



Press Release

Rungis, France, February 28th, 5.30 pm CET

ESI Group 2022 Full-year revenue & results

On track in executing OneESI 2024 Plan, Achieved Guided Growth¹, Exceeded Adjusted EBIT Target and Delivered Strong Growth in License Revenue driven by ARR²

All below information will concern 'constant perimeter'³, otherwise will be stated

- Full-year revenues⁴ of current perimeter at 133.9m: +1.0% YoY, +0.1% at constant exchange rate (cer)
- ARR Growth, reaching over €100m: +7.4% at current exchange rate (+6.5% cer)
- Full-year revenue growth in line with guidance: €129.7m: +3% at current rate (+2.1% cer)
- Adjusted EBIT⁵ up 75.1% year over year, with Adjusted EBIT margin at 11.6%, versus 6.8% in 2021
- Faster than expected progress on the strategic aspects of the plan
- Reaffirming FY23 guidance in line with targets presented in September '22

ESI Group, Rungis, France, (ISIN Code: FR0004110310, Symbol: ESI), today releases its sales and results for the full year 2022 (period from January 1st to December 31st) approved by the Board of Directors on February 27th, 2023. Audit procedures performed by the Group statutory auditors are being finalized.

Cristel de Rouvray, Chief Executive Officer of ESI Group, comments: *"I am proud to announce that our comprehensive strategic plan has successfully laid a robust foundation for the future growth of ESI Group. The remarkable success of 2022 is a testament to the effectiveness of our strategic direction. Our focus on recurring revenues has further enhanced our sustainable financial performance and future plans. With our keen eye on the future, we expect to see continuous progress on our top line in 2023. ESI's teams, product, and market position are critical for a clean, safe, and productive industry. I remain confident that our continued success in FY23 and beyond will meet all stakeholder's mid and long-term expectations."*

ESI Group Achieves Key Milestones of OneESI 2024 Plan, Delivering Strong Results in 2022

ESI Group has made significant progress on its strategic plan, on track with expectations for the fiscal year

¹ Growth revenue guided in a range of 2%-4% at current rate and constant perimeter and Adjusted EBIT target 9%-11% as announced on September 27, 2022

² ARR: Annual Recurring Revenue - Total ESI Group Licenses revenue excluding PUL (Perpetual License) & deferred revenue.

³ Constant perimeter: FY2021 and FY2022 have been restated to exclude Russian business (discontinued) and CFD activity (sold in July 2022) from revenue & costs

⁴ Reminder: as stated in our half-year financial report, 2021 Revenue has been retrospectively restated to reflect the reclassification of revenue relating to Co-funded Projects from revenues to research and development costs - the corresponding costs have been reclassified from the cost of sales to research and development costs.

⁵ 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).



2022. The Group's ability to consistently fulfill its long-term commitments was demonstrated by a strong 7.4% increase in ARR, reflecting a focus on recurring software revenue that was prominently highlighted in the OneESI 2024 plan. The Group has successfully raised its ARR to €100.6m (compared to €93.7m in 2021), marking a substantial advancement for the Group. In addition, ESI Group has achieved its revenue objectives, with growth consistent with the communicated range to the market (between 2% and 4%) for a total revenue of €129.7m. The Group's emphasis on its licensing business has also paid off, as it now accounts for 85.0% of the company's overall activity (compared to 83.2% in FY21).

Financial highlights at constant perimeter

| (€m) | 12/31/2022 | 12/31/2021 ⁶ | Change | Change Constant exchange rate (cer) |
|-----------------------------|--------------|-------------------------|----------------|---|
| Revenue | 129.7 | 126.0 | +3.0% | +2.1% |
| Licenses | 110.3 | 104.8 | +5.3% | +4.3% |
| Services | 19.4 | 21.2 | -8.4% | -8.7% |
| EBIT – before IFRS16 | 22.5 | -21.0 | +207.2% | -209.8% |
| % of revenue | 17.5% | -16.7% | | |
| Adjusted EBIT | 15.0 | 8.6 | +75.1% | +81.8% |
| Adjusted EBIT margin | 11.6% | 6.8% | | |

| (€m) | 12/31/2022 | 12/31/2021 | Change | Change Constant exchange rate (cer) |
|--------------------------------|--------------|--------------|--------------|---|
| Revenue | 129.7 | 126.0 | +3.0% | +2.1% |
| Licenses | 110.3 | 104.8 | +5.3% | +4.3% |
| ARR (Annual Recurring Revenue) | 100.6 | 93.7 | +7.4% | +6.5% |
| PUL (Perpetual License) | 9.7 | 11.4 | -15.2% | -17.0% |
| Deferred Revenue | 0.0 | -0.3 | -89.9% | -105.7% |
| Services | 19.4 | 21.2 | -8.4% | -8.7% |

⁶ Reminder: as stated in our half-year financial report, 2021 Revenue has been retrospectively restated to reflect the reclassification of revenue relating to Co-funded Projects from revenues to research and development costs - the corresponding costs have been reclassified from the cost of sales to research and development costs.



Financial highlights at current perimeter

| (€m) | 12/31/2022 | 12/31/2021 | Change | Change Constant exchange rate (cer) |
|--|--------------|---------------|---------------|---|
| Revenue | 133.9 | 132.6 | +1.0% | +0.1% |
| Gross Margin | 106.2 | 102.9 | +3.3% | +2.2% |
| <i>% of revenue</i> | <i>79.3%</i> | <i>77.6%</i> | | |
| EBIT – before IFRS16 | 25.0 | -16.9 | n.a. | n.a. |
| <i>% of revenue</i> | <i>18.7%</i> | <i>-12.7%</i> | | |
| Other operating income and expenses | 12.8 | -27.4 | n.a. | n.a. |
| Adjusted EBIT | 17.8 | 12.7 | +40.0% | +45.2% |
| <i>Adjusted EBIT margin</i> | <i>13.3%</i> | <i>9.6%</i> | | |
| Net Result | 15.4 | -18.5 | n.a. | n.a. |
| <i>% of revenue</i> | <i>11.5%</i> | <i>-13.9%</i> | | |
| Net financial debt⁷ | -7.3 | 12.5 | n.a. | n.a. |
| <i>Gearing</i> | <i>-8.0%</i> | <i>17.2%</i> | | |

ESI Group's strong performance showcases its ability to navigate a challenging economic environment while delivering on its commitments. The company's solutions are critical for customers who require adaptability and speed to remain competitive. In the past year, ESI Group has strengthened relationships with key clients, promoting sustained growth and building a foundation for future success. The company's commitment to innovation has allowed it to stay ahead of the curve, offering customers cutting-edge simulation solutions that provide exceptional value.

ESI Group's Remarkable Progress Towards OneESI 2024 Plan in 2022

ESI Group is pursuing its transformation by focusing on its core activities and improving customer satisfaction. This focus is reflected in the company's significant Annual Recurring Revenue (ARR) growth, increased business wins, and strong employer brand, which has helped attract talent in the market. Additionally, at constant perimeter, ESI Group's revenue growth and cost-management efforts resulted in an 11.6% Adjusted EBIT margin (exceeding the anticipated range of 9% to 11%).

The company's strategic approach has yielded positive results, with growth in our 3 regions particularly in the Americas, where it grew by 15.9% (+4.2% cer), the Asia market remained stable at -0.2% (+2.4% cer) due to the acceleration of the strategic shift from perpetual to recurring licenses. The EMEA region posted a growth of 1.6% (+1.3% cer). ESI Group's commitment to enhancing customer satisfaction and attracting top talent has resulted in enabling the company to position itself as a market leader in the face of ongoing challenges.

⁷ Net financial debt: Gross financial debt minus cash and cash equivalents.



The gross margin rate increased to 78.9% vs 76.8% in 2021 mainly due to higher rate of licenses in our revenue mix. As announced, the Group continued streamlining its operations and reduced its headcount – from 1,144 (end of December 2021) to 985 (end of December 2022). In the meantime, the Group recruited highly seasoned leaders and team members for strategic positions across the organization.

In 2022, Other operating income and expenses amounted to €12.7m mainly due to CFD sale versus -€27.6m in 2021 due to ESI Group restructuring and transforming plan comprising of Provisions for reduction in headcount & Impairment of intangibles as related to products & services deemed non-core.

A healthy financial situation

In 2022, ESI Group continued demonstrating its capacity to improve its financial situation. ESI Group controlled its costs thanks to a better resource allocation and reduced its net financial debt (from €12.5m in 2021 to -€7.3m in 2022) with more reimbursement of the bank loans (€8.5m in 2022 vs €5.3m in 2021).

The Group has increased its cash position end-of-year from €30.3m to €41.6m which includes the positive impact of the CFD business sale (+€20m of cash) announced in July 2022 and the payment of restructuring charges for the Group linked to its departure plan (about €7m euros in 2022 versus €1.7m in 2021).

The gearing significantly improved (net financial debt/Equity) from 17.2% in 2021 to -8.0% in 2022.

Forward-looking statement

Q1 – FY23 Revenue perspectives

Q1 - FY23 - constant perimeter

| | | | |
|--------------------|----|----|----|
| Growth excl. forex | 5% | to | 7% |
|--------------------|----|----|----|

While the Group does not give guidance on ARR, we expect the ARR trend to continue in Q1 with an ARR growth to exceed overall topline growth.

Long-term perspective, as shared at our investor day on September 27, 2022

| constant perimeter | 2023 | 2024 | 2025 |
|-----------------------|---------|---------|----------|
| Revenue Growth | 5%-7% | 6%-9% | 7% - 10% |
| Adjusted EBIT | 13%-15% | 17%-20% | >20% |

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 presents the risks associated with the company’s future performance.

Upcoming events

- Q1 revenues – May 4th, 2023
- Annual General Meeting – June 29th, 2023
- The Group will organize an investor’s conference in early Fall 2023 and will give an update on the plan

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About ESI

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, and 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 about 1,000 people around the world, and reported 2022 sales of €130 million. ESI is headquartered in France and is listed in compartment B of Euronext Paris. For further information, go to: www.esi-group.com.

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APPENDIX

The Board of Directors of ESI Group reviewed and closed, on February 27, 2023, the Group's consolidated financial statements for the fiscal year ending December 31, 2022. Audit procedures performed by the Group statutory auditors are being finalized.

IFRS AND NON-IFRS INDICATORS

The financial statements for the year ended December 31, 2021 have been retrospectively restated to reflect the implementation of the IFRIC decision on the recognition of configuration or customization costs for software used in SaaS mode and the reclassification of revenue relating to Co-funded Projects from revenues to research and development costs - the corresponding costs have been reclassified from cost of sales to research and development costs.

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 and Adjusted EBIT Margin are non-GAAP indicators used by the management to monitor performance, as presented in the strategic 3-year plan, excluding items that, because of their nature, cannot be considered as inherent to the recurring performance of the Group. They do not represent a substitute for GAAP indicators.

Adjusted EBIT means operational income (EBIT) adjusted for:

- 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 gain and losses from disposals).

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

| €m | 2022 Current perimeter | 2022 Constant perimeter | 2021 Current perimeter | 2021 Constant perimeter |
|--|---------------------------------------|--|---------------------------------------|--|
| REVENUE | 133.9 | 129.7 | 132.6 | 126.0 |
| EBIT | 25.5 | 22.9 | -16.4 | -20.5 |
| <i>EBIT Margin (IFRS) In % of revenue</i> | <i>19.0%</i> | <i>17.7%</i> | <i>-12.4%</i> | <i>-16.7%</i> |
| - impact of application of IFRS 16 | 0.5 | 0.5 | 0.5 | 0.5 |
| EBIT before IFRS 16 | 25.0 | 22.5 | -16.9 | -21.0 |
| - Restructuring | 2.7 | 2.5 | 27.6 | 27.6 |
| - Other non-recurring items | -15.5 | -15.5 | -0.2 | -0.2 |
| - Stock-based compensation expenses | 3.5 | 3.5 | 0.9 | 0.9 |
| - Impairment & amortization of intangible assets related to acquisitions | 1.4 | 1.4 | 1.3 | 1.3 |
| - Exceptional Profit Sharing linked with CFD sale | 0.7 | 0.7 | | |
| Adjusted EBIT (Non-IFRS) | 17.8 | 15.0 | 12.7 | 8.6 |
| <i>Adjusted EBIT Margin (Non-IFRS) In % of revenue</i> | <i>13.3%</i> | <i>11.6%</i> | <i>9.6%</i> | <i>6.8%</i> |