

Asia/Pacific

The Asia/Pacific construction industry is the world's largest and registered a decline of 1.7% in 2023. However, regional trends were highly disparate in individual cases last year. Thus, China, which is by far the largest market in the region, contracted substantially by 5.4%. On the other hand, most of the other regional construction industries posted what in some cases was strong growth in 2023. Thus, the construction sector expanded by 7.0% in India and by 1.8% in Japan. According to the latest estimates, the construction markets in other parts of Asia grew by an aggregate 3.8%.

Sources: 96th EUROCONSTRUCT Summary Report, Winter 2023 (November 2023); 2023 North American Engineering and Construction Outlook, Fourth Quarter Edition (October 2023), Building, Real Estate, Construction and Housing, Department of Statistics Singapore, Construction Work Done, Australia (Preliminary), Australian Bureau of Statistics, Oxford Economics/Haver Analysts).

Development of the Media and Entertainment Industry

The global 3D animation market was also adversely affected by the geopolitical crises and conflicts. In addition, the industry felt the effects of the film and TV strike in Hollywood. Consequently, the Media segment was unable to unleash its full growth potential. Despite these factors, the media and entertainment market continued to grow.

One reason for the segment's resilience was the broad base of different submarkets and client groups addressed by the Maxon brand with its portfolio of innovative solutions. For example, Maxon's professional solutions for the production of digital 2D and 3D content are used for the creation and rendering of visual effects in feature films, TV shows and commercials as well as for applications in the games industry and in the fields of medical illustration, virtual reality (VR), augmented reality (AR), architecture and industrial design.

In the long term, these submarkets will benefit from strong structural growth drivers. The media and entertainment market is expected to reach EUR 8.9 billion by 2027, equivalent to an annual average growth rate of 12%.

3.2 Business Performance in 2023 and Key Events Influencing the Company's Business Performance

General Statement on the Economic Position of the Group

2023 was again marked by geopolitical conflicts and crises, high inflation, rising interest rates and the macroeconomic challenges resulting from these factors. The consequences of the ongoing Russian war of aggression on Ukraine as well as the escalating Israel-Gaza conflict influenced world events as well as the global economy. Nevertheless, the Nemetschek Group continued to perform well in this very demanding environment, achieving good business results.

In the course of 2023, business performed better than originally expected and projected in the March forecast for the year despite the simultaneous adoption of subscription and SaaS models.

In particular, the operational strength of the Nemetschek Group's business and the resilience of its business model have shown once again that it can perform very successfully even in a challenging and demanding environment. Given the strong operating performance during the year, the Executive Board raised the original targets for 2023 in October, rendering them more precise [«< 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>](#).

In the financial year 2023, Group revenue increased by 6.2% (currency-adjusted: 8.0%) to EUR 851.6 million despite the ongoing transition of the business model to subscription and SaaS models and a challenging market environment. As a result, currency-adjusted Group growth was at the upper end of the raised forecast corridor of 6% to 8% (previously: 4% to 6%).

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) increased to EUR 257.7 million (previous year: EUR 257.0 million). At 30.3%, the EBITDA margin was therefore at the upper end of the forecast corridor of 28% to 30%, as already stated in October.

Annual recurring revenue (ARR) increased by 23.5% (currency-adjusted: 26.7%) to EUR 718.6 million. ARR growth was therefore significantly higher than revenue growth, which indicates a significant growth potential in the coming twelve months.

In line with the Group's strategy, the share of recurring revenue as a percentage of total revenue increased significantly to 76.6%. This was more than 10 percentage points above the previous year's level (66.4%) and also in line with the guidance (share of >75%).

The ongoing Russian war of aggression on Ukraine as well as the Israel-Gaza conflict escalated by the Hamas attack on Israel have left traces on the company and its employees. The Nemetschek Group is providing assistance to people in the affected regions.

The Nemetschek Group continues to believe that the economic sanctions imposed on Russia are an important instrument for restoring peace in Ukraine and is therefore suspending new business in Russia and all activities with sanctioned persons, organizations or regions until further notice. In 2021, i.e. before the outbreak of war, business in Russia accounted for roughly 0.5% of total Group revenue. Currently, Nemetschek is not engaged in any business at all in Russia. All in all, the direct effects of this on the Nemetschek Group's business performance were negligible in 2023.

With the Hamas terror attacks on Israel on October 7, 2023, the Israel-Gaza conflict escalated and led to a renewed outbreak of war. As the Nemetschek Group does not have any direct business relations in the war region and does not engage in any activities there, the immediate consequences of the war on its earnings, financial and asset situation were insignificant in 2023.

In addition to the direct effects described above for the Nemetschek Group, both the Russian war of aggression on Ukraine and the armed Israel-Gaza conflict left traces on the global economy in 2023, see [« 3.1 Macroeconomic and industry conditions »](#).

Overall, the business model, which is characterized by a broad portfolio of solutions, strong regional diversification in different client segments and a widening proportion of recurring revenue, proved to be very resilient in the face of these crises. In addition to actively dealing with global crises and their impact on the company, the Nemetschek Group continued to push ahead with the strategic initiatives initiated in 2023, reaching important milestones. The main focus was on further internationalization, the expansion of the subscription and SaaS models, the continuous development of innovative solutions, and the acquisition of new customers.

The Nemetschek Group has been pursuing the goal of sustainable and profitable growth for many years. In order to address the challenges arising from the growing scale of the company, its governance structures were adjusted in 2022, while the composition of the Supervisory Board was widened from four to six members in this connection. In 2023, the next step in the company's development was implemented and the formation and reinforcement of the management team successfully completed ahead of the next growth phase. To this end, the existing Executive Leadership Team (ELT) was strengthened to achieve greater agility and clout in addressing future priorities such as artificial intelligence (AI) and other important strategic aspects such as client-oriented solutions, heightened market coverage, innovative future products and continued internationalization. Alongside the two members of the Executive Board CEO Yves Padrines and CFO Louise Öfverström, the ELT includes the Chief Division Offi-

cers (CDO) of the segments, among others. As part of these restructuring efforts, experienced industry experts with pronounced innovative and technological skills were recruited.

M&A / Start-Ups and Venture Investments

The strategic "Start-ups and Venture Investments" initiative strengthened the Nemetschek Group's innovation-oriented focus on new technologies and investments in young companies, resulting in further investments in 2023, see [« 1.2 Growth Drivers, Goals and Strategy »](#).

Holding Company Level

The strategic objective of stepping up investments in start-ups and thereby accelerating the company's own innovative strength and fostering close cooperation between such entities and the Nemetschek brands was consistently and successfully pursued in 2023. In the course of the year under review, the Nemetschek Group acquired stakes in selected international companies in line with its strategic priorities.

The share acquired in UK start-up **Preoptima** entails an investment in a software solution for calculating and reducing the carbon footprint in the construction industry. This software solution, which also incorporates artificial intelligence (AI) and generative design, covers the entire life cycle of buildings, thus complementing the Nemetschek Group's strategic approach to driving sustainability and innovation in the construction industry.

With the investment in startup **SmartPM**, which is based in Atlanta (United States), the Nemetschek Group intends to continue driving forward the digital transformation in the construction industry and widen its reach in the important US market. The SmartPM software entails a cloud-based platform for increasingly automated project management in the construction industry. The solution optimizes existing planning software solutions by improving scheduling quality and automating project management processes.

The Nemetschek Group provided seed capital for Irish company **LiveCosts**, which offers an innovative IT solution for the efficient cost monitoring of construction projects. This seed capital is intended to help LiveCosts open up new markets. The company's SaaS solution offers strong synergies with existing Nemetschek solutions in the Build segment and supports the digital transformation in the construction industry.

In the course of the year, the Nemetschek Group also acquired a stake in UK start-up **Stylib**, a company offering architects and planners a platform based on artificial intelligence and machine learning for material search and evaluation as well as the corresponding selection and management of suppliers. The Stylib SaaS solution enhances the planning and management efficiency of construction projects and is helping to drive forward the digital transformation in the construction industry.

As well as this, the Nemetschek Group invested in US start-up **Briq**, which offers a data-driven, collaborative platform for automating financial processes in the construction industry. Briq makes it possible to manage workflows, data, cash flows and projects, while improving processes, precision, and business operations.

In addition, there were further investments in young companies. For one thing, the expertise and technology of the start-ups in which the Nemetschek Group invests are networked with its brands and the joint activities strengthened. For another, this brings Nemetschek into contact with disruptive innovations in the construction industry.

In addition to these investments, partnerships were forged on the segment and brand level in the year under review aimed at helping the Nemetschek Group to implement its business strategy.

Details can be found in the notes to the consolidated financial statements under [« Acquisition of subsidiaries »](#).

Divestments

There were no portfolio divestments in 2023.

3.3 Earnings, Financial Position and Net Assets of the Nemetschek Group

Earnings

Revenue Developments

In 2023, Group revenue rose by 6.2% to EUR 851.6 million (previous year: EUR 801.8 million). Adjusted for currency effects (i.e. on the basis of constant exchange rates compared with the previous year), revenue growth would have reached 8.0%. 2023 was

thus impacted by negative currency effects, particularly from the US dollar. The ARR (annual recurring revenue) metric introduced in the course of the previous year was very favorable [« 1.3 Business Management and Corporate Governance »](#). It increased by 23.5% (currency-adjusted: 26.7%) to EUR 718.6 million in 2023 (previous year: EUR 581.7 million), achieving a significantly higher rate of growth than total revenue, something which in turn points to strong future growth. The proportion of annual recurring revenue widened significantly to 76.6% in 2023 (previous year: 66.4%).

This means that the currency-adjusted revenue growth achieved in 2023 exceeded the range of 4% to 6% originally forecast in March 2023 and also reached the upper edge of the target corridor of 6% to 8%, which had been adjusted upwards in October 2023. At 26.7%, ARR growth also exceeded the March 2023 forecast of >25%. The same thing applies to the proportion of annual recurring revenue in total revenue, which at 76.6% exceeded the projected figure of >75%. See also [« 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group »](#).

In an economically challenging environment, the Nemetschek Group was able to grow year-on-year over all four quarters and thus continue on its sustained growth trajectory, while at the same time converting its business model from licenses to subscription and SaaS products. After the anticipated lower pace in the first half of 2023, which was partially due to the progress planned and achieved in transitioning to subscription and SaaS models, growth picked up significantly again in the second half of the year, returning to double-digit rates in operating business. All Group segments contributed to growth in 2023 – further information can be found in [« Development of the Segments »](#).

DEVELOPMENT OF REVENUE AND GROWTH OF REVENUE

In EUR million	FY 2023	FY 2022	Δ nominal	Δ currency-adjusted
Total year	851.6	801.8	6.2%	8.0%
Q1	204.6	192.2	6.5%	5.5%
Q2	207.5	203.8	1.8%	3.3%
Q3	219.8	202.8	8.4%	12.6%
Q4	219.6	203.0	8.2%	10.9%