deteriorate significantly compared with the assumptions underlying the planning, particularly with regard to the further course of the Covid-19 pandemic and an expansion of the Ukraine conflict.

Notes on the Outlook

This Management Report contains forward-looking statements and information – i.e. statements about future events. These forward-looking statements can be identified by formulations such as “expect,” “intend,” “plan,” “estimate” or the like. Such forward-looking statements are based on current expectations and certain assumptions. They therefore involve a number of risks and uncertainties. Various factors, many of which are outside the control of the Nemetschek Group, could influence the business activities, success, business strategy and results of the Nemetschek Group. This may cause the actual results, successes and performance of the Nemetschek Group to differ substantially from the results, successes or performance expressly or implicitly contained in the forward-looking statements.