

Combined Management Report for the 2023 Fiscal Year

About This Report

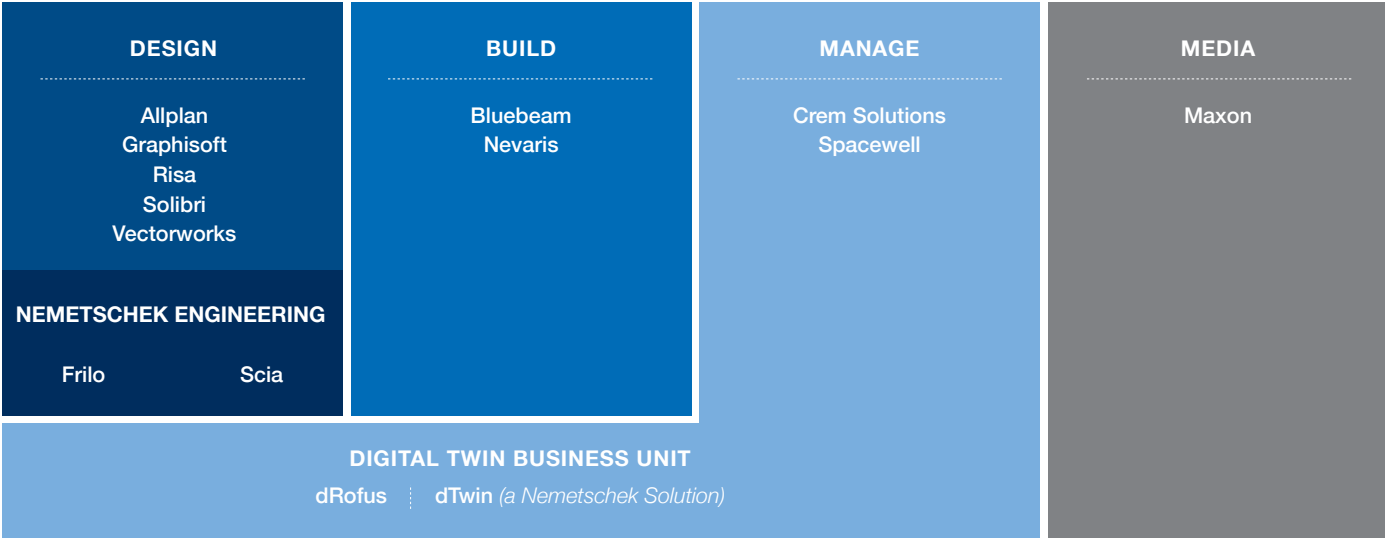
The management report of Nemetschek SE and the Group management report for the 2023 fiscal year have been combined. The Corporate Governance Statement pursuant to section 161 of the German Stock Corporation Act (AktG) is published on the Nemetschek SE website at ir.nemetschek.com/corporate-governance. It can also be found in the section [«< To Our Share-](#)

[holders >>»](#). The consolidated financial statements as of December 31, 2023, that have been prepared by Nemetschek comply with International Financial Reporting Standards (IFRS) as applicable in the European Union (EU) as at December 31, 2023, and, additionally, with the requirements of the German Commercial Code in connection with German Accounting Standards.

1 Group Principles

1.1 Group Business Model

Organization and Structure



The global Nemetschek Group comprises Nemetschek SE and its subsidiaries. The company's history dates back 60 years to its foundation in 1963 by Prof. Georg Nemetschek. Today, the Nemetschek Group is a global provider of digital software solutions for all disciplines across the building and infrastructure project life cycle (i.e., the AEC/O industry – architecture, engineering, construction, and operation) as well as for all stages during the creation of digital 2D and 3D content in the media sector.

The strategic holding company, Nemetschek SE, is headquartered in Munich, Germany, while the company's operating activities are carried out through four segments with a total of 13 brands (previous year: 13 brands). The brands are subsidiaries or groups of subsidiaries which operate in the market under an overarching Group strategy. This group structure reflects the company's philosophy of central management at the Group level and a high degree of business freedom at the subsidiary level. This enables

the individual brands to focus on their respective clients' needs to increase the benefits and added value for the client. This segment and brand approach ensures that market changes can be quickly identified, analyzed, and evaluated and that client wishes can be implemented promptly, too.

Nemetschek SE houses the central functions Corporate Finance & Tax, Controlling & Risk Management, Investor Relations & Corporate Communication, People/Human Resources, Mergers & Acquisitions, Start-Up & Venture Investments, IT, Information Security, Global Procurement, Transformation Office, Internal Audit, and Corporate Legal & Compliance, which all perform key governance duties for the Group and brands. This approach enables the brands to focus fully on exploring new potential client demands and doing business.

Business Activities

Proximity to markets and clients is a key success factor for Nemetschek. With its software solutions, the Nemetschek Group supports **digitalization** along the entire construction life cycle – from the planning and construction phases to the operation, renovation, and demolition phases. This strategically integrated approach makes it possible to concentrate investments and expertise on the client-oriented segments and thus offer an end-to-end workflow and comprehensive support for clients in the building life cycle.

The Nemetschek Group's clear commitment to OPEN BIM and the associated open interfaces increase interoperability, collaboration, efficiency, and communication with different disciplines across the construction life cycle. At the same time, Nemetschek is focusing on future topics that the Group believes will shape and change the construction industry in the coming years. Such topics include artificial intelligence, digital twins, machine learning, sustainability, and the usage of IoT devices and sensors. That is why these topics are also part of the Nemetschek Group's innovation and development activities.

Added to this are digital solutions for visualization, 3D modeling, and animation, which are used in the media and entertainment industries in particular as well as the construction industry. The Nemetschek Group offers solutions for these fields, too, covering the complete content creation workflow and appealing to the entire production process for creative output.

Segments

The Nemetschek Group structure and its solution portfolio are reflected in the reporting structure with the four client-focused segments Design, Build, Manage, and Media. An Executive Board member or Segment Head is generally assigned to each segment. The close interlocking of the holding company and segments also ensures close coordination between the subsidiaries as well as a high degree of management efficiency.

Furthermore, there are benefits for the brands as well as the Group overall from the stronger harmonization and centralization of general and administrative functions, access to additional resources and tools, and intensified knowledge exchange. For instance, the brands can concentrate their capacity and resources more on the operational implementation of the corporate targets and strategy, including in particular greater client loyalty and the exploitation of additional growth opportunities.

To leverage synergies within the Nemetschek Group, the Executive Board and Segment Heads support the coordination of strategic projects between the brands in their respective segment as well as cross-segment cooperation between individual brands. As a result, the subsidiaries benefit from synergies for their segment and for the wider Group in relation to internationalization, the exchange of best practices, sales, marketing, and development activities. Simultaneously, the internal structures and processes were harmonized further during the 2023 fiscal year. Cen-

tral administrative functions such as People/HR, Controlling & Risk Management, Finance, and IT were harmonized further, letting the brands focus even more strongly on their client-adjacent topics.

The company's legal structure is outlined in the notes to the consolidated financial statements in [« Note 32 List of Companies in the Nemetschek Group »»](#).

Changes within the Segment Structure

dRofus, a brand that was allocated to the Build segment in the 2022 fiscal year, has been allocated to the Digital Twin business unit since January 1, 2023, and is consolidated with the Manage segment. With the brand's solutions for data management and BIM collaboration for workflow support and providing building information during the entire building life cycle, dRofus possesses capabilities for covering the complete AEC/O life cycle and, in doing so, forms an important tie between the various segments. The dTwin solution launched in 2023 is also allocated to this business unit and is consolidated with the Manage segment. dTwin, a SaaS-based, horizontal, and open digital twin platform, provides data-based insights across the entire life cycle of a construction project.

Starting in the 2024 fiscal year, the Digital Twin business unit will be consolidated with the Design segment along with the dRofus brand and dTwin solution.

Design Segment

The portfolio particularly features OPEN BIM solutions for computer-aided design (CAD) and computer-aided engineering (CAE), which are used in 2D and 3D planning and the design phase as well as in the visualization of buildings and infrastructure projects. These are complemented by BIM-based solutions for quality assurance and control and to avoid errors and conflicts during the planning and construction phase.

The individual brands within the Design segment target a broad range of different, specialized fields within architecture, design, and engineering. The segment's most recent two fiscal years in particular were characterized by integration and harmonization activities. The merger of individual brands and the expansion of cross-brand collaboration has resulted in the successful creation of extended and harmonized client offerings in particular, increasing the benefits for clients even further.

The segment's major client groups include, above all, architects, designers, engineers from all disciplines, including structural engineers, specialist planners, and landscape designers as well as developers and general contractors. The solutions offered enable clients to carry out their tasks across all phases, from planning and design right up to factory and construction planning.

The Design segment's market, compared with the Build and Manage segment markets, has a historically higher degree of maturity, as digitalization in this area was promoted earlier than in the other two segment markets. The total addressable market

(TAM) of the Design segment is predicted to grow from €7.9 billion in 2022 to approximately €12 billion in 2027. This equates to an average expected market growth rate of just under 9% for the period from 2022 to 2027.

Build Segment

In the Build segment, the Nemetschek Group offers integrated, complete 5D BIM solutions from the bidding and award phase to invoicing, budgeting, scheduling, and costing. These solutions also include commercial enterprise resource planning (ERP) solutions from the Nevaris brand for construction-related cost accounting and financial accounting. On top of that, it has PDF-based and, in parts, cloud-based workflow solutions from the Bluebeam brand for digital work processes, collaboration, and documentation.

The Build segment's clients include construction companies, developers, and suppliers as well as general contractors, planning offices, architects, and civil engineers, among others.

The Build segment's underlying TAM is expected to grow from €4.4 billion in 2022 to an anticipated €8.9 billion in 2027, corresponding to an average expected growth rate of 15% annually.

Manage Segment

The Manage segment rounds off the Nemetschek Group's range of solutions for all disciplines across the entire building and infrastructure project life cycle. It brings together competencies in the field of building management as well as professional property management.

The segment's two brands – Spacewell and Crem Solutions – offer software solutions across all commercial processes in property management as well as modular and integrated solutions for property, facility, and workplace management (integrated workplace management system, IWMS). The portfolio also includes a smart building platform that uses intelligent sensors and big data analysis to help improve productivity and efficiency in the operation and management of buildings. These are complemented by artificial-intelligence-based energy management solutions for optimizing the use of energy in buildings and reducing carbon emissions.

The segment's main clients include property managers, facility managers, and global real estate companies as well as banks and insurance companies, among others.

The Manage segment's TAM was sized at €5 billion in 2022 and is predicted to grow by an average of approximately 8.5% annually to just under €7.5 billion by 2027.

Media Segment

In the Media segment, the Nemetschek Group offers professional solutions for all phases of a digital creative project via its Maxon brand. Its product portfolio includes, among other things, solutions for 3D modeling, painting, animation, sculpting, and rendering. These solutions are used across the world to create objects such as 3D motion graphics, architecture and product visualizations, computer game graphics, medical illustrations, industrial designs, and visual effects.

The Media segment primarily targets clients from the international media and entertainment industries in addition to architects and designers. These clients include film and television studios, advertising agencies, the video games industry, product and graphic designers, and creative freelancers.

The Nemetschek Group targets the global 3D animation market in its Media segment. The latter's TAM was estimated at €5 billion in 2022, and the market volume is expected to grow to approximately €8.9 billion by 2027. This corresponds to average growth of 12% annually.

The key performance indicators of the four segments are detailed in [<< 3.3 Earnings, Financial Position and Net Assets of the Nemetschek Group >>](#).

Locations

Nemetschek SE is headquartered in Munich, Germany. The Nemetschek Group's 13 brands develop and market their solutions globally from a total of 81 (previous year: 82) locations.

NEMETSCHKEK LOCATIONS GLOBALLY



1.2 Growth Drivers, Goals and Strategy

Growth Drivers

The macroeconomic impacts from the current global crises and geopolitical conflicts are influencing the global construction sector, too, and that has dampened the industry's growth trajectory and has potential to dampen it still further, at least in the short term. Be that as it may, the long-term, structural growth drivers in the global construction sector remain intact, which means that there may be a new, lasting phase of growth in the future. The conclusions drawn in the previous year continue to apply, and they are that the world's growing population, increasing urbanization globally, demographic shifts, and the associated rise in demand for housing and infrastructure represent key growth drivers for the construction industry. Lastly, the chronic shortage of workers in the construction industry is a global issue.

As a maker of software for the construction sector, the Nemetschek Group, in its three segments in the AEC/O industry, profits from other long-term, structural growth drivers as well:

- » Digitalization within the construction industry remains at a low level compared with other industries. There is increasing importance on catch-up effects and increased investment in industry-specific software solutions that manage processes more efficiently and therefore increase quality and reduce costs and time. The consequences of the current crises have demonstrated this once more.
- » Government regulations that require or make the use of BIM software mandatory for state-funded construction and infrastructure projects continue to pave the way for further growth of the Nemetschek Group worldwide. The UK and the Scandinavian countries are particular pioneers in Europe when it comes to implementing BIM regulations and using BIM-enabled software solutions, on a similar level to Singapore. The US and other countries such as Japan already have BIM regulations for public construction and infrastructure projects.
- » Furthermore, the importance of sustainability and environmental protection in the planning, construction, operation, and renovation of buildings is growing constantly. Roughly 90% of all construction projects currently exceed the anticipated schedule or budgeted costs. On top of that, more than 20% of the material used in a construction project is wasted or needs to be reworked. The construction industry is responsible for about 40% of global carbon emissions in total. A more energy- and resource-efficient way of working throughout the entire construction process, including the subsequent usage phase, is therefore a critical factor in achieving the climate targets set by policymakers (e.g., the EU European Green Deal). Intelligent BIM software solutions for more sustainable and resource-conserving planning and construction, as well as more efficient building operation, form a key basis for this.