

3.2 Business Performance in 2020 and Key Events Influencing the Company's Business Performance

Covid-19 pandemic

The Covid-19 pandemic threw the world in turmoil and resulted in a global recession in 2020. Our regional and industry-specific sales markets have also been and continue to be affected by the impact of the pandemic << [3.1 Macroeconomic and Industry-Specific Conditions](#) >>. For the Nemetschek Group, the health and safety of employees and business partners is the utmost priority. Immediately after the World Health Organization (WHO) declared Covid-19 – a disease caused by the novel coronavirus (SARS-CoV-2) – to be a global pandemic in March 2020, Nemetschek management created a crisis management team under the leadership of the CEO and Chief Financial & Operations Officer (CFOO). The main objectives of the team were and remain to protect the health and safety of the company's own employees and business partners, to maintain operational business activities and to safeguard the financial situation of the Nemetschek Group. For example, hygiene concepts for employees were developed and more opportunities were created to work outside the business premises. The established digital communication channels to business partners were further expanded and used intensively. Most brands initiated special programs and activities to support their customers and also other parts of the company in this extraordinary phase. This included virtual support and training activities. Critical process steps in the operating business were also identified and measures taken to ensure continuous business operations. In addition, planned investments and new hires were initially also partially postponed in order to be able to maintain the company's financial position. As before, management is continuously monitoring the course of the pandemic, assessing possible effects and, if necessary, taking measures or adjusting existing measures.

General statement on the economic position of the Group

In a challenging macroeconomic environment characterized by the Covid-19 pandemic, the Nemetschek Group achieved revenue growth of 7.2% (currency-adjusted: 8.3%) and an EBITDA margin of 28.9%. The path of profitable growth was thus continued even in the crisis year 2020. The revenue growth comprised solid organic growth of 4.5% (currency-adjusted: 5.6%) and the revenue contribution resulting from the Red Giant acquisition in the Media & Entertainment segment, which has been consolidated since the beginning of January 2020 and which will be integrated into the Maxon brand.

The Group's growth and EBITDA margin targets communicated in March 2020, which already took into account the uncertainties surrounding Covid-19, were exceeded and the Group's growth and EBITDA margin targets raised in the third quarter were achieved. The Nemetschek Group thus continued its growth course of previous years, even in the uncertain environment characterized by the global coronavirus pandemic.

The Covid-19 pandemic had a direct influence on business performance. As a result of the great uncertainties that arose at the beginning of the financial year due to the start of the pandemic, the management of the Nemetschek Group intensified cost management and, particularly in the first half of the year, was cautious with investments and new hires. Due to the partially restricted business operations, one-off costs such as travel and marketing expenses were also saved. These measures and effects made it possible to safeguard the existing financial position in the course of the crisis. The positive revenue development of the Nemetschek Group was supported by the existing stable customer base and also by the early reaction to the changed situation. For example, virtual sales and support as well as online tutorials enabled close customer contact to be maintained even during the crisis.

Overall, the business model, which is characterized by a broad portfolio of solutions, strong diversification in target industries and regions, and an increasing proportion of recurring revenues, proved resilient during the ongoing crisis. In addition to actively dealing with the crisis, Nemetschek continued to drive forward the strategic initiatives launched in the 2020 financial year. The focus of our work was on further internationalization, the expansion of software rental models and the continuous development of our solutions and the acquisition of new customers.

Acquisitions/divestments

Holding level

No acquisitions were made at holding level in 2020.

Segment level

After Maxon Computer GmbH (Maxon), Friedrichsdorf, Germany, acquired 100% of the shares in Redshift Rendering Technologies, Inc., Newport Beach, USA, in the **Media & Entertainment segment** in 2019, there was a further expansion of expertise at the beginning of 2020.

As part of the transaction, Maxon acquired the US company Red Giant LLC, Portland, USA (Red Giant) through a combination of a cash payment of approximately EUR 79.6 million and at fair value of EUR 52.7 million and the granting of shares in Maxon. After

closing the transaction, Nemetschek holds approximately 84% and the former owners of Red Giant around 16% of the shares in Maxon. This was financed by its own cash and cash equivalents and by taking out a loan in the previous year. Red Giant offers a comprehensive product portfolio of motion design and innovative software solutions for visual effects and significantly complements Maxon's existing solution offering. The merger is expected to lead to growth and technology synergies through better market and customer access, as well as leveraging the global sales and reseller team. With the joint product portfolio, Maxon will also significantly strengthen its business with rental models.

In the **Design segment**, RISA Tech, Inc., Foothill Ranch, USA (RISA) acquired the business of ADAPT Corporation, Carmichael, USA (ADAPT) in an asset deal dated April 14, 2020. Control was obtained on May 1, 2020. The purchase price amounted to EUR 4.2 million. The Nemetschek Group thus strengthened its position in the market for structural analysis and structural design in the USA. RISA, which is the market leader in the design of steel structures in the USA, has expanded its market position through the acquisition of ADAPT, a leading provider for the design of concrete structures, and can now offer a complete solution for the design of different materials of structural frameworks.

Furthermore, DEXMA Sensors S.L., Barcelona, Spain (DEXMA) was acquired in the **Manage segment**. Under the purchase agreement dated December 11, 2020, 100% of the shares in DEXMA Sensors S.L. were acquired. The company will be integrated into the Spacewell brand. The company is a provider of innovative SaaS solutions with artificial intelligence and machine learning capabilities for energy data management. This will add energy management to the existing portfolio for facility management, real estate management and smart building. The purchase price amounted to around EUR 19.3 million in cash and cash equivalents and an earn-out component of around EUR 4 million.

Divestments

There were no divestments in the portfolio in the 2020 financial year.

Cooperation and partnerships

In order to expand its market position and meet the diverse customer requirements, the Nemetschek Group also relies on cooperation and collaboration with partners from the industry or with scientific institutions. Partnerships exist both within the Group among the brand companies and between brand and external companies.

3.3 Results of Operations, Financial Position and Net Assets of the Nemetschek Group

Results of operations

Revenue development

For the 2020 financial year, Group revenue increased by 7.2% to EUR 596.9 million (previous year: EUR 556.9 million). The Group revenue achieved was therefore in the range of the forecast adjusted in October 2020 and above the Executive Board's expectations communicated in March 2020 [<< 4. Comparison of Actual and Forecast Business Performance of the Nemetschek Group >>](#).

The growth of 7.2% comprised organic growth of 4.5% (previous year: 15.8%) and the revenue contribution resulting from the recent Red Giant acquisition, which has been consolidated and integrated in the Media & Entertainment segment since January 2020. Adjusted for currency effects (i.e. on the basis of constant exchange rates compared with the previous year), revenue growth would have been 8.3%, or 5.6% on a purely organic basis. In the course of the second half of the financial year, the US dollar had a particularly negative impact.

In a challenging financial year, the Nemetschek Group was able to grow across all four quarters and continue its sustainable growth path. However, compared with previous years, growth momentum was declining – also as a result of the Covid-19 pandemic. Revenue development in the financial year was without any significant impact from the Covid-19 pandemic until February 2020. In March 2020, however, the general conditions dampened as a result of the Covid-19 pandemic occurring worldwide, which also led to a decline in growth momentum. In the second quarter, the European business in particular, as well as the licensing business, was heavily impacted by the pandemic-related containment measures, and growth declined from 12.8% in the first quarter to 2.7%. Revenue growth recovered especially well in the third quarter, allowing the original growth forecast for the financial year to be revised upwards in October.