

3 Economic Report

3.1 Macroeconomic and Industry-Specific Conditions

General Economic Conditions

Global Economy

The global economy continued to feel the effects of geopolitical crises and conflicts in 2023 but generally proved to be resilient. However, momentum slowed in the course of the year due in part to the subsiding post-pandemic catch-up effects. Moreover, the currently high interest rates and declining, but still high, inflation are continuing to place a damper on corporate spending and consumption as well as on private households.

In its Annual Report 2023/2024 published on November 8, 2023, the German Council of Economic Experts expected global gross domestic product (GDP) to climb by 2.7% in 2023, thus exceeding the rate that had been forecast in its Annual Report 2022/2023. In its World Economic Outlook published on January 30, 2024, the International Monetary Fund (IMF) currently expects growth of 3.1% in 2023, i.e. slightly in excess of its October 2023 forecast of 3.0% (World Economic Outlook Update).

Developments in the regions that are relevant for the Nemetschek Group are discussed below.

Eurozone

The geopolitical crises and conflicts already mentioned left clear traces on the Eurozone economy. The economic upheaval in the wake of the energy crisis primarily caused by the Russian war of aggression on Ukraine and the resultant high inflation prompted substantially slower growth in the Eurozone. In September 2023, the European Central Bank raised its key rates for the tenth consecutive time, triggering a significant decline in lending in the Eurozone. The expiry of government support in connection with the Covid-19 pandemic also placed a damper on growth, while the stabilizing factors from the catch-up effects in the aftermath of the Covid-19 pandemic – especially in the service sector – also left traces. Within the Eurozone, the German economy in particular cooled off sharply. Currently, industry and also the construction sector are still benefiting from existing order backlogs, although these are now declining significantly due to the low volume of new orders.

Overall, in its Annual Report 2023/2024 published on November 8, 2023, the German Council of Economic Experts assumed economic growth of 0.6% for 2023. The IMF forecast growth of 0.5% for 2023 in its World Economic Outlook Update published on

January 30, 2024. For Germany, the German Council of Economic Experts projected contraction of 0.4% for 2023, while the IMF's January 2024 update pointed to a slowdown of 0.3%.

The muted economic growth had only a minor impact on the Eurozone employment market in the course of 2023. In its Annual Report 2023/2024, the German Council of Economic Experts forecasts an unemployment rate of 6.5% for 2023, down slightly on the previous year's figure of 6.7%. However, the numbers vary greatly from country to country, ranging from 3.1% in Germany to 11.9% in Spain for 2023. The rapidly growing and long-term shortage of skilled workers in some sectors, including the software segment, is increasingly coming to the fore and may exert a drag on growth in some economic sectors.

USA

The US economy proved to be resilient in 2023. Economic growth was particularly driven by strong domestic demand, which was fueled by persistently solid consumer spending and heavy capital spending in the corporate sector – supported by expansionary fiscal policies and investment programs such as the Inflation Reduction Act (IRA) worth US \$738 billion. In particular, heavy spending on commercial construction by the US semiconductor industry was a major source of growth. Given the high interest rates and the consumption of excess private savings that had accumulated during the Covid-19 pandemic, there are signs and risks suggesting that domestic demand could taper off.

Overall, in its Annual Report 2023/2024, the German Council of Economic Experts assumed economic growth of 2.4% for 2023. For the United States, the IMF projects growth of 2.5% for 2023 in its World Economic Outlook Update published on January 30, 2024.

Asia

Within Asia, Japan is currently the Nemetschek Group's strongest regional single market in terms of revenues. In 2023, the Japanese economy was also dragged down by high inflation, which was additionally fueled by the Bank of Japan's accommodative monetary policies. The German Council of Economic Experts forecasts what by Japanese standards is a high inflation rate of 3.2% for the country for 2023. All in all, however, the Japanese economy recovered from the previous year's weak performance. Whereas the late waves of the Covid-19 pandemic had left deep traces on the Japanese economy in 2022, rebounding tourism in particular as well as the favorable performance of the automotive industry generated positive impetus in 2023.

Overall, the German Council of Economic Experts expected the Asia region's gross domestic product to grow by 4.5% in 2023, and Japan's gross domestic product to grow by 1.8%. The IMF anticipated growth of 1.9% for Japan in 2023 (World Economic Outlook Update).

Emerging Markets / Focus India

The emerging markets are growing in importance for the Nemetschek Group. It is already active in individual countries and regions, such as India and Hungary. Conditions in the Chinese economy are also relevant for the Nemetschek Group. Given its size, changes in the Chinese economy as well as the country's economic policies have a direct bearing on the global economy.

Overall, in its Annual Report 2023/2024, the German Council of Economic Experts projects economic growth of 4.7% in the emerging markets for 2023. The IMF's World Economic Outlook Update points to expansion of 4.1% in 2023.

Developments in the emerging countries reveal substantial regional disparities. Thus, according to the IMF, the Asian emerging markets are set to grow by 5.4% in 2023, up from 4.5% in 2022. This increase was also driven by continued sharp growth in India. According to the IMF, the European emerging markets should grow by 2.7% in 2023, up from only 1.2% in 2022. This trend is being heavily influenced by the recovery of the Russian economy, which the IMF assumes will expand by 3.0% again in 2023. The IMF forecasts growth of 2.5% for the Latin American emerging markets in 2023. The year-on-year decline is mainly due to the downward movement in commodity prices in the course of the year. In 2022, high commodity prices had resulted in relatively strong growth rates. Growth in the Middle East and Central Asia should reach 2.0% in 2023. The substantial slowdown primarily reflects declining commodity prices and lower deliveries from oil exporters. The IMF forecasts economic growth of 3.3% in 2023 for the African emerging markets.

Sources: German Council of Economic Experts, Annual Report 2023/2024 dated November 8, 2023 and International Monetary Fund, World Economic Outlook Update dated January 30, 2024.

Development of the Underlying Industry-Specific Conditions in the Construction Industry

Europe

Accounting for a good 50% of revenue, the European construction industry remains the main market for the Nemetschek Group. After slowing to just under 3% in 2022 primarily as a result of high interest rates, growth in the construction industry lost further momentum in 2023, falling by 1.7% over the previous year. The main drivers were persistently high interest rates, continued inflation – especially in the construction sector – as well as the geopolitical uncertainties and their possible impact on the economy.

The individual European markets performed very disparately in some cases in 2023. Whereas Sweden (–10.6%), Finland (–10.1%) and Hungary (–8.0%) sustained the heaviest declines, substantial growth rates were achieved in countries such as Spain (+2.8%), Poland (+2.2%) and Portugal (+1.3%). The construction industry in the German market, which is important for the Nemetschek Group (–2.3%), contracted at a slightly greater rate than the European average.

North America

The United States is one of the most important markets for the Nemetschek Group. Based on the estimates of the North American Engineering and Construction Outlook (FMI, October 2023), the construction industry in the **United States** was significantly more resilient than its European counterpart and was able to continue growing by 5% in 2023 (as of October 2023). With an increase of roughly 12%, economic momentum was a good deal more pronounced in 2022. Whereas commercial building construction (+17%) and the infrastructure sector (+11%) rose sharply, the housing market (–6%) shrank significantly. Within commercial building construction (+17%), the construction of production facilities in particular made a disproportionately large contribution of 58% to growth. This growth is primarily being driven by heavy capital spending in the semiconductor industry on new manufacturing capacities. The housing construction market (–6%) also paints a mixed picture. While the number of single-family homes (–13%) and renovations (–4%) declined significantly in some cases, the number of multi-family homes (+18%) grew substantially but failed to make up for the overall decline in the other two segments.

After achieving strong growth in 2022 of +12%, the construction industry in **Canada** lost substantial momentum in 2023, shrinking by 3% year-on-year in 2023. This was primarily due to the 12% year-on-year decline in housing construction. Within housing construction, single-family homes (–20%), multi-family homes (–7%) and renovations (–12%) were all down.

Asia/Pacific

The Asia/Pacific construction industry is the world's largest and registered a decline of 1.7% in 2023. However, regional trends were highly disparate in individual cases last year. Thus, China, which is by far the largest market in the region, contracted substantially by 5.4%. On the other hand, most of the other regional construction industries posted what in some cases was strong growth in 2023. Thus, the construction sector expanded by 7.0% in India and by 1.8% in Japan. According to the latest estimates, the construction markets in other parts of Asia grew by an aggregate 3.8%.

Sources: 96th EUROCONSTRUCT Summary Report, Winter 2023 (November 2023); 2023 North American Engineering and Construction Outlook, Fourth Quarter Edition (October 2023), Building, Real Estate, Construction and Housing, Department of Statistics Singapore, Construction Work Done, Australia (Preliminary), Australian Bureau of Statistics, Oxford Economics/Haver Analysts).

Development of the Media and Entertainment Industry

The global 3D animation market was also adversely affected by the geopolitical crises and conflicts. In addition, the industry felt the effects of the film and TV strike in Hollywood. Consequently, the Media segment was unable to unleash its full growth potential. Despite these factors, the media and entertainment market continued to grow.

One reason for the segment's resilience was the broad base of different submarkets and client groups addressed by the Maxon brand with its portfolio of innovative solutions. For example, Maxon's professional solutions for the production of digital 2D and 3D content are used for the creation and rendering of visual effects in feature films, TV shows and commercials as well as for applications in the games industry and in the fields of medical illustration, virtual reality (VR), augmented reality (AR), architecture and industrial design.

In the long term, these submarkets will benefit from strong structural growth drivers. The media and entertainment market is expected to reach EUR 8.9 billion by 2027, equivalent to an annual average growth rate of 12%.

3.2 Business Performance in 2023 and Key Events Influencing the Company's Business Performance

General Statement on the Economic Position of the Group

2023 was again marked by geopolitical conflicts and crises, high inflation, rising interest rates and the macroeconomic challenges resulting from these factors. The consequences of the ongoing Russian war of aggression on Ukraine as well as the escalating Israel-Gaza conflict influenced world events as well as the global economy. Nevertheless, the Nemetschek Group continued to perform well in this very demanding environment, achieving good business results.

In the course of 2023, business performed better than originally expected and projected in the March forecast for the year despite the simultaneous adoption of subscription and SaaS models.

In particular, the operational strength of the Nemetschek Group's business and the resilience of its business model have shown once again that it can perform very successfully even in a challenging and demanding environment. Given the strong operating performance during the year, the Executive Board raised the original targets for 2023 in October, rendering them more precise [«< 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>](#).

In the financial year 2023, Group revenue increased by 6.2% (currency-adjusted: 8.0%) to EUR 851.6 million despite the ongoing transition of the business model to subscription and SaaS models and a challenging market environment. As a result, currency-adjusted Group growth was at the upper end of the raised forecast corridor of 6% to 8% (previously: 4% to 6%).

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) increased to EUR 257.7 million (previous year: EUR 257.0 million). At 30.3%, the EBITDA margin was therefore at the upper end of the forecast corridor of 28% to 30%, as already stated in October.

Annual recurring revenue (ARR) increased by 23.5% (currency-adjusted: 26.7%) to EUR 718.6 million. ARR growth was therefore significantly higher than revenue growth, which indicates a significant growth potential in the coming twelve months.

In line with the Group's strategy, the share of recurring revenue as a percentage of total revenue increased significantly to 76.6%. This was more than 10 percentage points above the previous year's level (66.4%) and also in line with the guidance (share of >75%).

The ongoing Russian war of aggression on Ukraine as well as the Israel-Gaza conflict escalated by the Hamas attack on Israel have left traces on the company and its employees. The Nemetschek Group is providing assistance to people in the affected regions.

The Nemetschek Group continues to believe that the economic sanctions imposed on Russia are an important instrument for restoring peace in Ukraine and is therefore suspending new business in Russia and all activities with sanctioned persons, organizations or regions until further notice. In 2021, i.e. before the outbreak of war, business in Russia accounted for roughly 0.5% of total Group revenue. Currently, Nemetschek is not engaged in any business at all in Russia. All in all, the direct effects of this on the Nemetschek Group's business performance were negligible in 2023.

With the Hamas terror attacks on Israel on October 7, 2023, the Israel-Gaza conflict escalated and led to a renewed outbreak of war. As the Nemetschek Group does not have any direct business relations in the war region and does not engage in any activities there, the immediate consequences of the war on its earnings, financial and asset situation were insignificant in 2023.

In addition to the direct effects described above for the Nemetschek Group, both the Russian war of aggression on Ukraine and the armed Israel-Gaza conflict left traces on the global economy in 2023, see [« 3.1 Macroeconomic and industry conditions »](#).

Overall, the business model, which is characterized by a broad portfolio of solutions, strong regional diversification in different client segments and a widening proportion of recurring revenue, proved to be very resilient in the face of these crises. In addition to actively dealing with global crises and their impact on the company, the Nemetschek Group continued to push ahead with the strategic initiatives initiated in 2023, reaching important milestones. The main focus was on further internationalization, the expansion of the subscription and SaaS models, the continuous development of innovative solutions, and the acquisition of new customers.

The Nemetschek Group has been pursuing the goal of sustainable and profitable growth for many years. In order to address the challenges arising from the growing scale of the company, its governance structures were adjusted in 2022, while the composition of the Supervisory Board was widened from four to six members in this connection. In 2023, the next step in the company's development was implemented and the formation and reinforcement of the management team successfully completed ahead of the next growth phase. To this end, the existing Executive Leadership Team (ELT) was strengthened to achieve greater agility and clout in addressing future priorities such as artificial intelligence (AI) and other important strategic aspects such as client-oriented solutions, heightened market coverage, innovative future products and continued internationalization. Alongside the two members of the Executive Board CEO Yves Padrines and CFO Louise Öfverström, the ELT includes the Chief Division Offi-

cers (CDO) of the segments, among others. As part of these restructuring efforts, experienced industry experts with pronounced innovative and technological skills were recruited.

M&A / Start-Ups and Venture Investments

The strategic "Start-ups and Venture Investments" initiative strengthened the Nemetschek Group's innovation-oriented focus on new technologies and investments in young companies, resulting in further investments in 2023, see [« 1.2 Growth Drivers, Goals and Strategy »](#).

Holding Company Level

The strategic objective of stepping up investments in start-ups and thereby accelerating the company's own innovative strength and fostering close cooperation between such entities and the Nemetschek brands was consistently and successfully pursued in 2023. In the course of the year under review, the Nemetschek Group acquired stakes in selected international companies in line with its strategic priorities.

The share acquired in UK start-up **Preoptima** entails an investment in a software solution for calculating and reducing the carbon footprint in the construction industry. This software solution, which also incorporates artificial intelligence (AI) and generative design, covers the entire life cycle of buildings, thus complementing the Nemetschek Group's strategic approach to driving sustainability and innovation in the construction industry.

With the investment in startup **SmartPM**, which is based in Atlanta (United States), the Nemetschek Group intends to continue driving forward the digital transformation in the construction industry and widen its reach in the important US market. The SmartPM software entails a cloud-based platform for increasingly automated project management in the construction industry. The solution optimizes existing planning software solutions by improving scheduling quality and automating project management processes.

The Nemetschek Group provided seed capital for Irish company **LiveCosts**, which offers an innovative IT solution for the efficient cost monitoring of construction projects. This seed capital is intended to help LiveCosts open up new markets. The company's SaaS solution offers strong synergies with existing Nemetschek solutions in the Build segment and supports the digital transformation in the construction industry.

In the course of the year, the Nemetschek Group also acquired a stake in UK start-up **Stylib**, a company offering architects and planners a platform based on artificial intelligence and machine learning for material search and evaluation as well as the corresponding selection and management of suppliers. The Stylib SaaS solution enhances the planning and management efficiency of construction projects and is helping to drive forward the digital transformation in the construction industry.

As well as this, the Nemetschek Group invested in US start-up **Briq**, which offers a data-driven, collaborative platform for automating financial processes in the construction industry. Briq makes it possible to manage workflows, data, cash flows and projects, while improving processes, precision, and business operations.

In addition, there were further investments in young companies. For one thing, the expertise and technology of the start-ups in which the Nemetschek Group invests are networked with its brands and the joint activities strengthened. For another, this brings Nemetschek into contact with disruptive innovations in the construction industry.

In addition to these investments, partnerships were forged on the segment and brand level in the year under review aimed at helping the Nemetschek Group to implement its business strategy.

Details can be found in the notes to the consolidated financial statements under [« Acquisition of subsidiaries »](#).

Divestments

There were no portfolio divestments in 2023.

3.3 Earnings, Financial Position and Net Assets of the Nemetschek Group

Earnings

Revenue Developments

In 2023, Group revenue rose by 6.2% to EUR 851.6 million (previous year: EUR 801.8 million). Adjusted for currency effects (i.e. on the basis of constant exchange rates compared with the previous year), revenue growth would have reached 8.0%. 2023 was

thus impacted by negative currency effects, particularly from the US dollar. The ARR (annual recurring revenue) metric introduced in the course of the previous year was very favorable [« 1.3 Business Management and Corporate Governance »](#). It increased by 23.5% (currency-adjusted: 26.7%) to EUR 718.6 million in 2023 (previous year: EUR 581.7 million), achieving a significantly higher rate of growth than total revenue, something which in turn points to strong future growth. The proportion of annual recurring revenue widened significantly to 76.6% in 2023 (previous year: 66.4%).

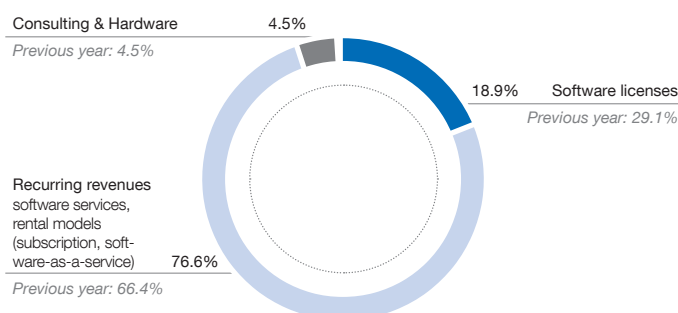
This means that the currency-adjusted revenue growth achieved in 2023 exceeded the range of 4% to 6% originally forecast in March 2023 and also reached the upper edge of the target corridor of 6% to 8%, which had been adjusted upwards in October 2023. At 26.7%, ARR growth also exceeded the March 2023 forecast of >25%. The same thing applies to the proportion of annual recurring revenue in total revenue, which at 76.6% exceeded the projected figure of >75%. See also [« 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group »](#).

In an economically challenging environment, the Nemetschek Group was able to grow year-on-year over all four quarters and thus continue on its sustained growth trajectory, while at the same time converting its business model from licenses to subscription and SaaS products. After the anticipated lower pace in the first half of 2023, which was partially due to the progress planned and achieved in transitioning to subscription and SaaS models, growth picked up significantly again in the second half of the year, returning to double-digit rates in operating business. All Group segments contributed to growth in 2023 – further information can be found in [« Development of the Segments »](#).

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

In EUR million	FY 2023	FY 2022	Δ nominal	Δ currency-adjusted
Total year	851.6	801.8	6.2%	8.0%
Q1	204.6	192.2	6.5%	5.5%
Q2	207.5	203.8	1.8%	3.3%
Q3	219.8	202.8	8.4%	12.6%
Q4	219.6	203.0	8.2%	10.9%

Revenue Development by Type



The Nemetschek Group divides its revenue into three types: recurring revenue from software service contracts and rental models such as subscription and SaaS (software as a service), software licenses and consulting and hardware.

Pure “software revenue” is divided into software rental models, software services and software licenses.

In the case of software rental models, a distinction is made between subscription and SaaS products. In subscription models, the software remains on the clients’ own local systems as standard, while in the case of SaaS models the current version of the software is normally on the Nemetschek brands’ servers, which clients can then access.

Revenue from software rental models is recognized over the agreed term of the contract or partly also on a point-in-time basis in accordance with the IFRS 15 accounting standard. Similarly, revenue from software service contracts is recognized evenly over the entire term of the contract.

In contrast to software rental models, all revenue from software licenses is recognized on a point-in-time basis (i.e. when ownership is transferred to the client). The strategic goal is to successively widen the proportion of recurring revenue. This goal is to be achieved by offering more software rental models, which will lead to a more resilient and even stable business model for the Nemetschek Group.

The transformation of the business model away from classic licensing business in favor of a model characterized by high recurring revenue, particularly through the adoption of subscription and SaaS models, was pursued successfully in 2023. This transformation makes it possible to generate significantly higher revenue over the client lifetime. At the same time, these revenue flows are more resilient and thus offer greater forward visibility. In the short term, however, the adoption of rental models has a temporarily dampening impact on revenue growth for accounting-related reasons.

In 2023, the Nemetschek Group’s **recurring revenue from service contracts and rental models** rose by 22.5% (currency-adjusted: 24.7%) to EUR 652.7 million (previous year: EUR 532.6 million). Consequently, the previous year’s strong momentum of growth in recurring revenue (27.8% or currency-adjusted: 21.7%) continued. Accordingly, the growth rate for recurring revenue again exceeded the Nemetschek Group’s total revenue growth (6.2% or currency-adjusted: 8.0%), causing the share of recurring revenue in total revenue to widen to 76.6% (previous year: 66.4%). The **ARR** (annual recurring revenue) metric introduced in the previous year rose by 23.5% (currency-adjusted: 26.7%) in 2023 to EUR 718.6 million (previous year: EUR 581.7 million) and reflects the ongoing implementation of the strategic change in the business model in favor of rental models.

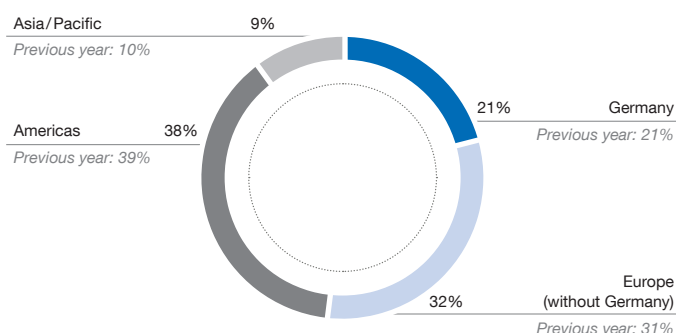
Revenue from **subscription and SaaS (rental models)**, which is included in recurring revenue, also increased by 47.8% (currency-adjusted: 51.1%) to EUR 301.8 million (previous year: EUR 204.2 million) in the year under review, significantly outstripping the growth of the Group. All segments continued to contribute to this growth in 2023. The greatest driver of this performance was the Build segment, in which the Bluebeam brand has been planning and specifically implementing the transition to a subscription model since September 2022. This favorable performance was also underpinned by the Design segment, in which a number of brands focused more heavily on subscription and SaaS models in the year under review. In the Media segment, the transition to a subscription model was also successfully completed in 2023.

The proportion of subscription and SaaS revenue in total revenue widened again significantly from 25.5% to 35.4% in 2023. Revenue from service contracts rose by 6.8% (currency-adjusted: 8.4%) from EUR 328.4 million to EUR 350.9 million in 2023. The proportion of revenue from service contracts amounted to 41.2% in the year under review, thus matching the previous year’s figure of 41.0%.

Revenue from **software licenses** contracted sharply over the prior year in line with the strategy, dropping by 30.9% (currency adjusted: 29.8%) from EUR 233.1 million to EUR 161.1 million. Accordingly, the share of total revenue attributable to software licenses fell from 29.1% in the previous year to 18.9% in 2023. This also reflects the already advanced transformation of the business model.

At 4.5%, the proportion of **consulting and hardware** revenue remained unchanged over the previous year (4.5%).

Revenue by Region



A major strategic goal of the Nemetschek Group is the further internationalization of its business alongside the development of markets with strong growth potential.

Revenue generated in **Germany** rose by 6.1% in 2023, while foreign revenue climbed by 6.2% and thus at a similar rate. At 79%, the proportion of foreign revenue was thus comparable to the previous year (previous year: 79%). As expected, foreign growth was dampened by negative currency effects, in particular from the US dollar, as well as by the conversion of the business model to subscription and SaaS systems, driven by the Bluebeam brand.

Europe (excluding Germany) has been severely impacted by the effects of the Covid-19 pandemic in recent years, while the

macroeconomic fallout from the prevailing geopolitical challenges has also left traces on the European economy and particularly the construction industry. Nemetschek's businesses in Europe have also felt the effects of substantially more muted growth over the last few years. The growth momentum stabilized in 2023 despite the ongoing difficult conditions. Revenue in Europe (excluding Germany) increased by 10% in 2023. As a result of this disproportionately high growth in relation to the Group's overall performance, the share of total revenue increased to 32% (previous year: 31%).

Revenue in Germany climbed by 6.1% in the course of the year, meaning that there was no material change in the share in total revenue.

As expected, the pace of growth declined in 2023 in the **Americas**. In line with expectations, the revenue growth of around 5% in the US was impeded by the conversion of the business model of the Bluebeam brand, which is the largest revenue driver, in favor of a subscription and SaaS system along with the related accounting effects. In addition, this year's strikes in the film and TV industry in the United States placed a temporary damper on demand in the Media segment. With revenue growth slightly lower than the Group figure, the share in revenue contracted slightly to 38% in 2023 (previous year: 39%). Even so, the Americas are still the Group's strongest region in terms of revenue.

In the year under review, revenue in **Asia/Pacific** declined slightly by 1.3% over the previous year. As a result, the share accounted for by this region in total revenue shrank marginally from roughly 10% in the previous year to around 9%.

Earnings Performance

OVERVIEW OF KEY GROUP PERFORMANCE FIGURES

In EUR million	FY 2023	FY 2022	Δ nominal in %
Revenue	851.6	801.8	6.2%
EBITDA	257.7	257.0	0.3%
EBITDA margin	30.3%	32.0%	-1.7pp
EBIT	199.5	198.1	0.7%
EBIT margin	23.4%	24.7%	-1.3pp
Net income for the year (equity holders of the parent company)	161.3	161.9	-0.4%
Earnings per share in EUR	1.40	1.40	-0.4%
Net income for the year before depreciation from PPA	183.8	186.9¹⁾	-1.7%
Earnings per share before depreciation from PPA in EUR	1.59	1.62 ¹⁾	-1.7%

1) The net income for the year before depreciation from PPA and the corresponding earnings per share reported for the previous year have been restated to allow for adjustments to the relevant depreciation figures relating to minority interests.

At EUR 257.7 million, **EBITDA** (Group earnings before interest, taxes, depreciation and amortization) was slightly higher than in the previous year (EUR 257.0 million). It increased by 0.3% in nominal terms but by 4.2% in currency-adjusted terms.

As planned, the **EBITDA margin** contracted over the previous year for accounting-related reasons due to the adoption of subscription business and, at 30.3%, was 1.7 percentage points down on the previous year's figure of 32.0%. Consequently, it was slightly higher than the forecast range of 28.0% to 30.0% that had been published in March 2023 and confirmed in October 2023, see [« 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group »](#).

2023 showed that the Nemetschek Group is able to maintain its intended profitable growth trajectory even in challenging times.

The margin contraction is attributable in particular to the strategic transformation of the business model away from licensing models in favor of subscription and SaaS systems, something which has a short-term diluting effect on margins for accounting-related reasons. Moreover, some of the markets addressed, such as Europe, faced macroeconomic headwinds in 2023, particularly in the first half of the year. In addition to that, profitability in 2023 was impeded by non-recurring personnel expenses and relatively high expenditure on trade fairs in connection with the implementation of the “go-to-market” approach.

Operating expenses increased by a total of 7.3% to EUR 661.0 million (previous year: EUR 616.2 million). This was slightly higher than the 6.2% increase in revenue. Personnel expenses are the largest single item within operating expenses, rising by 7.0% in 2023 and, hence, also somewhat more quickly than revenue, to EUR 360.9 million (previous year: EUR 337.2 million). This particularly reflects higher wages and salaries due to inflation. In addition, there were transformation-related effects ([« Employees of the Nemetschek Group »](#)). Other operating expenses increased by 10.4% to EUR 208.0 million (previous year: EUR 188.4 million) for inflation-related reasons, among other things. This item reflects investments in IT systems, expenses for external personnel as well as legal and consulting costs. At EUR 58.2 million, depreciation of fixed assets was slightly lower than in the previous year (EUR 58.8 million). The depreciation from purchase price allocation included in this item dropped slightly from EUR 31.8 million to EUR 29.4 million. Depreciation of leased assets in accordance with IFRS 16 increased slightly by EUR 0.4 million to EUR 16.7 million. Excluding depreciation and amortization, operating expenses increased by 8.1% to EUR 602.8 million (previous year: EUR 557.4 million).

Overall, the financial result amounted to EUR 4.8 million in 2023 (previous year: EUR 1.3 million). Interest expenses for acquisition loans and lease liabilities in accordance with IFRS 16 affecting the financial result rose from EUR 2.6 million in the previous year to EUR 3.3 million in 2023. However, at EUR 3.4 million (previous year: EUR 0.5 million), interest income substantially exceeded interest expenses in 2023. The other financial income of EUR 4.7 million was also higher than in the previous year (EUR 3.4 million). The income generated in 2023 primarily resulted from fair-value remeasurement gains on investments in venture companies as well as foreign currency gains. In the previous year, the item had mainly consisted of foreign currency gains.

Earnings before interest and taxes (EBIT) rose slightly by 0.7% to EUR 199.5 million and were thus in line with the previous year (EUR 198.1 million).

Income taxes increased from EUR 34.4 million in 2022 to EUR 40.6 million in 2023. At 19.8%, the Group tax rate was up on the previous year (17.3%). Effects from loss carryforwards initially recognized in 2022 were also apparent in tax expenses in 2023. Expenses from the recognition of German minimum tax effects from cross-border transactions have the opposite effect. These regulations will apply for a final time in 2023 following the introduction of the new OECD minimum taxation rules (Pillar 2).

Net income (Group earnings after taxes) declined slightly by 0.7% from EUR 165.1 million to EUR 164.0 million in 2023. Net income for the year (equity holders of the parent company) also fell slightly from EUR 161.9 million to EUR 161.3 million, dropping by 0.4%.

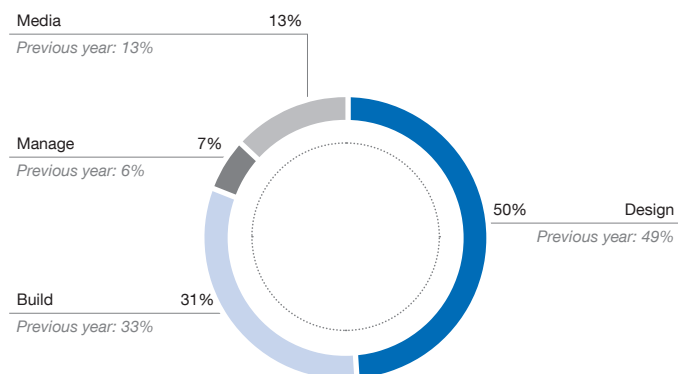
Earnings per share came to EUR 1.40 (previous year: EUR 1.40). EPS adjusted for the effects of depreciation from PPA fell by 1.7% from EUR 1.62 in 2022 to EUR 1.59 in 2023.

Segment Developments

The strategic and operational management of the Nemetschek Group is carried out via the four segments: Design, Build, Manage and Media. The individual brands and their companies are allocated to the respective segments; see [« 1.1 Group Business Model »](#). The segments are particularly managed on the basis of the following financial performance indicators: revenue and year-on-year revenue growth as well as EBITDA and the EBITDA margin as operational earnings indicators [« 1.3 Corporate Management and Governance »](#).

The distribution of revenue by segment was virtually unchanged over the previous year and broke down as follows in 2023:

Revenue by segment



The segment structure was changed in 2023 in response to a strategic realignment. The dRofus brand, which had been allocated to the Build segment in 2022, was transferred to the Digital Twin business unit with effect from January 1, 2023 and consolidated in the Manage segment. The Digital Twin business unit is consolidated in the Design segment from January 1, 2024. Further information can be found in [« 1.1 Group Business Model »](#).

In order to present the performance of the relevant segments transparently, the previous figures for the two segments concerned have been restated and, thus, rendered comparable. In addition, the consolidation column has been allocated directly to the segments (including the previous year's adjustment) since January 1, 2023.

The performance of the individual segments is set out below.

Design Segment

in EUR millions or percent	FY 2023	FY 2022	Δ nominal	Δ currency-adjusted
Revenue	423.3	389.9	8,6%	9,7%
EBITDA	120.2	115.7	3,9%	7,6%
EBITDA margin	28,4%	29,7%	-1,3pp	

In the **Design segment**, whose regional focus is on Europe, revenue of EUR 423.3 million was posted in 2023 (previous year: EUR 389.9 million). Accordingly, it grew by 8.6% (currency-adjusted: 9.7%). In 2023, the market environment in which the Design segment operates particularly felt the effects of the still high interest rates and the geopolitical crises together with their economic impact. On the one hand, this led to longer sales cycles for clients in the construction industry, thus placing a damper on growth potential. On the other hand, the market situation also spurred the transformation of the business model in favor of recurring revenue models. In the year under review, all brands contributed to the pleasing growth in recurring revenue, which at 16.3% (currency-adjusted: 17.5%) increased at a significantly greater pace than the segment's total revenue.

Segment EBITDA rose from EUR 115.7 million in the previous year to EUR 120.2 million, translating into an increase of 3.9%. Adjusted for currency effects and, thus, on a like-for-like basis with the previous year, it would have increased by 7.6%. The slower growth in EBITDA compared to revenue caused the EBITDA margin to contract slightly from 29.7% in 2022 to 28.4% in 2023. The slightly slower EBITDA growth compared to revenue was primarily due to accounting-related effects caused by the adoption of recurring-revenue models, such as subscription and SaaS products. The segment's profitability also came under pressure from planned non-recurring personnel expenses as well as budgeted higher expenses for trade fairs in connection with a reinforced and harmonized "go-to-market" approach.

Build Segment

in EUR millions or percent	FY 2023	FY 2022 ¹⁾	Δ nominal	Δ currency-adjusted
Revenue	265.4	259.9	2,1%	4,8%
EBITDA	93.1	95.2	-2.3%	2.3%
EBITDA margin	35.1%	36.6%	-1,6pp	

1) Following the strategic reorganization of one brand (dRofus) between the Build and Manage segments, the previous year's figures have been restated and rendered comparable with the current segment structure.

In the **Build segment**, which mainly addresses construction companies in the United States, growth slowed as planned in 2023 due to the conversion of the business model to a subscription and SaaS system, which has a dampening effect on revenue in the short term due to accounting-related factors. Despite this transition, revenue rose slightly to EUR 265.4 million in 2023 (previous year: EUR 259.9 million). This translated into growth of 2.1%. Adjusted for currency effects arising in the year, growth would have reached 4.8%. The appreciable effect of currency factors is primarily due to the segment's large footprint in the United States and trends in the US dollar in the year under review.

Generally speaking, the Nemetschek Group continues to benefit from the low level of digitization in the construction sector and strong demand, especially in the Americas. The transition to sub-

scription and SaaS models for Bluebeam, the Nemetschek Group's top-selling brand, remained successful and on track in 2023. Consequently, revenue in this category more than doubled over the previous year. In the course of the third quarter of 2023 and, hence, one year after the commencement of the transition, growth accelerated again significantly. This trend also continued in the fourth quarter, with growth gaining further momentum.

The EBITDA of EUR 93.1 million achieved in 2023 was mainly impacted by the adoption of subscription and SaaS models and the resulting short-term damper on earnings, which dropped by 2.3% (currency-adjusted: 2.3%) compared with the previous year (EUR 95.2 million). The corresponding EBITDA margin remained at a high 35.1% (previous year: 36.6%).

Manage Segment

in EUR millions or percent	FY 2023	FY 2022 ¹⁾	Δ nominal	Δ currency-adjusted
Revenue	59.1	54.7	8,0%	9,8%
EBITDA	1.4	4.3	-67.9%	-72.3%
EBITDA margin	2.3%	7.8%	-5,5pp	-

1) Following the strategic reorganization of one brand (dRofus) between the Build and Manage segments, the previous year's figures have been restated and rendered comparable with the current segment structure.

The **Manage segment**, which comprises activities relating to building and workplace management, generated revenue of EUR 59.1 million in the year under review (previous year: EUR 54.7 million). This translated into growth of 8.0% or, in currency-adjusted terms, 9.8%.

The Manage segment is continuing to feel the effects of macroeconomic uncertainty coupled with the consequences of the Covid-19 pandemic, which are having a protracted impact on this segment. However, the stabilization in demand from facility managers emerging in the second half of the previous year, particularly in the European commercial construction sector, continued in the course of 2023. Even so, facility managers' capital spending budgets have still not returned to pre-crisis levels. Because the degree of digitization is particularly low in this segment and the importance of energy efficiency and savings in existing and operated buildings is also steadily rising, the Nemetschek Group continues to see potential for further growth in this segment. The

dRofus brand has been allocated to the segment since January 1, 2023 and forms part of the newly created Digital Twin business unit, which will be consolidated within the Design segment from 2024.

Segment EBITDA fell from EUR 4.3 million in the previous year to EUR 1.4 million. As a result, the EBITDA margin contracted from 7.8% in the previous year to 2.3% in 2023. This performance was particularly attributable to capital spending on the new Digital Twin business unit, which is allocated to this segment.

Media Segment

in EUR millions or percent	FY 2023	FY 2022	Δ nominal	Δ currency-adjusted
Revenue	111.4	104.7	6.4%	8.6%
EBITDA	43.1	41.8	3.0%	7.3%
EBITDA margin	38.7%	39.9%	-1.2pp	-

Revenue in the Media segment rose by 6.4% (currency-adjusted: 8.6%) in 2023 from EUR 104.7 million to EUR 111.4 million. There were no acquisition-related growth effects in the year under review. Nor were there any material positive non-recurring effects, which had spurred segment growth in earlier years. On the contrary, strikes in the United States film and TV industry in 2023 placed a temporary damper on demand.

Segment EBITDA climbed to EUR 43.1 million (previous year: EUR 41.8 million). The EBITDA margin shrank slightly from 39.9% in the previous year to 38.7% but still remains at a high level.

Financial Position

Main Features and Objectives of Financial Management

The primary objective of financial management is to control and secure liquidity within the Nemetschek Group, ensure access to the debt market and manage foreign currencies and interest risks. Financing and financial risk management is organized centrally and controlled by global governance. To ensure efficient cash and liquidity management, Nemetschek SE carries out cash pooling with selected subsidiaries. Nemetschek SE, the ultimate Group holding company, also receives further cash and cash equivalents from the annual dividends paid by the subsidiaries or in the form of loans granted by group companies.

The financial stability of the Group is reflected in a balanced ratio of debt to equity. The equity ratio stood at 61.4% on the reporting date (December 31, 2023) (previous year: 57.5%). The renewed increase over the previous year is due to the strong Group earnings in 2023 and the almost complete discharge of financial liabilities. Liabilities to banks dropped again significantly compared with the previous year, declining from EUR 71.9 million in the previous year to EUR 6.9 million as of December 31, 2023 due to the repayments made during the year.

In view of the favorable business outlook and very solid funding structure, the Nemetschek Group is able to raise substantial liquidity beyond its existing facilities from the debt markets at short notice. Combined with the potential use of equity instruments, it can finance significant investments.

Liquidity analysis

Net liquidity/net financial liabilities in EUR million

	December 31, 2023	December 31, 2022
Short-term financial debt and short-term shares of long-term financial debt	6.8	65.1
+ non-current financial liabilities	0.1	6.9
Total financial liabilities	6.9	71.9
Cash and cash equivalents	268.0	196.8
Total liquidity	268.0	196.8
Net liquidity/net financial debt (-)	261.2	124.9

As of December 31, 2023, the Group held cash and cash equivalents of EUR 268.0 million (previous year: EUR 196.8 million). The increase of EUR 71.2 million or 36.2% over the previous year reflects the high quality of the Nemetschek Group's cash flows. When investing the surplus liquidity, short-term, risk-free availability is generally more important than maximizing earnings in order to be able to fall back quickly on available funds in the event of possible acquisitions and to keep the risk profile of the Group low.

At EUR 6.9 million on the reporting date, financial liabilities (bank loans) fell significantly short of the previous year (EUR 71.9 million). These financial liabilities are used almost exclusively to finance acquisitions made in the past and were repaid virtually in full in the course of 2023. The interest rate on the loans is between 0.49% p.a. and 2.87% p.a.

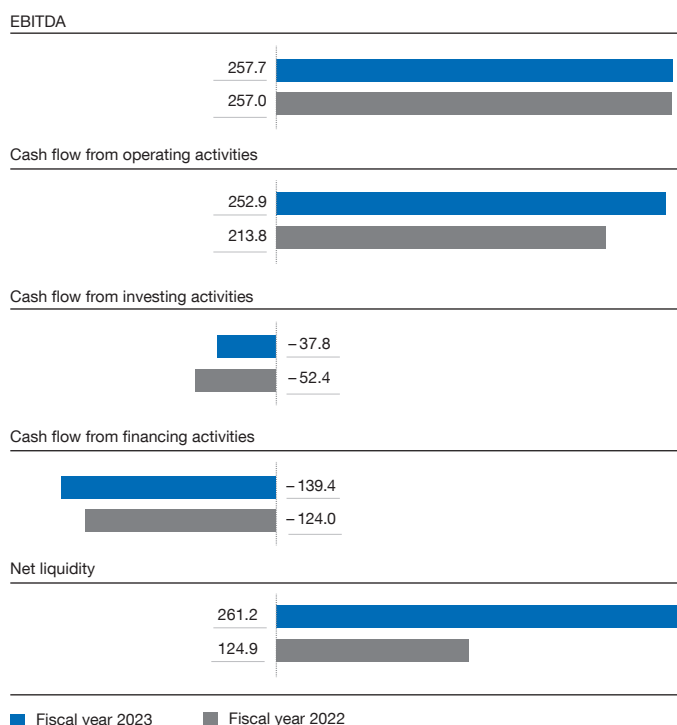
The decline of EUR 6.8 million in non-current financial liabilities in the course of 2023 is due to their reclassification as current financial liabilities. With respect to current financial liabilities, acquisition loans and further current components of financial liabilities of a total of EUR 83.6 million as well as bank loans of EUR 18.5 million were repaid in 2023.

None of the existing credit facilities of a total of EUR 357.0 million (previous year: EUR 284.5 million) has been utilized as of December 31, 2023. In addition to the cash on hand, these can be utilized to fund the profitable growth strategy.

As a result of the aforementioned changes in the relevant balance sheet items, the Group's net liquidity increased to EUR 261.2 million as of December 31, 2023 (previous year: net liquidity of EUR 124.9 million).

With its high earnings power plus its net liquidity, the Nemetschek Group is able to raise substantial liquidity for investment purposes. With regard to dividend payments, the Executive Board pursues a sustainable dividend policy that provides for a distribution of around 25% of the operating cash flow. The dividend payout always takes into account the overall economic development and the economic and financial situation of the company. Total dividends of EUR 52.0 million were paid in 2023 (previous year: EUR 45.0 million).

DEVELOPMENT OF CASH FLOW



At EUR 258.9 million, the Group's cash flow in the year under review remained steady at the previous year's level (previous year: EUR 258.5 million).

Cash flow from operating activities climbed by EUR 39.1 million or 18.3% over the previous year to EUR 252.9 million in 2023 (previous year: EUR 213.8 million). This increase was mainly driven by the favorable performance of trade working capital. Management of trade working capital generated a cash flow effect of EUR 49.4 million (previous year: EUR 26.7 million). This favorable development was particularly underpinned by prepayment business models under software service and software subscription contracts generating the corresponding recurring revenue. Compared to the previous year, the positive cash flow effect

increased again significantly due to the continued very good performance of this business model. The opposite effect arose from other working capital, which was characterized by higher personnel- and tax-related payments compared with the previous year.

Income taxes paid (net) decreased by EUR 2.0 million or 3.5% from EUR 59.6 million in 2022 to EUR 57.6 million in 2023. In addition to the increase resulting from the expansion of business operations, the taxation of development expenses in the United States in particular has an opposite effect. This regulation was introduced for the first time in 2022, resulting in the highest cash outflow. The related payments leveled off in 2023.

Cash flow from investing activities amounted to EUR -37.8 million in 2023 (previous year: EUR -52.4 million).

The previous year had been affected by payments of EUR 21.0 million for business combinations. In 2023, EUR 1.5 million was paid for liabilities arising from business combinations from previous years.

Payments made for equity investments increased substantially in 2023. At EUR 24.1 million (previous year: EUR 4.8 million), they reflect the equity interests acquired in start-ups in the course of the year ([<< 3.2 Business Performance in 2023 and Key Events Influencing the Company's Business Performance, Acquisitions/Divestments >>](#)).

Cash flow from investing activities also includes expansion and replacement spending of EUR 12.7 million on fixed assets (previous year: EUR 19.0 million). The high figure for the previous year particularly reflects expansion-related investments in IT server equipment as well as spending on office space.

Cash flow from financing activities amounted to EUR -139.4 million in 2023 (previous year: EUR -124.0 million). The increase in payments made is mainly due to the fact that new loans were substantially lower than loan repayments. Cash and cash equivalents of EUR 18.5 million were raised in 2023 (previous year: EUR 40.8 million).

The opposite effect arose from the repayment of bank loans raised in previous years amounting to EUR 83.6 million (including EUR 27.7 million for acquisition loans). In the previous year, repayments of EUR 98.7 million (including EUR 35.7 million for acquisition loans) had been made.

Furthermore, the cash flow from financing activities was impacted by the dividend payment for 2023 of EUR 52.0 million (previous year: EUR 45.0 million) as well as payments of capital and interest on lease liabilities, with an amount of EUR 16.5 million (previous year: EUR 16.0 million) relating to repayments in 2023.

Management of Liquidity Risks

Liquidity risks arise when, for example, clients are not able to settle their obligations to the Nemetschek Group under normal trading conditions. To manage this risk, the company periodically assesses the solvency of its customers.

The high creditworthiness of the Nemetschek Group (e.g. internal bank ratings) allows it to raise sufficient additional liquidity. As of December 31, 2023, it also had unutilized credit facilities of EUR 357.0 million (previous year: EUR 284.5 million). Nemetschek continually monitors the risk of a liquidity shortage using regular liquidity analyses and planning. Maturities of financial assets (receivables, fixed-term deposits, etc.) and expected cash flows from operating activities are taken into account. The objective is to continuously cover the ongoing need for financial resources while maintaining flexibility in financing. Further information on the management of financial risks can also be found in the Risk and Opportunities Report [« 6 Report on Risks and Opportunities »](#).

Investment Analysis

In order to continue securing its market position in the AEC/O and media markets and to be able to continuously open up new areas of application, investments in research and development and capacity expansion as well as replacement and rationalization measures are required. Business combinations and investments in start-up companies also play an important role for the Nemetschek Group. Such transactions are largely financed by means of bank loans. Depending on the terms of the loan, the Company may also use its own funds. The acquisitions completed in 2023 were financed internally.

In total, the Nemetschek Group invested EUR 24.1 million in 2023 (previous year: EUR 81.1 million), of which EUR 6.3 million was for property, plant and equipment (previous year: EUR 14.3 million), primarily composed of expansion and replacement spending, and EUR 6.4 million for intangible assets (previous year: EUR 39.4 million). The main investments in the previous year had involved business combinations.

Off-balance-sheet obligations

Information on off-balance-sheet obligations can be found in [« Note 27 Financial obligations »](#).

Net Assets

In EUR million	Dec. 31, 2023	Dec. 31, 2022	Δ nominal in %
ASSETS			
Current assets	418.2	327.1	27.8%
Non-current assets	856.1	871.0	-1.7%
Total assets	1,274.3	1,198.1	6.4%
LIABILITIES			
Current liabilities	400.6	403.8	-0.8%
Non-current liabilities	91.8	105.1	-12.6%
Total equity	781.9	689.2	13.4%
Total liabilities	1,274.3	1,198.1	6.4%

The consolidated balance sheet total as of December 31, 2023 increased by EUR 76.2 million or 6.4% to EUR 1,274.3 million (previous year: EUR 1,198.1 million).

Current assets

On the assets side of the consolidated balance sheet, current assets increased by EUR 91.1 million or 27.8% from EUR 327.1 million in the previous year to EUR 418.2 million in 2023. This was mainly due to the increase of EUR 71.2 million or 36.2% in cash and cash equivalents and the increase of EUR 15.1 million or 17.9% in trade receivables resulting from the growth in business. The percentage increase in receivables is higher than the 6.2% increase in revenue and is primarily attributable to the further growth in the share accounted for by rental models as well as high invoicing in December 2023. In addition, tax receivables increased significantly from EUR 11.3 million in the previous year to EUR 19.0 million as of December 31, 2023.

Non-current assets

Non-current assets dropped by EUR 14.9 million or 1.7% to EUR 856.1 million (previous year: EUR 871.0 million).

This was mainly attributable to changes in intangible assets, which declined significantly by EUR 36.6 million or 21.3% to EUR 135.1 million (previous year: EUR 171.7 million). Additions to intangible assets were more than offset by amortization and disposals. Moreover, goodwill declined by EUR 5.0 million or 0.9% from EUR 557.0 million to EUR 552.0 million as of December 31, 2023. This was predominantly due to currency translation effects, as a material part of the goodwill is denominated in non-EUR currencies, particularly the US dollar. Moreover, right-of-use

assets under leases also contributed to the decline in non-current assets. These fell by EUR 8.9 million or 12.7% to EUR 60.9 million as of December 31, 2023 (previous year: EUR 69.8 million). Additions, particularly in the form of land and buildings, were more than offset by scheduled depreciation as well as disposals. However, these declines were also accompanied by increases. Other financial assets in particular increased significantly by EUR 11.2 million or 61.0% from EUR 18.4 million (previous year) to EUR 29.6 million as of December 31, 2023. This sharp increase was particularly underpinned by equity investments (ventures) in 2023, which had a corresponding effect on this item.

Property, plant and equipment contracted by EUR 2.9 million or 10.7% to EUR 23.7 million (previous year: EUR 26.6 million). Replacement spending on office space was more than offset by depreciation. The higher scheduled depreciation compared with the previous year is primarily due to the expansion-related investments in IT server equipment as well as investments in office space in the previous year.

Current liabilities

At EUR 400.6 million, current liabilities fell slightly short of the previous year (previous year: EUR 403.8 million). Rising by EUR 58.2 million from EUR 206.9 million in 2022 to EUR 265.1 million at the end of 2023, the greatest increase came from deferred revenue, primarily as a result of the larger volume of business. The opposite effect arose from changes in current financial liabilities and the current component of non-current financial liabilities. This part of financial liabilities, due for settlement within the next twelve months, fell by EUR 58.3 million to EUR 6.8 million (previous year: EUR 65.1 million), see [« Liquidity Analysis »](#). Current provisions also decreased by EUR 5.5 million, mainly as a result of lower personnel-related provisions.

Non-current liabilities

Non-current liabilities fell by EUR 13.2 million from EUR 105.1 million to EUR 91.8 million as of December 31, 2023. The most pronounced decline was in lease liabilities, which decreased by EUR 9.6 million from EUR 62.4 million to EUR 52.8 million as of December 31, 2023. The change is described in detail in the notes to the consolidated financial statements under [« Note 17 Leases »](#). Deferred tax liabilities also fell by EUR 3.1 million or 15.4% over the previous year to EUR 16.7 million as of December 31, 2023 (previous year: EUR 19.8 million). In addition, non-current loans with no current component also declined significantly, dropping by EUR 6.8 million from EUR 6.9 million to EUR 0.1 million as of December 31, 2023 due to reclassifications of non-current loans as current loans.

The opposite effect arose from the increase in deferred revenue, which rose by EUR 3.6 million from EUR 2.6 million to EUR 6.2 million as of December 31, 2023 as a result of the realignment of the business model in favor of recurring revenue. Income tax liabilities also rose from EUR 6.0 million in the previous year to EUR 9.2 million.

Equity

As of December 31, 2023, equity increased by EUR 92.7 million from EUR 689.2 million (2022 reporting date) to EUR 781.9 million. The significant increase is primarily due to higher retained earnings of EUR 640.8 million (previous year: EUR 533.9 million). The opposite effect arose from other comprehensive income of EUR –22.8 million, which was mainly influenced by negative currency translation effects.

The equity ratio widened to 61.4% at the end of 2023 (previous year: 57.5%). The current liability ratio stood at 31.4% (previous year: 33.7%) and the non-current liability ratio at 7.2% (previous year: 8.8%) of the balance sheet total.

KEY BALANCE SHEET FIGURES

In EUR million	FY 2023	FY 2022	nominal in %
Liquid assets	268.0	196.8	36.2%
Goodwill/Company value	552.0	557.0	–0.9%
Equity	781.9	689.2	+13.4%
Balance sheet total	1,274.3	1,198.1	+6.4%
Equity ratio in %	61.4%	57.5%	+3.9pp

As in previous years, the Nemetschek Group determined capital costs (WACC = weighted average cost of capital) for the group of cash-generating units as part of the impairment test for goodwill.

A market risk premium of 7.0% (previous year: 7.25%) was applied. This results in capital cost rates before taxes ranging from 13.1% to 18.6% (previous year: 12.0% to 19.5%). In 2023, the further increase in interest rates in response to continued high inflation, which, however, receded over the course of the year, had an impact on the parameters derived from the capital market. Based on market capitalization as of December 31, 2023 and the planning expectations, the internal rate of return before taxes is 5.0% (previous year: 7.5%).

Nemetschek Group Employees

Personnel matters are managed locally in order to be able to act adequately and directly in the relevant markets and regions. Nemetschek SE's People/HR department is globally responsible for the strategic development of human resources management and coordinates the strategic orientation with the respective HR departments of the individual brands.

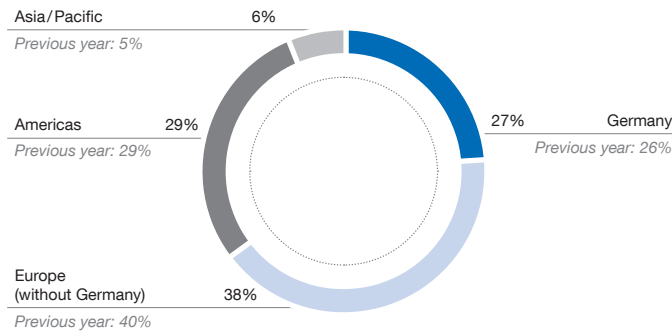
Further information on human resources work can be found in the non-financial statement under [« 2.2 Key non-financial issues – Employee and Society »](#).

As of December 31, 2023, the Nemetschek Group had 3,429 employees worldwide (previous year: 3,448), equivalent to a slight decline of 19 employees or 0.6%. This does not include employees on parental leave, freelancers and those on long-term sick leave.

Employees by Region

At 73% (previous year: 74%), the majority of Nemetschek Group employees were based outside Germany at the end of 2023.

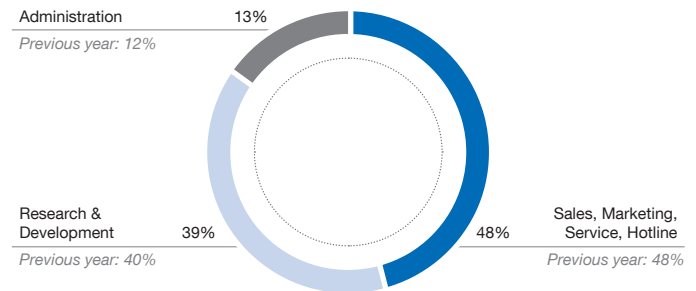
The following table shows the distribution of employees across the Nemetschek Group's key regions and Germany, the country in which the company has its headquarters.



Employees by Function

On average, the Nemetschek Group employed 3,415 people worldwide in 2023, an increase of just under 4% compared with the previous year (3,291). The average number of employees in research and development was 1,329 (previous year: 1,316), or 38.9% of the total workforce (previous year: 40.0%).

The number of sales, marketing and customer support employees averaged 1,656 (previous year: 1,571). In addition, 430 employees (previous year: 404) worked in administration.



Personnel Expenses

Personnel expenses increased by 7.0% to EUR 360.9 million in 2023 (previous year: EUR 337.2 million), resulting in a personnel expense ratio (personnel expenses/revenue) of 42.4% (previous year: 42.1%).

3.4 Earnings, Financial Position and Net Assets of Nemetschek SE

The following information refers to Nemetschek SE as the parent company of the Nemetschek Group. The information is based on the German Commercial Code (HGB) on accounting for large corporations and the German Stock Corporation Act (AktG). The result of Nemetschek SE is dependent on the earnings of subsidiaries held directly and indirectly. The non-financial consolidated report (non-financial declaration) is combined with the non-financial declaration of the parent company under [« 2 Non-Financial Declaration »](#).

Revenue Development and Earnings Situation

Nemetschek SE's revenues of EUR 9.5 million in 2023 (previous year: EUR 8.7 million) resulted primarily from income from licensing the umbrella brand "A Nemetschek Company".

Other operating income increased to EUR 15.5 million (previous year: EUR 13.2 million). In the year under review, it included income from currency translation of EUR 4.1 million (previous year: EUR 7.0 million) and income of EUR 9.2 million (previous year: EUR 5.2 million) from expenses recharged to subsidiaries. Personnel expenses for wages and salaries fell from EUR 14.1 million in the previous year to EUR 12.5 million. This is primarily due to a decline in variable salary components from EUR 5.9 million in 2022 to EUR 4.2 million in 2023. Other operating expenses increased from EUR 23.6 million in the previous year to EUR 30.4 million in 2023 and thus in line with other operating income. This was mainly due to increased expenses for consulting services (EUR 5.8 million up from EUR 2.9 million in the previous year), software costs (EUR 6.2 million up from EUR 4.1 million in the previous year) and marketing costs (EUR 2.8 million up from EUR 1.2 million in the previous year). Expenses from currency differences (EUR 4.2 million, down from EUR 6.5 million in the previous year) fell due to exchange rate effects, primarily from the US dollar.

Income from equity interests of EUR 124.1 million (previous year: EUR 53.0 million) includes EUR 124.0 million in dividends from subsidiaries (previous year: EUR 52.9 million). Income of EUR 27.7 million (previous year: EUR 32.4 million) from profit transfer agreements arose from profit transfers from Allplan GmbH and the Frilo Software GmbH. This is offset by expenses from the transfer of losses amounting to EUR 2.1 million (previous year: EUR 0.5 million from the Nevaris Bausoftware GmbH. Net income for the year increased to EUR 123.5 million (previous year: EUR 29.8 million).

Net Assets

Nemetschek SE's balance sheet is mainly characterized by financial assets amounting to EUR 587.1 million (previous year: EUR 569.9 million). Affiliates accounted for by far the largest share of EUR 576.9 million (previous year: EUR 531.5 million). Loans to affiliated companies fell by EUR 34.2 million due to the contribution of loan receivables to equity shares in affiliated companies. The amount of EUR 1.8 million (previous year: EUR 34.2 million) is due to the grant of a contingently repayable loan to a subsidiary in the course of 2023. With regard to current assets, current loan receivables from affiliates, trade receivables from affiliates and profit and loss transfer agreements amounted to EUR 167.6 million as of the balance sheet date (previous year: EUR 183.3 million). As of the end of 2023, other assets included tax receivables of EUR 14.5 million (previous year: EUR 7.1 million).

Cash and cash equivalents stood at EUR 6.7 million at the end of 2023 (previous year: EUR 3.6 million).

The other side of the balance sheet is dominated by liabilities to banks and Group companies. As a result of scheduled repayments and new loans, bank liabilities fell to EUR 6.6 million (previous year: EUR 71.3 million). Equity increased by EUR 66.4 million to EUR 528.4 million. The net income for 2023 of EUR 123.5 million was offset by the dividend payment of EUR 52.0 million (EUR 45.0 million) that was distributed in 2023. Nemetschek SE's equity ratio was 67.4% as of the balance sheet date (previous year: 60.0%).

Provisions increased by EUR 4.9 million to EUR 14.8 million. The main reasons for this are that the company recognized a repurchase obligation for treasury shares in the amount of EUR 5.2 million as part of share-based payments (see „Share-based payments“) and a provision of EUR 2.3 million recognized for the first time due to the additional taxation regulation. Offsetting effects result from various individual items. Liabilities to affiliates mainly resulted from cash pooling (EUR 111.8 million; previous year: EUR 91.3 million) and short-term intercompany loans of EUR 109.3 million (previous year: EUR 127.3 million).

In 2023, control agreements and profit and loss transfer agreements were in force with the following subsidiaries: Allplan GmbH, Frilo Software GmbH and Nevaris Bausoftware GmbH. There were also profit and loss transfer agreements and control agreements between Allplan GmbH and Allplan Deutschland GmbH.

Financial Position

Nemetschek SE's financing activities mainly comprised redemption payments of EUR 83.21 million (previous year: EUR 87.7 million), new loans of EUR 18.51 million (previous year: EUR 40.8 million) and the dividend payment of EUR 52.0 million (previous year: EUR 45.0 million).

In 2023, Nemetschek SE extended the existing bilateral credit facilities, increasing them to a total of EUR 357.0 million (previous year: EUR 284.5 million). These credit facilities were granted with a term of up to one year. As of the end of 2023, Nemetschek SE had not drawn on any of these facilities.

In 2023, interest payments of EUR 1.4 million (previous year: EUR 0.8 million) were made on loans taken out and credit facilities.

Within the scope of its internal financing activities, the company received funds primarily from cash pooling transactions, inter-company loans and dividends from selected subsidiaries.

Report on opportunities and risks of Nemetschek SE

Nemetschek SE is materially influenced by the risks and opportunities of the Group. Compared with the Group, Nemetschek SE is exposed to a greater foreign currency risk from intra-group financing. These foreign currency risks are mainly offset by means of natural hedging. Remaining material risk peaks are addressed in individual cases by means of hedging transactions. There were no open hedges as of the balance sheet date.

Nemetschek SE Employees

On average, Nemetschek SE had 66 employees in 2023 (previous year: 62).

Outlook for Nemetschek SE and Comparison of Actual and Forecast Business Performance

The future development of Nemetschek SE with its significant opportunities and risks is significantly influenced by the forecasts of the Nemetschek Group set out in the Opportunity and Risk Report. Based on the Group's planning, Nemetschek SE expects another small increase in the net investment result and thus in net income in the financial year 2024. In the past financial year, this was significantly higher than in the previous year and higher than expected for 2023. This was caused by higher financing requirements. Nemetschek SE expects a positive earnings trend in the upper single-digit percentage range and, for 2024, a net profit for the year that is higher than in the past financial year, which will also increase in the upper single-digit percentage range.

Furthermore, the Nemetschek SE is expected to report positive gross liquidity in 2024 in the lower double-digit percentage range above the previous year's level. The previous year's forecast was slightly exceeded, as Nemetschek SE reported positive gross liquidity in the mid-single-digit million range.

The company plans to continue distributing around 25% of its operating cash flow to its shareholders in the future. The dividend policy is always subject to the overall macroeconomic development and the economic and financial situation of the company.

4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group

The original forecast for 2023 factored in the uncertain macroeconomic conditions prevailing at the beginning of 2023 as a result of the Russian war of aggression on Ukraine and what in some cases are the severe consequences for the global economy. The forecast was also based on the assumption that the global economy would grow by 2% to 3%, as predicted by the German Council of Economic Experts and the IMF at the time, and that growth would slow compared with the previous year. Likewise, the subdued state of the construction industry was taken into account in the forecast. In addition, the forecast for 2023 particularly assumed short-term dampening effects on revenue and earnings due to the conversion of the business model from classic licensing to a subscription and SaaS system. In light of these assumptions, the Executive Board entered the 2023 financial year with a realistic, generally positive, but also cautious outlook, projecting currency-adjusted revenue growth in a range of between 4% and 6%, accompanied by substantially greater growth of >25% in annual recurring revenue (ARR), thus increasing the share of annual recurring revenue in total revenue to over 75% at the end of the year. The Executive Board projected an EBITDA margin in a range of 28 – 30%.

Despite the difficult and still challenging economic conditions, such as the persistently high interest rates as a result of the continued high but now declining inflation rates in many key economic regions, as well as the likewise persistent effects of the Russian war of aggression on Ukraine, e.g. the energy crisis in Europe, and recent developments in the Gaza-Israel conflict, as explained in [3.2 Business Performance 2023 and Key Events Influencing the Company's Business Performance](#), the outlook for global growth as forecast by the IMF and the German Council of Economic Experts at the time was achieved or even slightly exceeded. Instead of roughly 2 – 3%, the current consensus is that global growth will reach the upper edge of the range and thus come in at around 3% in 2023. The construction industry, which is of material importance for the Nemetschek Group, performed in accordance with the description contained in [3.1 Macroeconomic and industry-specific expectations](#) in 2023, although the macroeconomic effects were particularly evident here, especially in Germany and other parts of Europe.