

# Letter to Shareholders

Dear shareholders,

2023 was a very special year for us: The Nemetschek Group celebrated its **60th anniversary**. 60 years ago, Professor Georg Nemetschek founded the “Ingenieurbüro für das Bauwesen” in Munich – the start of an impressive success story that continues to this day. The engineering office has developed into one of the world’s leading software companies for the digital transformation of the AEC/O and media industries. The constant striving for innovation leadership, the clear focus on customer proximity and customer value as well as the early understanding of the potential of new technologies for the benefit of the construction and media industries – these were and are the most important components of the Nemetschek Group’s success story.

## Financial Year 2023: Continuing on our Growth Path

In 2023, we continued the Nemetschek Group’s success story and **clearly achieved our targets for the financial year 2023**, which were already raised in the course of the year, despite a partly challenging economic market environment as well as the ongoing transition of our business model to subscription and SaaS models and its accounting-related dampening effect on our revenue and earnings.

Summary of our Group Key Performance Indicators for 2023:

- » **Group revenue** increased by 6.2% to EUR 851.6 million. Adjusted for currency effects, growth amounted to 8.0%. The currency-adjusted growth was therefore at the upper end of the previously increased guidance range of 6% to 8%.
- » **Annual recurring revenue (ARR)** grew by 23.5% (currency-adjusted: 26.7%) to EUR 718.6 million. The ARR growth was therefore significantly higher than revenue growth, which indicates significant growth potential in the coming twelve months.

- » The success of the ongoing transition of the business to subscription and SaaS models is also reflected in the development of the **share of recurring revenue as a percentage of total revenue**. In line with the Group’s strategy and in line with the guidance (share > 75%), it expanded by 10 percentage points compared to the previous year and reached a record high of 76.6%.
- » **Group operating earnings before interest, taxes, depreciation, and amortization (EBITDA)** increased slightly to EUR 257.7 million (previous year: EUR 257.0 million) due to the ongoing transition. At 30.3%, the EBITDA margin was at the upper end of the guidance corridor of 28% to 30%, as specified in October.
- » **Net income** for the year was at the previous year’s level and reached EUR 161.3 million (2022: EUR 161.9 million). Consequently, the corresponding earnings per share also remained unchanged year-on-year at EUR 1.40.
- » **Operating cash flow** increased significantly by 18.3% to EUR 252.9 million (previous year: EUR 213.8 million), underlining the high quality of earnings.
- » Nemetschek was also able to improve its already extremely solid **financial position** once again. The Group’s equity ratio as of December 31, 2023 improved by 3.9 percentage points to 61.4%, while the net cash position more than doubled to EUR 261.2 million. In both cases, these are new record highs.

As usual, we want you, our shareholders, to participate appropriately in the company’s success. The Executive Board and Supervisory Board will therefore propose a dividend of EUR 0.48 per share for the 2023 financial year at the Annual General Meeting on May 23, 2024. This corresponds to an increase of around 7% compared to the previous year’s dividend (EUR 0.45 per share) and is the eleventh dividend increase in a row. Together with the excellent development of the Nemetschek share price, this once again demonstrates the attractiveness of an investment in the Nemetschek Group.



Yves Padrines  
CEO

### Strategic Highlights in 2023

Of course, we also continued to drive forward our strategic focus areas in 2023:

- » A Group-wide goal of the Nemetschek Group is to be a leader in the field of (generative) **artificial intelligence (AI)**. AI is therefore a focal point of our Group's research and development activities. This approach as an AI-first company not only underscores our claim to be a technological pioneer in the AEC/O and media industries, but it also demonstrates our clear commitment to ethical, trustworthy and sustainable AI practices.
- » We have also significantly grown our recurring revenues, in particular through the intensified transition to **subscription** and **Software-as-a-Service (SaaS) solutions**. This allows our customers to use our software more flexibly and avoid higher one-off license fee compared to the subscription offering. At the same time, they benefit from an even more intensive customer support as well as faster and more continuous innovation cycles, which ultimately leads to greater customer satisfaction and loyalty. Nemetschek, in turn, can address new customer groups and further strengthen existing customer relationships. This will make our revenues more predictable and our business structurally more resilient – even across economic cycles.
- » By further harmonizing our **go-to-market approach** and focusing more on the market segment of larger, multinational, and multidisciplinary customers, we are opening up additional growth opportunities. We want to integrate the solutions of the individual Group brands even more closely under the umbrella of the Nemetschek Group to better utilize our digital sales channels and drive forward our regional growth initiatives. In addition, this will also help to further expand Nemetschek's already high degree of internationalization.
- » Our brands continued to drive forward their commitment to **innovation** in the areas of cloud solutions, digital twins and artificial intelligence (AI) in 2023. With the market launch of our digital twin platform dTwin, we were able to present an innovation and major step forward for the entire AEC/O industry. It is the first solution in the industry to bring together all of a building's data in one comprehensive view, helping customers to efficiently manage and operate buildings from the planning stage through to the operational phase. With our open, cloud-based digital twin platform, we are thus making an even greater contribution to efficiency and sustainability in the life cycle of buildings.
- » In addition to its own development initiatives, Nemetschek also invests in several **highly innovative start-ups** that have the potential to develop groundbreaking and innovative solutions. These solutions can be disruptive not only for the Nemetschek Group itself, but for the entire AEC/O and media industries.

» Thanks to our **Business Enablement Initiative**, we are also reducing the complexity within the Nemetschek Group. Organizational efficiency and effectiveness as well as harmonized processes lead to a greater customer focus along with higher cost efficiency and increased investment power. This includes, among others, the organizational harmonization of important Group functions such as People/HR, Finance & Tax, Controlling & Risk Management or IT. The resulting synergies and scaling opportunities will play an important role in the implementation of our growth strategy.

### Setting the foundations for future growth

The global construction and real estate industry is only at the beginning of a long-term transformation towards a more efficient, environmentally friendly and resource-saving way of building. Nemetschek is well positioned to support this development, because we offer the perfect tools for this change.

The still very low degree of digitalization in the construction industry, the need to reduce CO<sub>2</sub> emissions and material waste, the increasing urbanization and the shortage of skilled labor are megatrends that represent structural growth drivers for our company. For our target group, “business as usual” is no longer an option, and we want to support them in this transformation with our solutions. In addition, the media and entertainment industries are also characterized by high growth and the constantly increasing demand for digital content.

Already today, our business model is characterized by a strong resilience. This resilience is based on the high proportion of our recurring revenues and our strong global diversification. We want to further strengthen our resilience by continuing to benefit from the expected higher growth in the North America and Asia/Pacific regions in the future, without neglecting the European market. In

particular, we see an enormous growth opportunity in India due to the expected dynamic economic and demographic development of the country. As the Nemetschek Group, we want to take advantage of this opportunity by strengthening our local presence.

We have also laid the foundations at the leadership level: With regards to the next growth phase of the Nemetschek Group, we have strengthened our Executive Leadership Team (ELT). In addition to the Executive Board, this team also includes, among others, the Chief Division Officers of our strategic segments. As a result, Nemetschek now has an experienced, international management team that will focus on important strategic priorities such as technology leadership in artificial intelligence and sustainability, customer-oriented solutions as well as internationalization.

Innovation and technological leadership remain an integral part of our company’s DNA. This is why we will continue to drive forward new technologies such as cloud offerings, AI, digital twins, robotics and virtual reality as the pacesetter of digitalization in the construction industry with the goal of enabling efficient collaboration between all parties involved in the construction process with end-to-end workflows. To benefit from the technological developments in the rapidly growing AEC/O industry and in the media & entertainment industries in an even more targeted way, we will intensify our investment strategy in the areas of M&A, venture investments and start-ups.

For the current financial year 2024, we cannot count on an improvement in the economic environment, at least in Germany and Europe. However, we are confident that we will be able to achieve an above-average growth even in this environment and thus continue our growth trajectory. We expect a currency-adjusted revenue growth in the range of 10% to 11%. Growth in

recurring revenues, represented by the KPI ARR (Annual Recurring Revenue), is expected to grow by around 25%, and thus significantly faster than our revenues. The share of recurring revenue as a percentage of total revenue is therefore forecasted to increase further to around 85% by the end of the current financial year. We expect the EBITDA margin to be in a corridor of 30% to 31%.

In sum, we are therefore very well positioned to enter the next growth phase of our company and thereby continue the more than 60-year success story of the Nemetschek Group in the coming years and decades.

In addition to our numerous customers and partners, we would like to express our sincere thanks to the more than 3,400 employees of our Group, which once again made our very strong business performance possible in the past year with their outstanding commitment and dedication.

We would also like to thank you, our shareholders, for your continued trust in our company.

Best regards,



Yves Padrines  
CEO