

Business Structures and Processes (Business Enablement)

Across all the segments, the focus is still on reducing the complexity resulting from the diversity of brands. Internal processes and IT structures are streamlined further and optimized. This includes, for example, harmonizing the internal back-end systems in the areas of Human Resources, ERP (Enterprise Resource Planning) and CRM (Customer Relationship Management). In this context, further expansion of cross-brand development centers is also planned in order to pool resources and leverage expertise for multiple brands. Countries such as India or selected Eastern European countries, where qualified software developers are available, are particularly suitable for this purpose.

This and subsequent further optimization of business structures will unlock synergies, with the ultimate aim of increasing operational excellence, i.e. improving the company's ability to continuously optimize the value chain in terms of efficiency and effectiveness. At the same time, further harmonization and partial centralization, particularly in support and enabling functions, is intended to enable the brands to generate further growth and, in future, to focus even more strongly on the development and go to market as well as on further deepening customer relationships.

Our strategic direction and focus topics, along with the targets and milestones, are set out in a strategic plan and are regularly discussed within the Executive Board and with the Supervisory Board. Countermeasures are developed and implemented where deviations from the targets set out in the strategic plan are identified. Targets are also adjusted where required. There were no adjustments to the strategic objectives in the 2022 financial year.

1.3 Corporate Management and Governance

General information

A key success factor in the Nemetschek Group structure of a strategic holding company with customer- and market-oriented operating segments and brand companies lies in the combination of a flat group structure with the associated processes and synergies on the one hand and the flexibility and entrepreneurial independence of the brands on the other.

Responsibility for the strategic alignment of the Nemetschek Group and operational corporate management lies with the Executive Board and, respectively, the Segment Managers of Nemetschek SE. This includes the strategic positioning of the Nemetschek Group on the relevant global sales markets and its short and medium-term revenues and earnings planning. This also orients the company toward the competitive and market environment.

The company is managed at the level of the four operating segments. In this process, the targets and annual objectives of the segments and related brand companies are derived from the strategic targets. In the annual planning process, these are coordinated with the brand companies, 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 the managers of the individual brands and the member of the Executive Board responsible for the segment and, in a subsequent step, within the Nemetschek Group Executive Board. The Supervisory Board monitors and advises the Executive Board throughout all processes mentioned above.

Throughout the year, Group targets are monitored and evaluated on a monthly basis using a Group-wide management information system, with detailed reporting on the key performance indicators of revenues, growth and earnings. These indicators are compared with previous year and plan data. The respective segment managers and the Executive Board discuss any deviations from the plan on a monthly basis. In case of deviations, suitable measures are defined and followed-up.

Financial Performance Indicators

The key financial performance indicators (core management ratios) of the Nemetschek Group have been expanded compared with the previous year and comprise the following both at Group holding company and segment level:

	FY 2022	FY 2021
Sales revenues (in absolute terms)	X	X
Sales growth (currency-adjusted)	X	X
ARR (annual recurring revenue)	X	
EBITDA	X	X
EBITDA margin	X	X

In order to plan and steer the profitable growth strategy, absolute revenues and revenues growth in absolute and currency-adjusted terms compared with the previous year are used both on a Group as well as Segment and brand level. To present the future growth dynamic and success of the ongoing transition of business to subscription-based and SaaS models, and thus also all the recurring revenues, more transparently, the Nemetschek Group implemented an annual recurring revenue (ARR) indicator in the course of the 2022 financial year. This KPI reflects the average of all recurring revenues (Subscription, SaaS and maintenance contracts) over the last three months multiplied by 4. This new indicator is an important measure of the Group's future potential for revenue and also cash flow growth. The operating result (EBITDA) is used to control profitability. EBITDA provides information on profitability and includes all items of the income statement relating

to operating performance. Because of their importance for the financial success of the business, the key performance indicators of revenues, EBITDA and (since the 2022 financial year) the ARR are also essential components of the performance management system.

The achievement of corporate targets is also assessed based on the development of financial performance indicators that are set for the purposes of managing the company and that also form part of the short and long-term remuneration of the Executive Board. Information on the remuneration of members of the Executive Board and Supervisory Board is provided in a separate remuneration report that is available on Nemetschek SE's website at ir.Nemetschek.com/en/corporate-governance.

Information on the detailed development of the Nemetschek Group and its segments in the 2022 financial year and in comparison to the previous year can be found under [« 3.3 Results of Operations, Financial Position and Net Assets of the Nemetschek Group »](#). In addition, a comparison of current and forecast business development can be found under [« 4 Comparison of Actual and Forecast Business Performance of the Nemetschek Group »](#).

In addition to the performance indicators described above, Nemetschek SE is also controlled with regard to the liquidity required in the company. This ensures that Nemetschek SE can meet its obligations at all times, in particular to pay the dividend and repay the loan.

The key financial performance indicators (core management ratios) of the Nemetschek SE are as follows:

	FY 2022	FY 2021
Net income	X	X
Net liquidity	X	X

Net liquidity comprises cash and cash equivalents at banks.

1.4 Research and Development

Research and development are of very high priority for Nemetschek. In the 2022 financial year, EUR 182.6 million (previous year: EUR 148.9 million) were invested in research and development.

Around 23% of Group revenues thus flowed into research and development in the 2022 financial year (previous year: around 22%) and thus into new and further developments of the solution portfolio. Moreover, around 40% (previous year: 39%) of employees work in research and development, again underlining the high importance of this area for the Nemetschek Group.

Through its research and development activities, the Nemetschek Group is pursuing the aim of further expanding its innovative

strength in the AEC/O and Media markets, and identifying technological trends at an early stage, developing them into marketable solutions and establishing them on the market. Proximity to and cooperation with customers is a key component of this. Ideas and potential for improvement are identified in close dialog with customers and then evaluated by the brands in the respective segments.

In addition, there are cross-brand development projects in the respective segments designed to leverage synergies, address new customer segments and expand the portfolio. Key strategic and cross-brand projects are managed by the respective Segment Manager and developed further in cooperation with the brands. In foreign markets, adapting solutions to national standards and regulations remains important.

All brands focusing on the AEC/O markets contribute to the OPEN BIM approach with their solutions and support open interfaces to promote the exchange of information and data along the construction process value chain. Together with partners in the global buildingSMART initiative promoting the further development and standardization of open exchange standards – including software solutions from external companies – in BIM projects, Nemetschek is involved in the further development and implementation of corresponding standards, in particular the Industry Foundation Classes (IFC). IFC is a manufacturer-independent, freely available and particularly powerful format for the exchange of 3D component-oriented design data in the construction industry. The brand companies are continuously working to improve and certify their interfaces for seamless exchange with other OPEN BIM solutions. In addition, the brand companies are working on the development of collaborative additional functions, such as tracing which project participant has received, read, possibly changed or already released which detailed information and when.

Innovation Focus

All brands are continually developing their existing solutions. In their respective segments, the brands have focused on issues such as improving the user-friendliness of their solutions, process optimizations and integrated interfaces and connections for a smooth OPEN BIM workflow. The focus in the year under review was also on improvements aimed at minimizing the time required, increasing efficiency and productivity in the planning and construction process, and optimizing workflows. At the same time, all brands are working to constantly enlarge and expand their existing portfolio of solutions to reflect technological trends and changing customer requirements and thus secure their innovation leadership in their markets. Across all segments, development activities also focused in particular on subscription and SaaS offerings.

The product portfolios of all four segments were characterized by numerous innovations in 2022.