



Financial Press Release

Paris, 6pm on May 24, 2017

First-quarter 2017 sales stable at €27.3 million

- **Growth of the Licenses installed base**
- **Cyclical downturn in Services**
- **Growth in Europe and consolidation in Asia**
- **Sales transformation phase**

Commenting on the first-quarter results, Alain de Rouvray, Chairman and Chief Executive Officer of ESI Group, said: *“First-quarter revenue figures, which are not generally much of an indicator for the rest of the year, came out stable, reflecting growth in recurring revenue from the installed base and a cyclical downturn in Services. The relative stability of the revenues must be viewed in the context of the challenging base effect due to exceptional performance of Japan in Q1 2016.*

In accordance with Group strategy, operational efforts are currently focused on harnessing our sales and marketing resources to drive our disruptive “PPL” (Product Performance Lifecycle) approach and its Hybrid Twin concept, drawing upon recently-acquired technologies. This consolidation and transformation phase, which will impact the first half, will contribute to the mid and long-term value, by addressing the growing number of opportunities arising from the transition to the Smart Factory and democratization of Virtual Prototyping solutions.”

Change in first-quarter 2017 sales

The first quarter ends on April 30 (unaudited figures)

In € millions	Q1 2017	Q1 2016	% Δ	% Δ (cer ¹)
Licenses	20.1	19.5	+2.7%	0.1%
Services	7.3	7.9	-7.4%	-9.1%
Total	27.3	27.4	-0.2%	-2.6%

¹cer: at constant exchange rates

Acquisition during the period: Scilab Enterprises was consolidated from February 27, 2017.

NB: because of strong seasonal variations, ESI Group's Licenses business recognizes a big part of its annual revenue in the 4th quarter of the year. The Group's financial year ends on January 31.

Revenue remained stable

First-quarter 2017 sales totaled €27.3 million, stable when compared with Q1 2016 which had registered 13.8% growth.

There was a positive currency effect of €0.7 million during the period, mostly related to the appreciation of the Yen and the US dollar against the Euro. The product mix shifted towards Licenses which contributed 73.4% of total sales, compared with 71.3% in Q1 2016.

Licenses: continued growth of the installed base

Revenue from Licensing activity amounted to €20.1 million, up 2.7% on Q1 2017 and stable at constant exchange rates. This figure was impacted by a challenging prior-period comparable which included 14.3% growth in Q1 2016.

The installed base remained strong and grew by 5.8%, driven by a very high repeat business rate of 86.7%.

New Business was down by 20.1% due to the very challenging base effect which included exceptional growth of 43.5% in Q1 2016.

Services: cyclical downturn in business

Revenue from Services activity dropped 7.4% to €7.3 million in the wake of 12.4% growth in Q1 2016. Difficult prior-period comparability is very apparent, especially in engineering studies, which had grown by over 20% in the first-quarter of 2016.



Geographic sales mix: growth in Europe and consolidation in Asia

In Q1 2017, Asia contributed 44% of total sales (Q1 2016: 47%), Europe contributed 40% (Q1 2016: 37%) and the Americas contributed 16% (stable on Q1 2016). This breakdown reflects good growth in the European licensing business and consolidation in Asia following continued growth over several quarters.

The BRIC countries contributed 9.9% of Q1 2017 sales compared to 10.4% in Q1 2016.

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About ESI Group

[ESI Group](#) is a leading innovator in [Virtual Prototyping](#) software and services. Specialist in material physics, [ESI](#) has developed a unique proficiency in helping industrial manufacturers replace physical prototypes by virtual prototypes, allowing them to virtually manufacture, assemble, test and pre-certify their future products. Coupled with the latest technologies, Virtual Prototyping is now anchored in the wider concept of the Product Performance Lifecycle, which addresses the operational performance of a product during its entire lifecycle, from launch to disposal. The creation of Hybrid Twins, leveraging simulation, physics and data analysis, enables manufacturers to deliver smarter and connected products, to predict product performance and to anticipate maintenance needs.

ESI is a French company listed in compartment B of Euronext Paris. Present in more than 40 countries, and addressing every major industrial sector, [ESI Group](#) employs about 1200 high-level specialists around the world and reported annual sales of €141 million in 2016.

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