



# **Definitions**

**July 2020**

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## Highlights

### 1. Guidance

In June 2020, RIB issued a guidance for 2020 of EUR 240m – 270m in Revenue and EUR 55m – 75m in Operating EBITDA. The guidance update was issued in connection with the signing of a major iTWO 4.0 Phase III contract with "Die Autobahn GmbH des Bundes" with a volume of approximately EUR 15 million over the next 4 years. This guidance is issued after taking into account of the further probable consequence of the COVID-19 pandemic, provided that it does not intensify in the course of the remaining year.

In March 2020, RIB suspended the guidance of 13 February 2020 until further notice. This is due to the current developments in connection with the coronavirus (COVID-19) pandemic. The management aims to provide updates when there is more visibility to the developments of the global health crisis and its economic impacts.

In February 2020, RIB has confirmed its 2020 guidance of 270m to 310m euro in revenue and 57m to 65m euro operating EBITDA which was due to improved sales condition and a large Phase-III deal signed in January 2020. We expect a high revenue growth rate and EBITDA margin to be over 20% which we intend to grow to over 30% in the midterm.

In December 2019, RIB has given a conservative guidance of 260m to 300m euro in revenue and 52m to 60m euro EBITDA with no phase-III deals or large 2020 M&A deals with full consolidated revenue & EBITDA were included. In the transformation from license to subscription, we have a mixed pipeline of targets and deals, that can flow through different fiscal quarters. Therefore, we gave a conservative guidance which we can adjust when we have more visibility on deals and signings flowing through.

In our guidance history of 2018 and 2019, despite a conservative approach, RIB has been able to regularly provide updates to the guidance and have a strong track record of guidance outperformance.

In 2018, we started with a guidance range of 117m to 127m euro and achieved revenues of 136.9m euro. The EBITDA guidance of 33m to 43m euro was achieved with 38.8m euro.

In 2019 our revenue guidance ranged from 180m to 200m euro and we updated to a range of 210m to 225m euro after we have more visibility on signed deals. We eventually achieved annual revenue of 214.3m euro and EBITDA of 50.1m euro. EBITDA guidance was ranged from 36m to 46M and we adjusted the forecast two times to 46m to 52m euro as a result of outperforming our initial guidance as we developed the business throughout the fiscal quarters.

### 2. Successful Takeover Bid from Schneider Electric for RIB Shareholders

On 10 July 2020, RIB announced the successful completion of the voluntary takeover bid from Schneider Electric SE. All closing conditions have been fulfilled, including the CFIUS approval received on July 10, 2022. RIB will be consolidated in Schneider Electric's accounts as part of the Energy Management business.

In February 2020, we announced a compelling offer from Schneider Electric for RIB shareholders that Schneider intends to take minimum threshold of 50% plus 1 RIB share on a fully diluted basis by 29 euro per share in cash. This offer represents a 41% premium on RIB's last closing price and a 37% premium on the last three months' volume weighted average. And the previous analyst target price is within the range of 17.5 to 22 euro.

This offer is supported by RIB's Administrative Board and there's no domination agreement. We saw huge synergies with Schneider's business and the opportunities in running together to create a carbon-free and sustainable future for the next generation as we share the similar corporate culture and entrepreneurial spirit. We will work towards the increased efficiency and sustainability across the full construction life cycle.

Our CEO and CFO have committed to tender half of their shares (9%) and RIB will also tender about 7% treasury shares. Our CEO and CFO will continue their roles at RIB and remain on the administrative Board to execute the midterm plan. A joint force of Schneider Electric and RIB Software could secure the strategic execution of the midterm plan and enhance our credibility in the construction business. The synergies with 500,000 Schneider clients can open a large international sales network to RIB and extend the customer relationship within the construction eco-system. We also saw the opportunities in partnership to offer deep domain expertise in the building efficiency and sustainability.

## RIB Technology

### 3. iMTWO – iTWO & MTWO

The iMTWO segment comprises iTWO software technology and MTWO Cloud Platform technology.

iTWO 4.0 is the RIB-defined software standard for digital transformation in the Construct-Tech and Prop-Tech verticals. Through iTWO, RIB aims to empowers digital transformation and new business models in the Construction vertical.

It is based on state-of-the-art software architecture which integrates virtual into physical software applications compliant with iTWO technology standard. iTWO applications are accessible on cloud platforms like MTWO Complete Cloud and enable full mobility and integration of 5D BIM, AI, BI, IoT, VR, AR, and future developments.

iTWO 4.0 is an upgrade of iTWO 5D software. It is designed as an open-standard focusing on MTWO Cloud which can be used by RIB strategic partners and RIB-invested global alliance companies.

MTWO Cloud platform is an IaaS initiative between Microsoft and RIB which share a common goal to create and implement the world's No.1 vertical cloud for the Construct-Tech and Prop-Tech industries with strong focus on AEC, EPC, and DOI (Developers, Owners, Investors) clients.

On MTWO Cloud, clients can use all applications based on iTWO technology standard as well as Microsoft cloud applications (i.e. MS Office 365, MS Dynamics) together with tailored managed cloud services like Cyber Security, Load Balancing, User Management and more.

#### 4. XTWO LAB

New business concepts are developed within XTWO Lab. These new businesses such as xTWO, YTWO and SGTWO are defined as *wildcards* which have the potential to generate additional EBITDA up to 20 USD per user per month (no EBITDA is planned in the midterm). The new business models can generate EBITDA over profit sharing after investments.

The past projects of xTWO, YTWO and SGTWO were focusing on supply chain management, modular construction and data business. Income derived from these projects is more success-based and the investment phase can be 5+ years before we expect to generate positive EBITDA figures.

Within the scope of further cost reductions and the preservation of liquidity, we have strongly reduced investments in new business areas of xYTWO to focus on the successful expansion of the iMTWO segment.

#### 5. McTWO

McTWO is the artificial intelligence (AI) technology of RIB Group. It combines the newest Chatbot, voice recognition, machine learning, and deep learning technologies. McTWO can be activated e.g. over voice command “Hey TWO” comparable to “Hey Siri” or “Hey Alexa”. We expect the technology will be able to take over up to 50% of Engineer workload within midterm, and concurrently increase quality and accuracy.

## RIB User

#### 6. iTWO and MTWO User (target user)

RIB’s target user is defined as: “a user of MTWO or iTWO 4.0 applications”.

A target user has the potential to significantly contribute to EBITDA of up to \$30 USD per month and we expect to gain up to 2 million users in the midterm.

As a conservative midterm plan, achieving benchmarks of “\$15 USD per user per month, 1 Million user and \$180 M USD EBITDA” is acceptable as well.

#### 7. Convertible Users

A convertible user is defined as a software user who is using a software module/software tool/software application from RIB Group or MTWO Global Alliance partners e.g. based on desktop technology and has the potential to be converted to iTWO 4.0 and MTWO user.

A converted user is defined as a convertible user who has upgraded his desktop solution in favor of the iTWO 4.0 platform technology or MTWO cloud platform technology.

## RIB Targets

### 8. User Target

RIB targets to win 2 million users worldwide for iTWO 4.0 and MTWO platform. RIB Group currently holds more than 600,000 users worldwide. We estimated a total of 500,000 existing users to be potential convertible users which could grow to 1 Million in the midterm, because cloud technology can be used not only in the office but also on-site where most users are located.

During the investment phase from Q4 2018 to Q4 2022, RIB expects to invest in up to 50 Global Alliance partners, with a target to generate in average 20,000 more users per global alliance partner, which can lead up to additional 1 Million users in the midterm. Thus, our 2-million user target is achievable because of the Global Alliance support, strong salesforce and the multi years relationships to the client network.

As of H1 2020, RIB has achieved a total of 89,448 users and thereby achieving 89.4% of our 2020 target of 100,000 users.

We would like to highlight that we see our midterm target fulfilled if we reach 50% of the user target and EBITDA per user target per month. The EBITDA per user per month is mainly generated from software business and a small portion will be generated from services in the midterm.

### 9. Midterm

RIB's midterm period describes a time span of 5 years, (e.g. 2020 to 2025) with a variation plus/minus 2 years, which subsequently means 3 to 7-year time span (e.g. if a midterm target is targeting 2025, then the target is planned to be reached between 2023 and 2027).

### 10. >40% Target

**>40% target** is the midterm target which is calculated as the sum of **Organic growth** rate and **EBITA margin**. Factoring in the uncertainties within the global economic environment between 2020-2025, i.e. US/China trade war, digital tax, Brexit, tariffs and COVID-19, we have adjusted our midterm plan and have used a combined organic growth rate and EBITDA margin target of more than 40%, by achieving a >10% sustainable organic revenue growth rate and a sustainable EBITDA margin >30%, which is in line with our peer group 12 months after the investment phase ending 2021.

During the 17-quarter investment phase, RIB's target is to achieve an average quarterly EBITDA margin of 20-30% for the software and cloud business. As for the newly invested Global Alliance Partners, RIB is targeting to grow the average EBITDA margin to >20% in the first step and reaching >30% in the midterm on a RIB Group level.

## Investment & M&A

### 11. RIB Investment Capacity

In 2020, RIB expects to have available investment funds of over €400 Million as a sum of liquid assets, free cash flow and a credit line. It doesn't include issuance of new shares over the capital market. RIB Group is not planning to use capital increase over capital market to support the execution of the announced midterm planning.

### 12. Global Alliance

Global Alliance of RIB comprises the partners we have invested into during the investment phase which can be categorized as:

1. **Technology vendors:** software partners provide complimentary applications and solutions (IPR) which fulfill already or can be converted into iTWO technology standard and can be used on MTWO platform.
2. **Cloud services providers & ERP consulting companies:** services provider own construction software clients and provide e.g. cloud managed services, financial and technical ERP integration and implementation, digital transformation consulting, software development, but also own software applications which can be converted into iTWO 4.0 standard and used on MTWO Cloud. They can also provide consulting services for our users.
3. **Value-added resellers:** sales companies own a massive construction software client network and provide value-added services e.g. BIM services, training and consulting, but also own software applications which can be transferred into iTWO 4.0 standard and be used on MTWO Cloud.

As of June 19 of 2020, RIB has invested into 18 Global Alliance partners in the investment phase, which are Bochaosoft (China), VIM AEC (USA), Intech (Puerto Rico), SoftTech (India), Datapine (Germany), Redstack (Australia), Capricot (India), US CAD (USA), CCS UK (UK), Winjit (India), CCS (South Africa), BSD (USA), Cadline (UK), Datengut (Germany), Levtech (UAE), SaaSPlaza (Netherlands), A2K (Australia), and ICS (USA).

### 13. Global Alliance Strategy 2020 Onwards

Up to 50% of the 50 investments are planned to be fully consolidated in the acquired year (which RIB takes majority shares) and the remaining 50% are planned to be either consolidated within the 5-year plan (where RIB takes minority shares in the acquired year and has options to take additional shares to become a majority shareholder after 3 years) or not consolidated at all (where RIB takes minority shares).

We've built the global RIB direct sales and consulting network in 2019. Henceforth, we will prioritize the distribution of investment capacity in 2020 more into companies which can contribute complementary technologies to the MTWO Cloud Platform versus services and sales companies.

### 14. M&A Capacity

RIB has strong execution on M&A deals. After identifying the potential partners, the investment process will be executed within 90 days on average.

We estimate to execute up to 10 deals by the end of 2020 and accelerate in 2021 and 2022 post COVID-19, depending on market conditions.

RIB plans to reach a double-digit organic growth rate in 2022. After 2022, we plan to slow down the M&A activities and focus on increasing the organic growth rate and EBITDA margin.

## Growth

### 15. ARR Growth

ARR is defined as annual recurring revenues generated out of iMTWO. We are transforming from license-based business model to subscription-based business model and have delivered a solid performance in 2020 H1 with 45.0% growth in ARR.

The subscription-based business model enables lower cost and higher income for the group in the long term. It also brings us a broader user base since 1 license seat can be converted to 2-3 subscription seats. Subscribers benefit from the subscription models with much more available functions, lower first year costs and more manageable recurring pricing. The subscription model is easier for implementation and upgrades with our MTWO Go Live in 48 Hours solution. Therefore, we will focus on the ARR growth in the upcoming years.

### 16. Fast Growth Revenue Modus

Within the fast growth revenue modus, we have defined our target to grow from 3,000 users to 2 Million user through organic growth and our Global Alliance. RIB has achieved a 42.6% YoY revenue growth and 13.7% organic growth in the iMTWO segment for 2020 H1. As we transition towards the mid-term, we expect to increase our organic growth to 15% and EBITA margin to 25%.

## Market & Potential Competitors

### 17. Addressable Market

The addressable market is defined from a top-down perspective. Based on Barclays Research, the worldwide IT spend was around 3.58trn euro in 2020 according to Gartner and 10% was related to software. The IT combined spend for construction was 75bn euro for the architecture, engineering, and construction verticals (AEC). 10% of the IT Spend in AEC vertical is expected to be software revenues, which is 8.25 bn euro. We think this market size is reasonable as well as a 11% CAGR. Therefore, we can expect a 17bn+ euro market size in the midterm.

### 18. Potential Platform Competitors

RIB Competitors are defined as IT companies, which are competing for market share in the construction software vertical. These competitors could also be potential partners of RIB. For instance, RIB's MTWO and Autodesk's BIM 360 (design collaboration platform) work complementarily.

In the construction space, Silicon Valley based companies like Procore are working on global Cloud Platforms and offering to digitally transform the Construct-Tech and Prop-Tech verticals. Glodon China, Nemetschek Germany, and Hexagon Sweden are also working on multiple solutions for the AEC industries. New global competitors out of start-ups, ERP, Cloud and CAD providers are expected to enter the market.

## Market Terms

### 19. Cloud Platform Technology

Cloud enterprise platforms enable clients to use multiple applications/modules on the cloud.

Cloud platform technology transformation in RIB has been characterized into three phases:

- R&D Phase: Up to 1,000-man years were spent on technology developments
- Investment Phase: The 3-year go-to-market period which defines the proof of concept (POC) for the company
- Pull Phase: We anticipate a fast-growing period after POC as the software platform reaches a critical mass of data consumption (ideally 2 million+ users).

Renowned platforms who have disrupted the market among others include Netflix, Salesforce, Uber and Airbnb.

## 20. Enterprise Cloud Platform

Enterprise technology is defined as business workflow-oriented software technology which connects all people in a given company and other stakeholders with the entire external ecosystem of this company.

## 21. 5D BIM

5D BIM refers to 3D design modeling combined with the dimensions time 4D and Cost 5D.

## 22. Digital Transformation

Digital transformation in RIB represents moving enterprises into data business. Digital transformation starts in connecting all people in the organization by using one platform for data collection, storing and securing, which now can be used for defining new data-driven business models. Digital transformation should lead to reduction of cost, increase of accuracy, mitigation of risk, increase of capacity, increase of transparency, and ability to optimize workflows. Digital transformation requires people's mindset change, management capabilities change and implementation phase of 24 to 36 months. RIB is considered as a global market leader with digital transformation solutions in the AEC/EPC related industries.

## Others

### 23. General Framework of Phase-II & Phase-III Deals

Phase III deals are generally defined when the expected revenue in the first 48 months can reach over \$5 million. Phase II deals are generally defined when the expected revenue in the first 48 months can reach \$500,000 to \$5 million. 50% of the expected Phase II and III deal revenue needs to be contractual agreed by signing in case the revenue generating is success based.

### 24. Deal Types by Different Business Models

License Model	The contractual amount of a license deal includes license fees, and 48-month maintenance and consulting service fees.
Subscription Model	<ul style="list-style-type: none"> <li>▪ An IaaS MTWO contract is valid for a fixed period of 12- to 60-month services and includes services like consulting.</li> <li>▪ A SaaS iTWO 4.0 and related services subscription is valid for a for 12- to 60-month period</li> </ul>
Transaction Model	A transaction deal refers to a 12 to 60-month contract period based on multiple cooperation models.