

## Half-year 2022 revenue & results

### The Group continues delivering on both revenue and profitability growth

- Half-year revenues<sup>1</sup> at €84.3m: +5.5% YoY, +4.0% at constant exchange rate (cer)
- Half-year licenses revenues at €73.9m: +5.6% YoY, +4.0% at cer
- Adjusted EBIT<sup>2</sup> margin<sup>3</sup> from 23.2% in H1 2021 to 30.4% in H1 2022
- Net Financial Debt<sup>4</sup> at -€0.6m vs €12.5m in December 2021 and €6.8m in June 2021
- An update on the impact of recent divestitures, of Russia, and on the 3-year plan will be shared at the Investor Conference (September 27<sup>th</sup>, 2022)

ESI Group, Rungis, France, (ISIN Code: FR0004110310, Symbol: ESI), today releases its sales and results for the half year 2022 (period from January 1<sup>st</sup> to June 30<sup>th</sup>) approved by the Board of Directors on September 6<sup>th</sup>, 2022. Limited review procedures on the interim consolidated financial statements have been completed. The auditors are in the process of issuing their reports.

**Cristel de Rouvray, Chief Executive Officer of ESI Group, comments:** “During H1 2022 ESI Group built considerable momentum for the 3-year “OneESI 2024 – Focus to Grow” plan. We achieved significant progress in both, growth of recurring software licenses, and profit and sharpened our strategic focus. This includes divestitures and a global initiative to package, price, and increase value across our offerings. This momentum enabled us to continue to attract highly talented individuals across the company. We expect improvements in our growth through increases in Annual Contract Value and through New Business to start in FY 2023 and to improve our financial performance over the next few years. We will provide an in-depth update on this progress and the 3-year plan at our upcoming investor conference. Overall, I am confident that we are on the right path for meeting all our stakeholders’ mid and long-term expectations.”

### Financial highlights

(€m)	06/30/2022 6m	06/30/2021 <sup>5</sup> 6m	Change	Change Constant exchange rate (cer)
<b>Revenue</b>	<b>84.3</b>	<b>80.0</b>	<b>+5.5%</b>	<b>+4.0%</b>
Licenses	73.9	70.0	+5.6%	+4.0%
Services	10.4	9.9	+4.7%	+3.5%
<b>Gross margin</b>	<b>68.6</b>	<b>64.0</b>	<b>+7.2%</b>	<b>+8.5%</b>
% revenue	81.3%	80.0%		
<b>Adjusted EBIT</b>	<b>25.6</b>	<b>18.5</b>	<b>+38.2%</b>	<b>+37.3%</b>
Adjusted EBIT margin	30.4%	23.2%		

<sup>1</sup> Total revenue excludes special projects and H1-FY21 has been restated.

<sup>2</sup> 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, the impacts of IFRS 16 standard on leases, and other non-recurring items.

<sup>3</sup> Adjusted EBIT margin is a non-GAAP indicator margin corresponding to the Adjusted EBIT out of the Revenues.

<sup>4</sup> Net financial debt: Financial debts (long term and short term) less cash and cash equivalent

<sup>5</sup> Restated accounts – Special projects (€1.9 m in H1 21 & €1.2 m in FY 22) & costs (€1.9 m in H1 21 & €1.2 m in FY 22) are reclassified in R&D versus costs of sales

<b>Other operating income and expenses</b>	<b>-1.5</b>			
<b>EBIT</b>	<b>21.9</b>	<b>18.1</b>	<b>+20.9%</b>	<b>+20.0%</b>
<b>Net result</b>	<b>14.0</b>	<b>11.0</b>	<b>+26.5%</b>	<b>+25.9%</b>
% revenue	16.6%	13.8%		
<b>Cash and cash equivalent</b>	<b>35.4</b>	<b>36.2</b>	<b>-2.1%</b>	
<b>Net financial Debt</b>	<b>-0.6</b>	<b>+6.8</b>		
Gearing <sup>6</sup> (in %)	-0.7%	6.9%		

## Half-year revenue growth driven by the licenses recurring business

Half-year revenue rose by 5.5% (+4.0% at constant exchange rates) to €84.3 million. This growth was mainly led by the licenses business at €73.9m (representing ~88% of semester revenue and growing by 5.6% YoY, +4.0% cer). Recurring revenues (Licenses excluding perpetual contracts and before deferred revenue) increased by 7.5% (+6.1% at constant currency) to €75.0 million. The recurrence rate was 93.5% compared with 92.2% in the first half of 2021. 5.2 million came from perpetual contracts versus €5.9 million and deferred revenue is €6.2 million (€5.6 million in 2021).

All geographic regions grew in the first half of 2022 at constant exchange rates: Americas +6.0%, Asia +4.1%, and EMEA +3.3%.

H1 licensing revenue growth was led by the Automotive industry, further fueled by a strong growth in aeronautics, mainly driven by the Group's key customers in the Americas.

This performance illustrates the capability of the Group to navigate a complex macroeconomic context while continuing to deliver on its commitment. It demonstrates the reliability of ESI solutions and the strength of the Group's relationship with its key customers allowing sustained growth.

## Higher margins and profitability as promised

ESI Group delivered both revenue growth and a significant profit increase.

Adjusted EBIT improved by €7.1m to €25.6 million (+ 38.2%). Adjusted EBIT margin, stood at 30.4% vs 23.2% in H1 2021.

Total costs to adjusted EBIT decreased by 4.4% mainly led by a decrease in Staff costs in line with a headcount decrease from 1,188 (end of June 2021) to 1,078 (end of June 2022).

As previously announced, restructuring costs mainly provided for at year-end 2021, and other operating income and results totaled €1.5 million in the first half of 2022. ESI Group continues to deliver on its commitment, to growth, and enhanced profitability, through effective changes to organization and processes to generate maximum efficiency.

The combination of higher revenue and lower costs pushed the net result to jump by 26.5% to €14.0 million.

The seasonality of the activity of ESI Group is to be considered here, as H1 captures a large part of the revenue growth & in H1 there is a positive impact of R&D capitalization of €1.8 million net of related capitalized projects amortization due to the rhythm of releases in June and the impact of the exceptional depreciation in 2021 which reduced the level of depreciation.

<sup>6</sup> Gearing: net financial debt /Equity

## A healthy financial situation: No net financial debt as of the end of June

ESI Group's net financial debt decreased to -€0.6m versus €6.8m end of June 2021 and €12.5m end of December 2021 thanks to a robust cash-flow generation and despite higher loan repayment in H1 2022 versus 2021 and the one-off restructuring costs. The cash position stood at €35.4m versus €36.2m at the end of June 2021. The gearing (net financial debt /Equity) pursued its decrease and stood at -0.7% versus 6.9% in H1 2021 and 17.2% at the end of December 2021.

## 2022: very active continuation of the implementation of the strategic plan "OneESI 2024 – Focus to Grow"

ESI Group is undergoing a significant transformation, focusing on core activities and changing its organization to be best-in-class in terms of customer satisfaction, winning new business and employer brand by attracting the best talents in the market. All the Group's teams are mobilized to execute the plan in order to deliver on its commitment. These first positive signs are encouraging and show that ESI Group is on the right track.

## Forward-looking statement

An update of the impact of recent divestitures, Russia, and of the 3-year plan will be shared at the Investor Conference held on September 27<sup>th</sup>, 2022.

## Upcoming events

- Investor Conference – September 27<sup>th</sup>, 2022
- Third quarter 2022 revenues – October 24<sup>th</sup>, 2022

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## About ESI Group

Founded in 1973, ESI Group envisions a world where Industry commits to bold outcomes, addressing high-stakes concerns - environmental impact, safety & comfort for consumers and workers, adaptable and sustainable business models. ESI provides reliable and customized solutions anchored on predictive physics modeling and virtual prototyping expertise to allow industries to make the right decisions at the right time, while managing their complexity. Acting principally in automotive & land transportation, aerospace, defense & naval and heavy industry, ESI is present in more than 20 countries, employs 1,100 people around the world and reported 2021 sales of €136.6 million. ESI is headquartered in France and is listed on compartment B of Euronext Paris. For further information, go to [www.esi-group.com](http://www.esi-group.com).

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## APPENDIX – ADJUSTED EBIT

The Board of Directors of ESI Group reviewed and closed, on September 6<sup>th</sup>, 2022, the Group's consolidated financial statements for the half year ended June 30, 2022. Limited review procedures on the interim consolidated financial statements have been completed. The auditors are in the process of issuing their reports.

Adjusted EBIT definition: operational income (EBIT) adjusted for:

- Stock-based compensation expenses,
- Acquisition, integration and restructuring charges,
- Impairment & amortization of intangible assets related to acquisitions,
- The application of IFRS 16 (leases),
- and other special items not related to current operations.

Adjusted EBIT has been presented for the 1<sup>st</sup> time during Strategic plan presentation on Oct 5<sup>th</sup>, 2021.

The adjusted EBIT margin corresponds to the ratio of adjusted operating income to revenues.

<i>€m</i>	<b>1<sup>st</sup> semester</b>	<b>1<sup>st</sup> semester</b>
	<b>2022</b>	<b>2021</b>
<b>EBIT</b>	<b>21.9</b>	<b>18.1</b>
- application of IFRS 16	-0.1	-0.2
- Other operating income and expenses	1.5	0.0
- stock-based compensation expenses	1.4	0.2
- impairment & amortization of intangible assets related to acquisitions	0.8	0.4
- other non-recurring items	0.0	0.0
<b>Adjusted EBIT</b>	<b>25.6</b>	<b>18.5</b>
<i>In % of revenue</i>	30.4%	23.2%

Disclaimer: EBIT and Adjusted EBIT are non-IFRS indicators used by the management to monitor performance, as presented in the strategic 3-year plan. They do not represent a substitute to IFRS indicators.