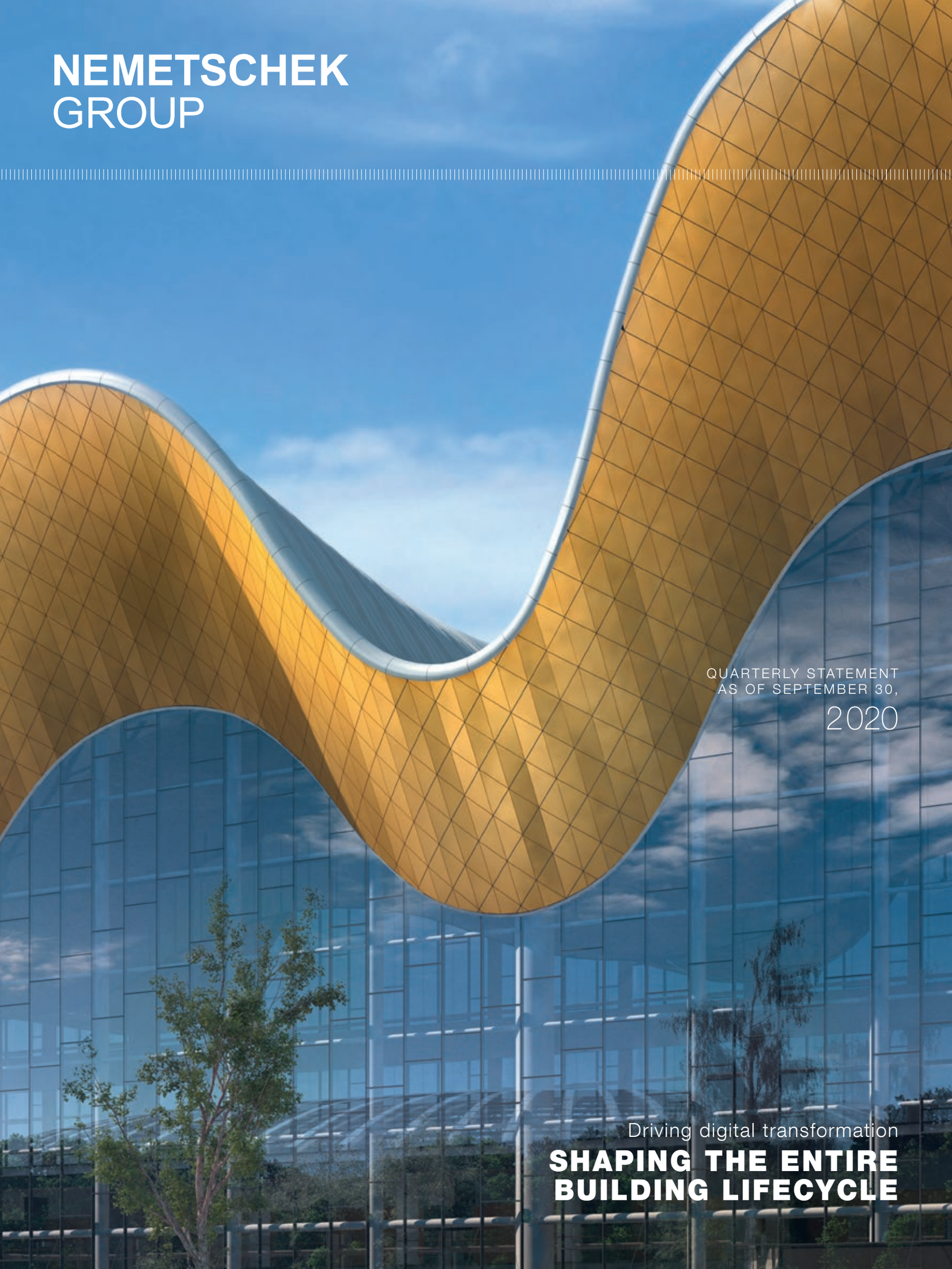
NEMETSCHEK GROUP



QUARTERLY STATEMENT
AS OF SEPTEMBER 30,
2020

Driving digital transformation

SHAPING THE ENTIRE BUILDING LIFECYCLE

Key Figures

NEMETSCHEK GROUP

in EUR million	**3rd quarter 2020**	3rd quarter 2019	Change	**9 month 2020**	9 month 2019	Change
Operative figures						
Revenues	**148.6**	**138.3**	**7.5 %**	**436.8**	**406.0**	**7.6 %**
- thereof software licenses	51.8	55.0	–5.7 %	152.0	167.3	–9.2 %
- thereof recurring revenues	90.4	76.6	18.0 %	265.4	217.5	22.0 %
- subscription (as part of the recurring revenues)	23.3	13.1	78.4 %	63.5	34.5	84.2 %
EBITDA	**46.7**	**42.8**	**9.1 %**	**129.3**	**119.4**	**8.2 %**
as % of revenue	31.4 %	30.9 %		29.6 %	29.4 %	
EBITA	**41.1**	**37.2**	**10.3 %**	**112.1**	**103.4**	**8.4 %**
as % of revenue	27.6 %	26.9 %		25.7 %	25.5 %	
EBIT	**34.5**	**32.0**	**7.6 %**	**92.1**	**88.5**	**4.1 %**
as % of revenue	23.2 %	23.2 %		21.1 %	21.8 %	
Net income (group shares)	**25.2**	**54.0**	**–53.3 %**	**67.7**	**95.4**	**–29.0 %**
per share in €	0.22	0.47		0.59	0.83	
Net income (group shares) w/o one-time-effect prior year	**25.2**	**24.5**	**2.9 %**	**67.7**	**66.0**	**2.7 %**
per share in €	0.22	0.21		0.59	0.57	
Net income (group shares) before purchase price allocation and w/o one-time-effect prior year	**29.6**	**27.9**	**6.1 %**	**82.0**	**75.7**	**8.4 %**
per share in €	0.26	0.24		0.71	0.66	
Cash flow figures						
Cash flow from operating activities	36.3	44.8	–18.9 %	114.5	114.1	0.4 %
Cash flow from investing activities	–2.0	31.0		–90.3	–79.3	
Cash flow from financing activities	–14.4	–26.4		–81.8	13.2	
Free cash flow	34.3	75.8		24.2	34.8	
Free cash flow before M&A investments and onetime-effect prior year	33.9	42.5	–20.4 %	107.5	99.1	8.4 %
Balance sheet figures						
Cash and cash equivalents*				146.6	209.1	–29.9 %
Net liquidity/net debt*				–5.2	21.0	
Balance sheet total*				881.0	857.2	2.8 %
Equity ratio in %*				45.3 %	40.7 %	
Headcount as of balance sheet date				3,067	2,838	8.1 %
Share figures						
Closing price (Xetra) in €				62.5	46.65	
Market Capitalization				7,218.8	5,388.08	

* Presentation of previous year as of December 31, 2019.

Interim Group Management Report

Report on the earnings, financial and asset situation

Favorable revenue growth of 7.6 % and a continuing high EBITDA margin of 29.6 % lead to an increased outlook for the full year 2020

Following a favorable development in the third quarter, Nemetschek Group raises its outlook for the full year 2020 in terms of revenue and profitability. Even though the impacts of the global corona crisis continue to be felt, and may well intensify again in several regions, the Nemetschek Group posted a slight increase in customer demand in the third quarter. As a result of business activities which exceeded original expectations and cost management which was implemented at an early stage, the executive board now anticipates revenue growth in the mid-single-digit percentage range with an EBITDA margin of 28% to 29% for the full year 2020. After a temporary, corona-related restraint, Nemetschek will now be investing more in order to secure future growth.

Consolidated revenue rose by 7.6 % in the first nine months to EUR 436.8 million (previous year: EUR 406.0 million). The increase in revenue is a result of solid organic growth of 4.7 % and the revenue contribution of the newly acquired Red Giant LLC, which has been integrated into the Maxon brand in the Media & Entertainment segment since January 2020. Adjusted for currency translation effects at constant exchange rates, revenue growth would have been 7.8 % or 4.9 % on a purely organic basis.

EBITDA increased by 8.2 % to EUR 129.3 million (previous year: EUR 119.4 million). The EBITDA margin thus rose slightly from 29.4 % in the previous year to 29.6 %. The above-average margin is mainly due to the reluctance to invest, such as new hires, and lower travel and marketing expenses since the beginning of the Covid-19 pandemic. However, Nemetschek is planning to increase investment again in the following quarters.

Recurring revenues continue to drive growth

In terms of licence revenues, the Covid-19 pandemic led to a restrained demand on the part of customers in the first nine month, which recovered in the third quarter. In the first nine month of 2020, the Nemetschek Group‘s revenues from software licenses were –9.2 % lower than in the same quarter of the previous year at EUR 152.0 million (previous year: EUR 167.3 million). Adjusted for currency effects, the decline was –9.0 %. In contrast, recurring revenues increased significantly in the first nine month by 22.0 % to EUR 265.4 million (previous year: EUR 217.5 million). Adjusted for currency effects, recurring revenues rose by 22.3 %. Software licenses accounted for 34.8 % of total revenues (previous year: 41.2 %), while the share of recurring revenues increased from 53.6 % in the previous year to 60.8 %. These more predictable revenues are of great importance for the robustness of the Nemetschek business model, especially in the current uncertain market environment.

Internationalization

A further growth driver and diversification factor is the Group‘s continuing global orientation. Domestic sales increased by 3.9 % to EUR 107.4 million (previous year: EUR 103.4 million). In the foreign markets, the Nemetschek Group achieved revenues of EUR 329.4 million, an increase of 8.9 % compared to the previous year. The share of revenues generated abroad rose to 75.4 % (previous year: 74.5 %).

Overview of segments

In the first nine months, the four segments of the Nemetschek Group were affected to varying degrees by the impacts of Covid-19 due to their regional focuses. In the Design segment, with its focus on Europe, revenues stabilized in Q3 after a slight decline in the first half of the year. Revenues decreased by –0.3 % (adjusted for currency effects: 0.0 %) to EUR 229.3 million compared to the prior-year quarter (EUR 229.9 million). EBITDA increased by 9.1 % to EUR 76.1 million (previous year: EUR 69.8 million). This corresponds to an operating margin of 33.2 %, which was above the previous year‘s level 30.4 %. As expected, the Build segment, with its focus on the US, felt the effects of the crisis with a time lag. Nevertheless revenues increased significantly year-on-year by 11.1 % (after adjustment for currency translation effects: 11.2 %) to EUR 144.3 million (previous year: EUR 129.9 million). The EBITDA margin also increased significantly to 38.0 % (previous year: 34.9 %). In the Manage segment as well, the negative effects were only felt after a delay and are expected to continue due to cautious investments by the important customer group of facility managers. The Manage segment also continued to grow, increasing revenues by 7.2 % (adjusted for currency translation effects: 7.3 %) year-on-year to EUR 29.2 million (previous year EUR 27.2 million). The EBITDA margin was 14.1 % and slightly below the previous year (14.8 %). The Media & Entertainment segment was significantly strengthened by the acquisition of Red Giant. The integration of the company, which has been consolidated since January 2020, into the Maxon brand is proceeding according to plan. Segment revenues increased by 59.1 % to EUR 39.4 million in the first nine month, with organic growth of 11.5 % (previous year: EUR 24.7 million). At 28.9 %, the EBITDA margin fell year-on-year due to integration and conversion costs for subscription models (previous year: 34.8 %).

Earnings per share at EUR 0.59

Operating expenses rose by 9.1 % from EUR 322.7 million to EUR 352.0 million. The cost of materials included in this figure rose to EUR 17.2 million (previous year: EUR 14.0 million). Personnel expenses rose by 10.3 % from EUR 178.1 million to EUR 196.4 million. Depreciation and amortization on fixed assets increased by 20.0 % from EUR 31.0 million to EUR 37.2 million, mainly due to intangible assets acquired in the course of a business combination. Other operating expenses rose by 1.7 % from EUR 99.6 million to EUR 101.3 million.

The net income for the year (group shares) amounted to EUR 67.7 million. The previous year (EUR 95.4 million) includes the sale of the shares in the associated company DocuWare GmbH. Adjusted for the special item, the net income for the previous year amounted to EUR 66.0 million. Earnings per share rose by 2.7 % from EUR 0.57 (adjusted for the sale of DocuWare) to EUR 0.59. Adjusted for depreciation and amortisation from the purchase price allocation after tax, net income rose by 8.4 % to EUR 82.0 million (previous year: EUR 75.7 million), resulting in earnings per share of EUR 0.71.

The Group‘s tax rate at the end of the third quarter of 2020 was 24.4 % (previous year: 18.5 %). The tax rate of the previous year was significantly impacted by the sale of the investment in DocuWare GmbH.

Operating cash flow at EUR 114.5 million – Cash and cash eqivalents at EUR 146.6 million

The cash flow from operating activities was mainly used for the investments in fixed assets, dividends and repayment of loans. The company acquisitions were financed by liquid funds and borrowings.

The operating cash flow of the first nine months amounted to EUR 114.5 million (previous year: EUR 114.1 million).

Cash flow from investment activities was EUR –90.3 million (previous year: EUR –79.3 million) and included EUR 79.1 million for the acquisition of Red Giant in the Media & Entertainment segment. In contrast, EUR 73.4 million was paid out in the previous year for the acquisition of the Axxerion Group and EUR 24.2 million was paid out for the acquisition of Redshift as well as EUR 33.3 million was received from the sale of the shares in DocuWare GmbH. The cash flow from financing activities of EUR –81.8 million (previous year: EUR 13.2 million) mainly include dividends paid out in the amount of EUR 32.3 million, the repayment of bank loans of EUR 43.1 million and leasing liabilities of EUR 9.6 million. In the previous year, the cash flow from financing activities included the raising of bank loans in the amount of EUR 100.0 million with the Axxerion and Redshift acquisition.

On the quarterly closing date, the Nemetschek Group held cash and cash equivalents of EUR 146.6 million (December 31, 2019: EUR 209.1 million).

Equity ratio at 45.3 %

The balance sheet total increased from EUR 857.2 million to EUR 881.0 million compared to December 31, 2019. Equity amounted to EUR 398.7 million (December 31, 2019: EUR 348.6 million), resulting in an equity ratio of 45.3 % compared to 40.7 % as of December 31, 2019. Equity was increased by the net income for the year (EUR 68.3 million) as well as the recognition of non-controlling interests (EUR 35.2 million) due to the acquisition of Red Giant LLC. In contrast, the currency-related decrease of Group assets (EUR 21.0 million) and the payment of dividends (EUR 32.3 million) led to a decrease of equity.

Significant events after the interim reporting period

There were no significant events after the end of the interim reporting period.

Employees

As of September 30, 2020, the Nemetschek Group employed a staff of 3,067 (September 30, 2019: 2,838). The under-proportional increase of 8.1% compared to revenue growth also reflects the disciplined cost management in connection with the effects of Covid-19.

Report on opportunities and risks

For the main opportunities and risks of the Nemetschek Group‘s anticipated development, we refer to the opportunities and risks described in the Group management report as of December 31, 2019. No significant changes have occurred in the meantime. With regard to the effects of the Covid-19 pandemic, we refer to the forecast report in the Group management report as of December 31, 2019, and to the comments in this quarterly report.

Upgraded forecast and other statements on prospective development

As a result of development which was better than expected in the first nine months of 2020, ongoing increases in the proportion of plannable revenues and wide regional and market-related diversification of risk, the executive board raises the revenue and profitability targets for the full year 2020 despite an environment which continues to be uncertain. The executive board now anticipates an increase in Group revenue in the mid-single-digit range and an EBITDA margin of between 28% and 29%. The forecast in March was made in expectation of stable development or a slight increase in Group revenue with an EBITDA margin of more than 26% of Group revenue.

As the result of rounding, it is possible that the individual figures in this quarterly statement do not exactly add up to the totals shown and that the percentages shown do not reflect the absolute values to which they relate.

Consolidated statement of comprehensive income

for the period from January 1 to September 30, 2020 and 2019

STATEMENT OF COMPREHENSIVE INCOME

Thousands of €	**3rd quarter 2020**	3rd quarter 2019	9 month 2020	9 month 2019
Revenues	**148,649**	**138,300**	**436,844**	**406,032**
Other operating income	2,493	2,357	7,295	5,112
Operating income	**151,142**	**140,657**	**444,139**	**411,143**
Cost of goods and services	–6,128	–4,738	–17,155	–13,999
Personnel expenses	–66,841	–60,539	–196,394	–178,070
Depreciation of property, plant and equipment and amortization of intangible assets	–12,220	–10,753	–37,172	–30,981
thereof amortization of intangible assets due to purchase price allocation	*–5,941*	*–4,252*	*–18,488*	*–12,506*
Other operating expenses	–31,460	–32,584	–101,306	–99,632
Operating expenses	**–116,649**	**–108,613**	**–352,027**	**–322,683**
Operating result (EBIT)	**34,493**	**32,044**	**92,112**	**88,461**
Interest income	22	202	257	566
Interest expenses	–683	–751	–2,008	–2,175
Share of net profit of associates	0	27	0	361
Gain on disposal of shares in associates	0	29,927	0	29,927
Other financial expenses/income	7	1	5	–3
Earnings before taxes (EBT)	**33,839**	**61,449**	**90,365**	**117,137**
Income taxes	–8,277	–7,436	–22,028	–21,630
Net income for the year	**25,562**	**54,013**	**68,338**	**95,507**
Other comprehensive income:				
Difference from currency translation	–13,051	6,566	–20,957	7,805
Items of other comprehensive income that are reclassified subsequently to profit or loss	**–13,051**	**6,566**	**–20,957**	**7,805**
Gains/losses from the revaluation of defined benefit pension plans	28	–239	–79	–533
Tax effect	–8	39	22	160
Items of other comprehensive income that will not be reclassified to profit or loss	**20**	**–199**	**–57**	**–373**
Subtotal other comprehensive income	**–13,031**	**6,366**	**–21,013**	**7,432**
Total comprehensive income for the year	**12,531**	**60,380**	**47,325**	**102,938**
Net profit or loss for the period attributable to:				
Equity holders of the parent	25,213	53,981	67,740	95,428
Non-controlling interests	349	31	598	78
Net income for the year	**25,562**	**54,013**	**68,338**	**95,507**
Total comprehensive income for the year attributable to:				
Equity holders of the parent	12,182	60,345	46,684	102,857
Non-controlling interests	348	34	641	82
Total comprehensive income for the year	**12,531**	**60,379**	**47,325**	**102,938**
Earnings per share (undiluted) in euros	0.22	0.47	0.59	0.83
Earnings per share (diluted) in euros	0.22	0.47	0.59	0.83
Average number of shares outstanding (undiluted)	115,500,000	115,500,000	115,500,000	115,500,000
Average number of shares outstanding (diluted)	115,500,000	115,500,000	115,500,000	115,500,000

Consolidated statement of financial position

as of September 30, 2020 and December 31, 2019

STATEMENT OF FINANCIAL POSITION

Assets	Thousands of €	**September 30, 2020**	December 31, 2019
Current assets			
Cash and cash equivalents		146,630	209,143
Trade receivables		61,056	62,046
Inventories		593	1,012
Income tax receivables		4,259	3,945
Other financial assets		1,355	1,089
Other non-financial assets		24,673	18,267
Current assets, total		**238,567**	**295,503**
Non-current assets			
Property, plant and equipment		22,953	27,620
Intangible assets		143,583	127,660
Goodwill		404,845	325,041
Right-of-use assets		56,575	66,163
Investments in associates		1,070	1,101
Deferred tax assets		7,001	6,250
Other financial assets		4,570	5,613
Other non-financial assets		1,790	2,251
Non-current assets, total		**642,387**	**561,700**
Total assets		**880,954**	**857,204**

Equity and liabilities	Thousands of €	September 30, 2020	December 31, 2019
Current liabilities			
Short-term borrowings and current portion of long-term loans		69,929	58,623
Trade payables		6,349	12,404
Provisions and accrued liabilities		48,239	43,999
Deferred revenue		134,513	118,474
Income tax liabilities		11,311	10,967
Other financial liabilities		1,955	2,131
Lease liabilities		13,104	12,589
Other non-financial liabilities		14,098	12,455
Current liabilities, total		**299,500**	**271,642**
Non-current liabilities			
Long-term borrowings without current portion		81,925	129,500
Deferred tax liabilities		26,055	23,342
Pensions and related obligations		2,004	1,940
Provisions		4,806	3,235
Deferred revenue		2,523	3,711
Income tax liabilities		3,022	3,103
Other financial liabilities		4,807	7,085
Lease liabilities		49,858	57,738
Other non-financial liabilities		7,792	7,292
Non-current liabilities, total		**182,792**	**236,947**
Equity			
Subscribed capital		115,500	115,500
Capital reserve		12,485	12,485
Retained earnings		253,419	230,924
Other comprehensive income		–31,408	–10,396
Equity (group shares)		**349,996**	**348,513**
Non-controlling interests		48,666	103
Equity, total		**398,662**	**348,616**
Total equity and liabilities		**880,954**	**857,204**

Consolidated cash flow statement

for the period from January 1 to September 30, 2020 and 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

Thousands of €	**9 month 2020**	9 month 2019
Profit (before tax)	90,365	117,137
Depreciation and amortization of fixed assets	37,172	30,981
Interest income and expenses	1,746	1,611
Share of net profit of associates	0	–361
Gain on disposal of shares in associates	0	–29,927
EBITDA	**129,283**	**119,442**
Other non-cash transactions	4,083	1,666
Cash flow for the period	**133,366**	**121,108**
Change in trade working capital	7,592	15,455
Change in other working capital	3,891	–4,892
Financing effects and tax cash flow	–30,349	–17,600
Cash flow from operating activities	**114,501**	**114,071**
Capital expenditure	–7,322	–15,014
Cash received from disposal of shares in associate	0	33,345
Cash received from disposal of fixed assets	282	60
Cash paid for acquisition of subsidiaries, net of cash acquired	–83,289	–97,698
Cash flow from investing activities	**–90,329**	**–79,307**
Dividend payments	–32,340	–31,185
Dividend payments to non-controlling interests	–105	–93
Repayment of borrowings	–43,110	–43,610
Changes in bank liabilities due to company acquisitions	0	100,000
Cash received from bank loans	6,850	0
Principal elements of lease payments	–9,649	–8,285
Interests paid	–1,993	–2,111
Payments for acquisitions of non-controlling interests	–1,500	–1,500
Cash flow from financing activities	**–81,847**	**13,216**
Changes in cash and cash equivalents	**–57,676**	**47,980**
Effect of exchange rate differences on cash and cash equivalents	**–4,838**	**2,727**
Cash and cash equivalents at the beginning of the period	**209,143**	**120,747**
Cash and cash equivalents at the end of the period	**146,630**	**171,454**

Consolidated statement of changes in equity

for the period from January 1 to September 30, 2020 and 2019

OPERATING RESULT (EBIT)

	Equity attributable to the parent company's shareholders						
Thousands of €	Subscribed capital	Capital reserve	Retained earnings	Translation reserve	**Total**	Non-controlling interests	**Total equity**
As of January 1, 2019	**38,500**	**12,485**	**212,084**	**–13,566**	**249,503**	**94**	**249,597**
Differences from currency translation	-	-	-	7,801	7,801	3	7,804
Gains/losses from the revaluation of defined benefit pension plans	-	-	–373	-	–373	-	–373
Net income for the year	-	-	95,428	-	95,428	78	95,506
Total comprehensive income for the year	**0**	**0**	**95,055**	**7,801**	**102,856**	**81**	**102,937**
Capital increase from the company's funds	77,000	-	–77,000	-	0	-	0
Dividend payments to non-controlling interests	-	-	-	-	0	–93	–93
Dividend payment	-	-	–31,185		–31,185	-	–31,185
As of September 30, 2019	**115,500**	**12,485**	**198,954**	**–5,765**	**321,174**	**82**	**321,256**
As of January 1, 2020	**115,500**	**12,485**	**230,924**	**–10,396**	**348,513**	**103**	**348,616**
Differences from currency translation	-	-	-	–21,012	–21,012	55	–20,957
Gains/losses from the revaluation of defined benefit pension plans	-	-	–44	-	–44	–12	–57
Net income for the year	-	-	67,740	-	67,740	598	68,338
Total comprehensive income for the year	**0**	**0**	**67,696**	**–21,012**	**46,684**	**641**	**47,325**
Acquisition of a subsidiary	-	-	–12,862	-	–12,862	48,027	35,165
Dividend payments to non-controlling interests	-	-	-	-	0	–105	–105
Dividend payment	-	-	–32,340	-	–32,340	-	–32,340
As of September 30, 2020	**115,500**	**12,485**	**253,418**	**–31,408**	**349,995**	**48,666**	**398,661**

NEMETSCHEK
GROUP

NEMETSCHEK SE
Konrad-Zuse-Platz 1
81829 Munich
Tel.: +49 89 540459-0
Fax: +49 89 540459-414
investorrelations@nemetschek.com
www.nemetschek.com