Report on opportunities and risks of Nemetschek SE

Nemetschek SE is materially influenced by the opportunities and risks 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 102 employees in 2024 (previous year: 66).

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 heavily 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 2025. In the past financial year, this was significantly higher than in the previous year and also exceeded the expectation for 2024. This was due to higher financing requirements, which were largely covered by dividends received from subsidiaries, which were not factored into the forecast. Nemetschek SE expects a positive earnings trend in the upper single-digit percentage range for 2025. The net profit for 2025 is expected to be higher than in the past financial year. An increase in the upper single-digit percentage range is anticipated.

Furthermore, Nemetschek SE is expected to report positive gross liquidity in 2025 with growth in the lower double-digit percentage range above the previous year's level. The outlook from the previous year for the year 2024 was exceeded, as Nemetschek SE reported positive gross liquidity in the low double-digit million range, which is mainly due to intercompany dividend payments in December. The company plans to continue to distribute around 25% of the operating cash flow to its shareholders in the future. The dividend policy always takes into account macroeconomic factors and the economic and financial situation of the company.

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

The original outlook for the financial year 2024 took into account the uncertain macroeconomic and industry-specific conditions prevailing at the time of the outlook in March 2024, primarily due to geopolitical conflicts and crises. The outlook was also based on the assumption that the global economy in 2024 would grow by 2.2% (German Council of Economic Experts) to 3.1% (IMF), as projected by the German Council of Economic Experts and the IMF at the time, and that growth would stagnate or even slow down compared to the previous year. The outlook also took into account the anticipated downturn in the construction industry in the USA, Europe and Asia, which are important markets for the Nemetschek Group. In addition, the outlook for the financial year 2024 took into account short-term dampening effects on revenue and earnings due to the ongoing transition of the business model from the traditional license business to subscription and SaaS models.

Taking into account the aforementioned assumptions, the Executive Board entered the financial year 2024 with realistic but positive expectations overall, anticipating currency-adjusted revenue growth in the range of 10% to 11%. The annual recurring revenue (ARR) growth was expected to be over-proportionally high at around 25%, thus increasing the share of recurring revenues in total revenues to around 85% by the end of the year. For the EBITDA margin, the Executive Board forecasted a range of 30% to 31%.

Following the successful closing of the GoCanvas acquisition as of July 1, 2024, the Executive Board confirmed the previous expectations for the operating business (i.e. excluding acquisition effects) for the financial year 2024 and at the same time expanded the outlook due to the acquisition of GoCanvas. The consolidation of GoCanvas was expected to have an additional positive effect on the forecasted revenue growth of three percentage points in the financial year 2024. With regard to the EBITDA margin, the Executive Board expected a dilution of around 100 basis points compared to the originally forecast EBITDA margin due to the profitability of GoCanvas, which is still below the average of the Nemetschek Group. These figures did not yet reflect the full potential of the GoCanvas acquisition, as both the revenue and EBITDA contribution in the second half of the year were expected to be reduced by a high single-digit million euro amount due to the IFRS purchase price allocation. The ARR growth was expected to increase from around 25% to more than 30% in the year 2024 after the consolidation of GoCanvas. The share of recurring revenues was still expected to be around 85%.

The global economy met or even slightly exceeded the growth prospects forecasted by the IMF and the German Council of Economic Experts at the time of the outlook, despite the demanding and still challenging economic conditions. Instead of a growth rate of 2.2% (German Council of Economic Experts, Annual Report 2023/24, November 2023) or 3.1% (IMF, World Economic Outlook – Update, January 2024), the growth for the year 2024 is currently expected to be slightly above the original forecasts with 2.6% (GCEE Annual Report 2024/25, November 2024) or 3.2% (IMF, World Economic Outlook, October 2024). In 2024, the construction industry, which is important for the Nemetschek Group, developed as described in chapter << 3.1 Macroeconomic and industry-specific conditions >>. The negative impact of the macroeconomic development continued to be felt, particularly in the construction industry in Germany and other parts of Europe.

In this environment, the Nemetschek Group again performed very well. Over the course of the financial year, the business developed positively, driven by the long-term structural growth drivers, such as the still low level of digitalization in the construction industry, the increasing demands for greater efficiency, time and cost savings along the life cycle of construction and infrastructure projects, increasing regulations for the use of BIM and the continuously increasing requirements in the areas of sustainability, environmental protection and lower CO_2 emissions. In addition, the continuous work on the defined strategic pillars had a positive impact on the business development. The already high and still increasing share of recurring revenues – primarily from subscriptions and software as a service (SaaS) models – supported the positive business development.

The very strong business development at the end of the fourth quarter resulted in the Nemetschek Group even exceeding its revenue, growth and earnings targets.

COMPARISON OF ACTUAL AND PROJECTED BUSINESS PERFORMANCE – OVERVIEW

					Change		Change (excluding GoCanvas)	
	Financial year 2023 Actual	Financial year 2024 Forecast March 2024	Financial year 2024 Forecast (update) including GoCanvas	Financial year 2024 Actual	Δ nominal in %	Δ currency-adjusted in %	Δ nominal in %	Δ currency-adjusted in %
Revenue (absolute)/ revenue growth	EUR 851.6 million	Currency-adjusted growth:10%–11%	Currency-adjusted growth:13%–14%	EUR 995.6 million	16.9%	17.2%	13.7%	14.0%
ARR/growth in ARR (annual recurring revenue)	EUR 718.6 million	ARR growth: approx. 25%	ARR growth: > 30%	EUR 1,019.9 million	41.9%	41.6%	34.6%	34.2%
Share of recurring revenue in total revenue	76.6%	Share of total revenue approx. 85%	Share of total revenue >85%	86.5%				
EBITDA/EBITDA margin	EUR 257.7 million, 30.3%	EBTIDA margin: 30%–31%	EBITDA margin range: 29%–30%	EUR 301.0 million, 30.02%; 31.1% (excluding GoCanvas	16.8%	15.3%	16.9%	15.4%

Overall, **revenue** in the financial year 2024 grew significantly by 16.9% (currency-adjusted: 17.2%) to a total of EUR 995.6 million (including GoCanvas) due to very strong business performance at the end of the fourth quarter in the Design and Build segments. In the Design segment in particular, two one-time effects had a positive impact on development in the fourth quarter. On the one hand, the final sale of licenses by Graphisoft resulted in customers bringing forward some license purchases planned for the future to the fourth quarter. On the other hand, successful campaigns to migrate existing customers from one-year maintenance contracts to partly multi-year subscription contracts had a positive effect in the fourth quarter, since a larger share of future revenue is realized directly. The revenue contribution from the first-time consolidation of GoCanvas was in line with the outlook at around 3 percentage points of total growth. Organically (i.e. excluding the acquisition effects of GoCanvas), revenue growth in the financial year 2024 was at 13.7%. The currency-adjusted growth of 14.0% was thus well above the most recently communicated outlook for the currency-adjusted revenue growth of 10% to 11%.

In addition to the strong development in the fourth quarter, the main drivers of this encouraging growth in a continuing challenging macroeconomic environment were, primarily the ongoing increase in the share of recurring revenues which provided a strong basis for the targeted sustainable growth and the consistent implementation of the defined strategic priorities. These priorities include, in addition to the transition of the business model to subscription and SaaS, the further development of topics related to artificial intelligence and sustainability, the intensified go-to-market approach, the development of a Nemetschek cloud platform and infrastructure, further mergers and acquisitions as well as investments in start-ups and the business enablement initiative for an efficient and effective organization. The ongoing internationalization as part of the go-to-market initiative – increasingly also in emerging markets – supports the growth dynamic, while at the same time further strengthening the resilience of the Nemetschek business.

Based on the pleasing and better-than-expected revenue development, profitability also developed positively in the financial year 2024. EBITDA (including GoCanvas) grew by 16.8%

(currency-adjusted: 15.3%) to EUR 301.0 million, corresponding to an EBITDA margin of 30.2%, and thus marginally above the upper end of the outlook range of 29% to 30%, which was expanded in July 2024 due to the GoCanvas acquisition. In organic terms (i.e., excluding the dilutive effect of the lower profitability of GoCanvas and the effects of purchase price allocation), the EBITDA margin expanded to 31.1%, which was also slightly above the forecasted range of 30% to 31%.

In the financial year 2024, annual recurring revenue (ARR) growth was 41.9% (currency-adjusted: 41.6%) including the contribution from GoCanvas. As expected, growth was therefore above 30%. In organic terms, annual recurring revenue grew by 34.6% (currency-adjusted: 34.2%). At 86.5%, the share of recurring revenues in total revenues was also in line with the outlook of around 85%.