

Full year 2021 sales & results



Investors presentation

ESI Group
March 1st, 2022

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Speakers



Cristel de Rouvray

CEO



Olfa Zorgati


EVP Operations & CFO

**Strong performance improvements as foundation
for the Group OneESI 2024 strategic plan
for higher growth and profitability**

Strong performance improvements

OUR COMMITMENTS

- **Reignite growth:** FY21 revenues at top range of guidance
- **Improve profitability:** doubling Adj. EBIT margin to 9.6% in FY21 (vs. 4.5% in FY20)
- **Healthy financial situation:** improved gearing

 In line with our guidance;
On track to deliver our strategic plan

FULL YEAR RESULTS

REVENUE

€ 136.6m
+4.6%
cer

ADJUSTED EBIT

€12.7m
9.6%

GEARING

17.2%

CASH

€30.3m

Key figures FY21

Revenue growth of 4.6% @cer and Adjusted EBIT margin x2

(€m)	FY21	FY20	Change	Change cer
Revenue	136.6	132.6	+3.0%	+4.6%
Gross margin	102.9	98.7	+4.2%	+6.0%
%revenue	75.3%	74.5%		
Adjusted EBIT¹	12.7	5.8	+120%	+134.1%
%revenue ²	9.6%	4.5%		
Restructuring costs	- 27.6			
EBIT	-16.4	4.0		
%revenue	-12.0%	3.1%		
Net result	-18.5	1.4		
%revenue	-13.5%	1.1%		
Cash	30.3	22.5	+35%	

¹ Adjusted EBIT is a non-GAAP indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, impairment and amortization of intangibles related to acquisition, IFRS 16 standard on leases and other non-recurring items.

² Adjusted EBIT margin is calculated based on revenue excluding special projects (public grant for R&D projects).

Q4 revenues

Revenues (€m)	Q4-2021	Q4-2020	Change	Change Constant exchange rate (cer)
Licenses	23.5	23.0	+1.8%	+1.0%
Services	7.2	6.9	+3.6%	+3.2%
Total	30.6	29.9	+2.2%	+1.5%

All the transformation projects were launched in the beginning of Q4

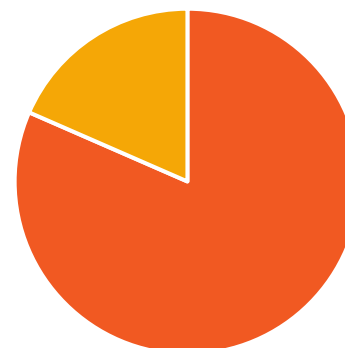
 **For an H2 growth of 5.8% cer**

Full year revenues: at the top end of the range (€133.5m to €136.5m)

Revenues (€m)	FY-2021	FY-2020	Change	Change Constant exchange rate (cer)
Licenses	111.4	109.2	+2.0%	+3.7%
Services	25.2	23.4	+8.0%	+9.2%
Total	136.6	132.6	+3.0%	+4.6%

REVENUES SPLIT

18.5%
(vs 17.6% in 2020)



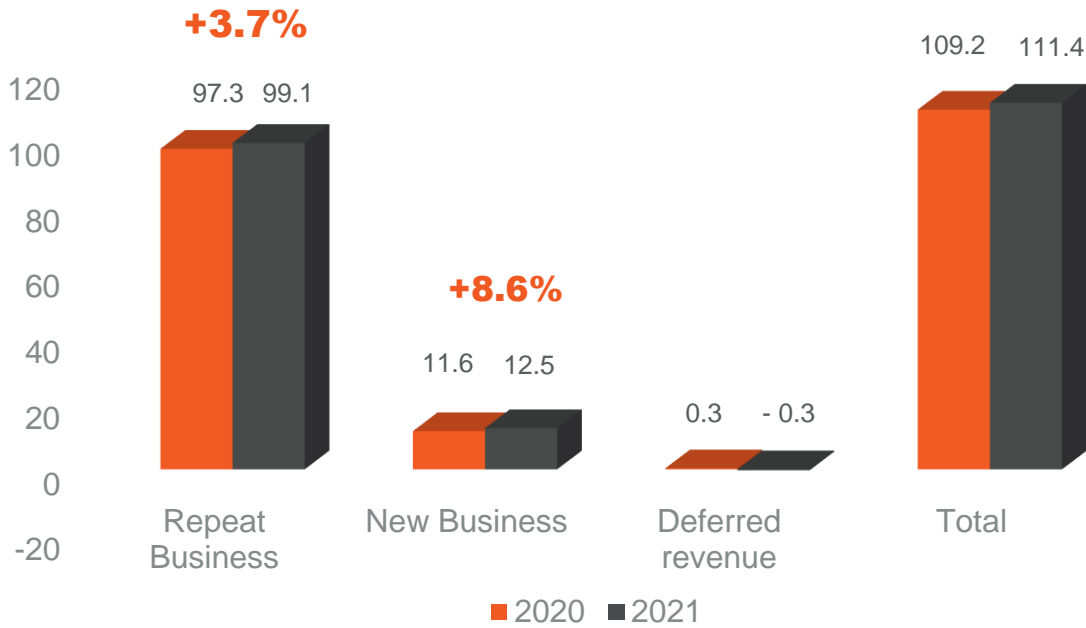
81.5%
(vs 82.4% in 2020)

■ Licenses ■ Services

2021 revenue: Focus on Licenses

Licenses Status Split

@constant rate



Growth of Repeat Business

€99.1m, +3.7% @ constant rate

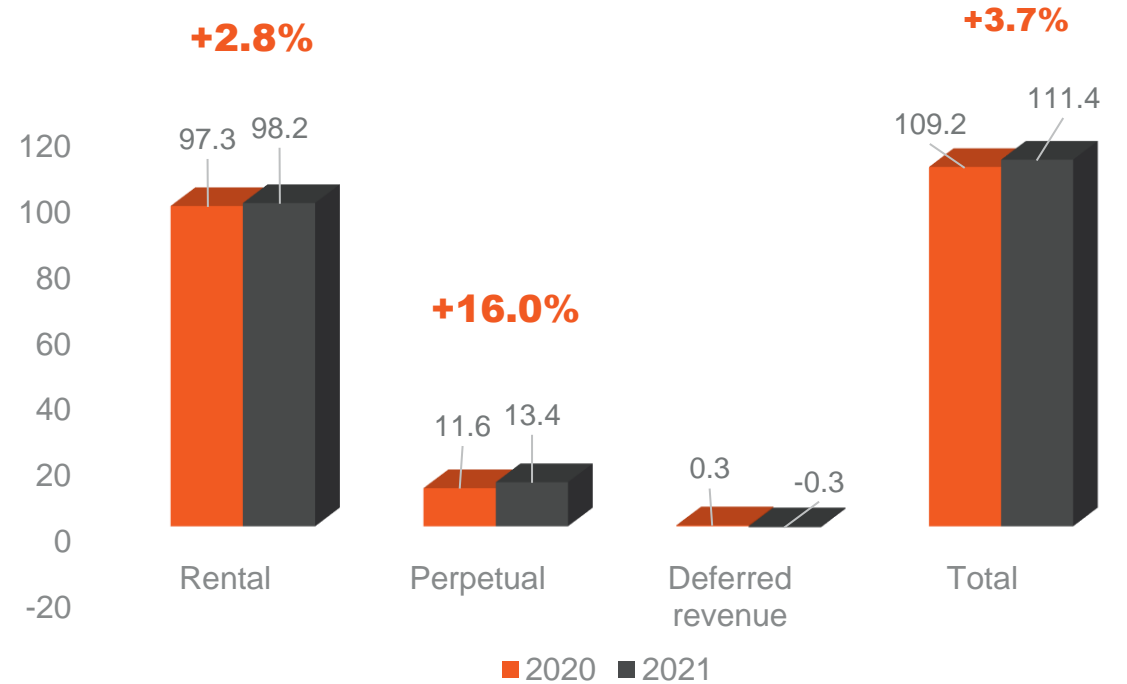
Repeat rate *

91.0% vs 83.8% 2020

*before deferred

Licenses Type split

@constant rate



Rental rate *

88.0% vs 89.4% FY2020

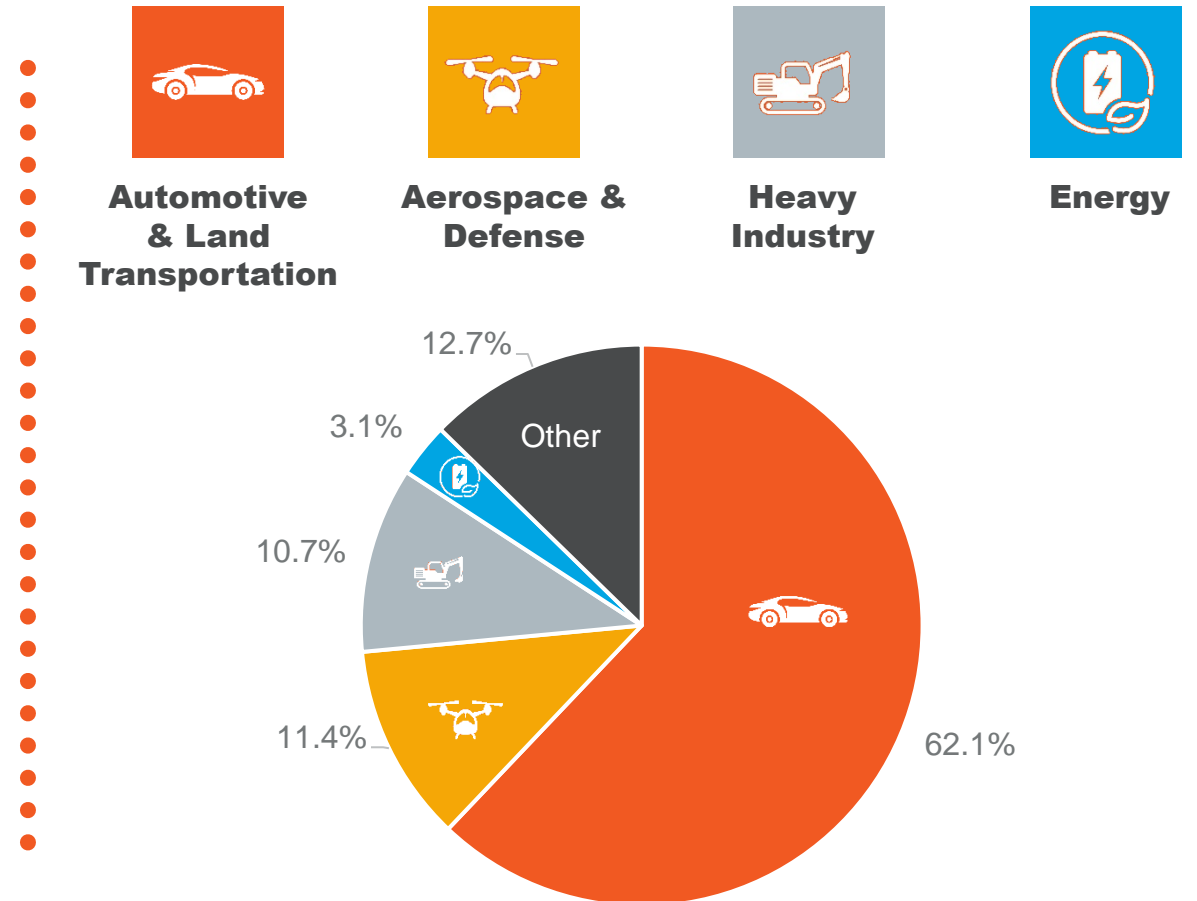
Perpetual Licenses

12% vs 10.6% FY2020

2021 license revenue per industry

~87% of the license revenue (before deferred revenue) from four main industries

Automotive & Land Transportation leading the growth of the Group – in line with the plan communicated in October 21.



FY21 revenue

Growth across all geographies

> AMERICAS

15.5%

€21.1M

+10.0% cer

> EUROPE, MIDDLE EAST & AFRICA

48.1%

€65.8M

+4.5% cer

> ASIA-PACIFIC

36.4%

€49.7M

+2.7% cer

Restructuring & Transformation costs

Impact of the strategic plan

- Provisions for reduction in headcount – already notified: €6.7m (Cash impact). This is in line with our headcount reduction that we announced to the market. The Group is passed the midpoint and on track to complete this initiative by end of December 2022.
- Impairment of intangibles: €20.6m (no cash impact); related to software and services from non-core activities outside the Group's three offerings.
- €0.2m others



Doubling Adjusted EBIT margin¹ from 4.5% to 9.6%

Strong underlying operational performance

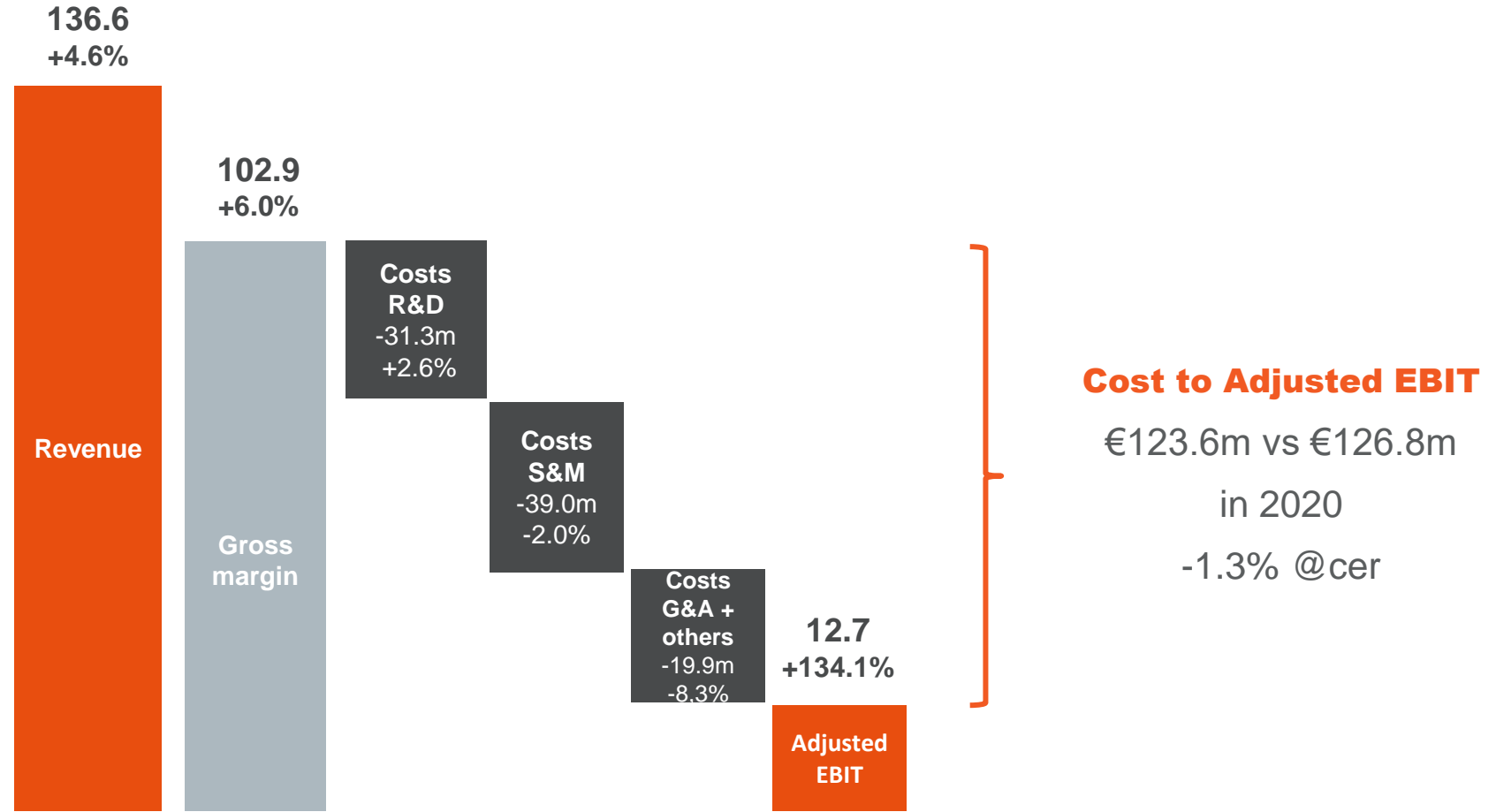
€m	FY21		FY20		VARIATION	
	Amount	%revenue	Amount	%revenue	Amount	% Var
Revenue	136.6		132.6		4.0	+3.1%
Expenses linked to revenue	-8.2	-6.0%	-7.8	-5.9%	-0.4	+4.6%
Staff costs (1217->1144)	-91.3	-66.9%	-93.4	-70.5%	2.1	-2.2%
Other costs to Adjusted EBIT	-24.3	-17.8%	-25.5	-19.2%	1.2	-4.6%
Costs to Adjusted EBIT	-123.9	-90.7%	-126.8	-95.6%	+2.9	-2.3%
Adjusted EBIT²	12.7	9.3%	5.8	4.4%	+6.7	+134.1%

¹Adjusted EBIT margin is calculated based on revenue excluding special projects (public grant for R&D projects).

²Adjusted EBIT is a non-GAAP indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, impairment and amortization of intangibles related to acquisition, IFRS 16 standard on leases and other non-recurring items.

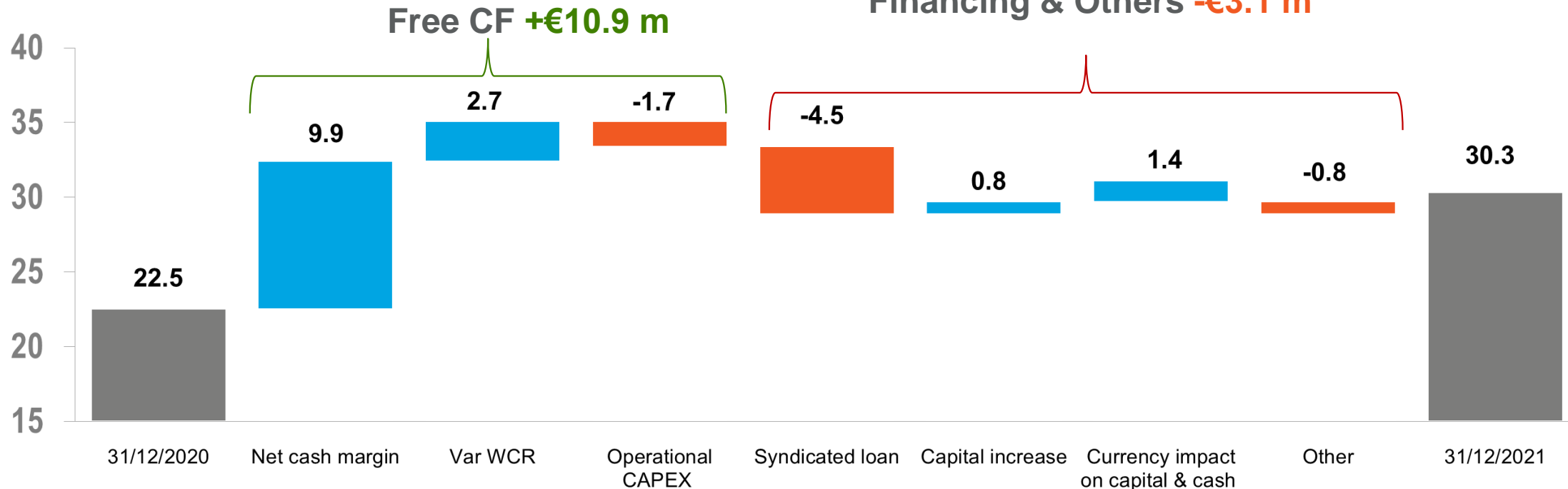
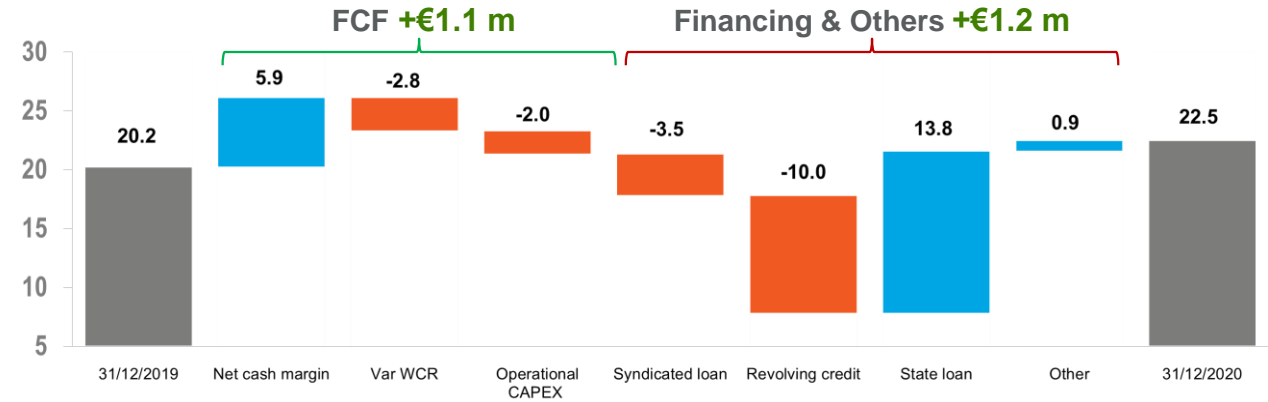
Doubling Adjusted EBIT margin from 4.6% to 9.6%

Better gross margin and less operating costs, growth @ cer



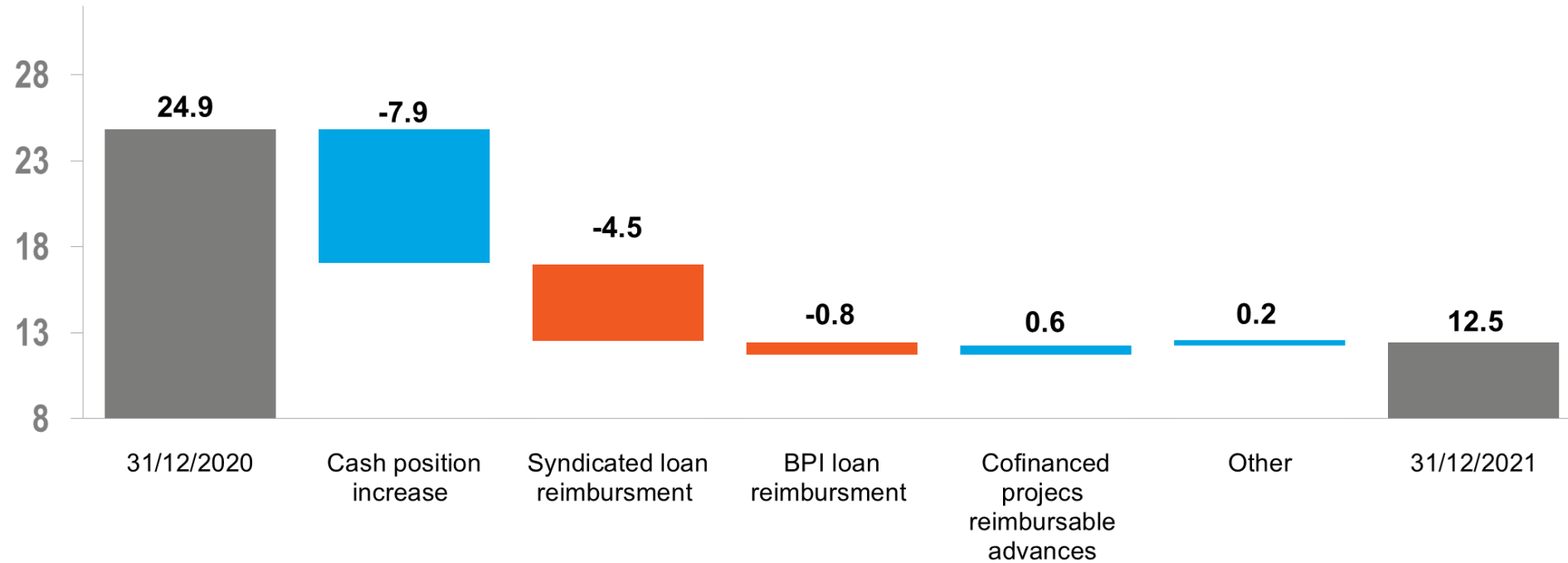
Healthy financial situation

Strong Free cash flow at +€10.9m



Healthy financial situation

Decrease of net financial debt to €12.5 m & Gearing improves to 17.2%



Gearing
(Net debt/Equity)

28.4% in 2020
17.2% in 2021

Delivering the 3-year plan
“OneESI 2024 – Focus to grow”

OneESI 2024 – Focus to grow

- ✓ New **governance** framework
- ✓ A renewed management **team**
- ✓ Increased **transparency**: Disclosing our 3Y plan “OneESI 2024 – Focus to Grow”
- ✓ A new OneESI **operating model**

3-YEAR PLAN OBJECTIVES

GROWTH

High single digit

PROFITABILITY

> 20% Adj. EBIT

Who we are: **Our Vision**

A leading software partner in selected virtual test markets, leveraging our predictive physics IP and platform for chaining.

A *self-help* transformation plan: creating value for our customers & partners

Being their software solutions partner



Global

A unified account team to handle all our customers needs; global sales channel



Focused

Our innovation & software investments aligned to our core business



Integrated

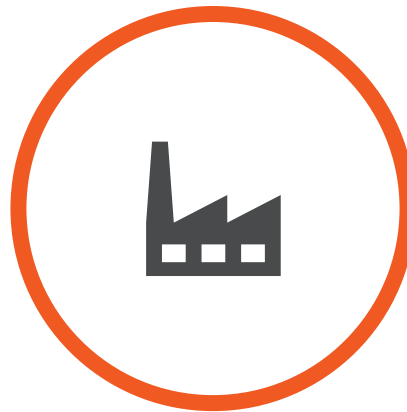
Collaboration with our customers ecosystem (from data integration to collaboration they require with their software partners)



User-friendly

A mid-term plan to develop the usability of our software

Focus on the CORE products



Simulate Product Performance

Improving performance and productivity

Simulate Smart Manufacturing processes and their output (products)

Gain time, reduce waste, guarantee performance

Simulate Human workflows

Ensuring efficient assembly and maintenance operations

CUSTOMER VOICE
SEAT



New car development
standards towards 100%
digital

Gains in safety and
efficiency

.....
More info [HERE](#)



CUSTOMER VOICE

Ford



Propel Lightweighting
Capabilities to the Next
Level

Material choice and
manufacturing

.....
More info [HERE](#)



CUSTOMER VOICE

Latécoère Aerospace

WHY DOES LATECOERE BELIEVE IN VR

Because we

- Obtain a deeper feedback during the development {product + process}
- Have to securize our « right first time »
- Reduce our industrialization leadtimes

→ Immersive situation

- Produce the 1st article on our remote plants (local people involvement)
- can train our operators in advance

→ Collaborative mode

After two weeks,
we tend to remember ...

10% of what we read

20% of what we hear

50% of what we see & hear

70% of what we say

90% of what we do



Adapted from: Edgar Dale *Audio Visual Methods in Teaching*, Holt, Rinehart & Winston.



Thierry Eftymiades

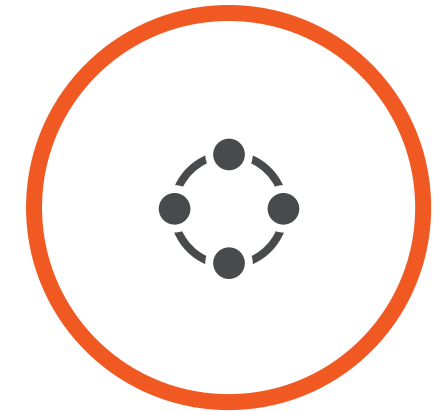
Latécoère is Connecting
Plants Around the World
in Order to Secure
“Right First Time”

Simulate human
workflows

More info [HERE](#)

One ESI 2024 - New pricing model and practices

3 main points



Align to the strategic objectives

Increase value through our industry offerings and licensing

Simplification and consistency


OneESI 2024 – our profitability drivers

**STABLE
COSTS**



Focused innovation 

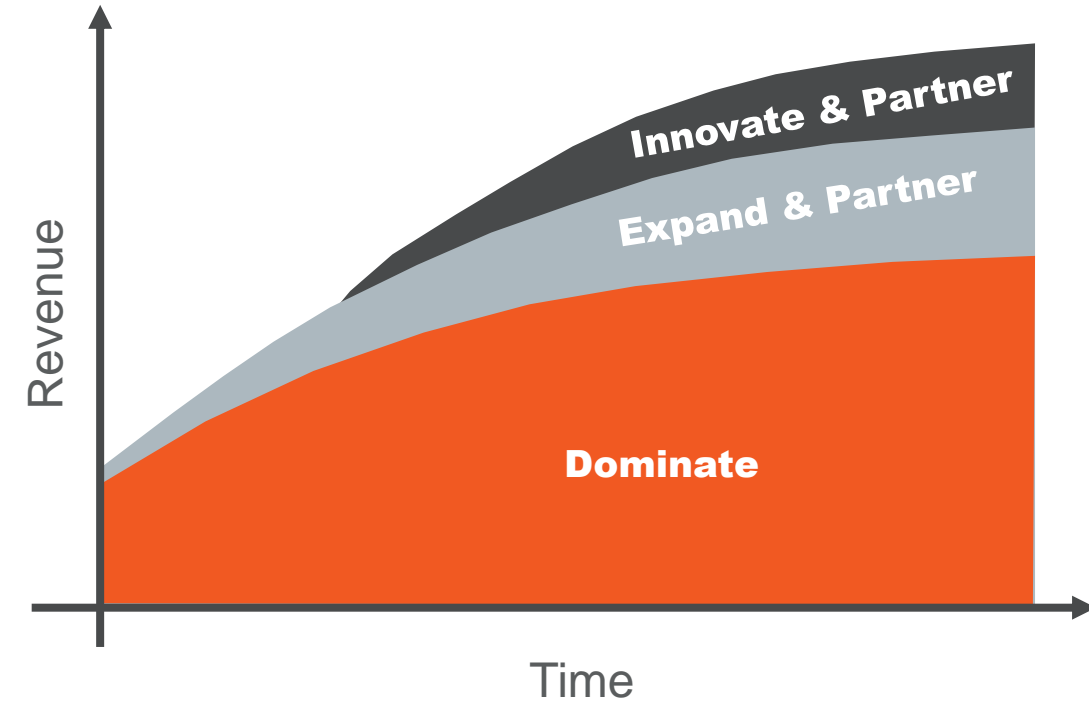
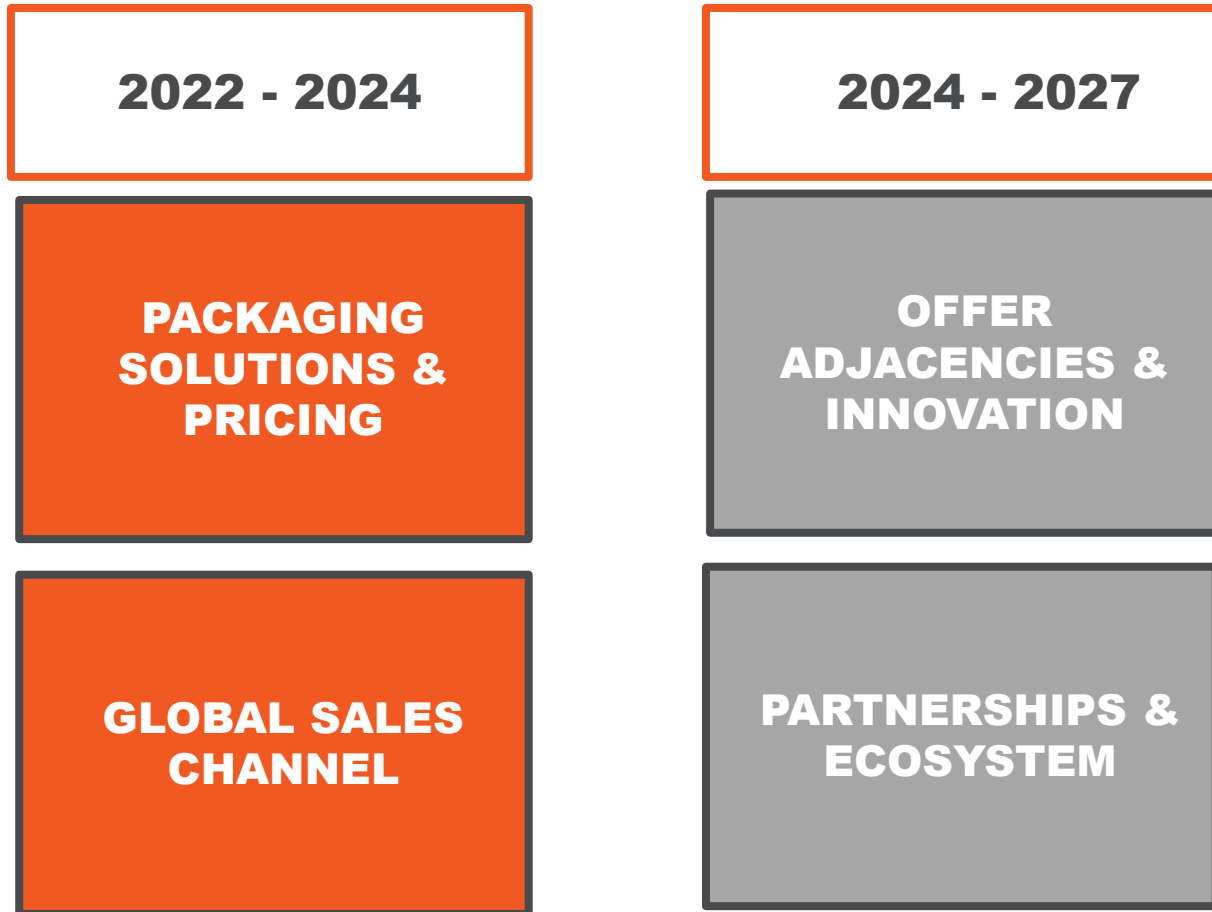
Leaner organization & facilities structure 

Controlled headcount 



**All
growth
goes to
the
bottom
line**

Levers of Growth: benefits of today's decisions staggered over time



Reaffirming our financial objectives

@ constant rate

	Q1-FY22	FY22	FY23	FY24
Growth ¹	4 – 6%	4% - 6%	6% - 8%	7% - 9%
Adjusted EBIT		10% – 12%	15% - 17%	> 20%

¹ Revenue Excluding Special projects

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.

Key take-aways

Strong industry tailwinds despite ongoing market / macro challenges

Multi-annual growth with staggered levers for growth


Rapid improvements in profitability

Strong foundations in place and confidence in delivery and achievability of OneESI2024 plan

Upcoming events



- First quarter 2022 – **May 2, 2022** (6pm CET)
- Annual General Meeting – June 28, 2022

 **FY22 investor's conference in early Fall 2022**

Thank you



Any Questions?

Email: investors@esi-group.com