

Letter to Shareholders



DR. AXEL KAUFMANN
SPOKESMAN OF THE
EXECUTIVE BOARD AND
CHIEF FINANCIAL &
OPERATIONS OFFICER
(CFO)

Dear shareholders,

The Nemetschek Group successfully got through the difficult corona year 2020 posting business development which exceeded the expectations of the beginning of the global pandemic.

In this complex macroeconomic environment, we were able to achieve revenue growth of 7.2%, rising to about EUR 597 million, and an EBITDA margin amounting to 28.9% of revenue, thus completely meeting our forecast, which was increased in October 2020. Therefore, we were also able to continue on our course of profitable growth in the crisis year 2020.

This favorable development was made possible not least of all because we responded to the changed situation very quickly when the pandemic broke out. The top priority was to provide the best possible protection for our employees and, at the same time, to continue to conduct operations without limitations. In particular, by using virtual sales and support as well as online tutorials, we were able to maintain close contact to our customers during the corona crisis. Parallel to this, we intensified cost management in the Group in coordination with all executives worldwide. As a result of these decisive countermeasures, and as a result of good ordinary business, we were also able to secure the strong financial basis of the Nemetschek Group in the crisis year. Overall, our business model proved itself weatherproof and resistant during the crisis.

It is to be highlighted that, in addition to managing the crisis, in 2020 we advanced all of our strategic initiatives. The main focus was on further internationalization, reducing complexity in the Group, expanding our recurring revenue – which was driven by rental models – further developing of our solutions and gaining new customers.

Digital transformation and sustainability as growth drivers

In many industries and areas of our lives, the Covid-19 pandemic reinforced an awareness of the importance of digitalization – also in our sector since there is still a considerable need for the AEC/O industry to catch up. We therefore continue to see great potential in our markets in the medium and long term. It is our aim to make considerable contributions to shaping digitalization and to future-oriented initiatives such as machine learning, artificial intelligence (AI) and the use of sensors driven by the Internet of Things (IoT). We will also support our customers in the course of their digital transformation. Essentially, this involves structuring the building life cycle more intelligently and more efficiently.

Likewise, sustainability is becoming more and more relevant in the investment decisions of our customers. 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 more sustainably. The optimized interplay between all those involved in a building project enabled by consistent digitalization and end-to-end workflows offers the entire AEC/O industry a chance to become significantly more efficient through reduced construction times, improved quality and cost-savings. This is precisely where our solutions come into play. This is how the Nemetschek Group is also making an important contribution to climate and environmental protection.

Key strategic aspects

Greater networking and advancement of innovations – for the benefit of the customer

Our actions are taken in accordance with high-level requirements in terms of quality, efficiency and sustainability as well as with a focus on innovations. The leadership structure, which was implemented in 2019 with a special emphasis on our segments, helped us have a greater impact in our markets and allowed us to consolidate our expertise in the corresponding segments. The next step will involve reducing our Group-internal complexity, which has arisen as a result of our having 15 brands, while also

simultaneously retaining the entrepreneurial spirit of the brands. For this, we need to strike the right balance between integration and independence. It is our objective to share best practices, create synergies and develop solutions for our customers from a single source which can be used across the board.

Worth mentioning here is the Design segment, which successfully launched two cross-brand development projects on the market in 2020. With Integrated Design, for instance, a workflow solution was presented that is revolutionizing collaboration between architects and civil engineers. Using this integrated approach, architects and engineers can collaborate on one model across disciplines for the first time and thus considerably increase the efficiency of the planning process. This is the path to continue on in 2021.

Even before the Covid-19 pandemic, investments in the public sector were increasing worldwide, especially in the case of infrastructure measures. This trend was further reinforced by the corona crisis. The Nemetschek Group will continue to expand its activities in this segment and at the same time we will be reinforcing our strong position in the residential and commercial building sector.

Increase in our recurring revenues, driven by rental models

It has always been Nemetschek's principle to offer customers high levels of flexibility with regard to software provision. They can choose between the classic license model, including the option of a service agreement, and rental models. The rental models in particular provide us with access to new customer groups since customers can use the software flexibly in terms of time and without a one-time license fee. Another effect of the pandemic is that customers have been inquiring about this option even more. In the four segments of our Group, the offering and implementation of rental models has advanced to various degrees. For this, we respect the different needs of our customer groups, which vary according to the discipline and region.

It is our aim to increase the plannability of revenue development by successively increasing recurring revenues from service agreements and rental models. We also aim to maintain close customer contact and raise the level of customer satisfaction. The increase

in recurring revenues – which today now make up more than 60% of our revenues – will secure long-term, sustainable growth and provide our Group with even greater planning reliability.

Outlook for 2021: securely aligned for the future

In the corona year 2020, the Nemetschek Group demonstrated that it has a crisis-resistant business model at its disposal, one that will be successful in the long term. The clearly growing proportion of recurring revenues, the international alignment of the Group and the targeting of different customer groups across the four segments provide for broad risk diversification. This is complemented by the traditionally very sound equity and financing base of our Group with an equity ratio of approximately 47% and high levels of cash generation.

A look ahead to the future shows that the uncertainties resulting from the Covid-19 pandemic have not yet been eliminated in the current financial year. Thanks to our strong operational and financial basis, we nevertheless have an optimistic outlook for the year 2021. In view of stable currency exchange rates and the current brand portfolio, and assuming that economic framework conditions do not take a turn for the worse, we anticipate organic revenue growth in the high single-digit range for the current year. We envision the EBITDA margin in the 27% – 29% corridor, a level we have already achieved in the past and anticipate for the future.

The favorable performance in the crisis year 2020 is attributable to the great dedication and the rapid willingness to accept change on the part of our more than 3,000 employees. On behalf of my executive board colleagues, I thank all of them very much. 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.

Best regards,



Dr. Axel Kaufmann