

The Nemetschek Group faces competition from different companies in all of its segments.

## 1.2 Targets and Strategy

As in the previous year, 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 phase to the operating phase. This strategically integrated approach makes it possible to bundle and focus investments and expertise on the four customer-oriented segments, rather than serving different industries as many competitors do.
- #2:** With four segments and 16 brands under the umbrella of a strategic holding company, the Group structure allows the brands a high degree of autonomy. The brands are “experts” in their specific customer segment, and therefore have a high level of expertise in their respective market segment. At the same time, they benefit from synergies at segment and Group level with regard to internationalization, exchange and sharing of best practices, cross- and co-selling as well as development activities. 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.
- #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.

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 and sales approach

As part of its growth strategy, Nemetschek focuses on the three large regions of Europe, North America and Asia. In recent years, the Group has continually expanded its market position outside Germany and at the same time strengthened its position in the target sales markets. In 2019, around 75% of Group revenue was generated outside of Germany, compared with 73% in the previous year. The USA is the world's largest single market for AEC software, and also represents a key sales market for the Nemetschek Group.

The Group has outperformed this highly competitive and expanding market in recent years and now generates 34% of its revenue there (previous year: 32%). 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, the UK, Scandinavia or Japan. These countries offer excellent general conditions for Nemetschek.

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 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. Nemetschek will continue to offer both options in the future, regardless of whether customers request individual solutions or implement large projects. In doing so, the Nemetschek Group is demonstrating its respect for the various needs of customer groups depending on discipline and region.

The Group also relies on greater cooperation between the sales teams of the respective brands, for example by using joint sales channels (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 respective brands draw up a roadmap for the next three years as part of the budget process. This roadmap notes and presents the strategic product developments, which are then verified in regular review meetings with the respective Segment Manager.

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

In addition to the further development of the individual brands, the Group's 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 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.

The various disciplines along the construction lifecycle still very often 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, 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, e.g. 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. A further objective is to achieve complementary market shares in international markets. Strong management and an established business model are key parameters in the evaluation of potential acquisition companies. The focus regions include Europe and the North American market. Among the segments, the Build and Manage segments are particularly high on the list, 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.

After a successful acquisition, Nemetschek SE allows the acquired company to continue to participate in the market with their established brand and product names. At the same time, the Segment Manager gives the brands 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 reporting system.

The brand structure makes the Nemetschek Group highly attractive to potential companies as a strategic buyer. Following the sale of their company to the Nemetschek Group, the company founders can continue to run the business and provide employees with a high degree of security. At the same time, the new brands belong to a financially strong, international group and benefit from potential synergy effects.

As well as acquisitions at holding company level, the company is also pursuing acquisitions at brand level. The brands are able to

directly identify suitable target companies and acquire them with the support of the holding company, provided that the key criteria such as expansion of technology, regional expansion, distribution structure and financial solidity are met.

Even though acquisitions represent an important growth option for the Nemetschek Group, it always has the alternative of "make or buy" thanks to its now very broad expertise along the construction lifecycle. It is therefore not under pressure to offer prices in bidding processes that are not economically justifiable, as its expertise also enables the company to develop solutions internally.

### Target figures, target achievement, target agreement

A strategic plan sets out the main milestones and the time frame for each of the Nemetschek Group's 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 2019 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 calendar 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 7.3.

## 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