

NEMETSCHKE GROUP

QUARTERLY STATEMENT
AS OF MARCH 31,
2020

Driving digital transformation
**SHAPING THE ENTIRE
BUILDING LIFECYCLE**

Key Figures

NEMETSCHKE GROUP

in EUR million	1st Quarter 2020	1st Quarter 2019	Change
Operative figures			
Revenues	146.6	129.9	12.8%
– thereof software licenses	53.4	55.0	–2.9%
– thereof recurring revenues	86.1	67.7	27.1%
– subscription (as part of the recurring revenues)	19.6	9.7	102.5%
EBITDA	41.8	36.7	14.0%
as % of revenue	28.5%	28.2%	
EBITA	35.6	30.9	15.2%
as % of revenue	24.3%	23.8%	
EBIT	29.2	26.8	8.9%
as % of revenue	19.9%	20.7%	
Net income (group shares)	21.4	19.6	9.3%
per share in €	0.19	0.17	
Net income (group shares) before purchase price allocation	26.3	22.9	15.0%
per share in €	0.23	0.20	
Cash flow figures			
Cash flow from operating activities	43.1	34.5	24.8%
Cash flow from investing activities	–81.6	–78.8	
Cash flow from financing activities	–17.5	66.8	
Free cash flow	–38.6	–44.3	
Free cash flow before M&A investments	40.5	29.0	39.7%
Balance sheet figures			
Cash and cash equivalents*	152.7	209.1	–27.0%
Net liquidity/net debt*	–21.8	21.0	
Balance sheet total*	929.5	857.2	8.4%
Equity ratio in %*	43.3%	40.7%	6.5%
Headcount as of balance sheet date	2,935	2,648	10.8%
Share figures			
Closing price (Xetra) in €	45.28	50.67	
Market Capitalization	5,229.84	5,852.00	

Prior year adjusted due to the stock split.

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

Interim Group Management Report

Report on the earnings, financial and asset situation

Solid start to 2020 with revenue growth of 12.8% and a continuing high EBITDA margin of 28.5%

The Nemetschek Group has recorded a solid first quarter of 2020 with continued high profitability. After a positive start to the year, however, the general conditions clouded over in March as a result of the worldwide Covid 19 pandemic. The company reacted quickly and, in particular, adapted its support and training activities to the changed conditions in order to maintain customer contact, which is important in this situation. For example, virtual support and sales opportunities as well as online tutorials were expanded. In addition, cost management in the Group was adjusted at an early stage with the involvement of the executives.

Consolidated revenue rose by 12.8% in the first three months to EUR 146.6 million (previous year: EUR 129.9 million). The revenue growth was the result of purely organic growth of 9.9% 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 11.4% or 8.5% on a purely organic basis.

EBITDA increased by 14.0% to EUR 41.8 million (previous year: EUR 36.7 million). The EBITDA margin thus rose slightly from 28.2% in the previous year to 28.5%. The high EBITDA margin also reflects the disciplined cost management in connection with the effects of Covid 19.

Recurring revenues increased significantly

In Q1 2020, the Nemetschek Group's revenues from software licenses were -2.9% lower than in the same quarter of the previous year at EUR 53.4 million (previous year: EUR 55.0 million). Adjusted for currency effects, the decline was -4.4%. In terms of licence revenues, the Covid 19 pandemic already led to restrained demand on the part of customers in the first quarter. In contrast, recurring revenues increased significantly in the first quarter by 27.1% to EUR 86.1 million (previous year: EUR 67.7 million). Adjusted for currency effects, recurring revenues rose by 25.5%. Software licenses accounted for 36.4% of total revenues (previous year: 42.3%), while the share of recurring revenues increased from 52.1% in the previous year to 58.7%. 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 is the Group's continuing global orientation. Domestic sales increased by 7.7% to EUR 37.6 million (previous year: EUR 34.9 million). In the foreign markets, the Nemetschek Group achieved revenues of EUR 109.0 million, an increase of 14.7% compared to the previous year. The share of revenues generated abroad rose to 74.4% (previous year: 73.1%).

Overview of segments

The performance of the segments was largely in line with expectations. The Design segment already felt the effects of the Covid 19 pandemic in March. Revenues therefore increased only slightly by 2.2% (adjusted for currency effects: 1.3%) to EUR 77.2 million compared to the prior-year quarter. EBITDA increased by 2.0% to EUR 23.1 million (previous year: EUR 22.7 million). This corresponds to an operating margin of 30.0%, which was thus at the previous year's level 30.0%. In the Build segment, revenues increased significantly year-on-year by 20.2% (after adjustment for currency translation effects: 17.5%) to EUR 48.7 million (previous year: EUR 40.5 million). The EBITDA margin also increased significantly to 38.3% (previous year: 34.7%). The Manage segment also continued to grow, increasing revenues by EUR 8.2 million (adjusted for currency translation effects: 21.0%) year-on-year to EUR 10.0 million. The EBITDA margin was 10.2% and above the previous year, which was burdened by acquisition costs (previous year: -0.4%). 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 67.7% to EUR 12.7 million in Q1, with organic growth of 16.8% (previous year: EUR 7.6 million). At 23.9%, the EBITDA margin fell year-on-year due to integration and conversion costs for subscription models (previous year: 40.8%).

Earnings per share at EUR 0.19

Operating expenses rose by 16.0% from EUR 104.7 million to EUR 121.4 million. The cost of materials included in this figure rose to EUR 5.1 million (previous year: EUR 4.3 million). Personnel expenses rose by 14.4% from EUR 57.3 million to EUR 65.5 million. Depreciation and amortization on fixed assets increased by 28.1% from EUR 9.8 million to EUR 12.6 million, mainly due to intangible assets acquired in the course of a business combination. Other operating expenses rose by 14.8% from EUR 33.2 million to EUR 38.2 million.

The net income for the quarter (group shares) rose to EUR 21.4 million, exceeding the previous year's figure of EUR 19.6 million by 9.3%. Earnings per share amounted to EUR 0.19. Adjusted for

depreciation and amortisation from the purchase price allocation after tax, net income rose by 15.0% to EUR 26.3 million (previous year: EUR 22.9 million), resulting in earnings per share of EUR 0.23.

The Group's tax rate at the end of the first quarter of 2020 was 25.2% (previous year: 25.4%).

Operating cash flow at EUR 43.1 million – Cash and cash equivalents at EUR 152.7 million

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

The operating cash flow of the first three months in the amount of EUR 43.1 million increased significantly due to the higher operating performance (previous year: EUR 34.5 million).

Cash flow from investment activities was EUR –81.6 million (previous year: EUR –78.8 million) and included EUR 79.1 million for the acquisition of Red Giant in the Media & Entertainment segment. In contrast, EUR 73.3 million was paid out in the previous year for the acquisition of the Axxerion Group. The cash flow from financing activities of EUR –17.5 million (previous year: EUR 66.8 million) mainly includes the repayment of bank loans of EUR 13.6 million and leasing liabilities of EUR 3.1 million. In the previous year, the cash flow from financing activities included the raising of bank loans in the amount of EUR 80.4 million with the Axxerion acquisition.

On the quarterly closing date, the Nemetschek Group held cash and cash equivalents of EUR 152.7 million (December 31, 2019: EUR 209.1 million).

Equity ratio at 43.3%

The balance sheet total increased from EUR 857.2 million to EUR 929.5 million compared to December 31, 2019. Equity amounted to EUR 402.4 million (December 31, 2019: EUR 348.6 million), resulting in an equity ratio of 43.3% compared to 40.7% as of December 31, 2019. This increase was mainly due to the acquisition of Red Giant LLC and the associated financing as well as recognition of non-controlling interests in the amount of EUR 48.5 million.

Significant acquisitions in the interim reporting period

As of January 7, 2020, Maxon Computer GmbH obtained control over 100% of the shares of Red Giant LLC, Portland, United States. The purchase consideration consists of EUR 79.7 million whereas EUR 8.4 million are transaction related loan repayments. In addition, 16% of the shares in Maxon Computer GmbH were transferred. As part of the preliminary purchase price allocation, the amount of EUR 36.5 million was allocated to intangible assets.

In addition, the amount of EUR 89.6 million was recorded as goodwill and EUR 0.6 million as cash and cash equivalents.

Employees

As of March 31, 2020, the Nemetschek Group employed a staff of 2,935 (March 31, 2019: 2.648). The under-proportional increase of 10.8% compared to revenue growth also reflects the disciplined cost management in the first quarter of 2020 in connection with the effects of Covid 19. Nevertheless, there were hiring activities in some Group companies before the outbreak of Covid 19. In addition, the acquisition of Red Giant LLC on January 2020 contributed to the increase in headcount.

Report on significant related party transactions

There are no material changes to the disclosures in the consolidated financial statements as of December 31, 2019.

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.

Report on forecasts and other statements on prospective development

Based on the solid first quarter, the long-term intact growth trends in the relevant markets, the further increasing share of recurring revenues and the broad regional and market risk diversification, the Management Board confirms the outlook for the full year 2020 despite the currently very uncertain environment. It assumes that the market environment and demand will deteriorate significantly in the second quarter before business development gradually improves again in the third and fourth quarters.

For the year 2020 as a whole, the Management Board expects at least stable development or a slight increase in consolidated revenue with an EBITDA margin of more than 26% of consolidated revenue.

These forecasts are therefore still subject to the express proviso that the global economic and industry-specific conditions do not deteriorate significantly, particularly due to the consequences of the Covid 19 pandemic.

Consolidated statement of comprehensive income

for the period from January 1 to March 31, 2020 and 2019

STATEMENT OF COMPREHENSIVE INCOME

Thousands of €	3 month 2020	3 month 2019
Revenues	146,624	129,929
Other operating income	3,958	1,566
Operating income	150,583	131,495
Cost of goods and services	-5,082	-4,321
Personnel expenses	-65,511	-57,264
Depreciation of property, plant and equipment and amortization of intangible assets	-12,612	-9,843
<i>thereof amortization of intangible assets due to purchase price allocation</i>	-6,363	-4,041
Other operating expenses	-38,159	-33,232
Operating expenses	-121,363	-104,660
Operating result (EBIT)	29,220	26,835
Interest income	189	155
Interest expenses	-702	-703
Other financial expenses/income	-8	0
Earnings before taxes (EBT)	28,699	26,287
Income taxes	-7,221	-6,677
Net income for the year	21,478	19,610
Other comprehensive income:		
Difference from currency translation	-3,056	3,750
Items of other comprehensive income that are reclassified subsequently to profit or loss	-3,056	3,750
Gains/losses from the revaluation of defined benefit pension plans	-308	-97
Tax effect	87	27
Items of other comprehensive income that will not be reclassified to profit or loss	-221	-70
Subtotal other comprehensive income	-3,277	3,680
Total comprehensive income for the year	18,202	23,290
Net profit or loss for the period attributable to:		
Equity holders of the parent	21,411	19,589
Non-controlling interests	68	21
Net income for the year	21,478	19,610
Total comprehensive income for the year attributable to:		
Equity holders of the parent	17,837	23,268
Non-controlling interests	365	22
Total comprehensive income for the year	18,202	23,290
Earnings per share (undiluted) in euros	0.19	0.17
Earnings per share (diluted) in euros	0.19	0.17
Average number of shares outstanding (undiluted)	115,500,000	115,500,000
Average number of shares outstanding (diluted)	115,500,000	115,500,000

Consolidated statement of financial position

as of March 31, 2020 and December 31, 2019

STATEMENT OF FINANCIAL POSITION

Assets	Thousands of €	March 31, 2020	December 31, 2019
Current Assets			
Cash and cash equivalents		152,713	209,143
Trade receivables		65,829	62,046
Inventories		1,025	1,012
Income tax receivables		3,702	3,945
Other financial assets		1,151	1,089
Other non-financial assets		24,740	18,267
Current assets, total		249,159	295,503
Non-current assets			
Property, plant and equipment		27,375	27,620
Intangible assets		158,699	127,660
Goodwill		414,688	325,041
Right-of-use assets		64,431	66,163
Investments in associates		1,101	1,101
Deferred tax assets		6,120	6,250
Other financial assets		5,760	5,613
Other non-financial assets		2,176	2,251
Non-current assets, total		680,349	561,704
Total assets		929,509	857,204

Equity and liabilities	Thousands of €	March 31, 2020	December 31, 2019
Current liabilities			
Short-term borrowings and current portion of long-term loans		62,821	58,623
Trade payables		10,612	12,404
Provisions and accrued liabilities		34,225	43,999
Deferred revenue		149,430	118,474
Income tax liabilities		13,626	10,967
Other financial liabilities		2,860	2,131
Lease liabilities		13,316	12,589
Other non-financial liabilities		17,011	12,455
Current liabilities, total		303,900	271,642
Non-current liabilities			
Long-term borrowings without current portion		111,675	129,500
Deferred tax liabilities		30,043	23,342
Pensions and related obligations		2,234	1,940
Provisions		3,538	3,235
Deferred revenue		3,380	3,711
Income tax liabilities		3,230	3,103
Other financial liabilities		5,821	7,085
Lease liabilities		56,676	57,738
Other non-financial liabilities		6,586	7,292
Non-current liabilities, total		223,181	236,947
Equity			
Subscribed capital		115,500	115,500
Capital reserve		12,485	12,485
Retained earnings		239,288	230,924
Other comprehensive income		-13,784	-10,396
Equity (Group shares)		353,489	348,513
Non-controlling interests		48,939	103
Equity, total		402,427	348,616
Total equity and liabilities		929,509	857,204

Consolidated cash flow statement

for the period from January 1 to March 31, 2020 and 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

Thousands of €	2020	2019
Profit (before Tax)	28,699	26,287
Depreciation and amortization of fixed assets	12,612	9,843
Interest income and expenses	521	548
EBITDA	41,832	36,678
Other non-cash transactions	2,647	-26
Cash flow for the period	44,479	36,652
Change in trade working capital	21,907	19,035
Change in other working capital	-17,377	-17,202
Financing effects and tax cash flow	-5,930	-3,955
Cash flow from operating activities	43,079	34,530
Capital expenditure	-2,587	-5,557
Cash received from disposal of fixed assets	8	23
Cash paid for acquisition of subsidiaries, net of cash acquired	-79,068	-73,289
Cash flow from investing activities	-81,647	-78,823
Repayment of borrowings	-13,625	-10,500
Changes in bank liabilities due to company acquisitions	0	80,350
Principal elements of lease payments	-3,134	-2,421
Interests paid	-703	-664
Cash flow from financing activities	-17,462	66,765
Changes in cash and cash equivalents	-56,029	22,472
Effect of exchange rate differences on cash and cash equivalents	-401	1,518
Cash and cash equivalents at the beginning of the period	209,143	120,747
Cash and cash equivalents at the end of the period	152,713	144,738

Consolidated statement of changes in equity

for the period from January 1 to March 31, 2020 and 2019

OPERATING RESULT (EBIT)

Thousands of €	Equity attributable to the parent company's shareholders				Total	Non-controlling interests	Total equity
	Subscribed capital	Capital reserve	Retained earnings	Translation reserve			
As of January 1, 2019	38,500	12,485	212,084	-13,566	249,503	94	249,597
Differences from currency translation	-	-	-	3,749	3,749	1	3,750
Gains/losses from the revaluation of defined benefit pension plans	-	-	-70	-	-70	-	-70
Net income for the year	-	-	19,589	-	19,589	21	19,610
Total comprehensive income for the year	0	0	19,519	3,749	23,268	22	23,290
As of March 31, 2019	38,500	12,485	231,603	-9,817	272,771	116	272,887
As of January 1, 2020	115,500	12,485	230,924	-10,396	348,513	103	348,616
Differences from currency translation	-	-	-	-3,388	-3,388	332	-3,056
Gains/losses from the revaluation of defined benefit pension plans	-	-	-185	-	-185	-35	-221
Net income for the year	-	-	21,411	-	21,411	68	21,478
Total comprehensive income for the year	0	0	21,225	-3,388	17,837	365	18,202
Acquisition of a subsidiary	-	-	-12,861	-	-12,861	48,471	35,610
As of March 31, 2020	115,500	12,485	239,288	-13,784	353,489	48,939	402,428

Financial calendar 2020

June 19, 2020

Annual General Meeting,
Munich

July 31, 2020

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