



Financial Press Release

Paris, 6.00 pm on 29 May 2018

First quarter 2018 sales

- **Digital transformation towards Industry 4.0.**
- **Significant currency effect**
- **Strong momentum of Europe and New Business**
- **Solid installed base**

Alain de Rouvray, Chairman and Chief Executive Officer of ESI Group, comments: *“ESI Group, while facing a slow first quarter impacted by a significant currency effect and the repositioning of contracts in Japan, sees many encouraging factors such as the strong momentum of its New Business and a solid growth in Europe. New contracts in the automotive and aerospace industries, focusing on manufacturers’ ‘Digital Transformation’ and ‘Smart Factory’, support our confidence of an expected upturn in growth in 2018, founded on the Group’s disruptive value proposition. Beyond the continuous success of our historic offering of Virtual Prototyping for pre-certification of brand new and ‘ready-to-sell’ products, our offer now addresses ‘in-life’ assisted or autonomous performance, e.g. of used or repaired products in-Service, and of fabrication and assembly lines in factory operation. Importantly, our management reorganization around three business pillars is poised to better address our customers’ business structure. Coupled with an in-depth reshaping of our sales and marketing organization and strategy, these major adaptive initiatives are expected to foster a renewed business momentum for this and the following years.”*



Transformation towards Industry 4.0

ESI Group pursues its disruptive positioning, in the context of Industry 4.0, as a ‘*catalyst and solution integrator*’ in its clients’ Digital Transformation’ process, built on ESI’s multi-domain integrated Virtual Prototyping solutions. This unique positioning is reflected in ESI’s new organization, aligned with the customers’ business structure, consistent with the updated value proposition for product full lifecycle performance, and segmented into three business pillars: Engineering (design and development of new products), Manufacturing (fabrication and assembly of components) and In-Service (usage, piloting and maintenance of components and products integrated in and interacting with their operational environment, from launch to repair and ultimate withdrawal).

During this first quarter, most of the activity was recorded in the first two business pillars. Of particular significance was a major contract in virtual reality won for the Manufacturing pillar with a top-tier automotive manufacturer as it steps up its transition towards the Smart Factory.

Also, reflecting the overall pertinence and timing of our Industry 4.0 solution strategy, EMEA area has already shown this quarter a very encouraging double digit growth of its solid installed base and new business supported by a top quality innovation eco-system. Growth in China was also robust, thanks to business with new customers.

First quarter 2018 sales

The first quarter ends on 30 April (unaudited figures)

In € million	Q1 2018	Q1 2017	Δ %	Δ % (cer) ¹
Licenses	19.0	20.1	-5.0%	+0.3%
Services	7.2	7.3	-0.8%	+3.4%
Total	26.3	27.3	-3.9%	+1.1%

¹ at constant exchange rates

NB: because of strong seasonal variations, ESI Group's Licenses business recognizes a large part of its annual revenue in the 4th quarter of the year.



Stability in sales at constant exchange rates

Sales for the first quarter of 2018 totaled €26.3 million, up 1.1% at constant exchange rates.

Currency effects had a significant -€1.4 million negative impact on the period due to the evolution of the Japanese yen and the US dollar. Licenses accounted for 72.5% of sales compared with 73.4% in the first quarter of 2017.

Strong momentum of New Business and solid installed base in Licenses

Licenses sales were stable with the previous year, at €19.0 million at constant exchange rates. Actual business growth was marked by the repositioning of contracts in Japan to client request.

Stable at constant exchange rates, the installed base presented a solid recurrence rate of 85.5% compared with 84% in the first quarter of 2017, both figures indicative of solid performance of recurring business.

New Business, in all geographical areas, grew strongly at 12.9% at constant exchange rates. This was most evident in the Ground Transportation, Aerospace and Heavy Industries sectors. The share of revenues from Paid-Up Licenses (PUL) decreased vs the yearly rental Licenses, which represents a positive factor in future contract renewals.

Services: performance driven by hardware sales

Services sales totaled €7.2 million, up 3.4% at constant exchange rates, while hardware sales related to the virtual reality business increased.

Geographical mix: growth in Europe and consolidation in Asia

In the first quarter of 2018, at constant exchange rates, Asia accounted for 42% of Total Revenues compared with 44% the previous year, while Europe accounted for 43% compared with 40% and the Americas remained stable at 16%. This geographical breakdown is indicative of a continued strong performance in Europe.

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Next events:

Shareholder meeting
July 18, 2018

2018 half-year results
September 19, 2018

Actionaria exhibition
November 22 & 23, 2018



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 Twin™, 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 €135 million in 2017.

For further information, go to www.esi-group.com.

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