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 14.8million. 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, intercompany 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.