

First-Quarter 2020 sales

Resiliency in a time of “business not as usual”

- **First quarter revenues decrease 6.1%, primarily due to the impact of the Covid-19 context with postponements in New Business**
- **Strong fundamentals: Solid installed base and renewals with mission-critical solutions in key industries**

As a pioneer in virtual prototyping solutions and a key player in industrial digital transformation, ESI Group empowers manufacturers to navigate increasing complexity by replacing real tests and prototypes with highly accurate, predictive and representational virtual prototypes. ESI Group’s software solutions are built from decades of expertise in physics of materials, essential to the creation of realistic virtual prototypes and to the anticipation of asset performance in-service. ESI’s customers are an enviable list of industry leaders worldwide, who benefit from enhanced innovation, competitiveness, performance and productivity thanks to ESI Group’s most innovative solutions.

ESI Group, Paris, France, (ISIN Code: FR0004110310, Symbol: ESI), today releases its sales for the first quarter of 2020 (period from January 1st to March 31st).

Cristel de Rouvray, Chief Executive Officer of ESI Group, comments:

“First quarter revenues decreased 6.1%, partly as sales adjusted to the new Fiscal Year and the timing of some important Renewals and, partly, on the impact of Covid-19 on the completion of New Business transactions. The Covid-19 crisis, impacted us first in China, and now on other territories with the following pattern: while new business conversations are delayed & adapted by confinement measures, license renewals and repeatable services are holding up strong across our four main industries creating a foundation of stability to navigate the current uncertainty. As a positive collateral, we are experiencing an acceleration of our own transformation as we adopt a more efficient global organization. Overall, we have confidence that the Group will see its value proposition even strengthened when the world adjusts with increased digital commitment to its ‘new normal’.”

Sales (€m)	Q1-2020	Q1-2019	Change	
			Current rate	Constant rate (cer)
Q1 – Total	54.9	58.4	(6.1%)	(6.9%)
Q1 - Licenses	48.8	50.8	(4.0%)	(4.8%)
Q1 - Services	6.1	7.6	(20.3%)	(20.9%)

Solidity and resilience strengthened by unchanged high Licensing recurrence, New Business delays

In the first quarter of its new fiscal year (January 1, 2020 - March 31, 2020), ESI recorded sales of €54.9m, down 6.1% (-6.9% cer). Due to the recent change of fiscal year, the first quarter should now represent approximately 40% of annual revenues (vs. 20% in the old fiscal year format), allowing better fiscal year visibility.

Licensing revenues were €48.8m (-4.0%, -4.8% cer, 89% of total revenues) and Services revenues were €6.1m (-20.3%, -20.9% cer, 11% of total revenues). In the current context of the Covid-19 crisis, new business in Licenses and Services has been largely delayed, though the performance of repeat business highlights the Group’s fundamental resilience:

- New business is impacted both in software licenses (new business at €3.3m, -52%), and in services, where projects were delayed as face to face meetings became progressively more difficult, thus triggering a year-on-year decrease in quarterly revenues (€6.1m, -20.3%). This new business contraction began in China where the Covid-19 crisis started and stopped most activities in Q1.
- The Group's business model shows strong resilience with high repeat business (90.2%) mainly on Licenses where repeat business grew 1.9% before deferred revenues. Such a resilience rests on the solidity and depth of the Group's unrivalled installed base of leading industrial clients around the world who reinforce their confidence in ESI's solutions to carry them through and beyond the crisis.

Robust dynamic maintained in all regions and every focus industry sector

The geographical breakdown of quarterly revenues is almost identical to that of Q1 2019: EMEA represents 58.2% (vs. 58.6%) of total revenues, ASIA represents 29.4% (vs. 29.8%) of total revenues and the Americas represent 12.4% (vs. 11.7%) of total revenues. EMEA and Asia (mostly China) were impacted during the quarter, while Americas remained stable.

The Group's four priority focus industries - Automotive & Ground Transportation, Aeronautics & Aerospace, Heavy Industry, Energy - accounted for around 90% of total orders. In Licensing activities, Automotive & Ground Transportation remained stable and the Group secured its largest annual automotive quarter despite turmoil in the sector which began even before Covid-19. Notably, in January 2020, ESI renewed its 11th three-year contract with its first customer, one of the largest automotive global OEMs.

For the three other focus industries, the revenue is more evenly distributed across the year both for renewals and new business. The situation in China more heavily impacted the performance of Aeronautics & Aerospace during this quarter.

Dealing with business “not as usual” and deploying a business continuity plan toward a “new normal”

ESI was ahead of the curve in ensuring the health and safety of colleagues, customers and partners, and swiftly introduced strict internal measures, some global like travel restrictions and work-from-home policy, so that the Group experienced no damaging interruption in operations.

In this time of business *not as usual*, the Group has implemented a Business Continuity Plan:

- managing costs according to global priorities, from reductions in travel, marketing & external costs to the reallocation of resources.
- demonstrating adaptability and inventiveness for pursuing new business, from digital trainings, short term 'from home' licenses and new forms of digital marketing.

Being a few days earlier than others was critical in some places. In India for instance, where the Group has several hundred employees in spread locations, our offices were shut down 3 days prior to the governmental mandate. This timely decision helped to fully organize and equip our personnel, avoiding the rush on laptops that left many other local companies stranded.

General Assembly Meeting information

ESI Group's Annual General Meeting will be held on Thursday, June 25, 2020 at 4 pm in closed session with no physical attendance. Participation and document consulting procedures are detailed in the notice of meeting available on the company's website.

ESI Group will keep its shareholders informed of any changes in the procedures for participating and voting at the Shareholders' Meeting and, to this end, shareholders are invited to regularly consult the section dedicated to the Shareholders' Meeting [on the Company's website](#).

Upcoming events

Annual General Meeting
June 25, 2020

2020 Half-Year Sales and Results
September 10, 2020

Q3 2020 Sales
October 27, 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 40 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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