

16th September 2019

## RIB SOFTWARE

Technology  
Software & IT services

## NEUTRAL

Fair Value EUR17.5 vs. EUR17 (-13%)  
Share price EUR20.12  
EPS 3Y Cagr 16.8%

### Raising revenue and EBITDA guidance on the back of the acquisition of US CAD

#### Consolidation of US CAD the main driver

RIB announced intraday on Friday that it was again raising its 2019 guidance for revenue and EBITDA. The new guidance now calls for revenue of EUR210-225m (vs. EUR200m-EUR220m before) and EBITDA of EUR46-52m (vs. EUR45-50m before). In our view, this new guidance mostly relies on the consolidation of US CAD from September on (see: [RIB acquires 60% of a BIM consulting firm for USD26.4m](#)). We estimate the acquisition of US CAD will generate EUR10m in revenue in 2019 and EUR30m in 2020. This is the second time this year that RIB Software has raised its guidance thanks to acquisitions, as we had pointed out [following the publication of Q2 results](#).

#### “Phase-III” contracts are not to be overplayed

While announcing it was raising its guidance, RIB also announced the signing of a Phase-III contract with Swietelsky, an Austrian construction company. According to RIB, a Phase-III contract means that the expected revenue in the first 48 months can reach over USD5m (c. EUR4.5m). This is the second Phase-III contract announced this year, after the one signed by the US consulting branch in March. In previous years, RIB had won two Phase-III contracts in 2014, one in 2016 and two in 2017. Although RIB announced this contract-win and the new guidance simultaneously, the Phase-III contract should not have a material impact on revenue this year, as we estimate that in the case of a licence-based contract and a EUR5m total value, only c. EUR2m would be recognized in 2019 (and even less so for a subscription-based contract).

#### Revenue generation more and more leaning towards consulting

In order to have local anchors capable of distributing its software solutions, RIB has gone on an investment spree since mid-2018, acquiring seven companies and taking minority stakes in three others. Among the acquisitions, only 3 were true software companies, while the rest were either software resellers, offering consulting services, or both. We estimate that consulting, services and software reselling now account for 40% of RIB's revenue (vs. 18% in 2017 and 24% in 2018). These businesses weigh on margins, and we currently estimate a 23% EBITDA margin for 2019, a figure which decreases to 18.4% if we account for the capitalization of R&D expenses.

#### Low organic growth & execution risks underpin our Neutral stance

We are reiterating our Neutral recommendation on the stock but are slightly raising our Fair Value to EUR17.50 (vs. EUR17.0 before). We have adjusted our numbers to take into account the acquisition of US CAD and the minority investments in Winjit and Capricot. In all, our EPS go up by 2% in 2019, 4% in 2020, and 4% in 2021. Although our FV implies some downside, we believe that the gap is mostly driven by speculation, which we are not accounting for in our FV. As a reminder, before CEO Tom Wolf told journalists that he was having preliminary discussions with a potential strategic investor a few hours after the publication of Q2, sending the stock upwards, the stock was trading below EUR18. Our main issues with RIB remain the below average organic growth (5-10% targeted this year, 5.3% in H1) and the numerous risks coming with the strategy (RIB plans to take stakes in 40 more companies by end-2021).

David Vignon

33(0) 1 56 68 75 92  
dvignon@bryangarnier.com

[Click here to download document](#)

#### Market Data

Bloomberg / Reuters	RIB GR/RIB.DE
Market Cap.	EUR1,041m
E.V.	EUR822m
Free Float	74%
Avg. Daily volume (6m)	267.1
12m high / low	EUR20.9 / EUR9.4
Ytd Perf.	70.1%

EURM	12/18	12/19e	12/20e	12/21e
Sales	136.9	213.0	277.4	310.5
% Change		55.6%	30.3%	11.9%
EBITDA	45.2	49.1	70.0	81.6
% Change		8.7%	42.4%	16.6%
EBIT	31.7	20.5	30.1	44.8
% Change		-35.1%	46.5%	49.1%
Net Income	20.5	14.6	21.1	31.6
% Change		-28.5%	44.3%	49.7%
ROE	0.05	0.03	0.05	0.07

	12/18	12/19e	12/20e	12/21e
EV/Sales	6.0x	4.4x	3.3x	2.9x
EV/EBITDA	18.2x	19.1x	13.2x	10.9x
EV/EBIT	26.0x	45.7x	30.6x	19.9x
EPS	0.41	0.30	0.43	0.65
% change		-26.4%	44.8%	49.7%
P/E	49.5x	67.3x	46.5x	31.1x
Div Yield	0.9%	0.9%	0.9%	1.3%

#### Next Catalyst:

3rd quarter results, 31st October

#### Last FV Change:

[2019-8-1, Taking steps in the right direction](#)

#### Last Reports:

[2019-8-28, Acquires 60% of a BIM consulting firm for USD26.4m](#)

## RIB SOFTWARE

**NEUTRAL**

<b>Fair Value</b>	EUR17.50 (-13%)
<b>Share price</b>	EUR20.12
<b>Market Cap.</b>	EUR1,041m
<b>EPS 3Y CAGR</b>	16.8%

Fiscal year end 31/12	2017	2018	2019e	2020e	2021e
<b>Financial Summary</b>					
EPS (EUR)	0.40	0.42	0.30	0.43	0.65
Restated EPS (EUR)	0.32	0.41	0.30	0.43	0.65
% change	2.9%	26.6%	-26.4%	44.8%	49.7%
FCF (EUR)	0.27	0.39	0.43	0.52	0.77
Net dividend (EUR)	0.18	0.18	0.18	0.18	0.26
Average yearly Price	15.60	20.35	20.12	20.12	20.12
Avg. Number of shares, diluted (m)	45.74	50.37	48.92	48.75	48.75
Historical Enterprise value (EURm)	604	799	887	870	841
<b>Valuation (x)</b>					
EV/Sales	5.6x	5.8x	4.40x	3.32x	2.87x
EV/EBITDA	15.7x	17.7x	19.09x	13.16x	10.93x
EV/EBIT	21.8x	25.2x	45.66x	30.60x	19.88x
P/E	48.6x	50.1x	67.34x	46.51x	31.06x
FCF yield (%)	1.7%	1.9%	2.14%	2.59%	3.83%
Net dividend yield (%)	1.2%	0.9%	0.9%	0.9%	1.3%
<b>Profit &amp; Loss Account (EURm)</b>					
Revenues	108	137	213	277	311
Change (%)	10.6%	26.4%	55.6%	30.3%	11.9%
Organic change (%)	9.9%	7.8%	9.3%	14.0%	11.9%
R&D	-14	-17	-21	-29	-33
Adjusted EBITDA	38	45	49	70	82
Adj. EBIT	28	32	21	30	45
Change (%)	22.8%	14.2%	-35.1%	46.5%	49.1%
Financial results	0	0	1	0	0
Pre-Tax profits	24.2	28.4	21.5	29.7	44.5
Exceptionals	-5.4	-1.2	0.0	0.0	0.0
Tax	-11.1	-7.8	-6.9	-8.6	-12.9
Profits from associates	-3.5	-3.6	0.0	0.0	0.0
Minority interests	0.0	-0.5	0.0	0.0	0.0
Net profit	18.4	21.3	14.6	21.1	31.6
Restated net profit	14.7	20.5	14.6	21.1	31.6
Change (%)	2.9%	39.4%	-28.5%	44.3%	49.7%
<b>Cash Flow Statement (EURm)</b>					
Operating cash flows	40	38	43	61	68
Change in working capital	-18	-8	-6	-16	-9
Capex, net	-10	-11	-12	-15	-17
Free Cash flow	12	20	21	25	38
Financial investments, net	-19	-18	-109	0	0
Dividends	-7	-9	-9	-9	-9
Capital increase	0	127	0	0	0
Other	-21	-14	-24	-5	-5
Change in net debt	40	-105	116	-17	-29
Net debt (+)/cash (-)	-95	-200	-84	-101	-130
<b>Balance Sheet (EURm)</b>					
Tangible fixed assets	17	19	37	35	33
Intangibles assets	55	115	175	157	144
Cash & equivalents	100	205	89	106	135
current assets	67	82	90	105	114
Other assets	127	111	123	123	123
Total assets	366	533	514	526	549
L & ST Debt	6	5	5	5	5
Provisions	2	1	1	1	1
Others liabilities	64	81	92	92	92
Minority interests	0	12	12	12	12
Shareholders' funds	295	434	404	416	439
Total Equity & Liabilities	366	533	514	526	549
<b>Ratios</b>					
Adj. EBITDA margin	35.5%	33.0%	23.1%	25.2%	26.3%
Net debt/Adj. EBITDA (x)	-2.35	-5.28	-1.71	-1.44	-1.59
Adj. EBIT margin	25.6%	23.1%	9.6%	10.8%	14.4%
Tax rate	-39.3%	-26.0%	-32.0%	-29.0%	-29.0%
Adj. Net margin	13.6%	14.9%	6.9%	7.6%	10.2%
ROE	4.9%	4.5%	3.5%	4.9%	6.9%
ROCE	4.2%	3.9%	3.6%	4.8%	6.9%
Gearing	-	-	-	-	-
FCF/EBIT	42.2%	80.6%	102.6%	84.4%	83.9%
Dividend payout	56.1%	44.3%	59.3%	40.9%	39.5%



BRYAN, GARNIER & CO

---

*Source: Company Data; Bryan, Garnier & Co ests.*

## Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

### Stock rating

<b>BUY</b>	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
<b>NEUTRAL</b>	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
<b>SELL</b>	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

### Distribution of stock ratings

BUY ratings 49.4%

NEUTRAL ratings 42.9%

SELL ratings 7.6%

### Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the “Bryan Garnier Group”) has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the “Issuer”).	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person’s household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at [www.bryangarnier.com](http://www.bryangarnier.com)



# BRYAN, GARNIER & CO

## London

Bryan, Garnier & Co Ltd  
Beaufort House  
15 St. Botolph Street  
London EC3A 7BB  
United Kingdom  
+44 207 332 2500

## Paris

Bryan, Garnier & Co Ltd  
26 Avenue des Champs-  
Elysées  
75008 Paris  
France  
+33 1 56 68 75 20

## Munich

Bryan, Garnier & Co. GmbH  
Widenmayerstrasse 29  
80538 Munich  
Germany  
+49 89 2422 62 11

## Zurich

Bryan, Garnier & Co  
Theaterstrasse 4  
8001 Zurich  
Switzerland  
+41 44 991 3300

## New York

Bryan Garnier Securities  
750 Lexington Avenue  
16th floor  
New York, NY 10022  
United States  
+1 212 337 7000

## IMPORTANT INFORMATION

This document is classified under the FCA Handbook as being investment research (independent research). Bryan, Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan, Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan, Garnier & Co Limited is authorized and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom.

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom This Report has not been approved by Bryan, Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan, Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

This Report is based on information obtained from sources that Bryan, Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan, Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its

accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan, Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.

### Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.