

## 6 Guidance 2020

### Macroeconomic conditions

Due to its activities around the world, Nemetschek is in a position where global economic development has an influence on its future results of operations, financial position, and net assets. In its last Annual Report for 2019/2020, the German Council of Economic Experts still expected growth to remain stable at 2.6% for 2020, but did not expect any noticeable revival of the global economy, especially given that the high risks and uncertainties – such as an escalation of global trade conflicts – are still present.

However, the outbreak of the coronavirus (Covid-19) in China and the subsequent spread of the disease to numerous other countries significantly changed the global economic situation during the first quarter. Due to the worldwide spread of the coronavirus (Covid-19), there is currently a steadily increasing degree of uncertainty regarding the development of the global economy. The OECD is expecting a negative effect on global economic growth of 0.5 percentage points as early as the beginning of March 2020, although different regions will be affected differently. It can be assumed that, as the crisis progresses, further reassessments of economic development will continue to be made at both the global and regional level.

In Europe, in addition to the massive restrictions imposed by Covid-19, the possible effects of the UK's withdrawal from the EU are unsettling. Despite a slowdown in economic growth, the unemployment rate is expected to drop once again.

The weakening economic momentum in the United States is likely to continue in 2020. As well as the trade measures that have been in place since January 2018, the reasons cited include lower exports, weaker investment development and declining private consumption. The corporate tax reform and the US government's fiscal stimuli are having an opposite effect.

Japan's economic outlook is clouded by ongoing trade disputes, declining public investment and weaker public consumption. In addition, private consumption is also likely to lose further momentum as a result of the increase in value added tax in October 2019, but there could be improvements in foreign trade. With the planned conclusion of the Regional Comprehensive Economic Partnership, comprising 15 states, another strong free trade initiative is to come into effect in 2020.

At the beginning of the year, the German Council of Economic Experts expected emerging markets to continue their strong growth momentum. For the first time, it was assumed that India and not China would make the largest contribution to growth. However, it should also be noted that the negative consequences of the global Covid-19 pandemic have not yet been taken into account. In particular, a more intensive weakening of the Chinese economy due to Covid-19 could have a strong negative impact on global growth.

### Construction industry

In their latest estimate, the experts from Euroconstruct expected the construction industry in Europe to continue its growth trend in the coming years, although the individual countries would develop differently.

The major economies, in particular, are facing various challenges. While a moderate growth in construction volume of 0.4% was still expected for France, Euroconstruct forecasted a decline in construction output of 0.6% for Germany in 2020. The outlook for the UK was more positive, with an increase of 1.4%. Declining investment in commercial construction, rising construction prices and the uncertainties surrounding Brexit are being offset by positive impetus from a number of major projects in British civil engineering and residential construction. The highest growth rates in Europe were forecast for Ireland (+6.3%), Hungary (+5.4%) and Poland (+4.2%). In addition to Germany, the experts also expected construction output to decline in Switzerland, Sweden and Finland in 2020. In total, construction volume is expected to increase by 1.1% in the member countries of the Euroconstruct network in 2020. However, all forecasts were issued before the outbreak of the global Covid-19 pandemic, the impact of which on construction activity in the individual countries remains to be seen.

Experts from the FMI industry association expect the US construction industry to grow again after its recent stagnation. According to this, construction expenditure is set to increase by 1.4% in 2020. In particular, infrastructure was expected to rise (+5.2%). Residential construction is also likely to recover from the recent negative growth figures and make moderate gains. Continued moderate growth was forecast for commercial construction. These estimates also did not take into account the possible effects of the Covid-19 crisis.

In Japan, positive construction activity is expected to continue. One indicator of this is domestic building applications, which are at their highest level in twenty years at the end of 2019. In addition to modernization projects, these include, in particular, the construction of new hotels and commercial complexes. A moderate increase in public-sector construction spending is also planned for 2020. But by contrast, a decline is expected in residential construction. Overall, the Japanese Research Institute of Construction and Economy (RICE) is anticipating an increase in construction volume of 0.8%.

Sources: GTAI – Japans Baukonjunktur soll sich fortsetzen-September 2019; RICE Japan – CONSTRUCTION INVESTMENT – Sept. 2019; Euroconstruct Summary Report Warsaw Nov. 2019; ifo\_Bauwesen\_Euro\_2019; GTAI – Branchencheck – USA – Dezember 2019; 2020 FMI Overview; GTAI – Branche kompakt – USA – Nov. 2019.

### Digitalization in construction

As explained under item 3.1, key figures for the construction industry are just one of several indicators for the future development of the Nemetschek Group's markets. In addition to the overall positive impetus from the construction industry, the sector-specific growth drivers remained intact at the beginning of 2020. The Nemetschek Group operates in markets with great growth potential, as the level of digitalization and the associated IT expenditure in the construction industry is far below other industries. Digitalization in the AEC industry is essentially determined by the use of the BIM digital working method. In countries such as the USA, Singapore, Scandinavia or the UK, there are already BIM regulations that prescribe the use of BIM software in state-funded construction projects. Other countries in the EU and Asia will adapt these regulations. Last but not least, BIM will also play an increasingly important role in private residential construction, which should further boost growth in this market.

### Company expectations

The Nemetschek Group will continue its business policy geared toward sustainable and profitable growth and will invest in further internationalization and the development of new-generation solutions. It will also continue to drive forward its strategic initiatives within the four segments.

### Internationalization

As a company that is globally active in the AEC industry, the Nemetschek Group is focusing on those markets that currently offer the greatest potential and which have already made BIM mandatory or are in the process of establishing BIM standards. In addition to the European markets, the Nemetschek Group focuses on regions in Asia, such as Japan, as well as on the USA. The USA is the world's largest single market for AEC software, and now also represents a key sales market for the Nemetschek Group. The Group has achieved above-average growth in this highly competitive market. The US market will thus continue to be a key sales market for the Nemetschek Group.

Internationalization therefore remains a major growth driver for the Nemetschek Group. The brands in the USA and Europe mutually stimulate each other in their expansion.

### New-generation solutions and sales approach

The new Executive Board and governance structure meant that the focus on the four segments was strengthened as of 2019. This is the first time that there has been an assigned Executive Board member or Segment Manager for each of the four segments who works closely with the brands within the segment. This approach reflects the strategic target of better combining the brand companies' expertise within the customer-oriented segments, leveraging synergies and developing segment strategies for the respective customer groups along with more general approaches.

The aim is to use innovative solutions to make the workflow in the construction process more efficient, to target new customer segments, to support the cooperation of the brand companies in their international growth strategies and to share best practices within the Group.

As a result of the sharp rise in investment in the infrastructure sector worldwide, the Nemetschek Group plans to increasingly focus on the infrastructure market – particularly bridge and tunnel construction – in addition to the building market.

The brands of the Nemetschek Group will continue to offer their customers a high degree of flexibility when purchasing software, offering a license model including the option of a service contract as well as a rental model (subscription or Software as a Service). Rental models particularly enable Nemetschek to tap into new customer groups, as customers can use the software flexibly and without a one-off license fee.

### Development – organic and inorganic

The organic development of the Nemetschek Group will continue to be supplemented by value-adding acquisitions. The aim here is to close gaps in the Group portfolio and thus to extend and round off the technological expertise in the workflow of construction processes. A further goal of acquisitions is to increase the Nemetschek Group's market shares in international markets.

Thanks to high cash flows and a solid balance sheet, the Nemetschek Group has the financial resources to finance the planned future growth organically and inorganically through acquisitions, cooperations and partnerships. As in the past, acquisitions can also be financed from current cash flow, the liquidity portfolio and by borrowing.

### Investments and liquidity

As in previous years, operating cash flow in 2020 should increase Group liquidity and provide sufficient scope for planned investments in development, sales and marketing by the individual segments.

Important cost items at the Nemetschek Group include personnel expenses and other operating expenses. The Nemetschek Group will continue to recruit additional experts worldwide in a targeted manner in 2020 and therefore expects a sustained moderate increase in personnel expenses. Other operating expenses, including mainly selling expenses, will also tend to rise in 2020 in view of the planned further international expansion.

### Dividends

The shareholder-friendly dividend policy of Nemetschek SE based on continuity is to be continued in the coming years. The company plans to continue allowing its shareholders to participate appropriately in its economic success in the future, always taking into account the overall economic development and the economic and financial situation of the company.

## General statement on the expected development

### Guidance for the Nemetschek Group

With the long-term intact growth trends in the relevant markets in mind and the strong positioning of the company in many countries with great catch-up potential in the field of digitalization, the Executive Board continues to take a fundamentally positive view of the future even in the currently very uncertain environment due to the worldwide Covid-19 pandemic. The possible direct and indirect effects of Covid-19 on the business activities of the Nemetschek Group cannot currently be reliably estimated in terms of the extent, duration and geographical spread. Nevertheless, the first two months of 2020 went according to plan.

Due to the significantly increasing share of recurring revenues from service contracts and subscriptions, which now account for 54% of group revenues, Nemetschek has a higher degree of planning security than in previous crises such as the so-called financial crisis of 2008/2009. In addition, the international positioning of the group and the targeting of different customer groups across the four segments offer a broader risk diversification than in the past. Added to this is the very solid financial structure of the Nemetschek Group with an equity ratio of around 41% and high cash generation.

In general, it should be noted that the development of the exchange rates that are relevant to the Nemetschek Group influences the revenue and earnings development of the Group and can therefore also have an impact on the outlook. Key foreign currencies are in particular the US dollar and the Hungarian forint.

Irrespective of the strategic advantages, the expectations of the Executive Board for the year 2020 take into account the exceptional global situation with the necessary caution: Taking into account exchange rate fluctuations and the sharp increase in macroeconomic uncertainties, the Executive Board is currently assuming at least a stable development or a slight increase in Group revenues. The EBITDA margin is expected to exceed 26% of Group revenue in 2020.

These forecasts are subject to the express proviso that the global economic and industry-specific conditions do not deteriorate significantly, particularly as a result of the consequences of the Covid-19 pandemic. The Executive Board will closely monitor the further impact of the Corona pandemic and its consequences on the economy and the business model of the Nemetschek Group.

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