

To our Shareholders

Dear Shareholders,

The Nemetschek Group continued on its successful course from years past in 2019 as well, and even slightly exceeded its set targets with regard to revenue and earnings. Our operating development followed from a strengthening of our global alignment, the further development of our solution portfolio, and the acquisition of new customers. We again undertook strategic acquisitions which reinforce our competitive position and foster further development.

Overview of financial key figures

In 2019, Nemetschek was once again able to achieve double-digit growth and increase profitability over-proportionally compared to revenue:

- » Group revenue rose to EUR 556.9 million, a growth of about 21% compared to the previous year. Currency-adjusted, there was 18% growth. The rise in revenue is attributable to organic growth of around 16% and to the strong business development of the newly acquired Spacewell brand in the Manage segment. All four segments contributed to this favorable development with double-digit rates of growth.
- » Recurring revenues from software service contracts and subscriptions, which rose by some 33% to EUR 299.5 million, continued to be growth drivers, and thus account for 54% of Group revenue.
- » Revenues generated abroad rose by around 24% to EUR 415.7 million in 2019. Thus, Nemetschek meanwhile generates approximately three quarters of revenues outside of Germany in the relevant markets of North America, Europe and Asia – and the tendency is on the rise.
- » Consolidated operating earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 36.6% to EUR 165.7 million, which was over-proportional compared to revenue, also as a result of positive effects arising from foreign currencies and from the initial application of the new IFRS 16 standard for the accounting of leases. Consequently, the EBITDA margin rose from 26.3% in the previous year to 29.7%. But even without the effects mentioned, the EBITDA margin at 27.0% was higher than the previous year's level.

- » The net income for the year increased significantly by about 66% to EUR 127.2 million, which was also the favorable result of the one-off gain arising from the sale of the nonstrategic interest in DocuWare. The earnings per share rose accordingly to EUR 1.10 (previous year: EUR 0.66).
- » The operating cash flow increased significantly by around 61% to EUR 160.4 million. The cash conversion rate was very high, at about 97%.

The sustainably favorable operating development of the Nemetschek Group is based on a very sound foundation of equity and financing: with cash and cash equivalents amounting to more than EUR 200 million and an equity ratio of approximately 41% as of the end of 2019, we pursue our activities on the basis of an unchanged position of financial strength. Our financing power allows us to be independent and gives us room to maneuver – also and especially in times of uncertainty.

Digital transformation driver with focus on benefits to the customer

Our target markets find themselves in a phase of major changes. Digitalization and sustainability are trends that have disruptive potential, and there continues to be an enormous need for the AEC industry to catch up in terms of digitalization and interlinking. Our objective is to contribute considerably to shaping these trends, and to support our customers in their transformation processes. As a result, we have chosen *“Driving digital transformation. Shaping the entire building lifecycle.”* as the title for this annual report.

In all that we do, we have always focused on the wishes and needs of our approximately 6 million users worldwide. It is our objective to consistently create even more added value for them with our products. This can only succeed if our strong growth and the consequent increase in the size of the Nemetschek Group does not come at the cost of proximity to the customer. The leadership structure, which was implemented in 2019 and focuses on our segments, also serves this purpose. In this way, it is possible for us to act with even greater strength in our markets and consolidate our expertise and processes in the individual segments.

Future strategic focuses – clear commitment to sustainability

The subject of sustainability also affects the investment decisions of our customers more and more. The construction sector is one of the most resource-intensive industries; it needs to become more efficient, and it needs to design, build and manage buildings with greater sustainability. The optimized interplay between all those involved in the building project enabled by consistent digitalization and end-to-end workflows offers the entire AEC industry a chance to become more than 20 percent more efficient with regard to reduced construction times, improved quality and cost-savings. This is precisely where our solutions come into play. In this way, the Nemetschek Group is making an important contribution to climate and environmental protection.

Guidance for 2020: securely aligned for the future

The strengths of our Group – an extremely successful and value-generating business model, sound balance sheet ratios and great financial strength – are a very good basis for responding to difficult and challenging market phases. Since March of this year at the latest, the so-called coronavirus crisis has had the world at its mercy. We all know that the consequences of the pandemic are dire for global economic development, but no one is in a position to make a reliable estimate regarding the scope or the duration at the present time.

Today, Nemetschek is better and stronger than ever before. With our strong positioning in many countries with great catch-up potential in the field of digitalization in mind, 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 growth trends in our relevant markets continue to remain intact in the long term. 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 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 resilience 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.

Irrespective of the strategic advantages, our expectations for the year 2020 take into account the exceptional global situation with the necessary caution and to be cautious in setting our business targets: Taking into account exchange rate fluctuations and the sharp increase in macroeconomic uncertainties, from today's view, we anticipate 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. 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.

The absolutely favorable performance of the past year and very good reputation of the company is attributable to the expertise and great dedication of our approximately 2,900 employees. I warmly thank them, also on behalf of my fellow executive board members, for their service in 2019. Our thanks also go out to all customers, business partners and, of course, you, the shareholders of our company. We look forward to the future together with you.

Sincerely yours,



Dr. Axel Kaufmann