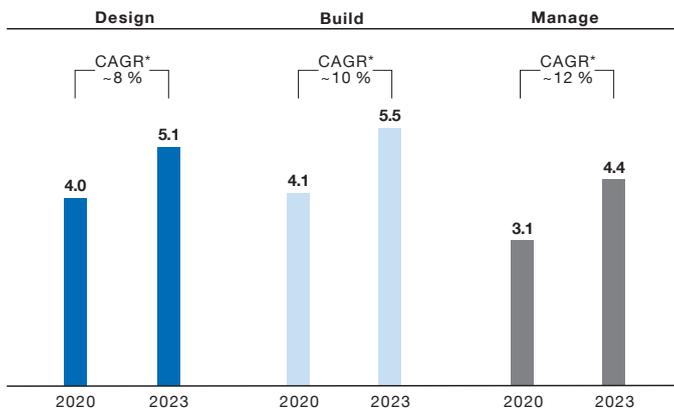


GLOBAL AEC/O SOFTWARE MARKET

End-user expenditure in EUR billion



*) Compound Annual Growth Rate.
Sources: Cambashi BIM Design Observatory, Nemetschek Research.

The AEC/O software industry has increasingly consolidated over the past decades. The Nemetschek Group is also actively driving this process through acquisitions. Today there are only a few globally positioned vendors facing a large number of small, locally active companies. Therefore, depending on the segment and region, the Nemetschek Group faces competition from different companies.

1.2 Targets and Strategy

As in previous years, the strategic positioning of the Nemetschek Group is based on three key characteristics. These three characteristics apply to the medium term and form the basis of the company's strategic approach:

#1: With its software solutions, the Nemetschek Group supports digitalization along the entire construction lifecycle – from the planning and construction phase to the operating and renovation phase. This strategically integrated approach makes it possible to bundle and focus investments and expertise on the customer-oriented segments and thus offer end-to-end support for customers in the construction lifecycle. At the same time, the Nemetschek Group's solutions enable the workflow in the construction lifecycle to be improved thanks to their end-to-end approach.

#2: With four market segments under the umbrella of a strategic holding company, the group structure enables the Nemetschek Group to bundle the competencies of its 15 brand companies in the best possible way in the customer-oriented segments of the AEC/O industry and in the Media & Entertainment area. This structure is intended to increase the benefits and added value for the customer. The focus here is on the integration and cooperation of several brands in order to offer

an integrated and more networked range of solutions. The objective is to further improve cooperation between the various professional groups in the construction industry and to make this cooperation more efficient. The brands are "experts" in their specific customer segment, and therefore have a high level of expertise in their respective market segment. The segment and brand approach ensures that market changes can be quickly recorded, analyzed and evaluated and that customer requirements can be responded to promptly. At the same time, they benefit from synergies at segment and group level with regard to internationalization, the exchange and sharing of best practices, cross- and co-selling as well as development activities.

In order to address the broadest possible customer base, this approach is supplemented by a customer-oriented go-to-market model. In addition to the existing small and medium-sized customers, the Nemetschek Group intends to increasingly gain large and internationally active companies as customers. This is to be achieved primarily through the bundling of solutions and the use of key account management. The focus is also on reducing the complexity resulting from the diversity of brands. On the one hand, internal processes are being streamlined and simplified. This includes harmonizing the internal back-end systems in the areas of Human Resources, ERP (Enterprise Resource Planning) and CRM (Customer Relationship Management).

#3: Open BIM. Nemetschek's clear commitment to Open BIM and the associated open interfaces increases interoperability, collaboration and communication with different disciplines along the construction lifecycle. In addition, the integration of competitors' software programs is also possible, substantially extending the circle of users. At the same time, Nemetschek is focusing on future topics that will shape and change the construction industry. These include topics such as machine learning, artificial intelligence (AI), or the use of Internet-of-Things (IoT) devices and sensors. These topics are part of the Nemetschek Group's development activities.

The key growth drivers for the Nemetschek Group are internationalization, which goes hand in hand with the corresponding sales strategy, and innovations taking place at brand and segment level. The growth strategy is aimed at growing organically faster than the market average and strengthening this growth through acquisitions.

Internationalization

As part of the implementation of its growth strategy, Nemetschek focuses on the three large regions of Europe, North America and Asia. In recent years, Nemetschek has continually expanded its market position outside Germany and at the same time strengthened its position in the target sales markets. In 2020, around 76% of Group revenue was generated outside of Germany (previous year: 75%). The USA is the world's largest single market for

AEC/O software, and also represents a key sales market for the Nemetschek Group. Nemetschek has outperformed this highly competitive and expanding market in recent years and now generates 34% of its revenue there (previous year: 34%). The brands in the USA and Europe mutually support each other in their expansion. The good market position of the US companies makes it easier for European Nemetschek brands to expand abroad and vice versa.

BIM regulations also play a major role in the strategic focus on the regions mentioned above and the respective countries. In some countries, the use of BIM software solutions is already mandatory for state-funded projects, such as in the USA, Singapore, the UK, Scandinavia or Japan. These countries offer excellent general conditions for Nemetschek.

Rental models (subscription / software-as-a-service) and sales approach

Sales in the brand companies are handled directly by the company's own sales teams and indirectly via resellers and distribution partners. Both sales channels have proven their worth and are used flexibly depending on market conditions.

The Nemetschek Group offers its customers a high degree of flexibility in obtaining the software. It operates a licensing model, which includes the option of a service contract or a rental model (subscription or software as a service). With rental models, Nemetschek can tap into new customer groups, as the customer can use the software flexibly and without a one-off license fee. At the same time, the visibility and predictability of revenues increase. Nemetschek will continue to offer its customers both options in the future. The offer and implementation of rental models is at different stages of progress in the four segments. The goals and strategies that the Nemetschek Group is pursuing in its segments are shown in its [<< Outlook >>](#). In doing this, the Nemetschek Group addresses the different needs of customer groups depending on discipline and region.

Nemetschek also relies on greater cooperation between the sales teams of the respective brands, for example by using joint sales channels (key account management, cross and co-selling measures).

Innovative solutions

Around a quarter of Group revenue is invested in research and development each year and thus in the new and further developments of the solution portfolio. In each segment, the Segment Managers, together with their brands, draw up a roadmap for the next three years as part of the annual budget process, in which the strategic product developments at brand level and across brands are recorded. The degree of implementation of the roadmap is presented and verified in regular review meetings between the brands and the respective Segment Managers.

The brands have their own development departments. There are also cross-brand development centers, e.g. in Bulgaria, to which the brands have access.

In addition to the further development of the individual brands, the strategic focus is on cross-brand development projects in the segments and strategic initiatives that extend across the segments.

The digital transformation in the construction industry and the path towards a networked construction lifecycle go hand in hand with a continuous exchange of data and information as well as the management and provision of ever-increasing amounts of data (big data) for the planning, realization and management of buildings and infrastructure projects with continuous workflows. The focus of Nemetschek's solutions is therefore on reducing information loss and data disruption. New fields of development activities extend to topics such as Artificial Intelligence (AI) or the Internet of Things (IoT).

The various disciplines along the construction lifecycle very often still work in isolation, making collaboration and an integrated workflow difficult. This is where the development activities of the Nemetschek Group come into play. The aim is to provide workflow solutions for higher quality and efficiency in the planning and construction process, in order to avoid conflicts by eliminating redundancies and to reduce costs and time for coordination and quality inspection.

Acquisitions

In addition to organic growth, the Nemetschek Group also aims to grow inorganically through acquisitions. Suitable target companies in the respective segments are identified internally at holding company level and by the brand companies themselves, and also by external partners and consultants.

The target companies should be aimed at either extending or rounding off the technological expertise in the workflow of construction processes. Another target is to gain complementary market shares in international markets. Strong management and an established business model are key parameters in the evaluation of potential acquisitions. Regionally, the focus is on the European and North American market. With regard to the segments, the focus is particularly on the Build and Manage segments, as the Nemetschek Group is still underrepresented here compared with the Design segment. These markets also have greater potential due to the lower degree of digitalization.

In the future, the Nemetschek Group also intends to focus on smaller, still young companies, called start-up companies, in addition to the companies already established on the market. In doing so, new and innovative technologies with high growth potential are to be supported from the outset.

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 >>](#).