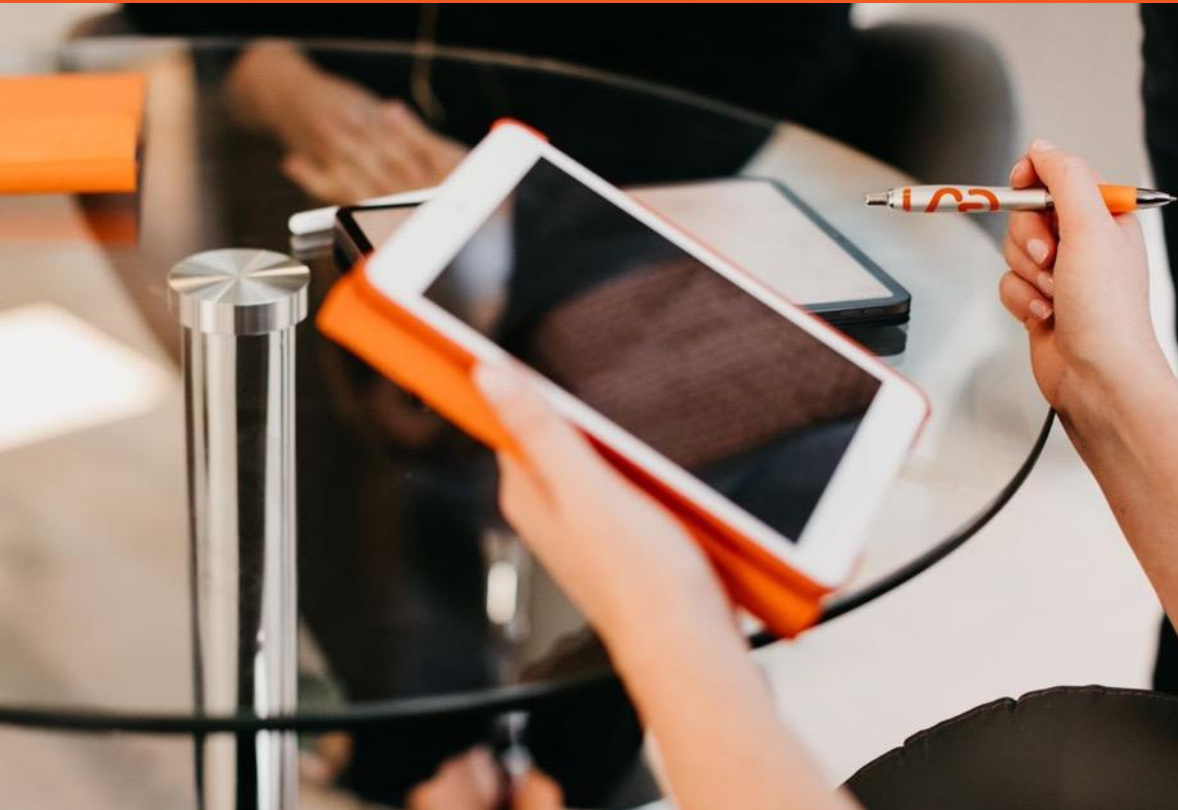


# Full year 2022 sales & results



Investors presentation

ESI Group  
February 28<sup>th</sup>, 2023

External Use

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# Speakers



**Cristel de Rouvray**

CEO



**Olfa Zorgati**

EVP Operations & CFO

# A performance in line with expectations

## On track in:


- **Executing OneESI 2024 Plan**
- **Delivering high single digit ARR (Annual Recurring Revenue)**
- **Achieving Guided Growth**
- **Exceeding Adjusted EBIT Target**

**All following information will concern 'constant perimeter ', otherwise will be stated**

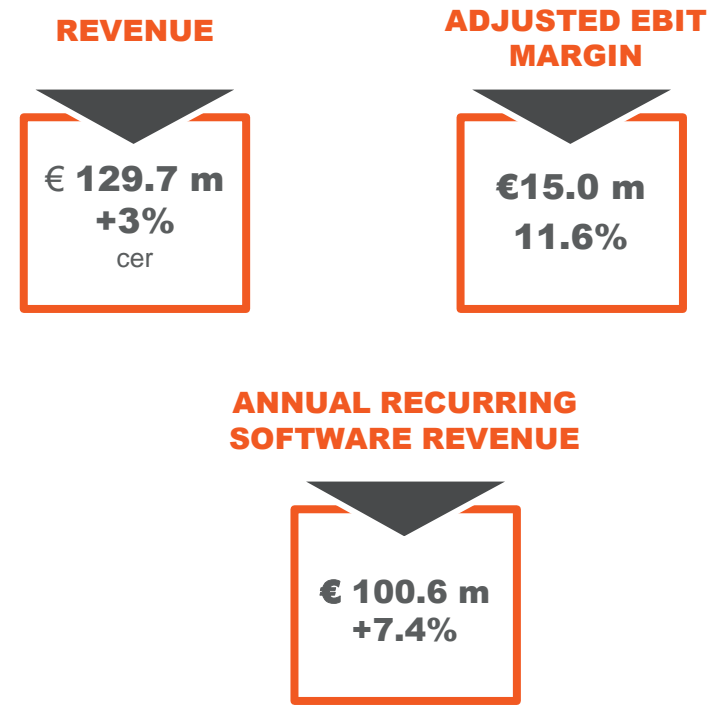
# Strong performance improvements

## OUR COMMITMENTS

- **Focusing on core activities:** 7.4% Annual Recurring Software Revenue (ARR) in constant perimeter growth at current rate (6.5% cer). Reaching €100m in ARR.
- **Continuous growth:** FY22 constant perimeter\* revenues in the range of guidance
- **Improve profitability:** Adj. EBIT margin exceeding the target: 11.6% in FY22 (vs. 6.8% in FY21)

 Faster than expected progress on all the aspects of the plan

## FULL YEAR RESULTS – constant perimeter



\* Constant perimeter: FY2021 and FY2022 have been restated to exclude Russian business (discontinued) and CFD activity (sold in July 2022) from revenue & costs

# Key figures FY22 – Constant perimeter

Revenue growth of 3% and Adjusted EBIT Margin up to 11.6%

(€m)	12/31/2022	12/31/2021	Change	Change Constant exchange rate (cer)
<b>Revenue</b>	<b>129.7</b>	<b>126.0</b>	<b>+3.0%</b>	<b>+2.1%</b>
Licenses	110.3	104.8	+5.3%	+4.3%
Services	19.4	21.2	-8.4%	-8.7%
<b>EBIT – before IFRS16</b>	<b>22.5</b>	<b>-21.0</b>		
% of revenue	17.5%	-16.7%		
<b>Adjusted EBIT</b>	<b>15.0</b>	<b>8.6</b>	<b>+75.1%</b>	<b>+81.8%</b>
Adjusted EBIT margin	<b>11.6%</b>	<b>6.8%</b>		

- Constant perimeter: FY2021 and FY2022 have been restated to exclude Russian business (discontinued) and CFD activity (sold in July 2022) from revenue & costs
- Adjusted EBIT is a non-IFRS indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, Impairment & amortization of intangible assets related to acquisitions or disposals, Application of IFRS 16 (leases) and other non-recurring items (including net gains and losses from disposals).
- Adjusted EBIT margin is calculated based on revenue excluding special projects (public grant for R&D projects).

# Q4 revenues – Constant perimeter

Revenues (€m)	Q4-2022	Q4-2021	Change	Change Constant exchange rate (cer)
Licenses	21.3	20.2	+ 5.7%	+ 7.1%
Services	4.8	6.4	-25.1%	-23.8%
<b>Total</b>	<b>26.1</b>	<b>26.6</b>	<b>-1.7%</b>	<b>-0.3%</b>

Stable quarter with continued decrease in PUL & Services

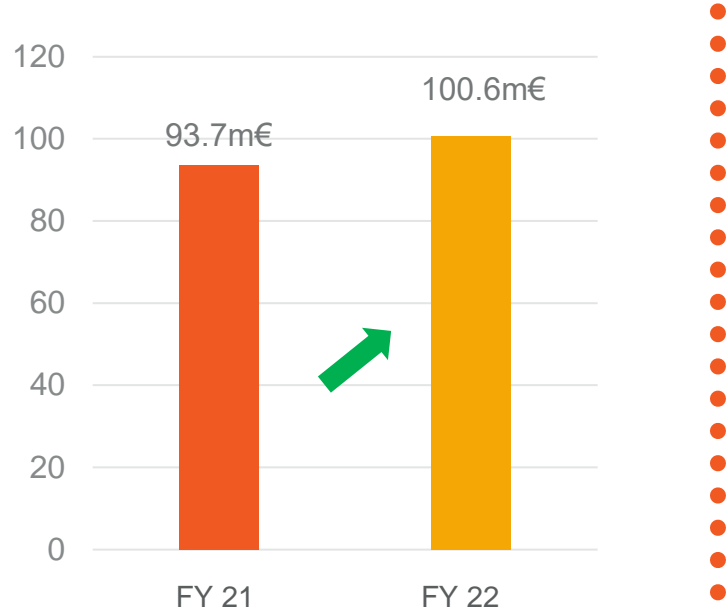
- Constant perimeter: FY2021 and FY2022 have been restated to exclude Russian business (discontinued) and CFD activity (sold in July 2022) from revenue & costs

# FY22 License revenue **constant perimeter** – A healthy growth

ARR + Perpetual (PUL) + Deferred revenue = Licence revenue (+5.3%)

## ANNUAL RECURRING REVENUE

+7.4% (+6.5% cer)

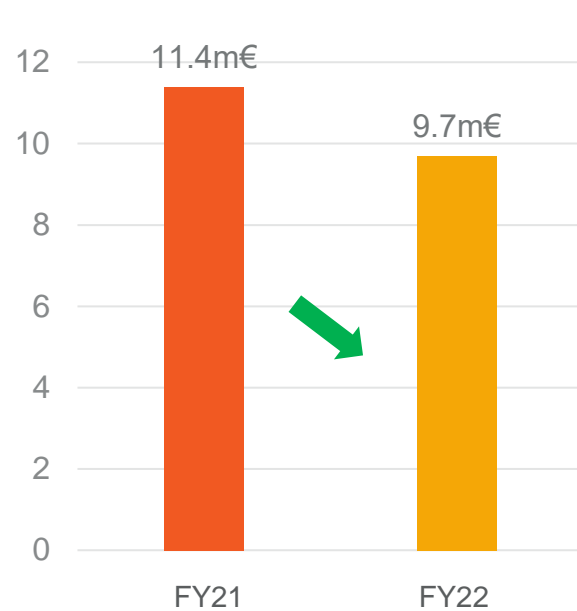


## ARR RATE

88.2% vs 91.3% YoY

## PERPETUAL

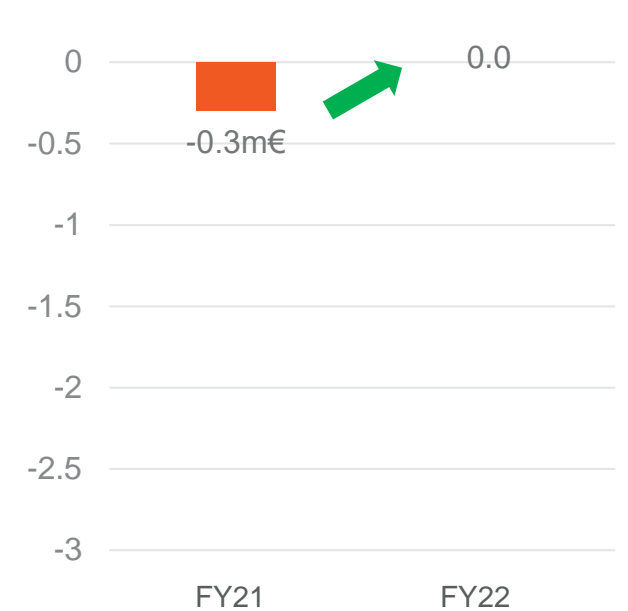
-15.2% (-17.0% cer)



## PUL RATE

10.8% vs 8.7% YoY

## DEFERRED

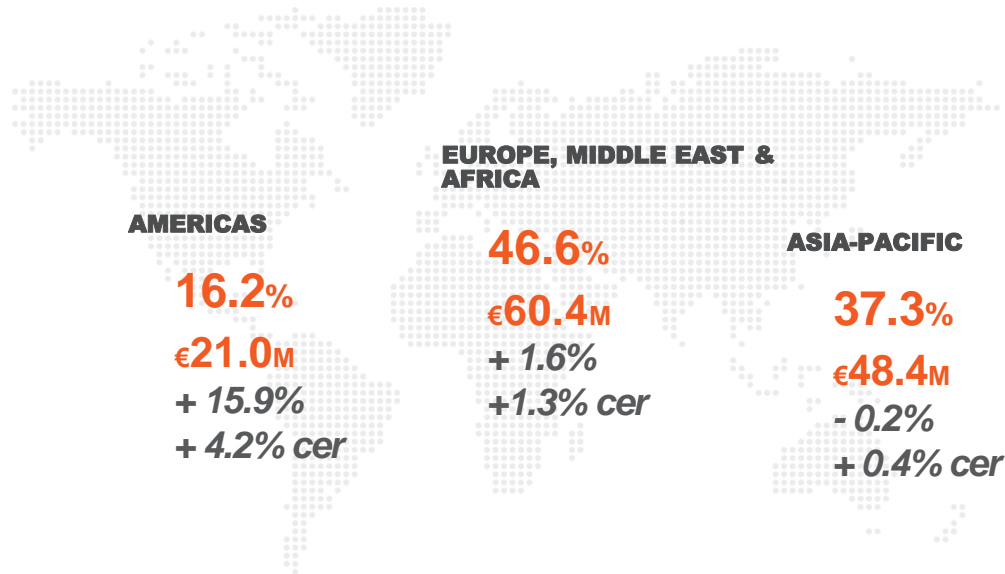


ARR: Annual Recurring Revenue - Total ESI Group Licenses revenue excluding PUL (Perpetual License) & deferred revenue  
 ARR rate: as our total licenses revenue number, before deferred, excluding our perpetual license revenue divided by our total licenses revenue number, before deferred.



# FY2022 license revenue per geography & industry

## GEOGRAPHY SPLIT



License: increase in all geographical areas at current and constant rate (cer)

## INDUSTRY SPLIT

93% of the license revenue (before deferred revenue) from four focus industries



Automotive & Land transportation



Aerospace, Defense & Naval



Heavy industry



Energy

All industries of focus **grew** led by Auto.

# Adjusted EBIT (constant perimeter) exceeding the anticipated range @11.6%

Strong underlying operational performance: ~5 point improvement year on year

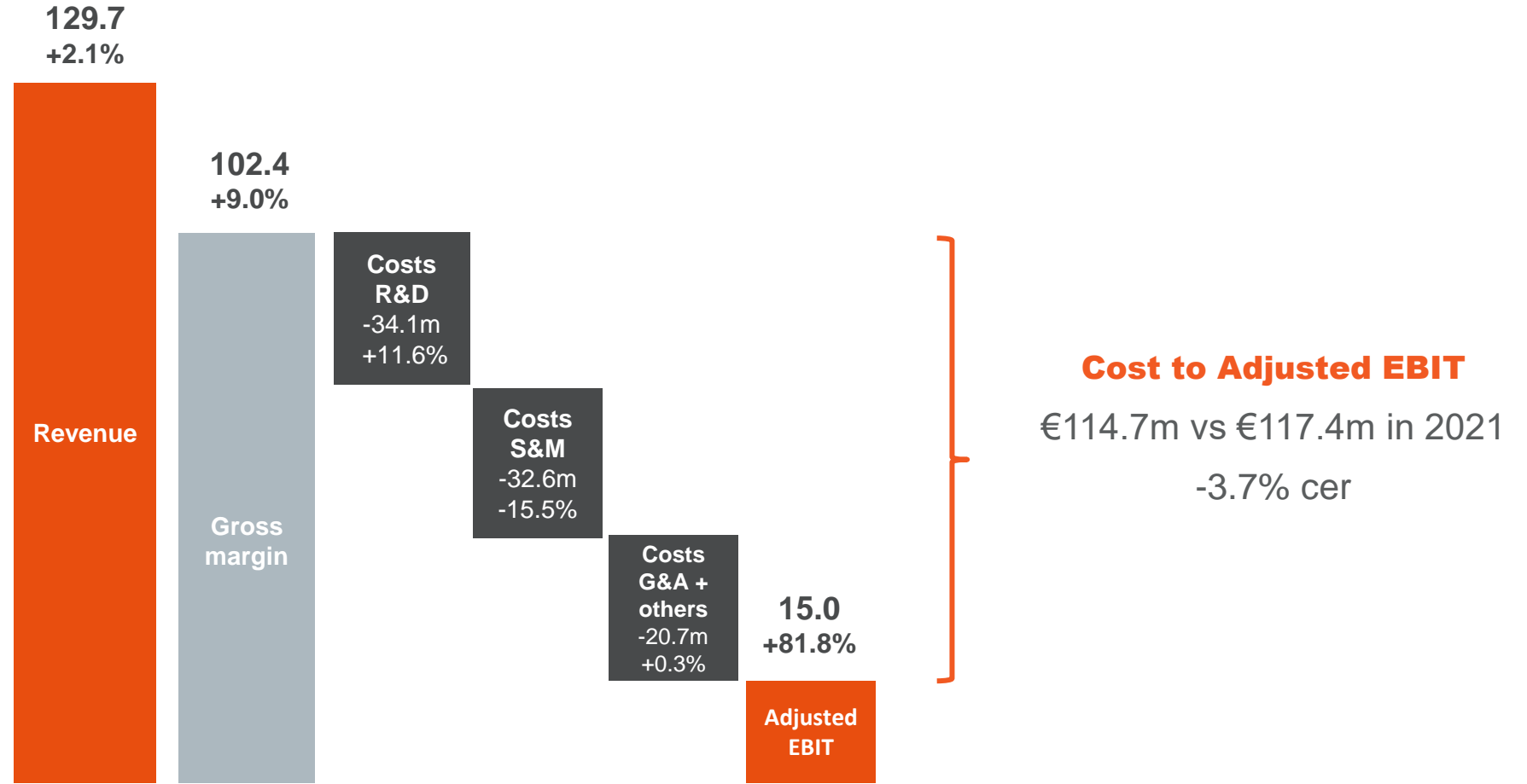
€m	FY22		FY21		VARIATION	
	Amount	%revenue	Amount	%revenue	Amount	% Var
<b>Revenue</b>	<b>129.7</b>		<b>126</b>		<b>3.7</b>	<b>+3.0%</b>
Expenses linked to revenue	-7.8	-6.0%	-7.9	-6.3%	0.1	-1.3%
Staff costs	-83.4	-64.3%	-88.8	-70.5%	5.4	-6.1%
Other costs to Adjusted EBIT	-23.4	-18.0%	-20.7	-16.4%	-2.7	13.1%
<b>Costs to Adjusted EBIT</b>	<b>-114.7</b>	<b>-88.4%</b>	<b>-117.4</b>	<b>-93.2%</b>	<b>+2.7</b>	<b>-2.3%</b>
<b>Adjusted EBIT<sup>2</sup></b>	<b>15.0</b>	<b>11.6%</b>	<b>8.6</b>	<b>6.8%</b>	<b>+6.5</b>	<b>75.1%</b>

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

<sup>2</sup>Adjusted EBIT Adjusted EBIT is a non-IFRS indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, Impairment & amortization of intangible assets related to acquisitions or disposals, Application of IFRS 16 (leases) and other non-recurring items (including net gains and losses from disposals).

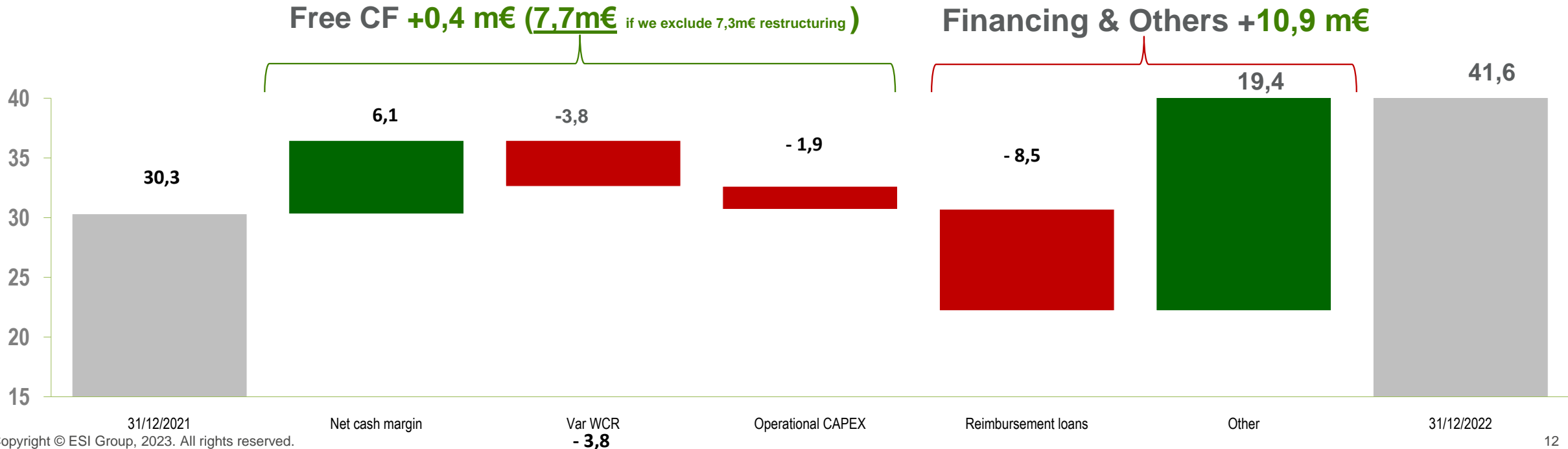
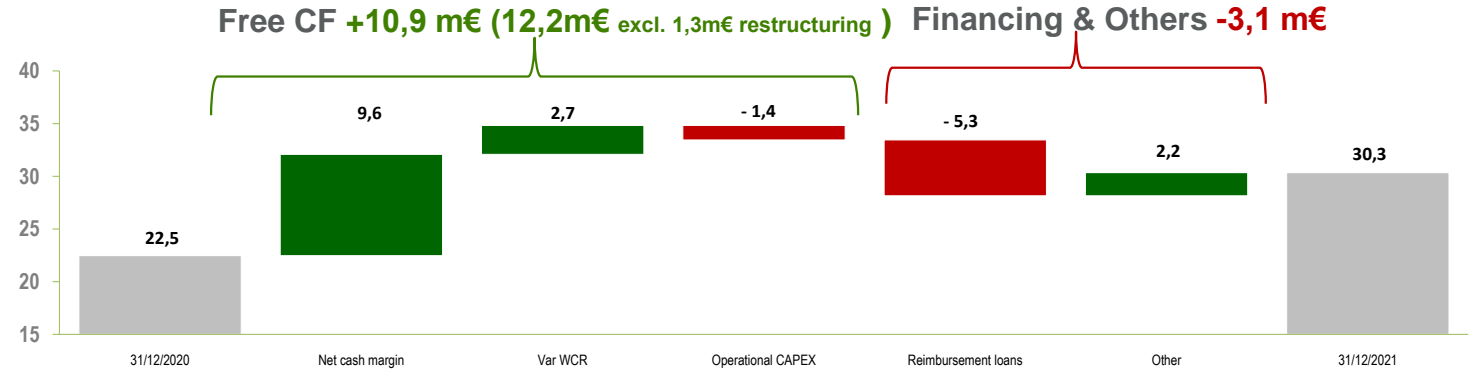
# Increasing Adjusted EBIT margin from 6.8% to 11.6%

Better gross margin and less operating costs, growth @ cer



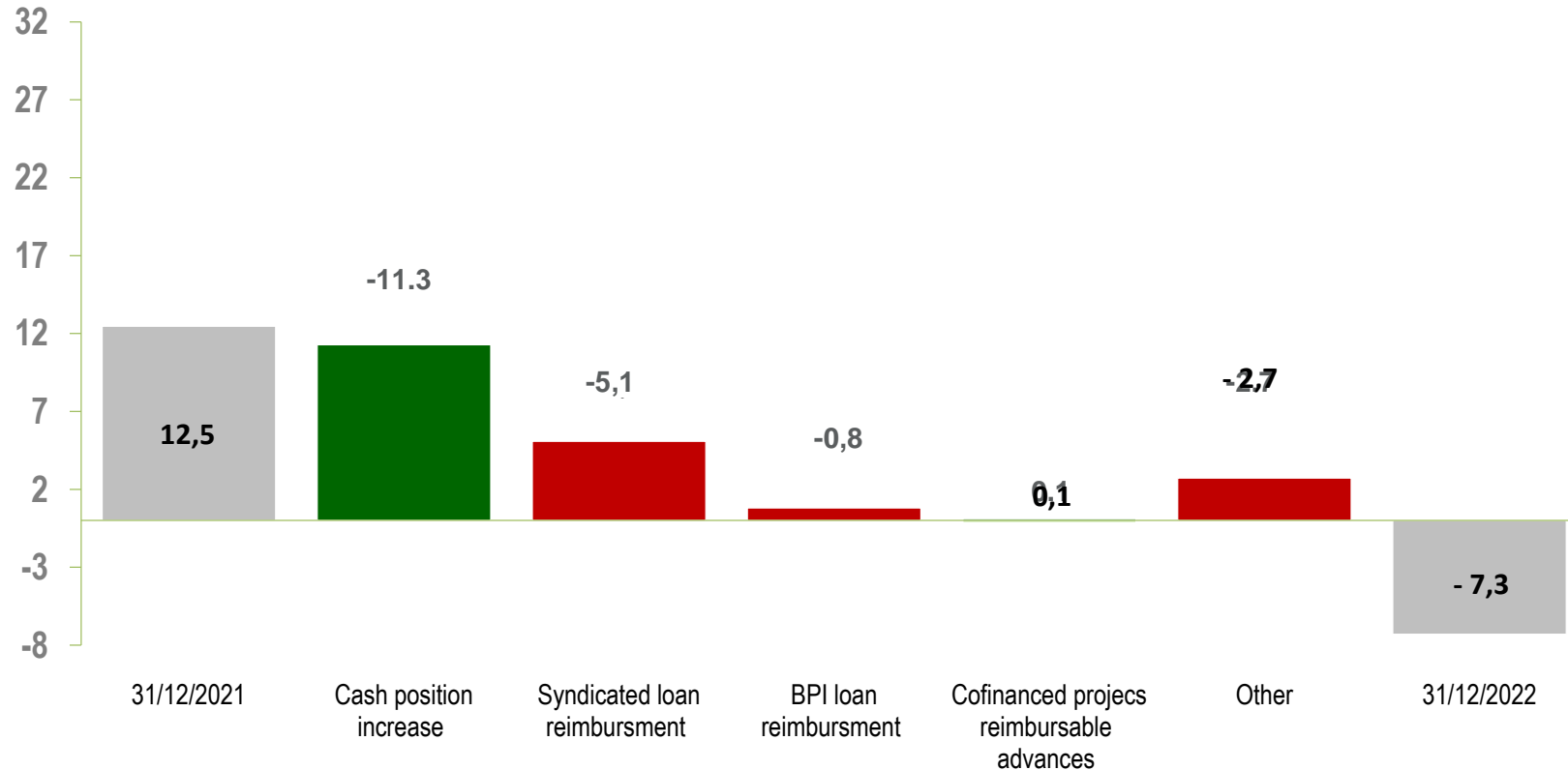
# Healthy financial situation (incl. impact IAS 38 in FY 21)

Increase of cash position by €11.3m



# Healthy financial situation

Decrease of net financial debt to -€7,3 m & Gearing improves to 8%



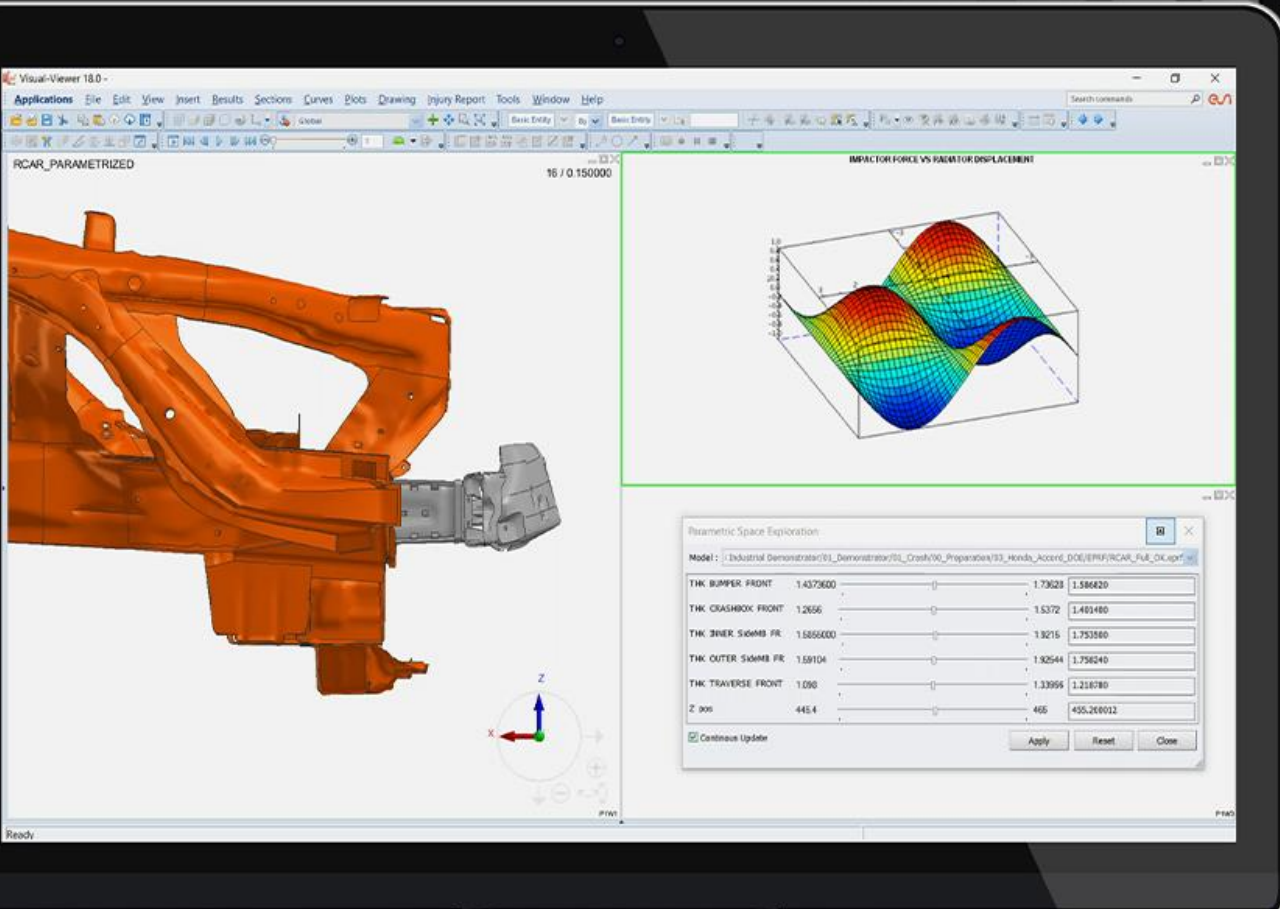
**Gearing**  
(Net debt/Equity)

17.2% in 2021  
**-8% in 2022**

# Progress on OneESI 2024 – Focus to Grow



***A leading software partner in selected virtual test markets, leveraging predictive physics IP and platform for chaining<sup>1</sup> to enable a cleaner, safer, and more productive industry***



### ***Clean***

- ▶ **Sustainable product innovation, efficient manufacturing processes, and simulation-proven physical testing, to help create products that are clean throughout their lifetime with a smaller environmental footprint**

### ***Safe***

- ▶ **Relentless drive to put human safety first; trusted to create a safer world with work critical to some of the biggest brands on the planet, ensuring drivers, passengers, pedestrians, and workers' daily lives are ever safer**

### ***Productive***

- ▶ **Technology and expertise focused on helping companies work smarter and reduce costs, improving quality, productivity, accelerating time to market, and improving lifetime product and industrial performance**

***(1) Differentiated capability to chain physics, processes and data within customers' digital thread allows customers to connect previously siloed elements on the simulation workflow, brought to life by a common user interface***

# Helping Our Customers Achieve Their Business Objectives

## CUSTOMERS OBJECTIVES



Accelerate Time to Market



Lower your operational costs



Reduce risk & improve quality – less recalls



Reduce environmental footprint

## ESI VALUE PROPOSITION



1. Solving the most complex engineering challenges
2. Deep knowledge of customers objectives: integration with their digital thread and democratization
3. Best in class global talent



# ESI Key Differentiators & Vision



## Predictive

Chaining of physics, processes & data within our customers' digital thread



## Realtime

Model Order Reduction & Hybrid Twin for Real-time Decision Making



## Immersive

Providing an Industrial Metaverse for efficient virtual collaboration and decision making

CUSTOMER VOICE

## CaetanoBus

“We assume that we can save 1.5 to 2 years development time because the virtual proving ground will help accelerate engineering iterations and frontload the redesign process into the development phases.”

PAULO MARQUES

CTO

CAETANOBUS

→ ACCELERATED TIME TO MARKET



On-Demand Presentation

ESI Live 2022

<https://www.esi-group.com/esi-live-2022-on-demand>

CUSTOMER VOICE  
**GM**

“GM's leadership team is committed to driving towards 100% virtual design engineering and validation. That means we have to maximize the use of virtual simulations and immersive experiences. We are institutionalizing [Virtual Prototyping tools] in teams that maybe haven't used them in the past.”

**JENNIFER GOFORTH**  
EXECUTIVE DIRECTOR

**GENERAL MOTORS**

→ **REDUCE RISKS & IMPROVE QUALITY**



**On-Demand Presentation**  
ESI Live 2022

<https://www.esi-group.com/esi-live-2022-on-demand>

CUSTOMER VOICE

## **Joby Aviation**

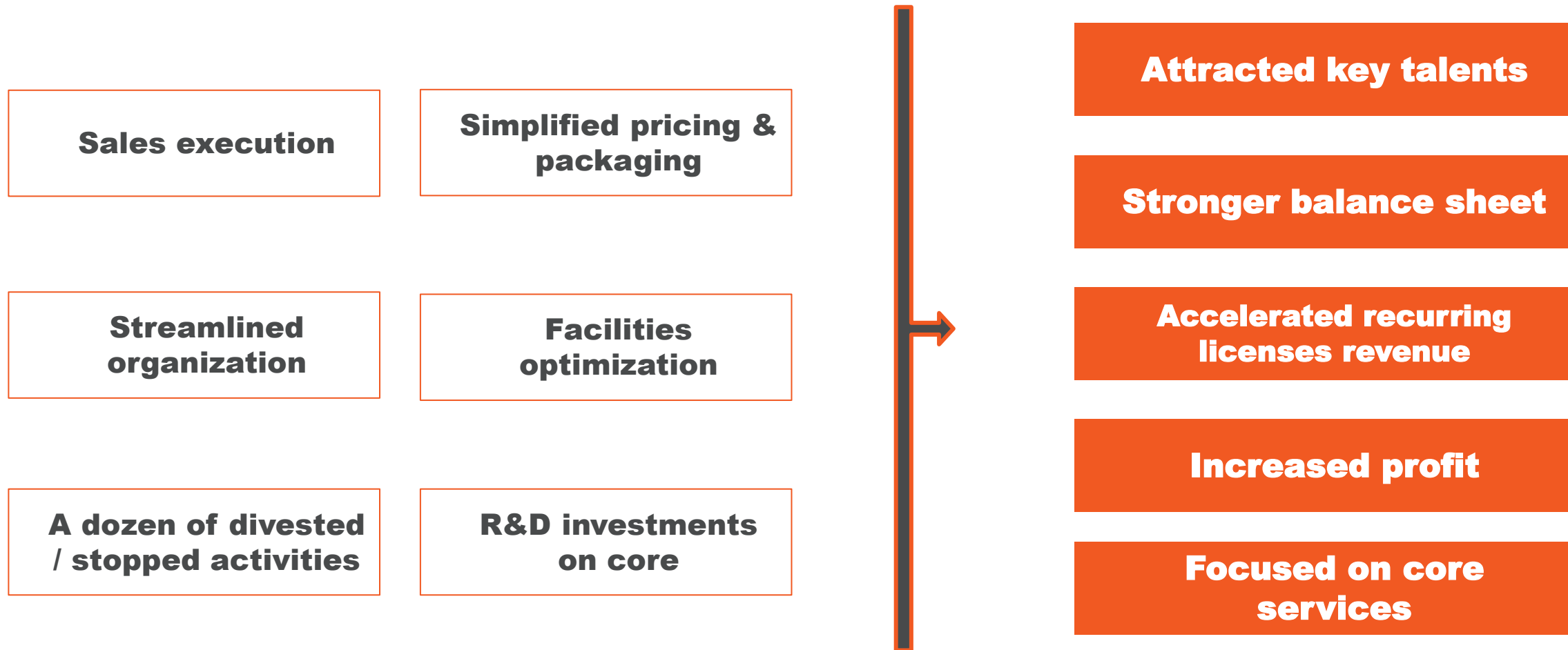
“**ESI** has been a fantastic partner in helping Joby develop a first-of-his-kind vibroacoustic model of an eVTOL aircraft.”

**GREG GOETCHIUS**  
LEAD ENGINEER FOR NOISE & VIBRATION  
**JOBY AVIATION**

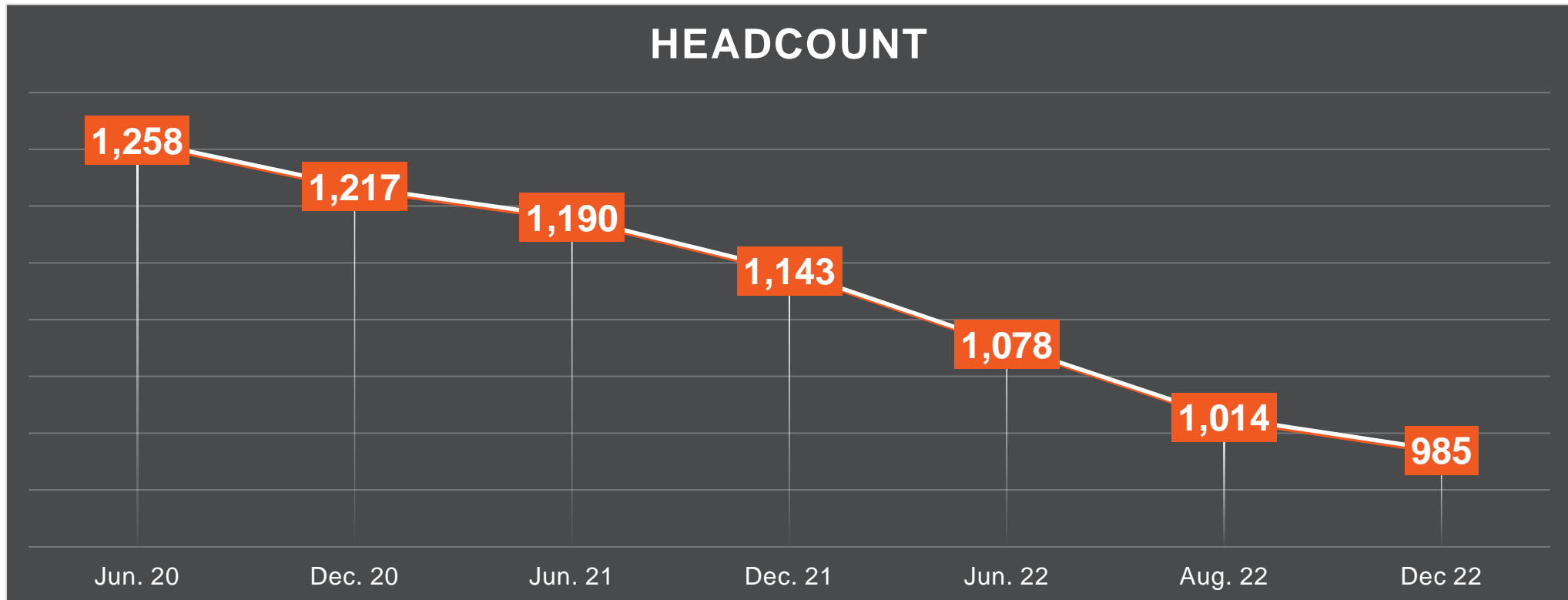
→ **REDUCE ENVIRONMENTAL FOOTPRINT**



# Faster progress than expected on all facets of the plan



# A leaner organization



\* Reduction linked to divestitures about 20 employees

# FY23 – FY25 Goals

Constant perimeter <sup>1</sup>	Q1-FY23	FY23	FY24	FY25
Growth	5% – 7%	5% - 7%	6% - 9%	7% - 10%
Adjusted EBIT <sup>3</sup>	NA	13% – 15%	17% - 20%	> 20%

*1 Constant perimeter: FY2021 and FY2022 have been restated to exclude Russian business (discontinued) and CFD activity (sold in July 2022) from revenue & costs*

*2 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 acquisitions, IFRS 16 standard on leases, and other non-recurring items*

This release contains “forward-looking statements”. 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.

# Key take-aways

**Strong year exceeding expectations for the year**

**Current perimeter Growth in line with guidance; Profit exceeded guidance**

**Key improvement on Annual Recurring Software Revenue**


**Faster than expected progress on all aspects of the OneESI 2024 Plan**



# Upcoming events



- Q1 revenues – **May 4th, 2023**
- Annual General Meeting – **June 29th, 2023**

 **FY22 investor's conference in early Fall 2023**

# Thank you



## Any Questions?

Email: [investors@esi-group.com](mailto:investors@esi-group.com)

# Definitions

- **ARR:** Annual Recurring Revenue - Total ESI Group Licenses revenue excluding PUL (Perpetual License) & deferred revenue.
- **Constant perimeter:** FY2021 and FY2022 have been restated to exclude Russian business (discontinued) and CFD activity (sold in July 2022) from revenue & costs
- **Adjusted EBIT** is a non-IFRS indicator based on EBIT (IFRS). Adjusted EBIT corresponds to EBIT before stock-based compensation expenses, restructuring charges, Impairment & amortization of intangible assets related to acquisitions or disposals (including goodwill and revalued assets), Application of IFRS 16 (leases) and other non-recurring items.
- **Recurring business rate** as our total licenses revenue number, before deferred, excluding our perpetual license revenue divided by our total licenses revenue number, before deferred.