

Third-quarter 2020 sales

- **Q3 2020 following similar trends as H1 2020**
- **Resilient installed base**
- **Negative Impact from exchange rates**
- **Growing customer excitement for ESI solutions consistent with new business based on ability to deliver outcome value**

ESI Group, Paris, France, (ISIN Code: FR0004110310, Symbol: ESI), releases its sales for the third quarter of 2020 (period from July 1st to September 30th).

Cristel de Rouvray, Chief Executive Officer of ESI Group, comments: *“In Q3 we report similar trends as presented since the start of the pandemic crisis: a strong resistance with a slight growth in Licenses Repeat business together with a serious decrease in Services and New License activity, driven by customers’ own need to pause some activities. We thus continue to very carefully manage costs. Yet, we observe a growing readiness from industrialists to engage in or pursue their digital transformation, from existing reliance on real testing for validation to increasingly anchor more on iterative and virtual testing and collaborative methods. Because of ESI’s unique ability to deliver highly realistic and predictive simulation models they are shifting budgets from real testing to virtual prototyping – propelling it beyond the R&D departments to being used on a real-time basis, in design, manufacturing and operations with high proven benefits. For ESI, this means continued robustness of the existing business and a revival of innovative new business, thanks to local and global initiatives.”*

Sales (€m)	2020	2019 proforma	Change	
			Current rate	Constant rate
Q3 Licenses	17.0	18.4	(7.8)%	(3.9)%
Q3 Services	4.9	6.4	(24.1)%	(22.2)%
Q3 Total	21.8	24.8	(12.0)%	(8.6)%
9-month Licenses	86.2	91.7	(6.1)%	(5.8)%
9-month Services	16.5	21.4	(23.0)%	(22.7)%
9 months Total	102.6	113.1	(9.3)%	(9.0)%

Third quarter year-over-year comparison

In Q3 2020 ESI Group generated sales of €21.8m (-12.0% at current exchange rates), impacted by unfavorable exchange rate trends (-8.6% at constant exchange rate – cer). This third quarter lies in the same dynamics as the first half of 2020.

- Q3 Licenses sales decreased to €17.0m (-7.8%, -3.9% cer) and represented 77.7% of total sales (vs. 74.2% in Q3 2019). Both Repeat Business (€11.0m) and New Business (€2.6m) show some improvement compared to the first part of the year. Repeat Business grew by 2.2% cer compared to 0.5% cer in H1. New Business in Q3 decreased by 22.8% cer compared to 53.2% cer in H1.
- Q3 Services sales, in continuation of the trend observed in H1, decreased to €4.9m (-24.1%, -22.2% cer).

9-month comparison

ESI Group's sales for the first 9-months of 2020 amounted to €102.6m (-9.3%, -9.0% cer) compared to the same period last year.

Licenses decreased to €86.2m (-6.1%, -5.8% cer). The momentum was strong on the installed base, with a good level of licensing recurrence (85.5% over 9m 2020) and the stability of Repeat Business (€81.2m, +0.7% cer), and more particularly among key customers.

9-month 2020 sales geographical breakdown by region splits as follows: EMEA represents 48.8% (vs. 49.9%), Asia/Pacific represents 36.6% (vs. 36.0%) and the Americas represent 14.6% (vs. 14.1%). In the EMEA region, sales decreased by -11.2%, (-11.0% cer), mainly in France and Southern Europe. This situation ties with the slowdown in key industries for the Group, especially in Aeronautics and Services, and is being cautiously managed.

The sales breakdown for ESI's four focus industries accounted for approximately 90% during the period (vs. 90.6%). The Automotive & Ground Transportation activity, the Group's leading industry sector, remained relatively stable, despite a difficult economic context. While other industries also suffered from the pandemic crisis, the most significant slowdown goes to the Aerospace industry.

Business highlights: Growing customer excitement

In the current uncertain global context, the Group relies on strong resilience of its business model and the ability of its team to revitalize new business with compelling solutions responding to customers' key "Outcome Value". Significantly and recently:

- Nissan's Breakthrough in 'Carbon Fiber Reinforced Polymer' (CFRP) parts production for Safer and Lighter Vehicles. The challenge was to industrialize the production process of this very time-consuming and expensive manufacturing activity to reduce costs and development time. ESI supports them in reaching the expected level of productivity, namely: 50% reduction of the lead time and about 80% reduction of the cycle time for molding, compared with conventional methods.
- JMDA won the coveted "Red Dot Design Award" for their innovative, cutting-edge child restraint systems for Tinyseats Europe AB. Their partnership with ESI enabled rigorous testing without the need of any 'real' prototypes, very early in the design process, de-risking compliance challenges. This award demonstrates the successful ability to navigate trade-offs among cost, design, safety and performance with the appropriate expertise, solutions and trust-based relationship. [More here](#)

Committed to continue shaping the future of industry, ESI relies on its research and innovation global teams to develop solutions answering to specific industry problematics, for instance guiding manufacturers in their decision-making process for their products in operation:

- In the AMPLI project, ESI Group and its European partners (Whirlpool, IPC, ENSAM and LMS) are collaborating to improve manufacturing efficiency, address skill gaps and retain young talent on shop



floors by equipping machine operators with real time information and knowledge derived from domain specific numerical models delivered in Augmented Reality. [More here.](#)

Since the beginning of the pandemic crisis, ESI has been demonstrating its ability to sharply pivot and adapt by establishing new ways of communication and marketing of its value to the global ecosystem. Illustrating this emphasis, on September 27th, Cristel de Rouvray hosted a digital keynote to position the Group and its Hybrid Twin™ solution during the Sino-German “World New Energy Vehicle Congress” in front of +44,000 attendees.

Governance

As a reminder, the Board of Directors appointed Alex Davern as “Independent Observer” in accordance with its Nomination & Governance Committee’s recommendation on October 21st. Alex Davern will bring his proven expertise and long business savvy to assist the Company in finding a right balance between long-term vision and short-term business needs, aiming to create sustainable ‘Outcome value’ for customers, employees, partners, and shareholders.

Upcoming events

1st global digital event – Register [HERE](#)

ESI Live – November 5, 2020

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About ESI Group

Founded in 1973, ESI Group is a leading innovator in Virtual Prototyping solutions and a global enabler of industrial transformation. Thanks to the company’s unique know-how in the physics of materials, it has developed and refined, over the last 45 years, advanced simulation capabilities. Having identified gaps in the traditional approach to Product Lifecycle Management (PLM), ESI has introduced a holistic methodology centered on industrial productivity and product performance throughout its entire lifecycle, i.e. Product Performance Lifecycle™, from engineering to manufacturing and in operation. Present in more than 20 countries, and in major industrial sectors, ESI employs 1200 high level specialists around the world and reported 2019 sales of €146 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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