

7 Outlook 2024

Overall Economic Development

As a globally active company, the Nemetschek Group is influenced by worldwide economic developments and industry-specific trends. These developments may also impact the Group's future earnings, financial and asset situation.

The outlook for the global economy is currently influenced by many factors that are subject to great uncertainties. Geopolitical conflicts and crises, in particular, and their impact on global markets are continuing to leave traces on the global economy. Despite the adverse circumstances, the global economy proved to be robust in 2023, reflecting companies' mounting resilience.

The consequences of the ongoing Russian war of aggression on Ukraine, the terrorist attacks by Hamas in Israel, which has prompted a military response from Israel, as well as the difficult trade relations between the United States and China will have an impact on the global economy in 2024. Above all, the restrictive monetary policies triggered by the conflicts and crises described above are having a dampening effect and will take their toll in 2024.

In addition to the above-mentioned factors, the increasing transformation efforts and activities in individual economic regions (e.g. the European Green Deal in the European Union) towards a more sustainable economy are also leading to major changes in the economic framework, yielding opportunities as well as risks for individual sectors.

The monetary measures taken by governments and central banks exerted their effect in 2023. Inflation rates are expected to continue declining, gradually reaching the central banks' targets. As a result, the current tight monetary policies may be eased in the future.

Given the large number of existing and potential geopolitical conflicts, the current forecasts are fraught with high uncertainty.

Overall, the International Monetary Fund (IMF) in its World Economic Outlook published on 30 January 2024 and the German Council of Economic Experts in its Annual Report 23/24 published on 8 November 2023 expect the global economy to flatline or slow in 2024. While the IMF is predicting an increase in gross domestic product (GDP) of 3.1%, the German Council of Economic Experts projects growth of just 2.2%.

The following forecasts have been issued for the main regions in which the Nemetschek Group operates:

GDP in the **Eurozone** is expected to expand by 1.1% (German Council of Economic Experts) or 0.9% (IMF) in 2024. In the EU, the fallout from the energy crisis, caused primarily by the Russian war of aggression on Ukraine, is still having a negative impact. The still restrictive monetary policies in the EU are also continuing to have a dampening effect on the economy, with the European construction industry in particular bearing the brunt.

The **German** economy should regain some momentum compared to 2023 and return to a growth trajectory with expansion of 0.7% according to the German Council of Economic Experts. The IMF likewise expects a slight increase in economic output of 0.5% for Germany. Due to the comparatively high level of industrialization, particularly in energy-intensive sectors, the German economy is currently suffering particularly severely from the consequences of the energy crisis and historically high interest rates.

The German Council of Economic Experts is forecasting growth of 1.6% for the **United States** in 2024, while the IMF expects growth of 2.1%. Accordingly, both institutions assume that the US economy will lose momentum. In particular, the high interest rates could place a damper on the economy in 2024, with government support programs primarily intended to promote corporate investment.

For **Asia** – where both institutions see the greatest regional growth globally for 2024 – the German Council of Economic Experts forecasts an increase in GDP of 3.8%. **China** is expected to grow by 4.3%. In its January 2024 update, the IMF puts economic growth in China at 4.2% and thus lower than in the previous year. The Chinese economy continues to suffer from the consequences of the real estate crisis, although industrial output is expected to normalize further. Growth rates in India are also likely to exceed the global and Asian forecasts. The IMF expects economic output to grow by 6.5%. This is consistent with the estimates of the German Council of Economic Experts, which anticipates growth of 6.2%.

Overall, the uncertainties associated with the aforementioned forecasts are considerable and particularly depend on the further course of political and economic conflicts, crises and underlying conditions. Any risks occurring or worsening or any deterioration in conditions may have a negative effect on the global economy. Likewise, an end to the war in Ukraine or the Middle East or an improvement in general conditions may generate impetus for the global economy, feeding through to the industries and regions addressed by the Nemetschek Group. The IMF and the German Council of Economic Experts currently believe that the short-term risks for the global economy outweigh the opportunities.

Sources: German Council of Economic Experts, Annual Report 23/24 dated November 8, 2023 and International Monetary Fund, World Economic Outlook Update dated January 30, 2024.

Development of the Underlying Industry-Specific Conditions

Construction Industry

The construction industry is influenced by the prevailing macroeconomic and political conditions. The effects previously described of the current geopolitical crises and conflicts are also leaving traces on the construction industry in particular. High interest rates, restrictive monetary policies and persistently high prices are triggering greater investment reticence on the part of companies and private property developers, at least in the short term. However, the current situation in the construction industry is forcing planning and construction companies in particular to improve the efficiency of their planning and building processes. The need for improved efficiency and cost savings may therefore also provide important impetus for the further digitalization of the industry. Moreover, sustainability and environmental protection are becoming increasingly important in the planning, construction, operation and renovation of buildings. A more energy- and resource-efficient approach throughout the entire construction process, including the subsequent use phase, is therefore a critical factor in achieving the political climate targets. This should also generate impetus for the construction industry.

The experts at Euroconstruct (November 2023) project a sequential inflation-adjusted decline in the construction industry in **Europe**. They forecast a decline of 1.7% in 2023, widening to 2.1% in 2024. Euroconstruct sees a recovery emerging in the European construction industry and a return to a growth trajectory in 2025.

The **German** construction industry, which is of particular importance for the Nemetschek Group, is expected to contract by 2.2% in 2024. This decline is therefore within the range forecast for 2023, for which experts project contraction of 2.3%. At 2.2% in 2024, the decline forecast for Germany is slightly above the average for the Euroconstruct countries (decline of 2.1%). The highest growth rates across Europe are expected in Ireland (+4.4%), Slovakia (+2.9%) and Poland (+2.5%). By contrast, Italy (-7.3%), Sweden (-5.7%) and Denmark (-4.9%) are expected to experience the sharpest declines in construction output in 2024.

In the **United States**, construction output should expand by 5% in 2023, before flatlining and shrinking slightly in 2024 (0%) and 2025 (-1%), respectively. Whereas residential construction in particular is expected to shrink substantially by 7% in 2024 and 3% in 2025, the non-residential sector should expand by 5% in 2024. Output in this sector will also likely shrink by 2% in 2025.

The construction industry in **Asia** should contract slightly by 0.4%. A decline of 2.6% is projected for China, while India should remain stable (growth of 0.2%), with Japan displaying substantial growth of 5.2%.

Source: 96th Euroconstruct Summary Report Winter 2023; North American Engineering and Construction Outlook Fourth Quarter Edition (October 2023).

Digitalization in Construction

Digitalization in the construction industry is less advanced than in other industries due to the high degree of fragmentation, non-serial production processes and the low profitability and the low margins in construction. Nevertheless, a large number of players in the construction industry view the digital transformation as a key competitive advantage and a strategic priority. Mounting regulation – including for sustainable construction, high material costs, the continued shortage of skilled labor and the lessons learned from the Covid-19 pandemic – may spur and even accelerate existing trends such as digitization 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 ensures compatibility between different software solutions and thus fosters 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.

Development of the Media and Entertainment Industry

The media and entertainment industry continues to benefit from a steady increase in demand for high-quality content and animation by artists and creators, as well as the growing use of visual effects (VFX) in films and videos, as well as high demand from the gaming industry. Although demand in the industry temporarily stalled as a result of the strikes in Hollywood in 2023, Nemetschek still sees great market potential – especially in the medium term – from the metaverse and the creation of an artificial environment in the form of augmented reality (AR) or virtual reality (VR). In this market, the Nemetschek Group is very well positioned with the Media segment and the Maxon brand to leverage future growth potential in the underlying market.

General Statement on Expected Development

Outlook for the Nemetschek Group

Despite the underlying macroeconomic and industry-specific conditions and challenges outlined above, the Executive Board is optimistic about 2024.

In the short term, the planned ongoing adoption of subscription and SaaS models will have a temporary dampening effect on revenue growth and profitability due to accounting-related effects. At the same time, however, the conversion to subscription and SaaS models means that higher revenues can be generated over the client lifetime. Moreover, revenues are more predictable and, as a result, business generally gains added resilience – even across economic cycles.

In the medium and long term, the significant structural growth drivers such as the low level of digitalization in the construction industry, the requirements of greater efficiency and time and cost savings in the construction life cycle, mounting regulations on

BIM use, increased demands for sustainability, environmental protection and lower carbon emissions as well as ongoing urbanization remain fully intact. A further factor is the ongoing shortage of skilled workers, which has in fact been exacerbated by the crises of recent years.

On a like-for-like basis, we expect an attractive revenue growth in 2024. Specifically, currency-adjusted revenue growth should be in a range of 10% to 11%. Growth in recurring revenue, as measured by the annual recurring revenue (ARR) KPI, is expected to increase significantly faster than Group revenue at around 25%. The share of recurring revenue in total revenue is therefore expected to continue widening to roughly 85% at the end of the current year. The EBITDA margin should be in a range of 30% to 31%.

	Financial year 2023 Actual	Financial year 2024 Forecast March 2024
Revenue or currency-adjusted revenue growth	EUR 851.6 million, 8.0%	Currency-adjusted revenue growth of 10 to 11%
ARR or ARR growth (annual recurring revenue)	EUR 718.6 million, 26.7%	ARR growth of ~25%
Share of recurring revenue in total revenue	76.6%	Share of recurring revenue in total revenue: ~85%
EBITDA or EBITDA margin	EUR 157.7 million, 30.3%	EBITDA margin of 30% to 31%

As business development is influenced by currency effects, particularly the US dollar, the outlook for revenue growth is stated on a currency-adjusted basis in order to better assess the company's operational strength.

Dividends

The pro-shareholder dividend policy pursued by Nemetschek SE based on continuity and sustainability, 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.

In general, it should be borne in mind in connection with the forecast that, in addition to a change in underlying economic conditions, changes in currency exchange rates and possible portfolio modifications as a result of M&A activities could have an impact on the Group's revenue and earnings, and ultimately also on the achievement of the forecast. For this reason, the forecast for 2024 has been prepared on a basis comparable with the previous

year, assuming constant exchange rates and a portfolio unaffected by M&A activities. Nemetschek SE expects net income in the mid double-digit million range and gross liquidity in the lower single-digit million range in 2024.

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 company. This may cause the actual results, success and performance of the Nemetschek Group to differ substantially from the results, success or performance expressly or implicitly contained in the forward-looking statements.