

After a successful takeover, Nemetschek SE allows the acquired companies to continue to participate in the market with their established brand and product names, or integrates them into existing brands. At the same time, the Segment Manager gives the acquired companies clear financial and strategic targets in their respective segment. The Segment Manager also establishes contact with other brands in the segment in order to promote exchange, especially in research and development and sales and marketing. The holding company assists the brands during their assimilation into the segments and integrates the new brands into the company-wide reporting system.

As a strategic buyer, the Nemetschek Group is highly attractive to potential companies due to its track record and established brand structure. After the sale of their company to the Nemetschek Group, the former owners, usually the founders of the company, remain with the company, thus providing the employees with a high degree of security. At the same time, they have become an important part of a financially strong, international group and thus benefit from potential synergy effects.

As well as acquisitions at holding company level, the company is also pursuing acquisitions at brand level. The brands can identify suitable target companies directly and acquire them with the support of the holding company. However, essential criteria such as technological expansion, regional expansion, sales structure and financial solidity must be met.

Even though acquisitions represent an important growth option for the Nemetschek Group, it always has the alternative of opening up new business areas organically or expanding existing ones thanks to its now very broad expertise along the entire construction life-cycle. A “make or buy” consideration permanently takes place as part of the implementation of our growth strategy. Thus, Nemetschek is not under pressure to offer prices for acquisitions that are not economically justifiable.

Target figures, target achievement, target agreement

A strategic plan sets out the main milestones and the time frame for each of the strategic targets. Discussions about the status and whether the target has been achieved take place during regular Executive Board and management meetings. In the event of possible deviations from targets, countermeasures are discussed and, if necessary, the targets are adjusted accordingly. The key elements of the strategy were not changed in the 2020 financial year. No targets were adjusted.

The corporate targets and their achievement are part of the short-term and long-term variable remuneration scheme of the Executive Board and management. The remuneration is defined and noted at the beginning of each financial year. In March of the following year, it is noted whether the targets have been achieved and the variable strategic remuneration components are paid. The remuneration report can be found under item [<< 7.3 Remuneration report >>](#).

1.3 Corporate Management and Governance

General information

Key success factors in the Nemetschek Group's structure of holding company, customer-oriented segments and brand companies include the Group affiliation and the associated synergies along with the flexibility and entrepreneurial independence of the brands.

Strategic and operational corporate management is carried out by the Executive Board or by the Segment Managers of Nemetschek SE. This includes the strategic positioning of the Nemetschek Group on the global sales markets and its medium-term revenue and earnings planning. This orients the company towards the competitive and market environment.

The company is managed at the level of the four segments. The targets and annual objectives for the segments and for the respective brand companies are derived from the strategic targets. In the annual planning process, these are coordinated with the brand companies at profit-center level, specified by the brand companies and recorded with quantitative and qualitative sub-targets for marketing, sales and development. The annual planning, sub-targets and medium-term planning are coordinated between the managing directors of the respective brands and the member of the Executive Board or manager responsible for the segment. The Supervisory Board monitors and advises the Executive Board throughout all processes mentioned above.

Throughout the year, Group targets are monitored monthly using a Group-wide management information system with detailed reporting of key performance indicators on revenue, growth, earnings and risks. These indicators are compared with previous year and plan data. The respective managers of the brands and the Segment Managers discuss any deviations from the plan on a monthly basis and decide on any possible measures.

Financial performance indicators

The key financial performance indicators (core management ratios) of the Nemetschek Group have not changed from the previous year. At both the holding company and segment level, these are sales revenue, year-on-year revenue growth and the operating result (EBITDA). EBITDA provides information on profitability and includes all items of the income statement relating to operating performance. Because of their importance for the financial success of the business, the key performance indicators of revenue and EBITDA are also essential components of the performance management system.

Information on the detailed development of the Nemetschek Group and its segments in the 2020 financial year and in comparison to the previous year can be found under [« 3.3. Results of Operations, Financial Position and Net Assets of the Nemetschek Group »](#). In addition, a comparison of current and forecast business development can be found under [« 4. Comparison of Actual and Forecast Business Performance of the Nemetschek Group »](#).

1.4 Research and Development

Research and development are a high priority for Nemetschek. Around a quarter of Group revenue is regularly invested in research and development and thus in new and further developments of the solution portfolio.

Research and development activities are aimed at further expanding the Nemetschek Group's innovative strength in the AEC/O market, and identifying and addressing technological trends at an early stage. Proximity to and cooperation with customers is a key component of this. Ideas and potential for improvement are identified during discussions with customers and then evaluated by the brands in the respective segments.

In addition, there are cross-brand development projects in the respective segments designed to leverage synergies, address new customer segments and expand the portfolio. Key strategic and cross-brand projects are managed by the respective Segment Manager and developed further in cooperation with the brands. In foreign markets, adapting solutions to national standards and regulations remains important.

All brands focusing on the AEC/O markets contribute to the Open BIM approach with their solutions and support open interfaces to promote the exchange of information and data along the construction process value chain. Together with partners in the global buildingSMART initiative promoting the further development and standardization of open exchange standards – also software solutions from external companies – in BIM projects Nemetschek is involved in the further development and implementation of corresponding standards, in particular the Industry Foundation Classes (IFC). IFC is a manufacturer-independent, freely available and particularly powerful format for the exchange of 3D component-oriented design data in the construction industry. The brand companies are continuously working to improve and certify their interfaces for seamless exchange with other Open BIM solutions. In addition, the brand companies are working on the development of collaborative additional functions, such as tracing which project participant has received, read, possibly changed or already released which detailed information and when.

Innovation focus

All brands are continually developing their solutions. In their respective segments, the brands have focused on issues such as improving the user-friendliness of their solutions, process optimizations and integrated interfaces and connections for a smooth Open BIM workflow. The focus in the year under review was also on improvements aimed at minimizing the time required, increasing efficiency and productivity in the planning and construction process, and optimizing workflows.

In addition, cross-brand developments were brought to market maturity. These include the integrated workflow solutions Integrated and Federated Design. Integrated Design enables architects, structural engineers and engineers for mechanical, electrical and plumbing systems (company technicians) to collaborate agilely in a central model for the first time and exchange all essential project information in real time. Federated Design, on the other hand, enables engineers and structural designers to be part of the BIM workflow right at the start of a project. For example, the structural model automatically generates structural analysis models, which leads to considerable time savings while also increasing quality.

In the development of new solutions and the further development of proven ones, internal resources were mainly used, while the services of third parties were used only to a small extent. 87% of the expenses are attributable to internal R&D staff and 13% to external staff.

The fact that around a quarter of Group revenue is regularly invested in product and process innovations underlines the high importance of this area for the Nemetschek Group, as does the fact that around 38% (previous year: 40%) of employees work in this area.

In the 2020 financial year, EUR 142.0 million (previous year: EUR 133.3 million) was invested in research and development. This corresponds to an unchanged high R&D intensity (share of Group revenue) of 23.8% (previous year: 23.9%).