



2020 FIRST HALF RESULTS

Jean-Michel Bérard
Esker Founder & CEO



Emmanuel Olivier
Esker COO



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2020 FIRST HALF SUMMARY

- **Solid Q1, resilient Q2**

- +7% organic growth (constant currency rates)
- Q1 2020: €28.2M + 16%
- Q2 2020: €26.1M = 0%

- **Resilience and growth of cloud business**

- +11% organic growth (constant currency rates)
- +3% increase in order intake vs. H1 19

- **Continued investment in future growth**

- +14% headcount
- +19% in R&D, +14% in implementation services

- **Operating expense control allow high profitability**

- Total operating expense increase 12% despite headcount investment + 14%
- EBIT : 11.4% of revenue (-14%)
- Was 11.9% in 2019 and 14.4% in H1 19

- **Tax burden decrease in France**

- Esker applies new 'Patent Box' regulation
- 2019 effect €0.8M (net) booked as exceptional income
- 2020 effective company tax rate decrease 4 points to 27%

- **Net income flat : +0%**

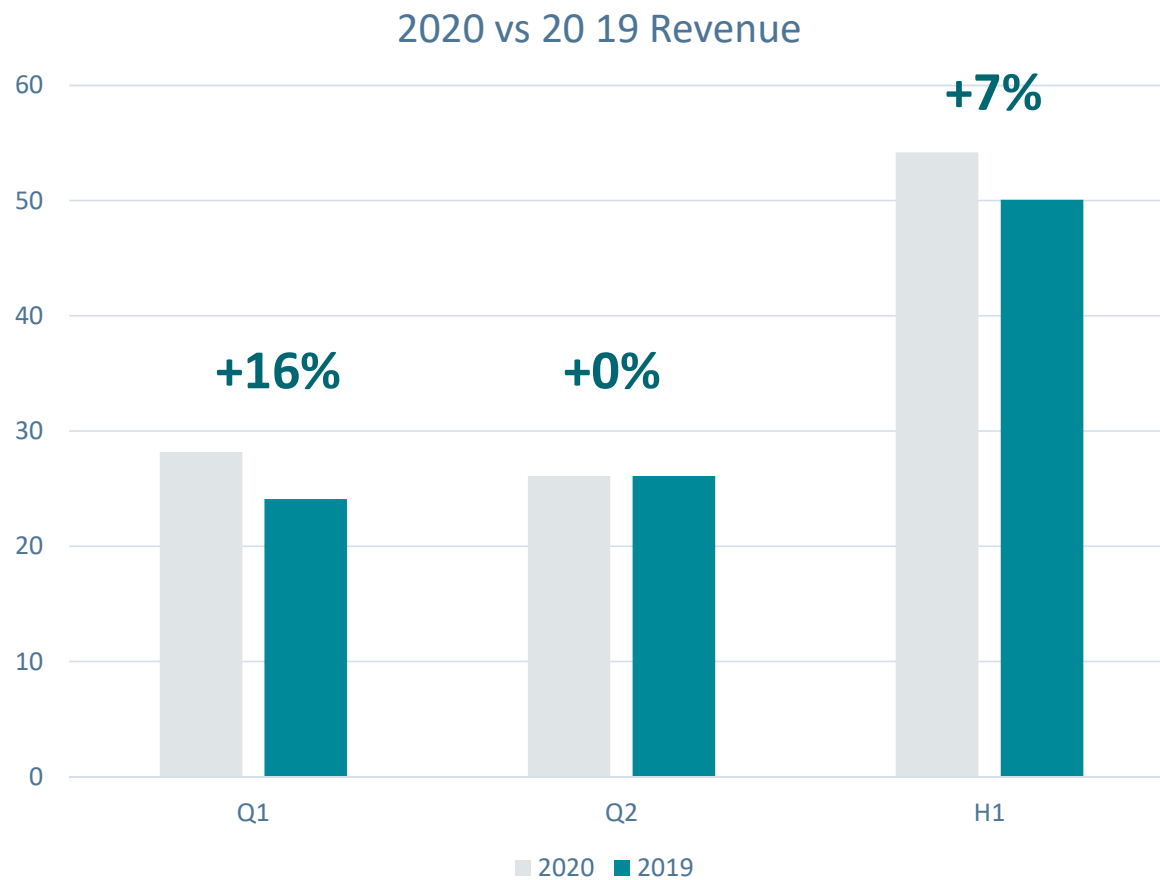
- Includes impact of slowdown in Quadient JV's business due to COVID-19

- **11.5M€ government-guaranteed loans included in**

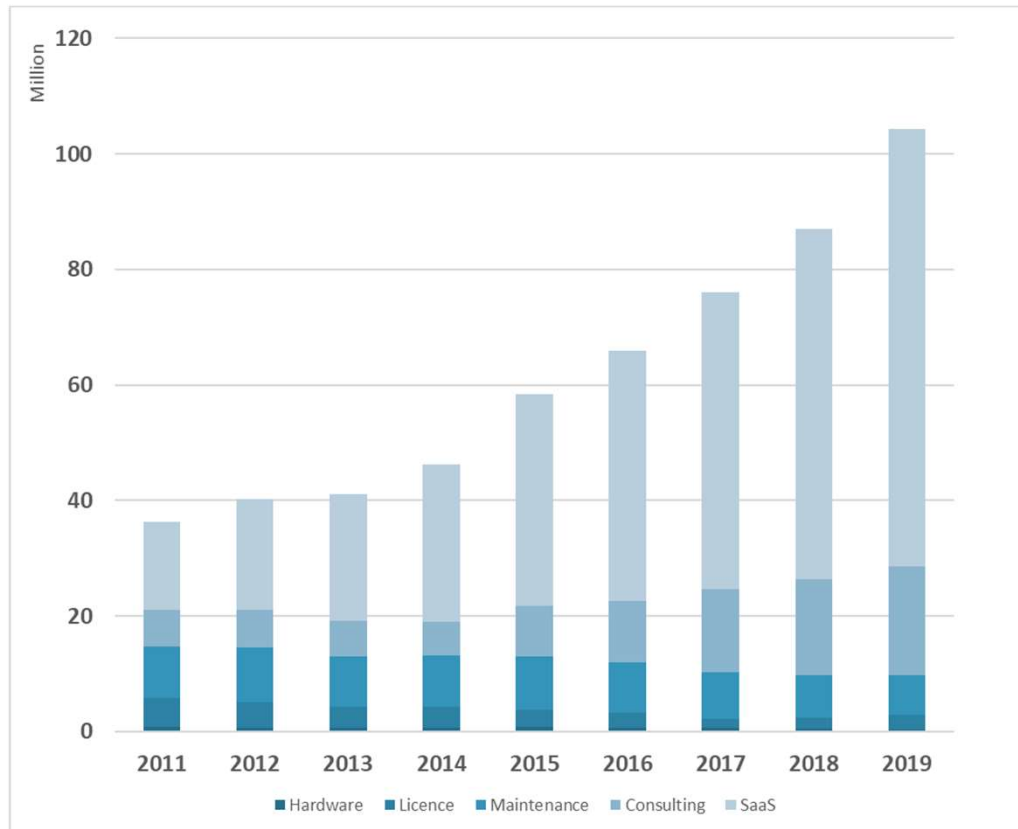
balance sheet

- To help overcome COVID situation
- One year maturity
- Fixed low interest rate 0.5%

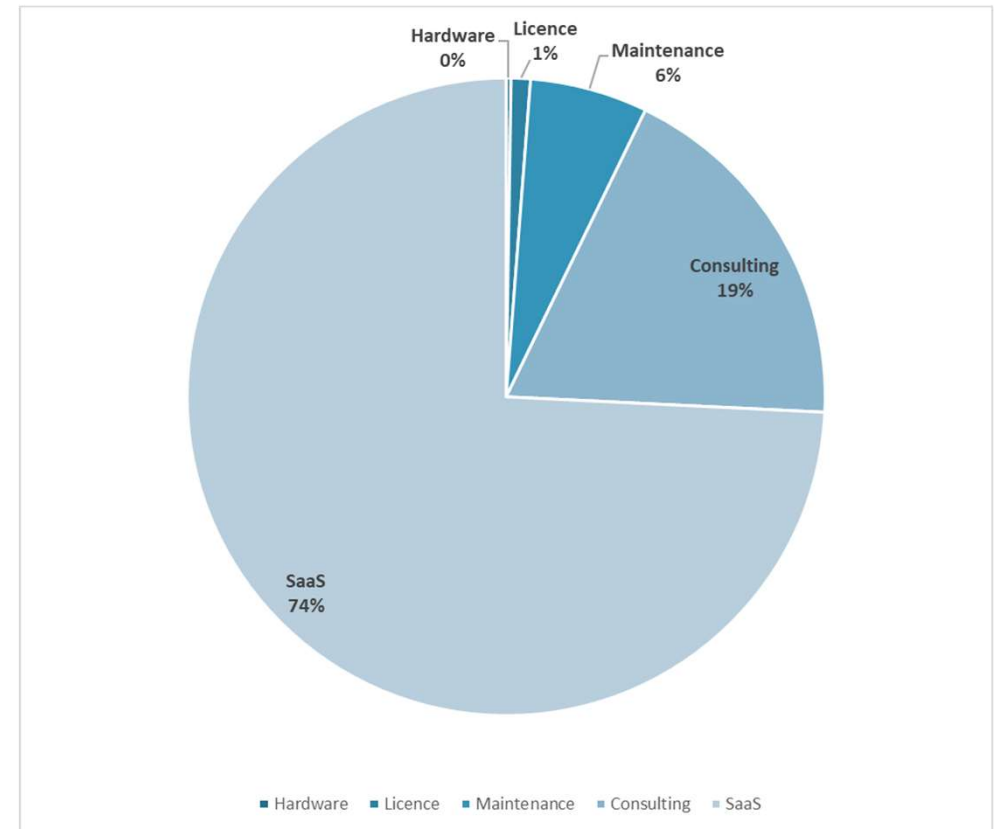
TWO DIFFERENT QUARTERS



STRONG RECURRING BUSINESS MODEL

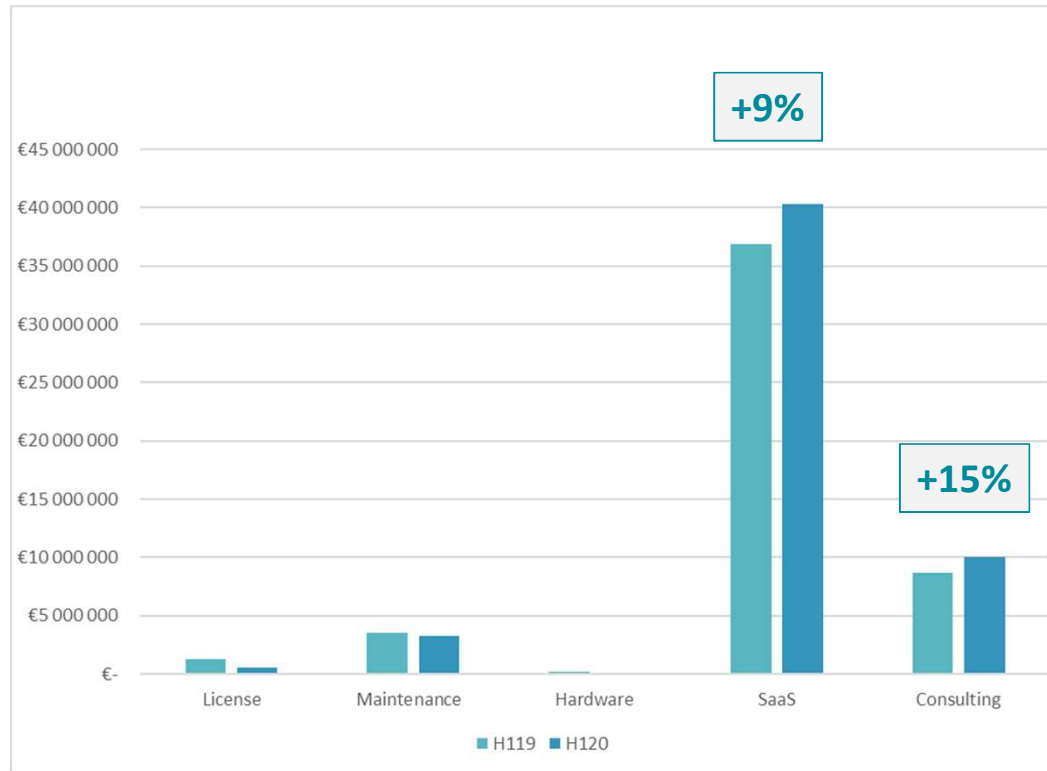


In H1 2020 SaaS Increased 9% and represented 74% of the total revenue (73% for FY 2019)



80% recurring revenue (SaaS & Maintenance) – 2020 H1

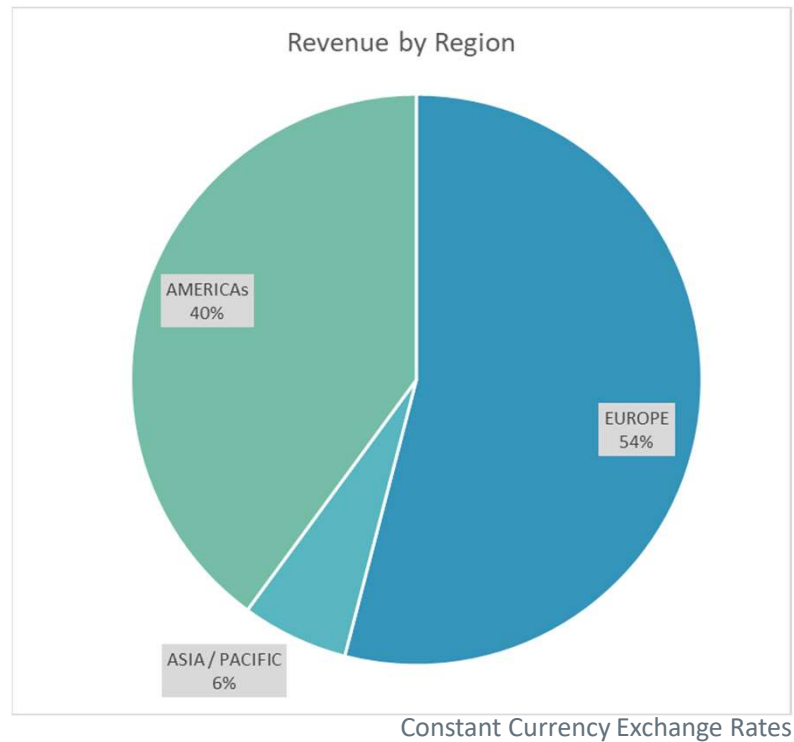
REVENUE GROWTH BY REVENUE TYPE



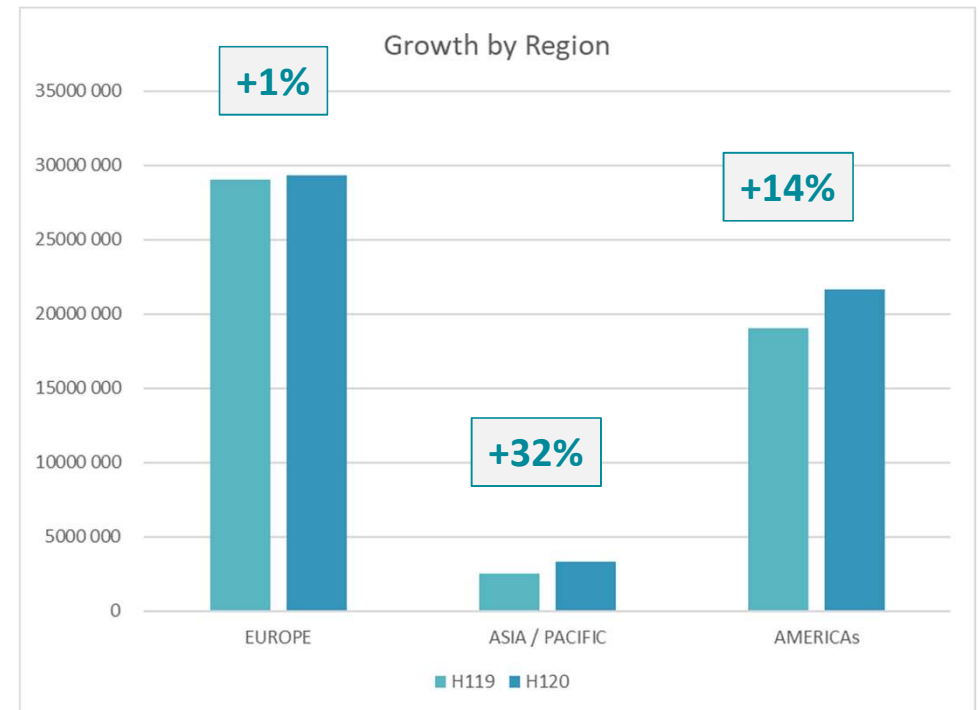
Constant Currency Exchange Rates

- Dynamic growth of traffic shows implementation of past wins
- Consulting revenue remains strong in H120. Implementations done remotely and important backlog keep consultants busy

REVENUE GROWTH BY REGION



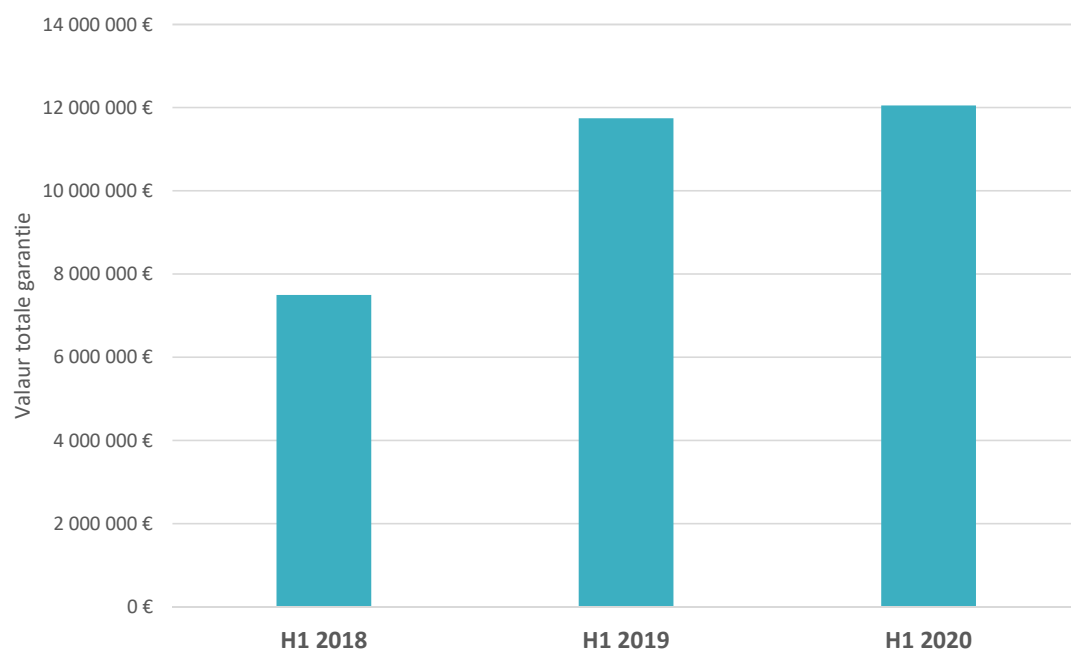
- All regions are growing
- Europe suffered more from economic slowdown
- Asia/Pac remained very dynamic



- Americas growth accelerated driven by cloud solutions (+23%) and despite sharp decrease of the legacy business (-25%)

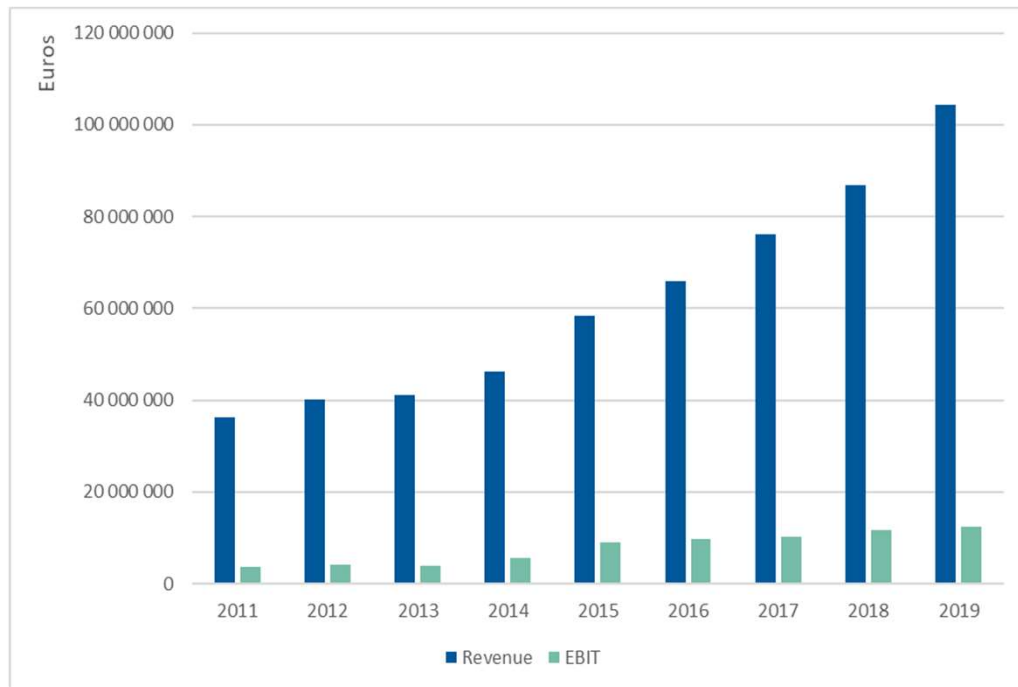
STABLE SALES PERFORMANCE (BOOKINGS)

Committed Value of Contracts Signed

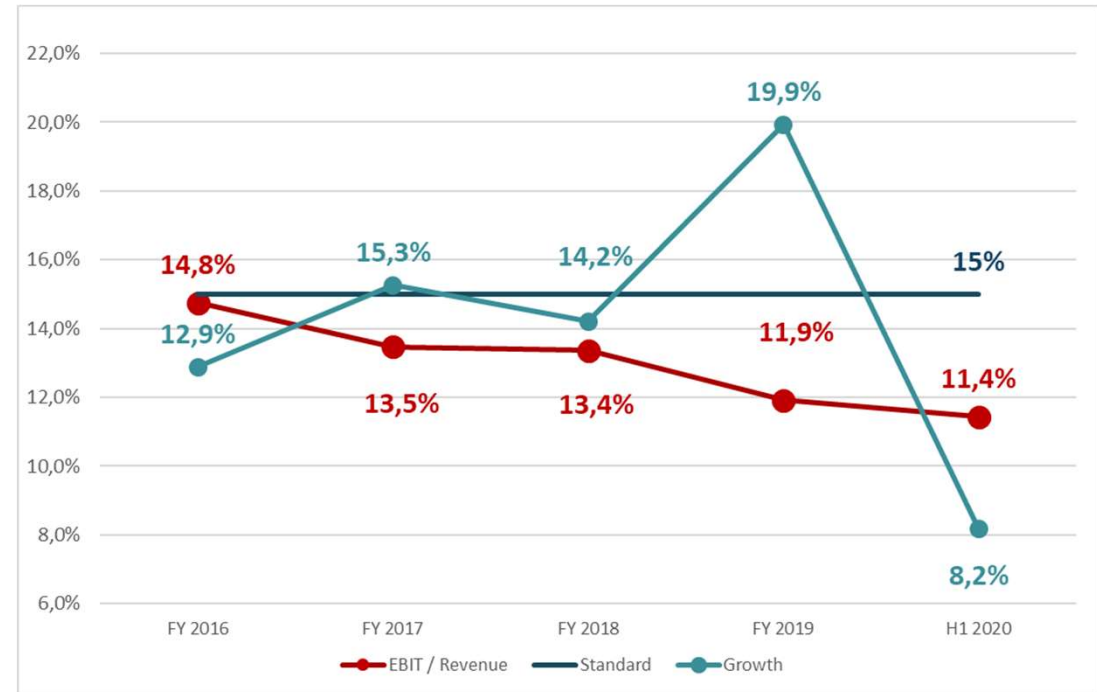


- Bookings (order intake) include only the fixed part of a signed contract (subscription fee).
- This represents the guaranteed revenue to Esker for a contract
- Typical contract: 3 years
- Committed value signed in H120: +3% vs H119
- Will be recognized over the life of the contract
- Acquisition cost (sales & marketing mainly) charged to income statement immediately
- Committed value of contract is estimated to be approximately 50% of total value at contract renewal

BUSINESS MODEL COMBINES PROFITABILITY AND INVESTMENTS



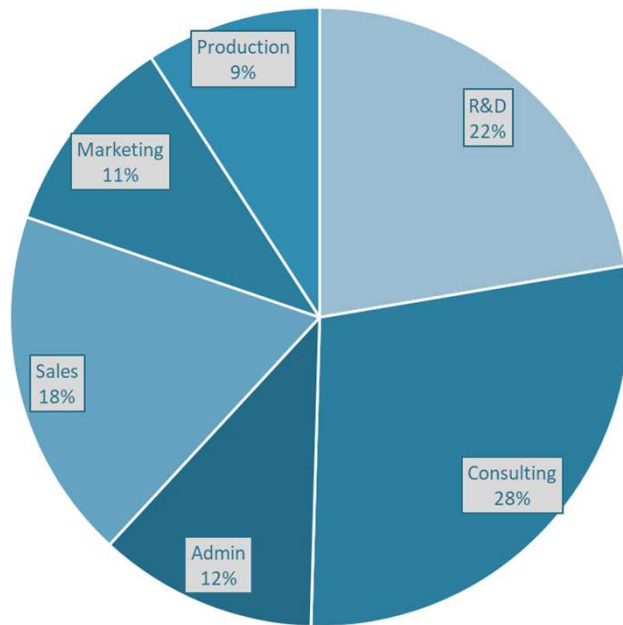
2020 – H1 Operating Income: 11.4%



We aim at 15% EBIT to combine profits and investments for future growth
Profitability remained stable despite COVID impact on revenue

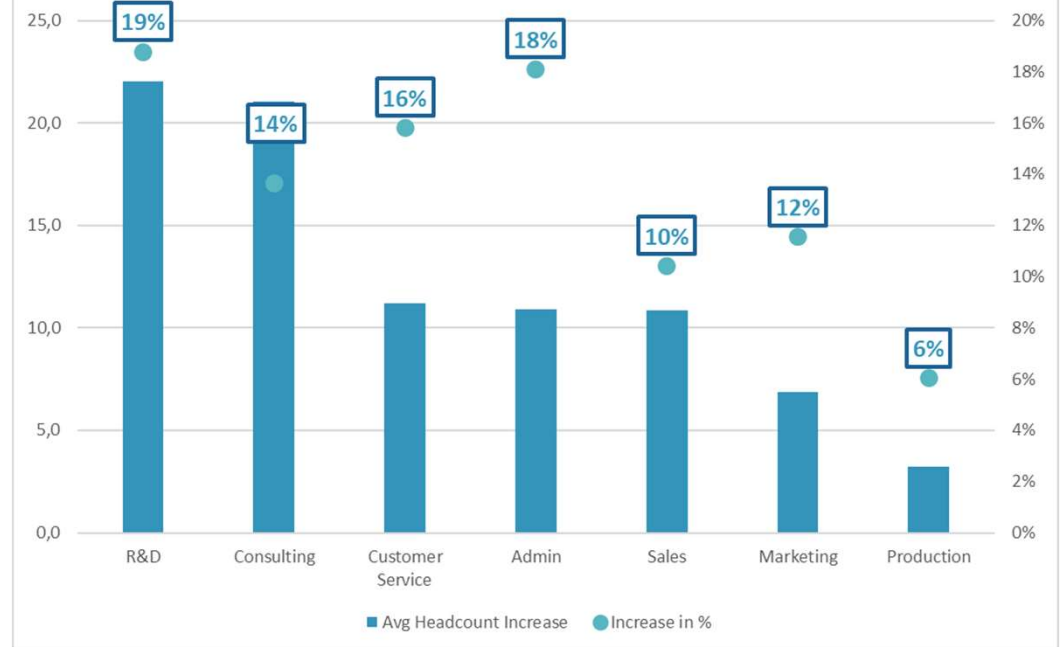
DYNAMIC INVESTMENTS FOR FUTURE GROWTH

H1 2020 Staff Breakdown by Department



Staff @ 6/30/20: 717

Headcount Increase by Department



H1 2020 - Staff increase:
vs. H1 2019: +86 FTE (+14%)
vs. H2 2019: +42 FTE (+6%)

CURRENCY EFFECT (USD)

Rate USD/EURO	Effect on Revenue	%	Effect on Operating Income	%
1.00	€2,198K	4%	€695K	11%
1.05	€1,080K	2%	€342K	6%
1.103	€0K	0%	€0K	0%
1.1195 (2019)	-€308K	-1%	-€97K	-2%
1.1347 (H1 2019)	-€531K	-1%	-€168K	-3%
1.20	-€1,716K	-3%	-€543K	-9%

P&L BY FUNCTIONS – JUNE 30TH 2020

(in thousands of euros)	06/30/20	% net sales	06/30/19	% net sales	Var	Var %
REVENUE	54 240	100%	50 135	100%	4 105	8%
Cost of goods sold	-16 968	-31%	-14 755	-29%	-2 213	15%
Research and development expenses	-6 005	-11%	-5 106	-10%	-899	18%
Selling expenses	-15 223	-28%	-13 787	-27%	-1 436	10%
Marketing expenses	-4 752	-9%	-4 604	-9%	-148	3%
General and administrative expenses	-5 086	-9%	-4 660	-9%	-426	9%
INCOME FROM OPERATION	6 206	11,4%	7 223	14,4%	-1 017	-14,1%
Financial income (loss)	-204	0%	116	0%	-320	-276%
OPERATING INCOME	6 002	11,1%	7 339	14,6%	-1 337	-18,2%
Exceptional Items	852	2%	139	0%	713	513%
Income tax	-1 605	-3%	-2 279	-5%	674	-30%
Share of Profit of Associates	174	0%	251	1%	-77	-31%
NET INCOME	5 423	10,0%	5 450	10,9%	-27	-0,5%
<i>Earnings per share in Euros</i>	<i>0,96</i>		<i>1,02</i>		<i>-0,06</i>	<i>-5,9%</i>
<i>Diluted earnings per share in Euros</i>	<i>0,96</i>		<i>1,00</i>		<i>-0,04</i>	<i>-4,0%</i>

- Average number of employees for H1 20: 706 (+14% vs H1 19)
- Cost of goods sold include cost of consulting services (€8.8M, + 20%)
- Cost generally in line with headcount increase
- Marketing expense stable due to COVID situation (cancellation of large trade shows and marketing events)
- CIR (tax credit on R&D): €387K vs 380 for H1 19
- Financial loss due to realized and unrealized exchange losses (€108K) as well as reserves for unrealized losses on financial investments of company cash
- Exceptional income include effect of Patent Box system on 2019 income tax
- Income tax rate decreased due to Patent Box on 2020 results
- Share of profit in associates decreased in line with slowdown of JV with Quadient related to the pandemic

P&L BY EXPENSE TYPE – JUNE 30TH 2020

(in thousands of euros)	H1 2020	%	H1 2019	%	Var. €	Var. %
REVENUE	54 240	100%	50 135	100%	4 105	8%
Development costs capitalized	3 961	7%	3 192	6%	769	24%
Other income	766	1%	562	1%	204	36%
Purchase and external expenses	-14 649	-27%	-14 178	-28%	-471	3%
Personnel and related taxes	-33 372	-62%	-27 883	-56%	-5 489	20%
Other expenses	-769	-1%	-668	-1%	-101	15%
Depreciation & reserve expenses	-3 971	-7%	-3 937	-8%	-34	1%
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- ✗ Capitalization of R&D expenses flat in percentage
- ✗ Net effect slightly increases compared to H1 19 as R&D expenditures and headcount increase

R&D Capitalization	HY2020	HY2019	Var.
	K€	K€	
Dev costs capitalized	3 961	3 192	769
Amortization	-2 574	-2 272	-302
Net	1 387	920	467
R&D Expenditures	-6 276	-5 077	-1 199
% Capitalized	-63%	-63%	

- ✗ Personnel expenses increase reflect investments as described

CONSOLIDATED BALANCE SHEET

ASSETS <i>(in thousands of euros)</i>	06/30/20	12/31/19	LIABILITIES <i>(thousand of euros)</i>	06/30/20	12/31/19
Goodwill	6 194	6 178	Capital stock	11642	11504
Intangible assets	24 302	23 145	Additional paid-in capital	20821	20424
Property, plant and equipment	10 429	10 434	Net Income	5423	9745
Financial assets	6035	6 177	Retained Earnings	22533	14974
Shares accounted for under the equity method	1441	1 267			
Total assets	48 401	47 201	Total shareholders' equity	60 419	56 647
Inventory and work in progress	233	185	Reserves	1 909	1 760
Account receivable	22 276	24 884	Financial liabilities	16 577	6 516
Deferred tax assets	465	465	Account payable	7 615	8 772
Prepaid exp. and other assets	5 517	5 131	Tax and employee related liabilities	15 133	15 919
Cash and equivalent	33 798	21 357	Other liabilities	9 037	9 609
Total current assets	62 289	52 022	Total current liabilities	48 362	40 816
TOTAL ASSETS	110 690	99 223	TOTAL LIABILITIES	110 690	99 223

Solid financial structure :

- Cash & cash equivalents: €33.8M
- Cash net of financial debt: €17.2M
- Total Equity: €60.4M
- Long term investments: €4.9M
(could be mobilized as needed)

Financial debt:

- Capital lease agreements €1.1M
- Government guaranteed Loans €11.5M
- Bank Loans: €4.0M

Other liabilities

- Mainly consist of deferred maintenance revenue (€5.7M) and customer deposits (€3.2M)

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euros)	H1 2020	H1 2019
Consolidated net income (loss)	5 423	5 450
Depreciation and amortization	4 066	3 676
Capital gains and losses	-21	-4
Cash Flow after net financial expenses	9 468	9 122
Interest paid and received	14	25
Income tax , including deferred taxes, due and paid	498	392
Variance in working capital	-448	-3 035
NET CASH GENERATED BY OPERATING ACTIVITIES	9 532	6 504
Investments intangible and tangible assets	-5 242	-5 939
Change in other financial assets	15	-80
Investments in associate company	-190	-282
NET CASH FLOW FROM INVESTING ACTIVITIES	-5 417	-6 301
Dividend paid	-1 896	-2 237
Amount received from the exercise of stocks options	535	554
Repayment of borrowings - finance leases	-1 453	-2 177
Change in borrowings	11 500	
NET CASH FLOW FROM FINANCING ACTIVITIES	8 686	-3 860
<i>Effect of exchange rate changes on cash</i>	<i>-360</i>	<i>110</i>
Cash at the beginning of the period	21 357	22 794
Cash at the end of the period	33 798	19 247

- Cash flow before change in working capital increases in line with operations
- Variance in working capital is consistent with Q2 revenue
- Positive cash flow generated by operations: +€9.5M covers
 - ✓ Capital expense needs (R&D capitalized mainly)
 - ✓ Dividend paid
 - ✓ Repayment of financial debt
- New government loans: €11.5M
 - ✓ One year maturity
 - ✓ Low interest rate (0.5%)

TARGET 2020 AND BEYOND

- 2020 and 2021 outlooks will be impacted by the evolution of the pandemic
- 2020 should show around 9% organic growth (excl. currency impact)
- 2021 should return to 2019 growth performance
- Profitability is expected to be stable, subject to growth and sales performance
- Continue to build partner network and make first partners successful in 2021



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