
FY 2019 RESULTS

Investor's meeting



PARIS - March 24, 2020

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COVID-19 UPDATE

1 Impact on our business – Temporary contraction of activity among customers

2 Resilience of our business model – Helping to manage our mid-term risks

3 Imagine conducting real tests & building physical prototypes currently in today's circumstances?
When industry recovers from this exceptional crisis, **digital ways of working will be accelerated globally.**

4 The **health and the safety of our colleagues, customers and partners** are of paramount importance for us.
We swiftly introduced **internal measures**, like travels restrictions and remote work policy;
We are currently fully operational.

OUTLINE

- 1 ESI's vision
- 2 2019, a solid year
- 3 What do we need to do to deliver double digit growth, profitably?
- 4 Focus per industry, amplifying our incumbent business value with compounded growth from innovation
- 5 A performance framework by Industry & Outcome
- 6 Conclusion

ESI's vision

The Outcome Economy: New Ideas, New Players in All Industries

Exploring outcomes often unheard of until recently



Most ideas still at early
technology readiness levels



Design a tool to diagnose the condition of
the aircraft in-use and hence its remaining
service window.

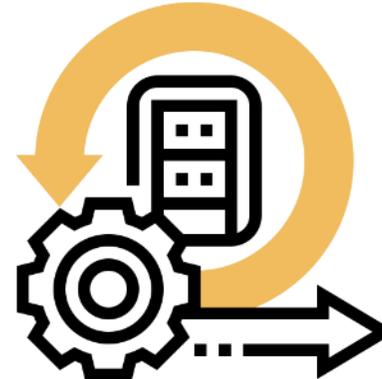
How do we test these ideas?

From the management of the product itself to the management of its performance during its entire lifecycle



Design and manufacture the
product itself

Product Lifecycle Management



Manage, predict, and sustain the
performance of the product
through its life time

Product Performance Lifecycle™

Hybrid Twin™ – Dive into a new Era of Performance

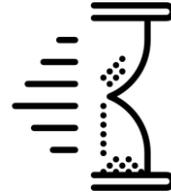
Cutting-edge simulation solutions to predict, in real-time, all products' behaviors



PHYSICS-BASED
VIRTUAL PROTOTYPE



DATA-BASED
DIGITAL TWIN
(SMALL DATA OK!)



REAL-TIME
ALGORITHMS



Hybrid Twin™

REAL-TIME
PILOTING

SMART DATA (leveraging PREDICTIVE SIMULATION) vs. BIG DATA

=

“artificial intelligence for engineers”



Empower industry actors to commit to outcomes

FY 19: a solid year

BUSINESS MODEL – REMINDER

Licenses

Rental

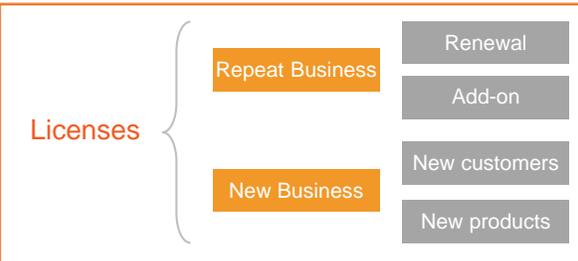
› User license contract renewable annually. It includes maintenance services.

PUL (Paid-Up License)

› Long term license contract including maintenance services for renewable one-year periods (also named Perpetual)

Maintenance

› Maintenance includes updates and technical support applicable as of the second year of a perpetual license contract. As of the second year, maintenance revenue is recognized as software (maintenance) revenue.



STRONG RECURRING SALES

KEY DIFFERENTIATOR ASSET

Services

Engineering

› Joint industrial projects carried out in partnership with major industrial corporations, and knowledge transfer

Field Service

› Support services in conjunction with Licenses activity

Special projects

› R&D initiatives (like European consortium) pertaining to the creation of preindustrial digital simulation models for new applications.

Contracting

› Supply of staff working on customer site, in particular application tests (design verification and virtual performance testing of industrial products)

Other Revenues

› Mainly hardware or events

FINANCIALS – RESULTS

(€m)	FY 2019 12m proforma	FY 2018 12m proforma	Change	Change cer
Revenue	146.2	135.7	7.8%	5.6%
Licenses	115.9	106.9	8.4%	6.0%
Services	30.3	28.8	5.4%	3.8%
Gross margin	107.4	97.5	10.1%	7.6%
%revenue	73.4%	71.9%		
EBITDA (before IFRS 16)	12.3	8.1	52.2%	39.9%
%revenue	8.4%	6.0%		
EBIT (before IFRS 16)	8.3	3.6	126.6%	100%
%revenue	5.7%	2.7%		
IFRS 16 – Impacts				
- EBITDA	5.4	Nd		
- EBIT	0.2	Nd		

SOLID BUSINESS MODEL - DIVERSIFICATION

Proforma FY19 Sales

12-month (January – December)

GEOGRAPHICAL MIX



EMEA	
€71.0M	+8.7% +8.6% cer



Asia	
€53.0M	+7.4% +3.5% cer



Americas	
€22.3M	+5.8% +0.9% cer

SOLID BUSINESS MODEL - DIVERSIFICATION

Proforma FY19 Sales

12-month (January – December)

KEY INDUSTRIES



88% of the total revenues
four prior industries of ESI business development strategy

Booking with 10 global customers

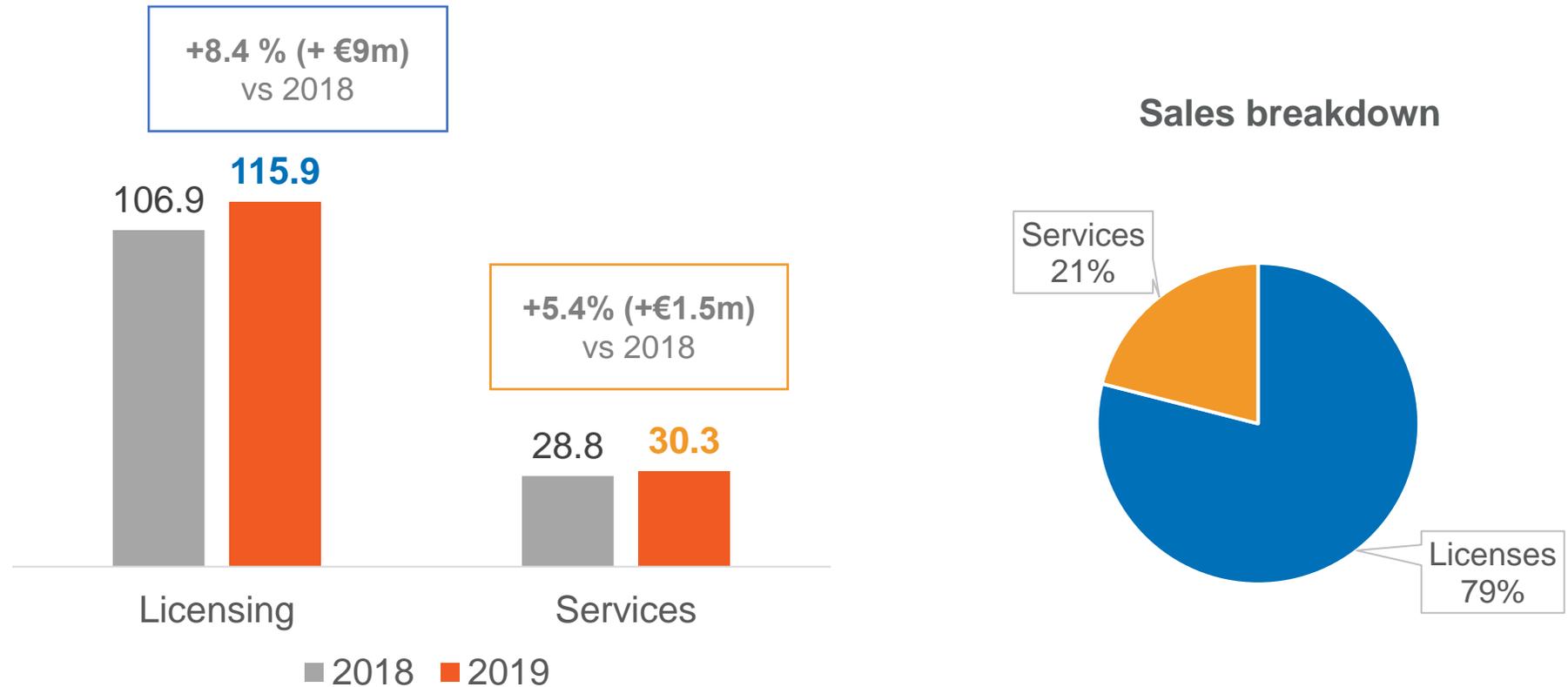
35% of Revenues
+14% Growth



SOLID BUSINESS MODEL – REVENUE PER TYPE

Proforma FY19 Sales

12-month (January – December)

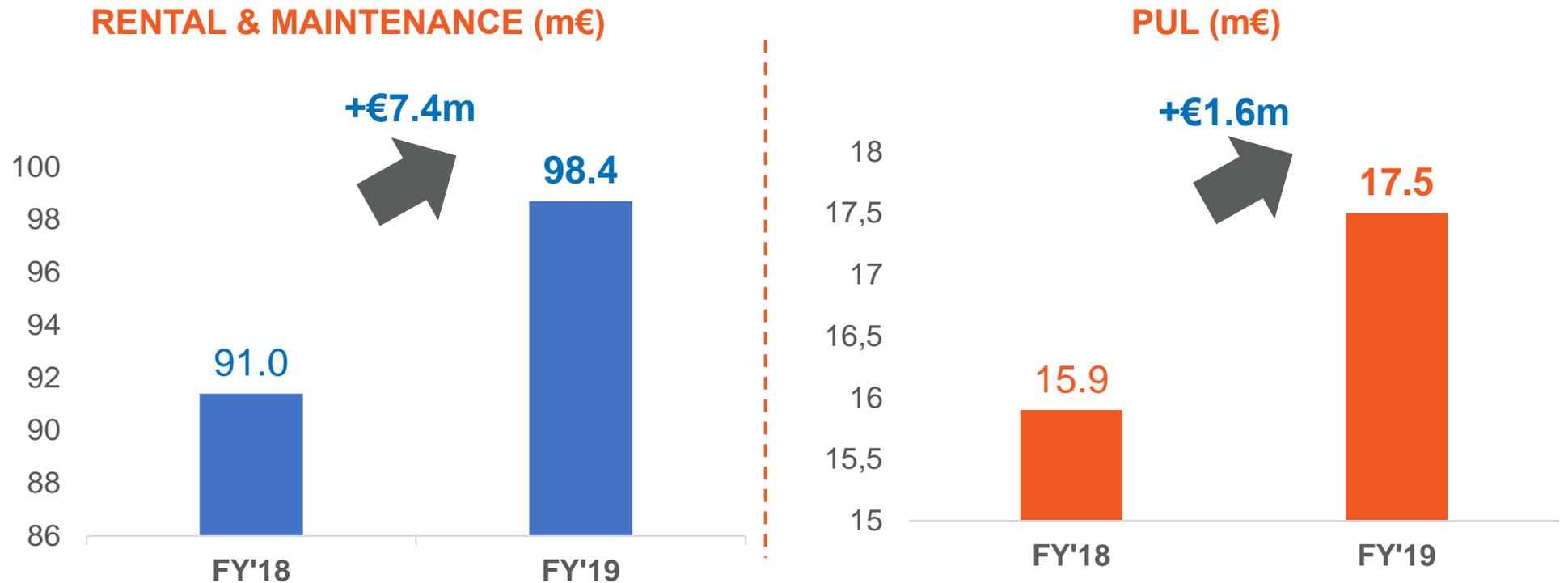


Split for Licensing: 84% Repeat Business (+€7.4m, +7,9%) / **16%** New Business (+€1.6m, +10,6%)

SOLID BUSINESS MODEL – LICENSING BY TYPE

Proforma FY19 Sales

12-month (January – December)



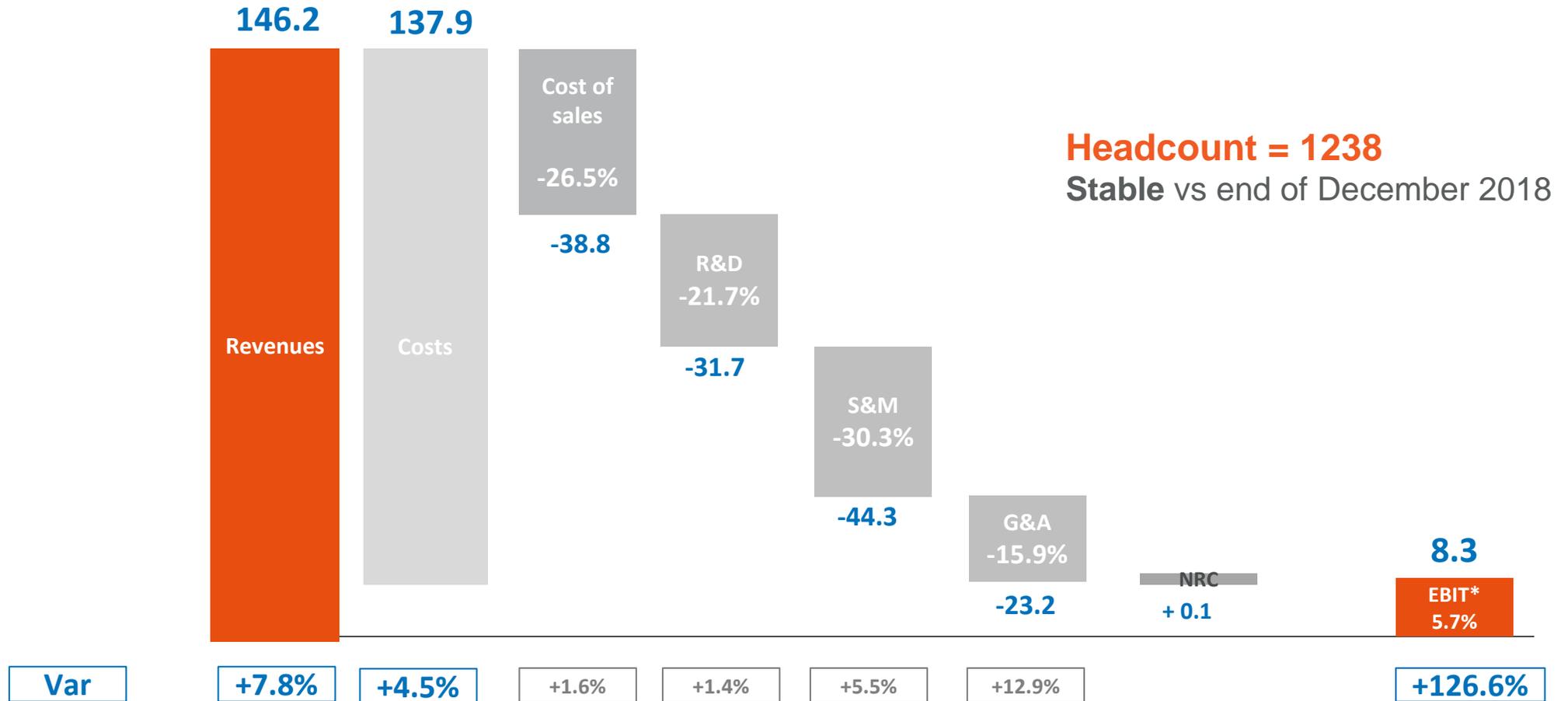
Part of PUL in the total licensing revenues remain stable (15.0%)

FINANCIALS

Costs control to support global effort in revenue generation

Proforma FY19 Sales

12-month (January – December)

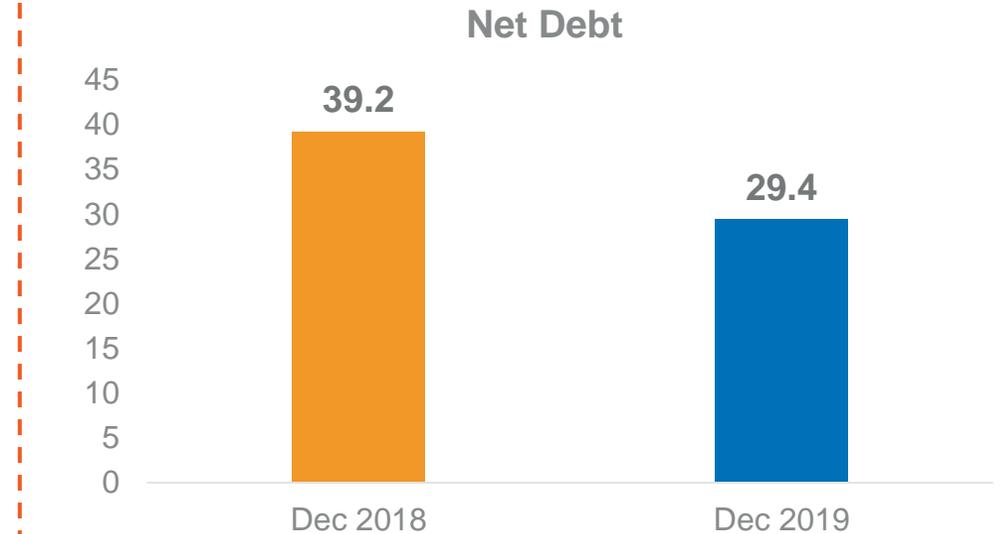
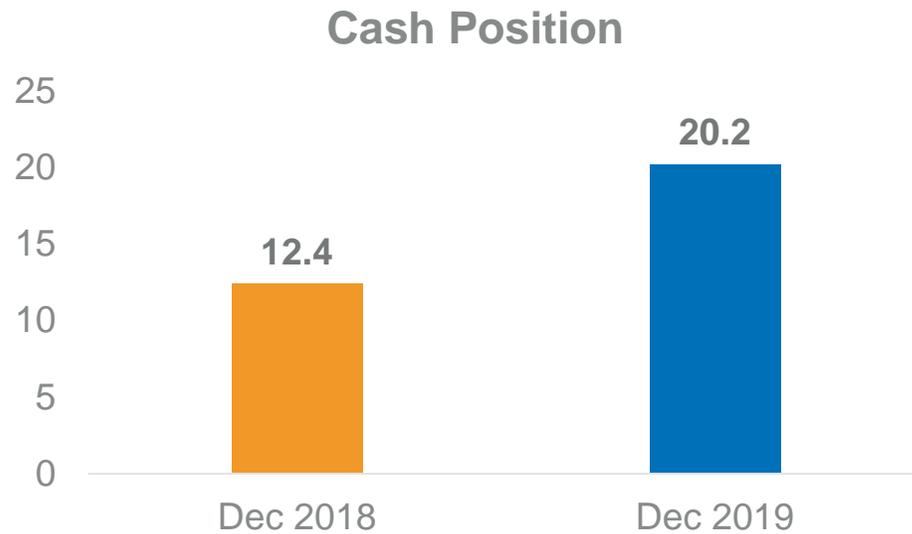


Headcount = 1238
Stable vs end of December 2018

FINANCIALS – CASH POSITION

Proforma FY19 Sales

12-month (January – December)



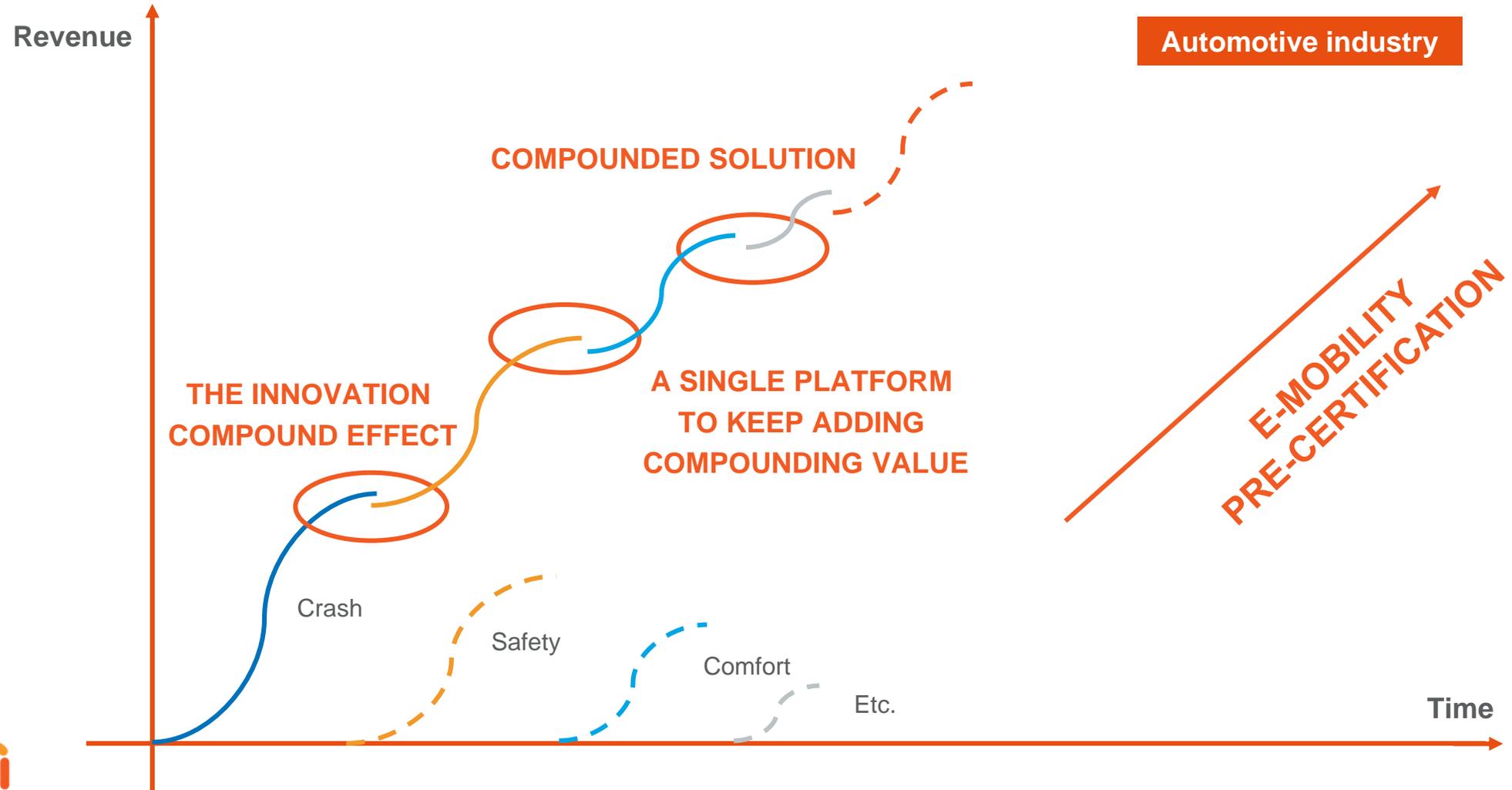
Gearing (Net Debt/Equity)

34.4%

What do we need to do to deliver
double digit growth, profitably?

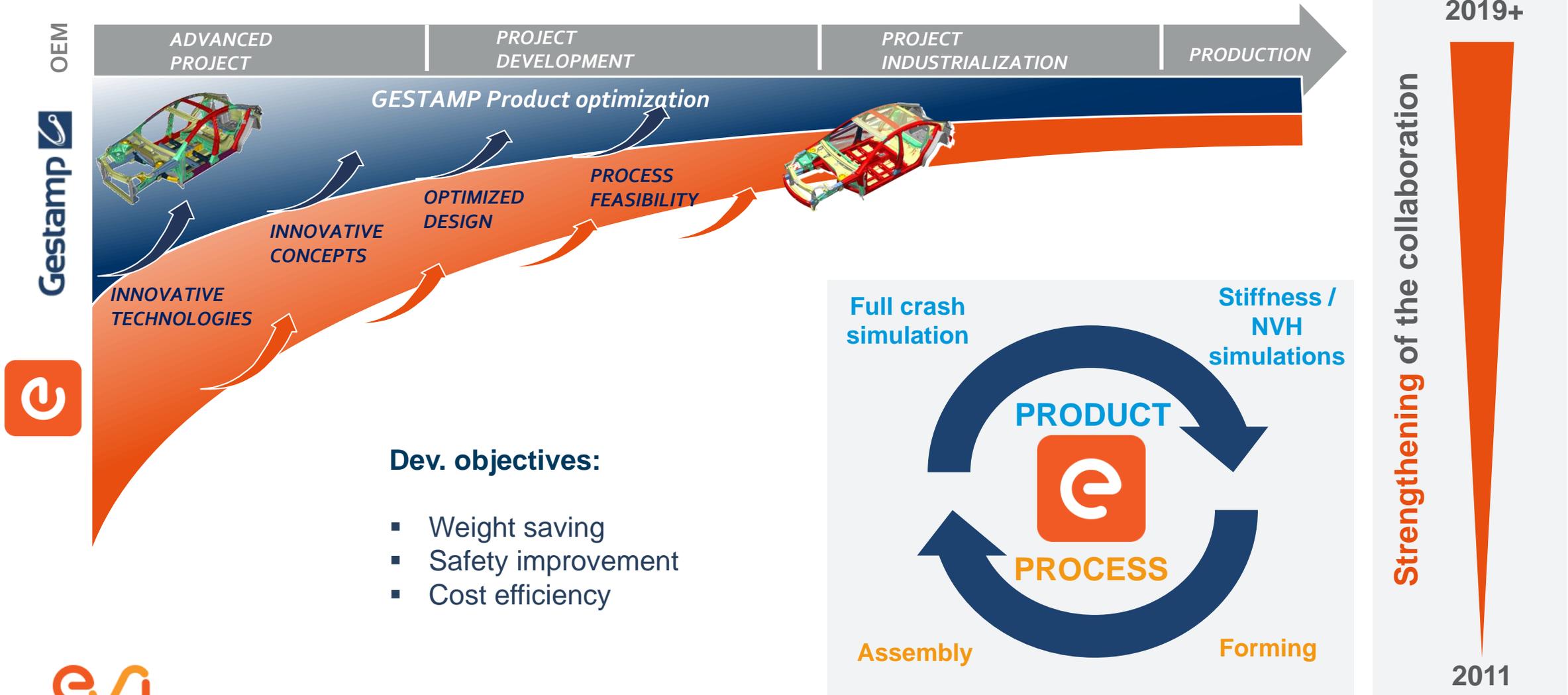
Insight

By industries and by outcomes, we can align our horizons to feed growth



Collaboration ESI Group – Gestamp

Partner collaboration to design a safer and lighter BIW



Dev. objectives:

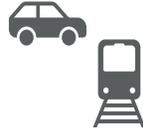
- Weight saving
- Safety improvement
- Cost efficiency

Focus per industry, amplifying our
incumbent business value with compounded
growth from innovation

A strategy by Industry



Our Outcome Solutions



4 Outcome Solutions

PRE-CERTIFICATION

Enables gains in performance and productivity. Thanks to predictive models and process automation our customers can meet faster certification requirements without relying on real tests.

SMART MANUFACTURING

Establish the right manufacturing process to meet performance indicators for both industrial products and processes, and the plants.

HUMAN CENTRIC

Allows our customers to implement an operator-centric approach to ensure the efficiency of assembly and maintenance operations, while facilitating the early identification of problems and ways to improve production processes.

PRE-EXPERIENCE

This is our most advanced solution to support industrial leaders who are the furthest along in their transformation towards the “outcome economy”. ESI enables them to “experience” a product, component, subsystem or system as it ages and under numerous use conditions.

Aeronautics – On time delivery for twice as many planes



Create Skyrocketing
Technology
with Confidence

ACHIEVE ON-TIME DELIVERY

MARKET DYNAMICS

OEMs and Suppliers have extracted most possible gains from incremental improvements.

Now, they must radically embrace virtual prototyping and Hybrid Twin™ to deliver on the new aero mobility expectations (more planes, more diverse aircraft).

Aeronautics – ESI's levers for growth

INDUSTRY LEADERS EMBRACE VIRTUAL PROTOTYPING WITH ESI



Create Skyrocketing
Technology
with Confidence

ACHIEVE ON-TIME DELIVERY



AIRBUS



LATÉCOÈRE



ESI's KEY ASSETS



Pre-certify incorporating manufacturing:
SMART MANUFACTURING

1 prototype



Human Centric Assembly validation

15% budget
reduction



Pre-experience your Outcome

1000x



Automotive – Innovate the future of mobility



Automotive

Move your Vehicle
Development
Processes At The
Speed of Light

INNOVATE THE FUTURE OF
MOBILITY

MARKET DYNAMICS

- Decrease in net sales of Internal Combustion Engine vehicles
- Race to electric vehicles
- Drastic environmental regulations
- Evolution of end-users expectations

Virtual prototyping and Hybrid twin™ are a critical component to **BOTH** increase efficiency of the existing transportation paradigm and stand a chance to win in the new world.

Automotive – ESI's levers for growth

INDUSTRY LEADERS EMBRACE VIRTUAL PROTOTYPING WITH ESI



VOLKSWAGEN
GROUP

RENAULT NISSAN

FCA
FIAT CHRYSLER AUTOMOBILES

Gestamp

HONDA

Ford

Move your Vehicle
Development
Processes At The
Speed of Light

INNOVATE THE FUTURE OF
MOBILITY

ESI's KEY ASSETS



Pre-certify complex product fitting the
highest quality standards

5 stars



Human Centric Assembly validation

8 months



Pre-experience your Business Model

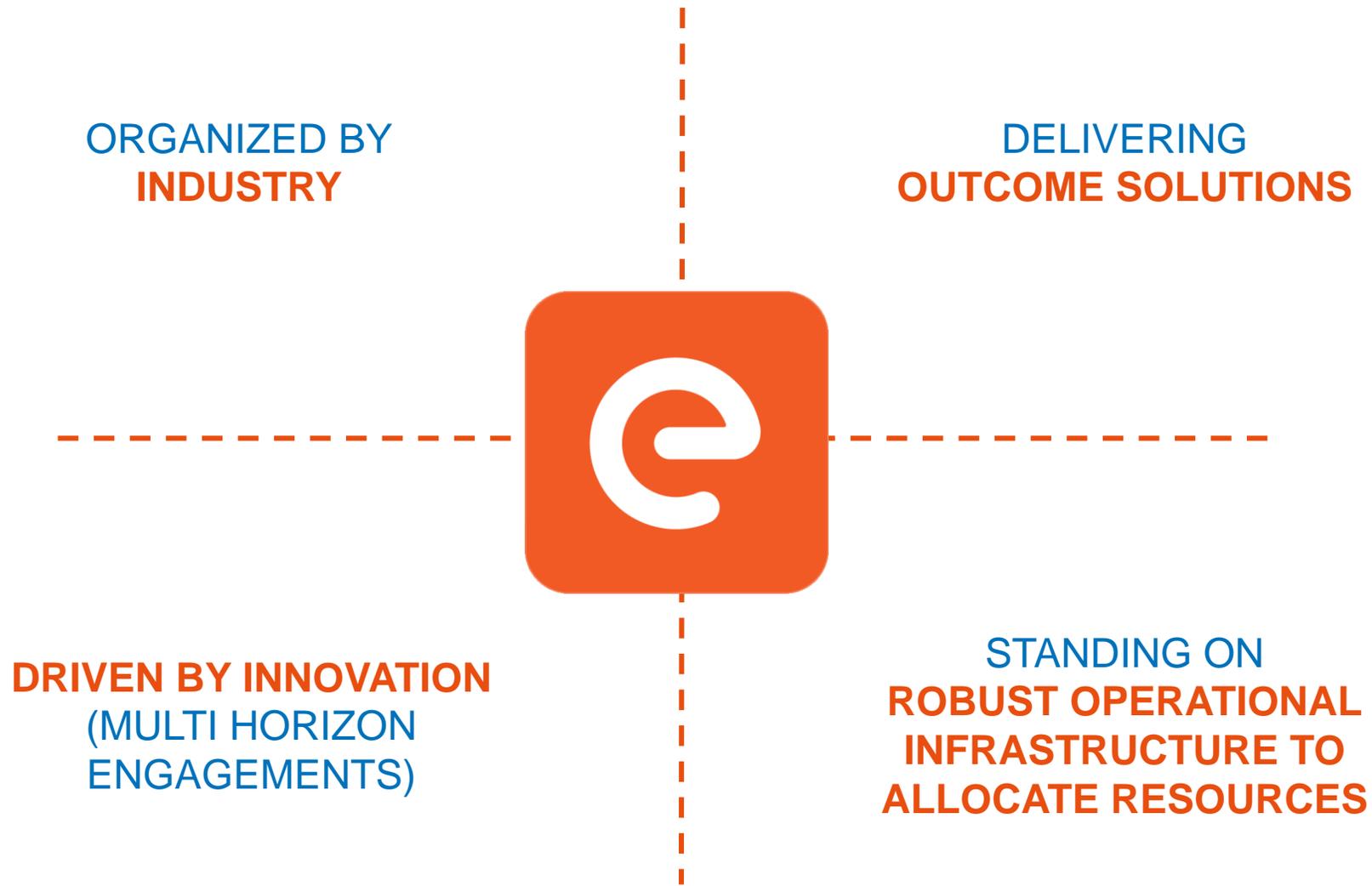


40% energy
reduction

esi
get it right®

A performance framework by Industry & Outcome

A performance driven approach



Operationalizing this framework

From an organization that stood on product and geography
to a global organization aligned per industry with a customer-centric approach



Developing our offer by industry, combining licenses and services to deliver **outcome solutions**



Managing **our S&M strategy & accounts** globally



Allocating resources globally to drive synergies within Industry (e.g. sales) and across Industry (e.g. technological platform underpinning an “outcome solution” regardless of industry)

Conclusion

Key take away



In FY19 – **solid** financial performance



Confirmation that our **vision** is the right one



A **performance framework** that enables us to drive focus for growth

Combined with our established, resilient business, these achievements will carry us through the Covid19 crisis. Our efforts will be laser focused **to ensure we emerge strong and prepared for a world where digital ways of working will be accelerated globally.**

