

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.

Additionally, there are the media and entertainment industries, which are marked by high growth and constantly rising demand for digital content. It is a dynamic environment where multiple growth drivers offer companies in the industries a variety of opportunities for bolstering their position. Developing innovative solutions and satisfying the developing needs of consumers is critical for this.

The rising demand for visual content is based on factors such as the following long-term growth drivers:

- » Lasting upturn in the 3D animation market. The demand for premium visual content in various industries, such as film production, advertising, game development, and virtual reality, is increasing continuously. Businesses are making stronger use of visually appealing animations to convey their messages effectively and capture the interest of their target audiences.
- » Digitalization from improved accessibility. Continued digitalization and the improved availability of high-performing hardware and software make a significant contribution to the growth of the 3D animation market. The easier access to advanced tools enables businesses and creatives to create complex 3D animations and bring innovative projects to fruition.
- » Technological progress in virtual reality (VR) and augmented reality (AR). The use of VR and AR is a significant influence on the expansion of the 3D animation market. For example, the latest product developments from globally leading corporations such as Apple, with its Apple Vision Pro VR goggles, or Meta's Smart Glasses, indicate that there will be a strong trend toward increasingly virtual worlds and applications. These technologies unlock new dimensions for immersive and interactive 3D experiences. Businesses are also increasingly using VR and AR to develop innovative applications for usage in professional settings, be they training, product presentations, or virtual simulations.

Goals

The strategy of the Nemetschek Group is based on an extensive analysis of markets, competitors, technological, economic, and societal trends, and economic and regulatory conditions. The Group strives for sustainable and long-term success by pursuing a strategic approach aligned with the company vision. The strategy aims to optimally use the good growth opportunities in both sectors addressed by Nemetschek. In addition, the aim is to lead customers into digitalization and make the AEC/O industry more sustainable. With its focus on technology and innovation as well as its continuous exchange with scientific institutions, the Nemetschek Group strives to expand its strong market position in a highly competitive environment. Furthermore, the Group mitigates risk by diversifying its activities across four segments for the entire building and infrastructure project life cycle, as well as the media sector. Furthermore, Nemetschek is continuously internationalizing its business. The ever-increasing share of recurring revenues also ensures a high level of economic visibility and resilience. Ulti-

mately, the Nemetschek Group's goal is to achieve sustainable differentiation and thus offer its customers the greatest possible benefit and added value, which simultaneously leads to sustainable and long-term value creation for its shareholders and stakeholders.

To achieve these goals, the Executive Board, together with the Nemetschek Group's Executive Leadership Team, has defined a comprehensive strategy based on strategic focus themes. This strategy is implemented consistently with suitable initiatives and measures.

Vision and Mission

The strategy centers around a clear commitment to the vision and mission of the Nemetschek Group. To realize its vision „Shape the world in all dimensions“, the company's mission is to be the preferred and most trusted software provider and partner for the architecture, engineering, construction, construction management (AEC/O), and media industries. The vision and mission are the guiding principles for all business activities and the basis for strategic action. The vision and mission are the guiding principles for all business activities and the basis for strategic actions.

Strategic Cornerstones

Artificial Intelligence (AI)

An overarching goal across the Nemetschek Group is to be a leader in the field of (generative) artificial intelligence (AI). This alignment as an AI-first company emphasizes its ambitions to be a technological pioneer in the AEC/O and media industries. At the same time, it also includes a clear commitment to ethical, trustworthy, and sustainable AI practices. Simultaneously, the Nemetschek Group has the task of examining AI principles and the necessity of trust, ethics, and independence in order to provide the best protection possible for integrity and the intellectual property of clients.

This structure maintains the long-standing principles and high ethical standards of the Nemetschek Group, which was founded by Professor Georg Nemetschek in 1963. The company sees two main application areas in the field of AI. Its usage offers the opportunity to increase internal efficiency in almost all business functions, for example in research and development or in customer service, in order to ensure better customer support and greater customer satisfaction. Secondly, the Nemetschek Group aims to add AI-based functions, plug-ins, and tools to its products in order to further increase the benefits for clients. Three different approaches are taken to achieve this goal:

- » Firstly, AI is one of the focuses for the Group's research and development activities. To this end, the Nemetschek Group is establishing an AI Innovation Hub which will be one of the central drivers of its in-house development activities. The Nemetschek Group firmly believes that the data sets used to train deep-learning algorithms in particular are the key to the development of new functions that will offer customers genuine

added value in the future. The Nemetschek Group covers the entire building life cycle in the AEC/O industry and the complete process for creative design element creation in the media industry and therefore possesses a large and broad-based data set. This data set can be used to expand the company's own product portfolio with innovative and disruptive AI solutions which in turn support customers in improving their productivity and efficiency.

- » Secondly, the Nemetschek Group maintains close exchange with the TUM Georg Nemetschek Institute Artificial Intelligence for the Built World, which receives funding from the Nemetschek Innovation Foundation. In 2023, there was a double-digit number of interesting joint, multidisciplinary AI research projects for the AEC/O industry, which represents a significant increase versus the previous year. This enables the Nemetschek Group to stay close to the latest developments in academic education and research.
- » Thirdly, Nemetschek invests in a range of highly innovative start-ups, including ones that develop and advance new solutions in the various application areas for artificial intelligence. For instance, these start-ups develop solutions for tasks such as AI-based 3D point cloud models or the identification and mapping of BIM objects. One goal is to bring together the start-ups' AI developments and competencies with those of the Nemetschek Group's brands in order to draw inspiration and enrich each other. Simultaneously, this ensures that the Nemetschek Group product portfolio is expanded accordingly and that the necessary speed is achieved in the development of new AI solutions. Investments in start-ups also have the potential to develop pioneering and innovative products and solutions that are not only disruptive for the Nemetschek Group itself, but also the entire AEC/O and media industries.

Business Model – Transition to Subscription and SaaS Models

An important goal of the Nemetschek Group is to significantly increase its recurring revenues, especially through the stronger implementation of subscription and software as a service (SaaS) solutions. Several Group brands have already successfully completed the transformation to subscription and SaaS models, while other brands have either started this process or are in the implementation phase. The gradual transition of the individual brands' business models ensures that the short-term accounting-related dampening effect on Group revenue and margins, is only visible to a very limited extent. Subscription and SaaS models offer a number of advantages for the Nemetschek Group's customers as well as for the Group itself. Customers, for example, can use the software more flexibly and avoid the, in comparison to a subscription offering, higher one-time license fee. At the same time, they benefit from an even more intensive customer support as well as faster and continuous innovation cycles, which results in greater customer satisfaction and loyalty. Conversely, the transition provides the Nemetschek Group with opportunities to address and win new customer groups and increase customer loyalty, among other benefits. Together with the greater potential for up- and cross-selling, Nemetschek has an opportunity to generate revenues that are higher over the entire length of a customer relationship compared to the classic model of a license with a service agreement.

In addition, the visibility, resilience, and predictability of the revenue, earnings, and liquidity increase significantly, which is an even greater advantage in times of economic uncertainty. Furthermore, the transition to desktop-based subscription models is often a prerequisite for the subsequent introduction of new cloud features. In the four segments of the Nemetschek Group, the implementation and offering of rental models are at different stages of development, with each segment continuously increasing or having already significantly increased the share of recurring revenues through subscription and SaaS. At Group level, revenues from subscriptions and SaaS accounted for 35.4% of total revenue (previous year: 25.5%). This represents a significant currency-adjusted growth of 51.1% compared to the previous year.

Company-Wide Nemetschek Platform

Nemetschek Cloud Platform and Infrastructure

The continuing digital transformation in the construction industry and the transition from information and data silos to end-to-end workflows in the AEC/O industry require a seamless exchange of data and information between all parties and solutions involved in the construction life cycle. With the Nemetschek Group's commitment to open standards and OPEN BIM, the company's focus ever since its founding has been on minimizing information loss and data breaches in the exchange of data, models, and information. This increases efficiency, productivity, and sustainability during the entire construction life cycle. Today, this exchange involves the management and provision of increasingly large amounts of data (big data) from various sources, such as the Internet of Things (IoT), which is needed for the planning, implementation, and management of building structures.

The Group-wide cloud platform that Nemetschek is currently developing will represent a transforming approach to linking data and collaborating within the Nemetschek ecosystem. With the objective of connecting the Nemetschek Group's individual solutions, the cloud platform is intended to make seamless data exchanges easier and therefore enable an effective collaboration across different disciplines. It is designed to connect users, processes, and technologies across the entire life cycle of buildings and infrastructure projects and thus enable intelligent workflows.

Digital Twin Product Innovation

One of the Nemetschek Group's cloud infrastructure initiatives is the use and expansion of the Digital Twin technology. A Digital Twin business unit was established in 2022 to work on the development of a horizontal, data-centric, open, and cloud-based platform which results in more efficiency and sustainability during the construction life cycle.

A digital twin is essentially a digital representation of a physical building in which digitized information is linked to its physical counterpart. The developments center around the dTwin digital twin platform, which was launched at the end of 2023. Pilot projects have been underway with potential customers since then. This open and horizontal SaaS cloud solution provides data-based insights and helps customers to manage and operate building structures efficiently from planning through to operation. All relevant (historical) data and information over the entire building life cycle as well as real-time data from building operation from sensors and connected open interfaces are bundled and linked with each other. A digital twin not only enables a modern, comprehensive visualization, but also provides valuable insights through analyses, simulations, and suggestions for optimization.

The dTwin solution from Nemetschek thus closes the gap between planning, construction, and operation and enables an open, data-driven Building Lifecycle Intelligence™ approach. The current focus is primarily on the operational phase and the management of large, complex building portfolios.

Product/Market Strategy

In addition to the technological development of the Nemetschek Cloud platform and new innovative products such as dTwin, the product market strategy is also being further developed. The aim is to significantly expand the growth opportunities of the Nemetschek Group by offering integrated solutions in addition to the already successful individual solutions of the Nemetschek brands. These integrated solutions will initially address the market segment of larger, multidisciplinary, and international customers in particular, though not exclusively.

Go-to-Market Approach

Internationalization

The Nemetschek Group concentrates on the three major regions of Europe, the Americas, and the Asia-Pacific, with Europe (incl. Germany) accounting for the largest share of Group revenue at 53% (see also [<< 3.3 Earnings, Financial Position and Net Assets of the Nemetschek Group – Revenues by Region >>](#)). Ongoing internationalization, with a goal of developing further growth opportunities and further reducing the dependence on individual countries and regions, plays a crucial role in the successful implementation of the growth strategy. In order to participate even stronger in the expected higher growth of the two regions North America and Asia-Pacific, the Nemetschek Group is consistently focusing on these two growth regions, without neglecting the European market. In this context, acquisitions also represent an opportunity to open up new markets. The US, the largest regional market, and especially the countries in the Asia-Pacific region, which have previously been significantly underrepresented (approximately 10% of Group revenues), offer a attractive growth potential. The Nemetschek Group focuses especially on Japan, Singapore, Hong Kong, Malaysia, and India. The Indian market in particular offers enormous growth opportunities due to the dynamic economic and demographic development expected in the coming years. Consequently, the Nemetschek Group seeks to better utilize these opportunities by strengthening its presence in India.

Key Account Management and Cross-Selling

The Nemetschek Group's brands sell their solutions directly through their in-house sales organizations as well as indirectly via resellers and distribution partners. Both sales channels have proven to be effective with brand-specific sales approaches that are used flexibly depending on the circumstances of the relevant market and customer groups. In addition, the Nemetschek Group is increasingly using digital sales channels such as e-commerce, particularly in connection with the newly introduced subscription and SaaS models.

In order to increasingly address the market segment of larger, multinational and multidisciplinary customers, a global key account management system was implemented for the Nemetschek Group. The aim of key account management is, on the one hand, to offer customers a comprehensive, integrated and more

closely networked range of solutions out of one hand. On the other hand, the global operation and approach means that the Nemetschek Group can provide this customer group with even more intensive support based on their specific customer needs.

A central element of the corporate strategy is also to intensify cross-selling potential across the entire Nemetschek Group. In addition to the large, international customers who combine various disciplines under one roof, individual brands also offer their customers solution packages with different products from the entire Nemetschek portfolio. This strategy makes it possible to use resources more efficiently by further strengthening and expanding existing client relationships.

Innovation

Research and Development Strategy and Focuses

Innovation and technological leadership have been an integral element of the Nemetschek Group identity and DNA since its founding. In light of the constantly transforming business environment, which is marked by disruption from factors such as AI, a company's strength at innovating has a crucially important role in determining whether it remains competitive and a technology leader. The Nemetschek Group's innovation strategy is oriented toward the continuous improvement of the existing product portfolio (e.g., new releases such as Archicad 27 and Allplan 2024) as well as the development of trailblazing new technologies and solutions (e.g., Archicad AI Visualizer). Therefore, the Nemetschek Group endeavors to drive and thus have a significant influence on the digital transformation in its industries – AEC/O and media – through targeted investments in research and development. Research and development focus areas are therefore topics such as artificial intelligence, digital twin or cloud-based features and solutions as well as the Group-wide cloud platform and infrastructure.

Venture Investments/Mergers and Acquisitions

In order to benefit even more from technological developments in the rapidly growing AEC/O industry, the Nemetschek Group is pursuing an investment strategy for venture investments and start-ups. In contrast to the proven M&A approach, the focus of this strategy is not on established companies, but rather on smaller, young, and highly innovative start-ups. This approach gives the Nemetschek Group early access to up-and-coming and potentially disruptive technologies with considerable growth potential. The Nemetschek Group thus guides and supports companies from the early stages of their development. Synergies are created through networking with the Group's own established brands in order to develop the full potential of the start-ups. For venture investments, the Nemetschek Group acquires minority interests which it can then potentially expand over time if there are successful developments.

A further aspect of the Nemetschek Group's venture strategy is the continuous support of the Built Environment Venture Lab at the Technical University of Munich. This underlines the Group's commitment to innovation and to actively shaping the future of the construction industry.

In addition to venture investments, the Nemetschek Group continues to view acquisitions of selected target companies with an established market presence as an important strategic option to continuously expand its own technological capabilities, market presence, and product. As part of its growth strategy, the company continuously conducts a "make or buy" assessment, particularly in relation to the aspects of product development and internationalization. This strategic approach enables the Nemetschek Group to respond flexibly to technological developments and fortify its position as an important player in the AEC/O industry as well as 3D animation.

In addition to innovative strength, management and business prospects, the decisive criteria for selecting potential takeover candidates are, in particular, the expansion or rounding off of the company's own technological expertise. The identification of and due-diligence checks on suitable targets take place at Group level as well as in the relevant segments and brand companies. External partners and specialized consultants support the M&A process to ensure that potential acquisitions are in line with the strategic goals of the Nemetschek Group.

From a regional perspective, the Nemetschek Group's current focus is on the European and North American markets. Preference is given to companies that already operate on the basis of subscription and/or SaaS models. In recent years, company acquisitions were successfully realized and integrated, particularly in the Media segment. There are currently M&A activities and targets in all segments.

The acquisitions and investments that were carried out in the 2023 fiscal year and are of material relevance to business performance are described in detail in [<< 3.2 Business Performance in 2023 and Key Events Influencing Business Performance >>](#).

Business Enablement

Business Enablement is a global strategic initiative to reduce the complexity arising from the wide brand variety in the Nemetschek Group. The aim is to raise operational excellence through greater organizational efficiency and effectiveness, harmonized processes, the exchange of best practices, and an optimized tool and support system landscape. This includes, for example, harmonizing the back-end systems for human resources, enterprise resource planning (ERP), and customer relationship management (CRM), or the increase in development centers that are used by multiple brands. Furthermore, besides the harmonization of enablement processes and IT infrastructure, an organizational harmonization of various business functions such as People/HR, Controlling & Risk Management, Finance, and IT is also taking place. The resulting synergies, more efficient scaling possibilities

as well as cost efficiency and effectiveness will make an important contribution to the implementation of the growth strategy and further investments in the future value creation of the Nemetschek Group.

The Nemetschek Group's strategic orientation, key topics and corporate goals are carefully anchored in the strategic plan and form the guiding principle for corporate development. The strategic plan is discussed and reviewed in detail at regular intervals by the Executive Board and the segment heads together with the global Nemetschek management team and in cooperation with the Supervisory Board. Identified deviations from the targets set out in the strategic plan are countered with targeted countermeasures. If necessary, targets are adjusted to ensure that the Nemetschek Group's strategy always meets current market, competitive and customer requirements.

1.3 Research and Development

Research and development are a very high priority at Nemetschek. In the 2023 financial year, €201.6 million (previous year: €182.6 million) were invested in research and development.

Around 24% of Group revenues therefore went toward research and development in the 2023 fiscal year (previous year: around 23%) and into new and further development of the solution portfolio. Furthermore, roughly 39% (previous year: 40%) of employees work in research and development, emphasizing once more the high priority that this area of business has for the Nemetschek Group.

The development of new, innovative solutions and enhancement of tried and tested ones rested largely on internal resources and only drew on the services of third parties to a small extent. In terms of expenditure, 88% (previous year: 90%) was on internal R&D employees (including cost of goods sold and depreciation and amortization) and just 12% (previous year: 10%) on external service providers.

Through its research and development activities, the Nemetschek Group is pursuing an aim of further expanding its innovation in the AEC/O and media markets, and identifying technological trends at an early stage, developing them into marketable solutions, and establishing them in the market. Proximity to and cooperation with clients is a key component of this. Ideas and potential for improvement are identified in close exchange with clients and then evaluated by the brands in the respective segments.

In each segment, the Segment Heads, together with their segment's brands, draw up a road map as part of the annual planning process where the strategic product developments at brand level and across brands are laid out. Regular review discussions are held between the brands and Segment Heads as well as the Executive Board to present and verify the progress in implementing the road map and, if necessary, decide new measures.

The Group's brands have their own development departments. There are also cross-brand development centers which the brands access. In addition to the enhancement of the brands' individual solutions, there is a strategic focus on cross-brand development projects in the segments as well as strategic initiatives which also extend across the segments.

Innovation Focuses

All brands continuously enhance their existing solutions. The brands, in their respective segments, worked on tasks such as improving the user-friendliness of their solutions, process optimization, and integrated interfaces and connections for a seamless OPEN BIM workflow. Simultaneously, all brands work on steadily expanding their existing solution portfolios to reflect technological trends and changed client needs and, in doing so, secure their position as innovation leaders in their markets. A special, cross-segment focus for development work in the 2023 fiscal year remained the ongoing development of subscription and SaaS offerings.

The further development of the digital twin platform in particular as well as developments surrounding artificial intelligence were priorities, alongside topics such as sustainability and interoperability.

The Digital Twin business unit, which was inaugurated in the 2022 fiscal year, ties together the entire AEC/O life cycle. Its developments center around the dTwin digital twin platform, which was launched in fall 2023. This open and horizontal SaaS cloud solution provides data-based insights and helps clients to manage building structures efficiently from planning through to operation. By bringing together all the relevant data and information from across the building life cycle and real-time data from building operation using sensors and other sources that can be connected via open interfaces, Nemetschek's new dTwin solution closes the gap between planning, construction, and operation, enabling an open, data-driven Building Lifecycle Intelligence™ approach. The initial focus for this is on clients involved in building operation and management.

Another important focus for development activities is innovation from the use of artificial intelligence, with work being done on various initiatives across the Group. In late 2023, Nemetschek announced product expansions and strategic partnerships that use artificial intelligence (AI) technologies to improve processes in the construction life cycle and in the media industry, increase productivity, and promote creativity. The objective of the initiatives is to provide clients in the AEC/O and 3D animation industries with trustworthy and ethically sound artificial intelligence.

Nemetschek's Graphisoft brand, for example, debuted an AI-based visualizer for its BIM software solution, Archicad. Using an AI engine that generates high-quality imaging, the software's users can shorten the early design process by generating multiple design visualizations without modeling them in 3D. The AI visual-