

Press Release
Rungis, France, September 27th, 2022 – 7:30 am

ESI Group updates on its plan – fast progress, long-term value, and short-term impacts

ESI Group, Rungis, France, (ISIN Code: FR0004110310, Symbol: ESI), will announce today during its investor conference that it maintains its long-term objectives for high single-digit growth and 20% Adjusted EBIT¹ by 2024/2025, that it has made faster than expected progress on strategic focus including several divestitures, and consequently revises short-term targets. The Group also announces the implementation of a share buyback program.

Strong execution during the first year of the plan

ESI Group operates in a vibrant market and has made fast improvements in sales execution, and in focusing its R&D to provide an increasingly valuable and simplified offering. The macro-economic context is uncertain for its customers, and they rely on ESI, more than ever, as their trusted partner.

In the last year ESI Group has made faster than expected progress on its strategic focus by:

- divesting non-core assets: including the [sale of the CFD product line](#) for €24M and the much smaller divestiture of the Scilab and [Inendi products](#), and putting in End-of-Life non-core R&D programs.
- transitioning faster away from perpetual licenses to recurring business²; H1 22 Recurring business is 93.5% versus H1 21 92.2%
- transitioning faster away from non-core services to free up resources to drive recurring license business

These are the result of deliberate strategic decisions. Driven by its core strategic vision, and its solid financial situation (Net financial Debt -€0.6m as of the end of June 22, before the proceeds of the sale of the CFD product line in July), ESI Group has prioritized doing the right things for the long-term health of the business while managing the short term.

Long-term growth target unchanged, short-term views slightly revised

ESI Group reaffirms its commitment to improving growth and profitability year after year and continues to target high single-digit growth and 20% profitability within 2 to 3 years.

Cristel de Rouvray, Chief Executive Officer of ESI Group, comments “*Our Guiding Principle is to always do what is right for the long-term health of the business and manage the short-term impact. I am very glad that we made the strategic choices we did this past year: we are in a much stronger position to navigate this amplified macroeconomic uncertainty. Namely, thanks to a bigger percentage of recurring revenue, significantly improved profitability, and a much stronger balance sheet. I have confidence that this transformation journey and its positive trajectory will gradually compound returns for all stakeholders: customers, shareholders, partners, and employees.*”

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

² Recurring business rate as ESI total licenses booking number excluding its perpetual license revenue divided by its total licenses booking number.

Pro-forma³, and at current rate, the revenue⁴ growth plan for 2022 has been reduced by 2% to reflect the faster conversion of paid-up licenses to subscriptions and a faster decrease of non-core services. The profitability plan has decreased by only 1 point thanks to strict cost management.

Proforma guidelines	2022 at current rate
Revenue	2%-4%
Adjusted EBIT⁵	9%-11%

This minor reduction in growth for 2023, shows the strength and resilience of the ESI business.

Proforma Goal	2023	2024	2025
Revenue	5%-7%	6%-9%	7% - 10%
Adjusted EBIT	13%-15%	17%-20%	>20%

ESI Group continues to aim for high single-digit growth and 20% Adjusted EBIT by 2024/ 2025 and will continue to communicate transparently.

Implementation of a share buyback program

Continuing its initiatives to sustain, in the long run, its performance, ESI Group announces the entrustment of an investment services provider (ISP) with a mandate to acquire its shares as part of the share buyback program authorized by the Combined Annual General Meeting of June 28, 2022.

- **Terms of the mandate**

According to the agreed terms, ESI Group has given a mandate to an ISP to acquire on its own behalf a maximum volume of 30,000 ESI GROUP shares (ISIN code FR0004110310) over a period starting on September 28, 2022, and possibly lasting until March 31, 2023.

- **Reminder of treasury shares held as of August 31, 2022**

As of August 31, 2022, the company held 336,576 treasury shares, representing 5.5% of the share capital.

2022 Investor Conference

- September 27, 2022, at 3 pm CET
- Information: [here](#)
- Registration and live Q&A: [here](#)

Upcoming events

- Third quarter 2022 revenues – October 24th, 2022

Contacts

³ Pro-forma estimates exclude the CFD activity that was divested in July (~ €4.6m in FY 21) & the Russia Business (~ €1.6m in FY 21)

⁴ Revenue Excluding Special projects (FY20 = €4m)

⁵ 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



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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.

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