



Press Release
Paris, France, March 16th, 2021 – 6 pm

FY 2020 Results

Building a foundation for improved growth and profitability

- Adjusted EBIT at €3.7 million; Net result at €1.4 million
- Gross margin rate increased to 74.5% vs 73.4% in 2019
- Clear roadmap aligning all Group efforts to accelerate revenue growth
- Committed to continuing to manage costs in 2021
- Q1 revenue currently expected to be in the range of €52m to €55m

ESI Group, Paris, France, (ISIN Code: FR0004110310, Symbol: ESI), releases its results for the financial year starting on January 1st and ending on December 31st, 2020, approved by the Board of Directors on March 15th, 2021.

Cristel de Rouvray, Chief Executive Officer of ESI Group, comments: “2020 was a cornerstone year for Industry and ESI Group. During this unprecedented year, ESI had the opportunity to accelerate its multi-year transformation and demonstrate both the resiliency of its business model and the adaptability of its costs. We contained the impact from revenue decrease with a pro-active management of costs, and the benefit of these decisions will be further seen in 2021 and beyond. We stand on a solid foundation, aiming for sustainable gains in both topline growth and profit, as the unique value we bring to industry becomes further recognized. ESI is the essential partner for digital transformation for our key customers. Through focus and best-practice execution, we aim to expand the impact and number of these mission critical engagements, via our unique combination of predictive simulation software and industry specific application knowledge built over the past 48 years. “

(€m)	FY 2020 ¹	FY 2019 (Jan – Dec)	Change	Change Constant exchange rate (cer)
Revenue	132.6	146.2	-9.3%	-8.7%
Gross margin	98.7	107.4	-8.1%	-7.5%
%revenue	74.5%	73.4%		
EBIT (adjusted²)	3.7	8.3	-55.6%	-55.0%
%revenue	2.8%	5.7%		
EBIT	4.0	8.4	-52.0%	-55.0%
%revenue	3.1%	5.8%		
Net result	1.4	n/a	n/a	
%revenue	1.1%	n/a	n/a	
Cash	22.5	20.2	11.0%	

¹ Ongoing audit on 2020 financial statements

² Adjusted EBIT before integration of IFRS 16 effect.



Control of costs and good resilience of results

[Full-year sales](#) were €132.6 million thanks to the very significant proportion of recurring revenue and an increase in the share of licenses in sales. Given the revenue challenge created by the COVID crisis, ESI Group took action to reduce costs to EBIT by 6.6% to €128.9m vs €137.9m in FY19. The full benefit of many of these cost management steps will be realized in 2021.

Gross margin rate increased to 74.5% vs 73.4% in 2019 due to licensing gross margin rate at 86.9% and relative weight of licenses in total revenue (82,4% in FY 20 vs 79.3% in FY 19). Operating costs (R&D, S&M & G&A) decreased by 4.2% at €95.1 m. Despite decrease in EBIT, net result remains positive (favorable forex result and lower income tax) at €1.4 million.

ESI has a strong cash position

ESI Group has demonstrated its capacity in a tough FY20 global environment to maintain a strong balance sheet. The net financial debt decreased to €24.9 m vs €29.4 m in 2019, with a gearing to 28.4% (Net debt/Equity) vs 34.2% end of December 2019. The Group has a strong cash position end of year at €22.5m including a new government guaranteed loan of €13.75m (*PGE State guaranteed loan*) versus €20.2m end of December FY19. It did not use its short term RCF (*Revolving Credit Facility*) end of this year versus a usage of €10m last year.

A roadmap to align all Group efforts to accelerate revenue growth

ESI was built on its ability to tackle the complex challenges of engineers across domains and across industries. During the past 18 months, the Group made a strong transformation effort to align its teams across the globe, to adopt best practices in systems, processes and tools, and to focus its strategy on its core business. The Group organization and roadmap are now set to tackle long-term objectives: deliver strong top-line growth while significantly improving the bottom-line.

Communicated a year ago, ESI has organized its value-proposition around 4 main industries and 4 main customer outcomes.

Development roadmaps are now defined for each industry. These roadmaps are used to align the multi-year investments priorities and guide the teams. ESI delivers compelling solutions in mission critical applications that enable its customers to make the right decisions at the right time. Some success stories that the Group shared in 2020 illustrate this:

- With ESI's help, Nissan Motors succeeded to create the right methodology and took the right engineering decisions in order to industrialize a new material – the CFRP (Carbon Fiber Reinforced Polymer); a key strategic milestone to reach their CO₂ reduction targets. [More](#).
- Thanks to ESI's human centric solution, Latécoère reduced its industrialization lead times while involving all stakeholders early in the development process to obtain their feedback and train operators in other regions of the world. [More](#).
- A world leading heavy machinery OEM remained productive during the COVID-19 crisis while using from home ESI's virtual reality solutions.

On the sales side, capitalizing on its strong installed base, the Group has defined a go-to-market strategy based on customer segmentation to, on one hand, strengthen the relationship and increase the business with existing top accounts and, on the other hand, drive new business opportunities globally.

This alignment has also allowed the Group to rationalize some elements of the Group's cost structure (align software development to return-on-investment, fewer facilities, global and streamlined events and marketing) the benefits of which were partly visible in 2020, and will continue to materialize in 2021 and future years.



The Group currently expects Q1 2021 revenue, to be in the range of €52 million to €55 million, compared to €54.9 million in Q1 2020.

Forward-Looking Statements

This release contains “forward-looking statements”. 2021 starts with a strengthened foundation allowing a stronger focus on execution toward sustainable growth and profitability. The continued support of the installed base is enabling the Group to focus on expanding business with top global accounts and increasing the new business pipeline. The Group expects Q1 2021 revenue to be in the range of €52 million to €55 million compared to €54.9m in Q1 2020. These statements are subject to a number of risks and uncertainties, including those related to the COVID-19 virus and associated further economic and market disruptions; further adverse changes or fluctuations in the global economy; further adverse fluctuations in our industry, foreign exchange fluctuations, changes in the current global trade regulatory environment; fluctuations in customer demands and markets; fluctuations in demand for our products including orders from our large customers; cyber-attacks; expense overruns; and adverse effects of price changes or effective tax rates. The company directs readers to its Universal Registration Document – Chapter 3 presenting the risks associated with the company’s future performance.

Upcoming event

First quarter 2021 – April 29, 2021 (6pm CET)

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About ESI Group

Founded in 1973, ESI Group is a leading innovator in Virtual Prototyping solutions and a global enabler of industrial transformation. Thanks to the company’s unique know-how in the physics of materials, it has developed and refined, over the last 45 years, advanced simulation capabilities. Having identified gaps in the traditional approach to Product Lifecycle Management (PLM), ESI has introduced a holistic methodology centered on industrial productivity and product performance throughout its entire lifecycle, i.e. Product Performance Lifecycle™, from engineering to manufacturing and in operation. Present in more than 20 countries, and in major industrial sectors, ESI employs 1200 high level specialists around the world and reported 2020 sales of €132.6 million. ESI is headquartered in France and is listed on compartment B of Euronext Paris. For further information, go to www.esi-group.com.

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APPENDIX 1

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

<i>(In € thousands)</i>	December 31, 2020 (Jan-Dec)	December 31, 2019 (Feb - Dec)
Licenses and maintenance	109,201	75,320
Consulting	22,864	25,718
Other	508	1,159
Revenue	132,573	102,197
Cost of sales	(33,838)	(33,873)
Research and development costs	(30,867)	(29,832)
Selling and marketing expenses	(40,242)	(38,841)
General and administrative expenses	(23,589)	(21,476)
Current operating result	4,037	(21,825)
Other operating income and expenses	9	1
EBIT	4,046	(21,824)
Financial result	(1,355)	(2,563)
Share of profit of associates	(258)	26
Income before income tax expense and minority interests	2,433	(24,361)
Provision for income tax	1,008	(3,447)
Net income before minority interests	1,425	(20,914)
Minority interests	11	32
NET INCOME (GROUP SHARE)	1,414	(20,946)
Earnings per share <i>(in €)</i>	0,25	(4,06)
Diluted earnings per share <i>(in €)</i>	0,25	(4,06)

Statement of comprehensive income

<i>(In € thousands)</i>	December 31, 2020 (Jan - Dec)	December 31, 2019 (Feb - Dec)
Net income before minority interests	1,425	(20,914)
Other comprehensive income recycled to income		
Change in the fair value of hedging instruments	11	(12)
Translation differences	(1,698)	866
Other comprehensive income (loss) not recycled to income		
Actuarial gains and losses	(133)	(688)
Income and expenses recorded directly in equity	(1,820)	166
COMPREHENSIVE INCOME	(395)	(20,748)
Attributable to Group equity holders	(403)	(20,792)
Attributable to minority interests	8	44

CONSOLIDATED BALANCE SHEET

<i>(In € thousands)</i>	December 31, 2020	December 31, 2019
Assets		
Non-current assets	145,297	151,473
Goodwill	41,002	41,448
Intangible assets	63,424	62,139
Property, plant and equipment	4,696	5,633
Rights-of-use assets	17,742	20,680
Investment in associates	728	1,099
Deferred tax assets	14,685	17,204
Other non-current assets	3,014	3,264
Cash-flow hedging instruments	6	6
Current assets	71,062	82,182
Trade receivables	33,486	44,732
Other current receivables	11,912	13,720
Prepaid expenses	3,198	3,489
Cash and cash equivalents	22,466	20,241
TOTAL ASSETS	216,359	233,655
Liabilities		
Equity	87,861	85,983
Equity (Group share)	87,779	85,912
Capital	18,110	18,055
Additional paid-in capital	26,280	25,833
Reserves and retained earnings	42,477	61,982
Net income (loss)	1,414	(20,946)
Translation differences	(502)	987
Minority interests	82	71
Non-current liabilities	63,737	62,166
Long term share of financial debt	39,264	30,457
Non-current lease obligation	12,324	16,227
Provision for employee benefits	11,474	11,016
Deferred tax liabilities	—	3,761
Cash-flow hedging instruments	14	28
Other long term debt	661	677
Current liabilities	64,761	85,506
Short-term share of financial debt	8,148	19,143
Current lease obligation	5,184	4,406
Trade payables	6,655	8,631
Accrued compensation; taxes and others short-term liabilities	22,754	24,230
Provisions for contingencies, risks and disputes	1,624	675
Contract liabilities	20,396	28,421
TOTAL LIABILITIES	216,359	233,655

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(In € thousands except number of shares)</i>	Number of shares	Capital	Additional paid-in capital	Net income, reserves and retained	Translation differences	Equity attributable to parent company owners	Minority interests	Total Equity
At January 31, 2019	6,017,892	18,053	25,818	61,197	(205)	104,861	771	105,632
Change in fair value of hedging instruments				(12)		(12)		(12)
Translation differences					848	848	18	866
Actuarial gains and losses				(682)		(682)	(6)	(688)
Income and expenses recognized directly in equity				(694)	848	154	12	166
Net income				(20,946)		(20,946)	32	(20,914)
Comprehensive income				(21,640)	848	(20,792)	44	(20,748)
Proceeds from issue of shares	600	2	15			17		17
Treasury shares				22		22		22
Share-based payments				690		690		690
Transactions with non-controlling interests				583	344	927	(750)	177
Other movements				187		187	6	193
At December 31, 2019	6,018,492	18,055	25,833	41,039	987	85,912	71	85,983
Change in fair value of hedging Instruments				11		11		11
Translation differences					(1,695)	(1,695)	(3)	(1,698)
Actuarial gains and losses				(133)		(133)	—	(133)
Income and expenses recognized directly in equity				(122)	(1,695)	(1,817)	(3)	(1,820)
Net income				1,414		1,414	11	1,425
Comprehensive income				1,292	(1,695)	(403)	8	(395)
Proceeds from issue of shares	18,100	54	447			526		526
Treasury shares				33		33		33
Share-based payments				783		783		783
Transactions with non-controlling interests						—		—
Other movements				722	206	928	3	931
AT DECEMBER 31, 2020	6,036,592	18,109	26,280	43,894	(502)	87,779	82	87,861

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(In € thousands)</i>	December 31, 2020 (Jan - Dec)	December 31, 2019 (Feb - Dec)
Net income before minority interests	1,425	(20,914)
Share of profit of associates	258	(26)
Amortization and provisions ⁽¹⁾	11,575	8,882
Net impact of capitalization of research & development costs	(1,841)	(1,300)
Income taxes (current and deferred)	1,008	(3,446)
Income taxes paid	(1,620)	(1,980)
Unrealized financial gains and losses	114	100
Share-based payment transactions	783	690
Gains (losses) on sales of assets	20	114
Operating cash flow ⁽¹⁾	11,722	(17,880)
Trade receivables	9,544	19,446
Trade payables	(1,865)	(293)
Other receivables and other liabilities	(10,445)	(865)
Change in working capital requirement	(2,766)	18,288
Net cash from operating activities	8,956	409
Purchase of intangible assets	(918)	(591)
Purchase of property, plant and equipment	(1,105)	(1,390)
Proceeds from the sale of assets	175	
Acquisition of subsidiaries, net of cash acquired		(795)
Other investment operations	131	(7)
Net cash used for investing activities	(1,717)	(2,783)
Proceeds from loans	13,723	14,422
Repayment of borrowings and lease debt ⁽¹⁾	(19,351)	(10,148)
Proceeds from issue of shares	526	17
Purchase and proceeds from disposal of treasury shares	33	22
Dividends paid		
Net cash used from financing activities	(5,069)	4,313
Effect of exchange rate changes on cash and cash equivalents	55	216
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,225	2,153
Opening cash position	20,241	18,087
Closing cash position	22,466	20,241
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,225	2,154
<p><i>(1) IFRS 16 application results in an increase of amortization cost and reimbursement of lease debt, it thus implies an improvement of Operating cash flow by € +5.7 million in 2020 (versus € +5.2 million in previous year), and increase of repayments in the financing part of the Cash Flow Statement for € -5.7 million (versus € -5.2 million in 2019)</i></p>		

APPENDIX 2

2019 COMPARABLE INFORMATION

Further to the change of closing date and to ensure good comparability of information, the main aggregates of 2019 financial statements have been recalculated on comparable basis from January to December 2019, in accordance with AMF Recommendation 2013-08. These recalculated data can be directly compared to 2020 ones.

Data presented here below have been adjusted from IFRS 16 standard application (impact on 2020 EBIT of +€0.4 million and on 2020 Operating cash flow of +€5.7 million).

<i>(In € million)</i>	2020 Jan - Dec	2019 Jan - Dec	Variation	Variation %
Revenue	132.6	146.2	(13.6)	(9.3 %)
Gross margin	98.7	107.4	(8.7)	(8.1 %)
Research and development costs	(30.9)	(31.7)	0.8	(2.7 %)
Selling and marketing expenses	(40.2)	(44.3)	4.1	(9.2 %)
General and administrative expenses <i>adjusted (before IFRS 16)</i>	(23.9)	(23.1)	(0.8)	3.1 %
EBIT <i>adjusted (before IFRS 16)</i>	3.7	8.3	(4.6)	(55.7 %)

<i>(In € million)</i>	2020 Jan-Dec	2019 Jan - Dec
Operating cash-flow <i>adjusted (before IFRS 16)</i>	5.9	5.7
Change in working capital requirement	(2.8)	4.9
Acquisition of intangible and tangible assets	(2.0)	(2.6)
Other investment and financing flows <i>adjusted (before IFRS 16)</i>	1.1	(0.2)
Total change in cash explained	2.2	7.8
Opening cash position as of January 1 st	20.2	12.4
Closing cash position as of December 31 st	22.4	20.2
Change in cash position	2.2	7.8

The 12 months comparable income statement substantially differ from 11 months results due to materiality of revenue recognized in January.

2019 comparable information have been established through performing an additional consolidation closing for ESI Group and all subsidiaries as of December 31, 2018, enabling to add January 2019 income statement to the one of 11-month fiscal year. The consolidation process applied was the same as for a usual year-end closing.

More specifically, licensing revenue being calculated on a monthly basis, as well as costs directly linked to revenue (royalties paid to third parties, commissions paid to agents), staff costs, net impact of the capitalization of development costs and net amortization, depreciation and provisions. These items of the income statement were calculated as of December 31, 2018.

Services revenue, which consists mainly of consulting fees, was recognized according to the percentage of completion method at end December 2018, for all entities with monthly monitoring. In the absence of monthly monitoring, a prorata by month for the last quarter of fiscal year 2018 has been calculated – this approach being acceptable given the month-to-month linearity of this activity's sales.

Some other external costs may result from prorata temporis estimates, such as office rental expenses which are invoiced quarterly.

APPENDIX 3

DETAILS OF EBIT ADJUSTED CALCULATION

<i>(In € million)</i>		FY 2020	FY 2019 Jan- Dec
A	EBIT	4.0	8.4
B	Operating lease retreatment	6.0	5.4
C	Amortization of rights-of-use	(5.6)	(5.2)
B+C=D	IFRS 16 impact on EBIT	0.4	0.2
A-D	Adjusted EBIT	3.7	8.3