



Definitions

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Disclaimer

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Table of Contents

RIB Technology	4
1. iTWO 4.0 Technology.....	4
2. MTWO Cloud Platform.....	4
3. xTWO.....	4
4. McTWO.....	4
RIB User	4
5. iTWO 4.0 and MTWO user (target user).....	4
6. YTWO user	5
7. Convertible Users	5
RIB Target	5
8. User Target.....	5
9. Midterm Target	5
10. EBITDA Margin Target.....	5
11. xYTWO EBITDA Contribution to RIB Group.....	5
Investment & M&A	6
12. RIB Investment Capacity	6
13. MSP Partner	6
14. MSP Partner Unit Average Investment	7
15. Last Six-Month MSP Partner Investments.....	7
16. M&A Capacity.....	7
17. Past M&A Results since IPO 2011	7
Growth	7
18. Organic Growth in RIB SE	7
19. Fast Growth Revenue Modus	8
Market & Peers	8
20. Market Size	8
21. Potential Platform Competitors.....	8
22. RIB Cloud Peer Group	8
23. RIB AEC Peer Group	8
Market Phrase	9

24. Cloud Platform Technology	9
25. Enterprise Cloud Platform	9
26. 5D BIM	9
27. Digital Transformation	9
<i>Others</i>	9
28. EUR/USD Exchange Rate	9
29. Cost and Headcount Definition.....	9
30. General Framework of Phase-II & Phase-III Deals.....	10
31. Deal Types by Different Business Models.....	10

RIB Technology

1. iTWO 4.0 Technology

iTWO 4.0 technology is the most advanced platform technology, which is able to carry more than 1,000 modules, unlimited users, based on a software architecture which allows full mobility, integration of artificial intelligence, functionality, and all variations of usages.

iTWO 4.0 platform technology can be used on the cloud and is especially designed for using on the MTWO Cloud. iTWO 4.0 technology opens the possibility to integrate all RIB software technology but also to integrate all technology developed by RIB partners. If modules are converted into the iTWO 4.0 technology, they can be used on the MTWO cloud, too.

2. MTWO Cloud Platform

MTWO Cloud platform is an initiative between Microsoft and RIB to create and implement the world's No.1 vertical cloud for the real estate, infrastructure, and construction industry with strong focus on AEC and EPC.

On MTWO Cloud, clients can use all modules out of iTWO 4.0 technology from RIB, Microsoft (i.e. MS Office 365, MS Dynamics), and all RIB Partners who are providing modules which can complement the MTWO offering.

3. xTWO

xTWO is RIB's e-commerce technology which is developed and tested within a pilot implementation, called xTWO Limited. It is planned to offer the xTWO technology worldwide to run digital transformation within the distribution of building materials. xTWO platform could be qualified as an "Amazon" business model for the construction and real estate industry.

4. McTWO

McTWO is the AI technology of RIB Group. It combines newest Chatbot, voice recognition, machine learning, and deep learning. The user interface of McTWO could be compared with Apples Siri, Microsoft Cortana or Amazons Alexa. It's targeted to take over up to 50% of Engineer workload within midterm and at the same time increasing the quality and accuracy of delivered content.

RIB User

5. iTWO 4.0 and MTWO user (target user)

In RIB, a target user is defined as a user of iTWO 4.0 technology. It can be used with a private data center, in a hybrid mode or on MTWO cloud and has the potential to contribute to an average (based on all global USERS) EBITDA of \$30 USD per user per month over subscription and an average \$20 USD EBITDA per user per month over transaction and profit sharing in the midterm. RIB target is to reach 50 USD EBITDA per USER per month for all Cloud platform offerings in the future.

6. Y TWO user

Y TWO users are using iTWO 4.0 technology or the MTWO Cloud services. The EBITDA per user per month is generated out of a mix of subscription and success fee. Success fee is defined as a percentage of the transaction volume (products and material managed over the platform), or in profit sharing business concept (i.e. a joint venture). Y TWO partners are mainly from the Real Estate and building materials industry, looking for an additional business model which can generate a return out of their own ecosystem. Thus, Y TWO focuses on product catalog and supply chain management module.

7. Convertible Users

Convertible user is a software user who is using a software module/software tool/software application from RIB Group or MTWO partner e.g. based on desktop technology and has the potential to be converted to iTWO 4.0 and MTWO user. After the user is changing his e.g. desktop solution in favor of the iTWO 4.0 platform technology or MTWO cloud platform technology, then the user is defined as a converted user.

RIB Target

8. User Target

RIB Group currently owns more than 600,000 users worldwide. 500,000 users are potential convertible users which could grow to 1 Million in the midterm. Through MSP investments and strategic acquisitions, we are targeting to generate in average 20,000 more convertible users per partner unit and an additional 1 Million users in the midterm.

9. Midterm Target

Midterm target of RIB is describing a period 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. EBITDA Margin Target

During the investment phase, RIB Group EBITDA margin is estimated between 20-30% and expect to grow the margin to the level of RIB Cloud Peer (e.g. Microsoft) in the midterm.

RIB is targeting to grow the EBITDA margin in the MSP partner companies after first 12 months (integration period of MTWO) to the Microsoft announced target of 20% for these companies in the midterm. On a RIB group level, the EBITDA margin should reach more than 30% in the midterm.

11. xY TWO EBITDA Contribution to RIB Group

xY TWO is targeting to win 3,600 real estate clients with average 200 building units plus thousands of xTWO clients/users in the midterm. Based on a transaction volume of 20,000 USD per Y TWO building unit and additional xTWO transactions, the estimated reachable transaction volume can be over 24 Billion USD in the midterm.

EBITDA contribution for RIB Group after profit sharing with JV partners could be based on 2 Million platform users and 12,000 USD transaction volume in average per user per year and a 2% EBITDA or 20 USD EBITDA per user per month. 25% EBITDA contribution could be generated out of E-Commerce transactions and 75% out of new Cloud/AI products and services like marketing, finance and consulting.

During the first 2 years of investment phase, there will be no significant EBITDA contribution but a start-up cost in xYTWO in 2019 and 2020. Beginning in the third year, RIB planned to be breakeven and generate continuous growing EBITDA contribution of the total transaction volume and EBITDA contribution percentage over profit sharing starting from 1% to 2% of the total transaction volume. RIB's midterm target is to reach an average 20 USD EBITDA contribution per iTWO / MTWO USER over xYTWO business.

To reach the midterm target, RIB planned to enter into 40 partnership agreements and up to 10 JV agreements with leading suppliers additionally to Flex. In 2019, RIB planned to increase YTWO clients from 5 today to over 10 clients and to sign ≥ 3 partner/JV agreements.

Investment & M&A

12. RIB Investment Capacity

RIB investment capacity is defined for three-year forward looking and is consisting of the following positions: sum of cash, free cash flow for investment activities, treasury shares & outstanding common shares, and refinancing power (bond or bank loans). 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.

Investment Capacity Example: If RIB current cash is 250 M USD, cash flow reserved for investments from 2019 to 2021 is 100 M USD. Treasury shares is 100 M USD based on a share price of 30 USD, and bond/loan facility is 50 M USD. Then the total investment capacity would be 500 M USD. 500 M USD could be invested into 50 MSP partner unit investments for 500 M USD revenue and a 50 Million USD EBITDA in year 2 which can be further developed to 150 M USD EBITDA on RIB Group level in the midterm.

If RIB increases the number of MSP and partner investments from 4 units to 50 units in the investment period, investment contribution (e.g. cash and treasury shares) would be around **300 Million USD** (65% out of 460 Million USD) in the period of 2019-2021 and around 160 Million USD (35% out of 460 Million USD) would be invested in the next period of 2022-2025 if RIB is taking over 100% shares of the investment units. 65% shareholding is based on previous four MSP investments, which was in an average of 65% shareholding for each investment unit in the first stage.

13. MSP Partner

MSP Partners are IT companies that RIB has partnered with or invested in, which focus on ERP and consulting, cloud expertise, sales network in Architecture Engineering Construction (AEC)/Engineering Procurement Construction (EPC), software products for AEC/EPC which can be converted to modules into the iTWO 4.0 technology.

14. MSP Partner Unit Average Investment

MSP partner unit average investment is defined as an investment of majority/minority shares into a company which reaches around 10 Million USD revenue, 10% EBITDA margin, and 20,000 convertible users. Investment in such unit is carried out based on an average 8-12x EV/EBITDA and 0.8-1.2x EV/Revenue. But multiple can be also higher and lower based on multiple factors.

Within midterm, the EBITDA margin of such invested companies should move to 20%, based on Microsoft research report for MSPs. On RIB Group Level, EBITDA margin should reach >30%. Enterprise value per FTE could be around 100,000 USD.

15. Last Six-Month MSP Partner Investments

In the last 6 months, RIB has invested into four MSPs which are ICS (Redmond, USA), A2K (Brisbane, Australia), SaaSplaza (Amsterdam, Netherlands), and Levtech (Dubai-Bangalore, UAE-India). The average investment per 1 USD revenue was below 1 USD, and the average EV/EBITDA multiple was below 10.

16. 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. M&A Capacity in 2019-2021 of RIB Group is estimated to be ≥10 units in 2019 and is targeted to reach a double digit organic growth rate in 2021. The period of 2019-2021 is defined as RIB's investment phase. After 2021, we plan to slow down the M&A activities and focus on increasing the organic growth.

17. Past M&A Results since IPO 2011

RIB has completed lots of successful strategic investments since IPO 2011. Examples for successful investments among others are Exactal, xTWO, TX, Soft S.A., RIB SAA, and US Cost.

After acquired by RIB, the Revenue of RIB SAA has increased by 111% from 2015 to 2018, with a very high CAGR of 28%. Revenue of xTWO has increased by 108% from 2014 to 2018, and revenue of TX has increased by 88% from 2011 to 2018. Revenue of Soft S. A. has increased by 71% from 2014 to 2018, Net Profit increased by 175%, and Net Profit Margin has increased from 30% to 48%. Revenue of Exactal has increased by 25% in just one year, from 2017 to 2018, Net Profit has increased by 60% while the Profit Margin has been increased from 18% to 23%. Revenue of USC has increased significantly by 40% from 2017 to 2018. We expect our upcoming investments will reach a positive level as our past M&As.

Growth

18. Organic Growth in RIB SE

Organic growth is estimated in the investment phase at a single digit and the organic growth rate grows to double digits at the end of investment phase and is estimated to grow 5% p.a. up to the year of 2025. This includes all business units which remain at least 12 months within RIB Group. For RIB Group the conversion rate is also a source of organic growth and it can generate highest value when focus on conversion rate during investment phase.

19. Fast Growth Revenue Modus

Within the fast growth revenue modus, we have defined the target to grow from 3,000 target users to 2 Million target users over organic growth and acquisitions in midterm. In Q4 2018, RIB achieved a 56% YoY revenue growth rate. If the investment capacity is used during investment phase, high growth rate should continue in the midterm.

Market & Peers

20. Market Size

The market size is defined by a percentage of IT spending based on total revenue. The global construction GDP stands for 10 Trillion USD in 2017 and is expected to reach 15 Trillion USD by 2025. The IT spending in construction industry is estimated to increase from 1% in 2017 to 3% by 2025 which will lead to an estimated IT market of 450 Billion USD. It's estimated that the three leading global platform providers will share a significant stake of the total IT market, and we estimated a EBITDA of 135 Billion (based on industry average) could be generated from this market and 10% out of IT market EBITDA could be generated from New Players. The EBITDA potential is uncertain due to industry factors. In RIB's addressable market, which is the segment of the new platform players, RIB is targeting to reach around 10% market share in the midterm with 60% from iMTWO business and 40% from xY TWO products and services.

21. Potential Platform Competitors

RIB Competitors are defined as IT companies, who are competing about IT platform budgets in the midterm. These competitors could potentially **also be partners of RIB SE**. Autodesk has developed a platform BIM 360 based on AWS mainly for CAD users. Besides Autodesk, companies like SAP, Oracle, Hexagon, Trimble, Procore, Dassault, AVEVA, Bentley, Glodon, Nemetschek are competing for users for their own platform technology. BIM 360 with focus on design and MTWO with focus on engineering are leading cloud platforms in the AEC industry based on a mix formula of outreach, end-to-end capacity, in-house consulting capacity, and cloud consumption (Azure/AWS). Competitors are mainly coming from CAD software and ERP software but also new Cloud start-ups have joined the competition. It is expected that more competitors will enter the market.

22. RIB Cloud Peer Group

Cloud peer group are a group of companies mix out of Google, Adobe, and Microsoft which has an average EBITDA margin of 36%.

23. RIB AEC Peer Group

To analyze EBITDA multiple, revenue multiple, and enterprise value, we are calculating through the current multiples of the listed companies in the AEC industry, which are in EU/Germany Nemetschek, America /USA Autodesk, and Asia/China Glodon. By Feb 25th 2019, the AEC peer group average P/S multiple is 12, the average EV/Revenue multiple is 13, and the average EV/EBITDA multiple is 45.

Market Phrase

24. Cloud Platform Technology

Cloud platforms enable the clients to use applications/modules on the cloud. They are characterized by three phases: 1,000 man years R&D phase, 3-year go-to-market and investment phase, and lightning fast growing phase after POC (Proof of Concept) and reaching a critical mass of data consumption (e.g. 100,000 users). Widely renowned platforms who have disrupted the market among others include Netflix, Salesforce, Uber and Airbnb.

25. Enterprise Cloud Platform

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

26. 5D BIM

5D BIM means 3D modeling combined with the dimensions cost and time instead of 2D drawing.

27. Digital Transformation

Digital transformation in RIB stands for 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, change management capabilities and implementation phase of 24 to 36 months. RIB is considered as a global market leader in digital transformation solutions in the AEC/EPC related industries.

Others

28. EUR/USD Exchange Rate

Based on UBS exchange rate forecast, EUR/USD exchange rate is expected to be 1.2 by the end of 2019 and 1.25 by the end of 2020. In addition, the three-year forward rate of EUR/USD is around 1.3 forecasted by UBS.

Within RIB's Midterm planning, we are calculating on the exchange rate basis of 1.2 EUR/USD currently during the investment phase and increase to an exchange rate of 1.3 EUR/USD in the midterm.

29. Cost and Headcount Definition

We defined cost mainly for COGS out of xTWO and R&D, MSP consulting, administration and other costs, sales and marketing. We assume that we will spend p.a. 15-25% in R&D, 30-40% in MSP consulting, 10-15% in administration and other costs, 20-25% in sales and marketing, 2-8% in xTWO COGS with a EBITDA margin of 20-30% in the investment phase. FTE number is defined through cost (excluding xTWO COGS) divided by 80,000 USD per employee cost with an annual general increase of 5%. FTE cost can be changed in different regions.

30. 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 or the contract renewal has to be performed before 48 months.

31. Deal Types by Different Business Models

- License model
 - License deal: contract amount includes license fees and 48-month maintenance and consulting service fees
- Subscription model
 - MTWO contract for 60-month services include consulting
 - Subscription services contract for 60 months
- Transaction model
 - Y TWO contract #1: total deal amount includes a). transaction fees from supplier based on the transaction volume; b). consulting fees from clients. Minimum payments would be required if no transaction or transaction below the baseline
 - Y TWO contract #2: total deal amount includes a). a fixed fee from supplier; b). consulting fees from clients
 - Y TWO contract #3: e-commerce project order: total deal amount is service fee based on a percentage of orders
- Others
 - Professional services contract

RIB has set the target of reaching the threshold of 30,000 contractually agreed users in fiscal year 2019. A user is defined as someone who has been granted the right to use the software.