

Paris, April 25 2013

ESI is the leader and a pioneer in virtual prototyping solutions.

Stock market information

Listed on compartment C of the NYSE Euronext Paris
[ISIN FR 0004110310](#)

FTSE 977

Bloomberg ESI FP

Reuters ESIG.LN

Granted
“*entreprise innovante*”
(innovative company) certification on January 20, 2000 by OSEO,
ESI Group is eligible for inclusion in FCPI (venture capital trusts dedicated to innovation)

Financial schedule

Revenue for the 1st quarter of 2013/14 will be published on:

June 13 2013 (after market)

Contacts

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Our Press Section

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www.esi-group.com

Social media



2012/13 annual results

- **Strong Growth in revenue attests to an offer aligned to challenges of industry**
- **Slowdown in growth on fourth quarter**
- **Continuation of investments aligned with growth strategy**
- **External growth objectives maintained**

Alain de Rouvray, ESI Group's Chairman and CEO, says: “*With revenue totalling 109 million euros, spread over in more than 30 international subsidiaries, ESI Group has reached another milestone in its development. Nevertheless, the results published are below our expectations, impacted by an unexpected slowdown in growth at the end of our financial year and the continuation of M&A marketing and integration investments. The economic context leads to more cautious growth prospects and tighter control over operating costs. The Group's fundamentals remain very solid, backed by good sales prospects. Moreover, within the framework of its development plan, the Group intends to continue pursuing its external growth strategy.*”

Consolidated annual results

€ millions	2012/13 to 31/01/2013	2011/12 * to 31/01/2012	Ä (euros)
Licenses	77.5	68.8	+12.6%
Services	31.5	25.4	+24.1%
Total	109.0	94.2	+15.7%
Gross margin	74.3	66.0	+12.6%
% of sales	68.1%	70.0%	
EBITDA**	8.8	10.5	-16.0%
% of sales	8.1%	11.1%	
Current operating profit**	8.8	10.4	-15.4%
% of sales	8.1%	11.0%	
Operating profit	8.0	9.8	-17.8%
% of sales	7.4%	10.4%	
Financial profit	0.0	-1.6	ns
Pre-tax profit	8.1	8.2	-1.5%
% of sales	7.4%	8.7%	
Tax	3.0	2.1	+43.8%
% of pre-tax profit	37.5%	25.7%	
Attributable net profit	5.0	6.0	-17.1%
% of sales	4.6%	6.4%	

The Company's financial year runs to January 31

** including change of method IAS19*

*** Excluding acquisition costs and excluding the amortisation of the intangible assets acquired*

- **Strong growth in revenue and Services activity**

As announced on March 14 2013, consolidated annual revenue was up +15.7% at €109.0 million and +12.6% in organics.

The key indicators emphasise the very satisfactory sales performance below:

- Licenses sales increased by +12.6% to €77.5 million,
- Licensing installed base was up +11.7%,
- Licenses repeat business remained at a very high rate of 86.5%,
- Licenses New Business saw moderate growth of +6.6% to €17.0 million,
- Services sales were up +24.1%, at €31.5 million.

- **The gross margin remains strong**

The gross margin was 68% of revenue, compared with 70% in 2011/12, partly because of a less favourable product mix (Services accounted for 28.9% of sales in 2012/13) and the increase of external royalties (“third party”). The strong growth of the Services segment is constructive in terms of future opportunity, as the dynamism is associated with methodological evolution and a substantial demand for innovative projects founded on co-creation of new solutions with industrial partners.

- **A cost structure impacted by non-recurrent elements and by the slowdown in growth recorded at the end of the 4th quarter**

ESI Group maintained its R&D investment policy and investment spending increased by +9.4% to €20.5 million (excluding Research Tax Credit), or 26.4% of Licenses revenue compared with 27.2% the previous year. In IFRS terms, R&D costs were up +5.0% at €15.6 million.

Sales and Marketing costs increased by +23.3% to €35.6 million, or 32.6% of total revenue compared with 30.6% the previous year, in continuation of the first half semester.

General & Administrative costs were up +20.4% at €14.3 million, versus €11.9 million in 2011/12 after integration of exceptional costs.

This substantial increase in the cost structure was due to:

- spending commitments that were aligned with stronger growth expectations of final quarter,
- investments to accelerate the integration of the virtual reality solution,
- marketing investments to continue seeking acquisition targets,
- exceptional one-off costs of around €1.2 million written down at the end of the financial year.

- **Profitability**

EBITDA was down 16.0% at €8.8 million with a margin of 8.1%, compared with €10.4 million and 11.1% in 2011/12. These figures were impacted by a level of spending that was not matched to the revenue recorded over the final quarter of the financial year, when there was a slowdown that was in stark contrast to the dynamic activity recorded over the previous nine months.

Current operating profit decreased by 15.4% to €8.8 million, giving a core operating margin of 8.1% in 2012/13 compared with 11.0% in 2011/12.

Pre-tax profit was stable at €8.1 million (versus €8.2 million last year) once a neutral financial result is taken into account. The latter includes an interest expense of €0.6 million that was offset by forex hedging gains of €0.6 million.



Attributable net profit totalled €5.0 million, or 4.6% of revenue, versus €6.0 million in 2011/12. Net profitability was impacted by a tax burden of €3.0 million with a particularly high tax rate (37.5%).

- **Solid financial structure**

The Group had €7.6 million in available cash at the end of the year. The financial structure remains solid with a gearing (long-term financial debt over shareholders equity) of 16% (vs 17% the previous year).

At January 31 2013, ESI Group held 7.25% of its own capital.

Outlook

- **Responding to industrial challenges**

ESI Group signed a strategic cooperation partnership agreement with Renault in January 2013, further increasing the Group's substantial visibility amongst major OEMs in manufacturing industries. This echoes the partnership agreement signed with EADS/Astrium in November 2012. These partnerships highlight the necessity of use of virtual prototyping solutions by major OEMs and their suppliers.

- **Integrating acquisitions and executing an external growth strategy**

ESI Group is pursuing the integration of the 'VR' virtual reality business that was a consequence of the acquisition of IC.IDO in mid-2011 and which experienced substantial growth following investments carried out through the Group's distribution network.

Furthermore, ESI Group has adapted to the increasing demand for SaaS, building opportunity around the interest of open-source software by acquiring OpenCFD and its OpenFOAM® software brand. Acquiring these assets provides ESI Group with opportunity to exploit new business models and represents a real plus in terms of diversifying the Group's sales.

Lastly, the Group is maintaining its external growth policy in a market in a consolidation phase.

The growing globalisation of our activity and the cross-business nature of projects involving interactions of increasing complexity and speed, have outlined the need to improve the ability of the Group's responsiveness in its methods and tools for operating management.



About [ESI](#)

[ESI](#) is a pioneer and world-leading provider in Virtual Prototyping that takes into account the physics of materials. [ESI](#) boasts a unique know-how in Virtual Product Engineering, based on an integrated suite of coherent, industry-oriented applications. Addressing manufacturing industries, Virtual Product Engineering aims to replace physical prototypes by realistically simulating a product's behavior during testing, to fine-tune fabrication and assembly processes in accordance with desired product performance, and to evaluate the impact of product use under normal or accidental conditions. [ESI](#)'s solutions fit into a single collaborative and open environment for End-to-End Virtual Prototyping. These solutions are delivered using the latest technologies, including immersive Virtual Reality, to bring products to life in 3D; helping customers make the right decisions throughout product development. The company employs about 900 high-level specialists worldwide covering more than 30 countries. [ESI Group](#) is listed in compartment C of NYSE Euronext Paris.

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