

# OneESI 2024 – Focus to Grow



Investor's conference

ESI Group  
October 5, 2021

External use

**esi-group.com**

# Welcome



**Florence Barré**

**Director of Change Management**  
(Communications & Investor Relations)

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# Introduction



**Cristel de Rouvray**  
Chief Executive Officer



**Dominique Lefebvre**  
EVP Platforms & Product Operations



**Corinne Romefort-Régnier**  
Corporate Governance Director



**Yannick Charron**  
VP Human Resources

# ESI'S PERFORMANCE IS A PARADOX!

## WHAT TO EXPECT?

GROWTH



**High single digit**

PROFITABILITY



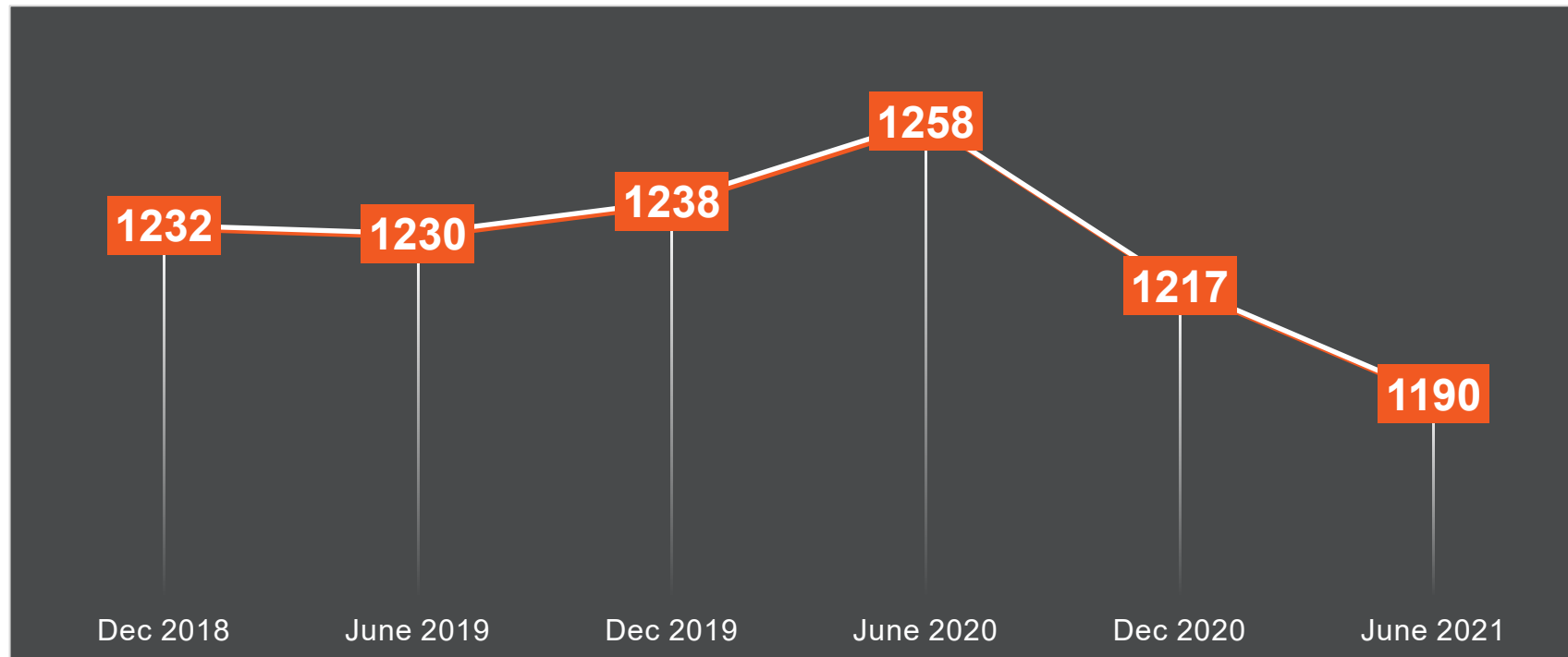
**> 20% Adj. EBIT**

HEALTHY RUN-RATE INITIATIVE



# A sustained reduction in headcount

Headcount will continue in this trajectory, stabilizing in end of 2022 until 2024



## **A bold conviction**

We are at the right place, at the right moment, with the right foundation



**Cristel de Rouvray**  
Chief Executive Officer



# A vibrant Simulation & Analysis Market

Toward **CLEAN**, **SAFE** and **PRODUCTIVE** industries

## Key numbers

2020 revenue  
**\$7.5b**

2021 expected growth  
**+8.1% to \$8b**

2020-2025 CAGR  
**10% to \$12b**

Based on 2021 « Simulation & Analysis » report of CIMdata



# A vibrant Simulation & Analysis Market

Toward **CLEAN, SAFE** and **PRODUCTIVE** industries

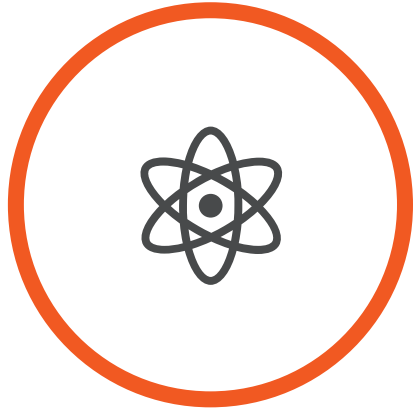


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# Our key differentiators



**Predictive Physics**

**Chaining  
capabilities**

**Talent**

# OneESI 2024 – Focus to grow



**Cristel de Rouvray**  
Chief Executive Officer

# Key focus areas to improve our operating model

**OFFERING &  
INNOVATION**

**DISTRIBUTION**

**SOFTWARE  
DEVELOPMENT**

**PACKAGING &  
PRICING**

# The right governance to change



**Cristel de Rouvray**  
Chief Executive Officer

# Governance best practices are in place

**February 1<sup>st</sup>, 2019**

Split of CEO & chairman functions

**May 11<sup>th</sup>, 2021**

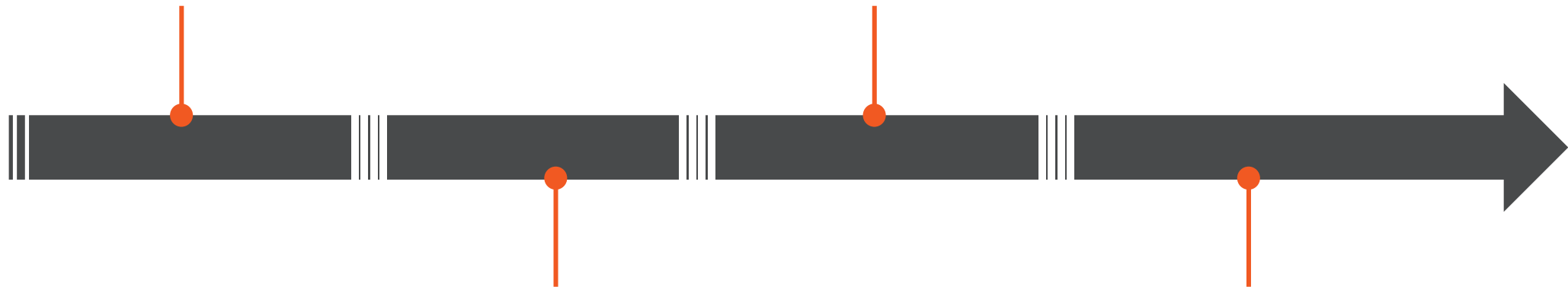
No longer dominant shareholder

**February 8<sup>th</sup>, 2021**

Nomination of Alex Davern, non-executive & independent Chairman

**September 2<sup>nd</sup>, 2021**

Nomination of Patrice Soudan as independent director



# A clear ambition to increase performance



## OneESI

A global organization to support our talent & customers across the globe

## Core Strategic Vision

To inspire and focus us

**high single-digit growth rate  
&  
>20% adjusted EBIT**

End of FY2024 objective



# A new CORE strategic vision to inspire and focus

**To be a leading software partner in selected virtual test markets, by leveraging our predictive physics IP and platform for chaining.**

# A multi-horizon strategy to drive our growth

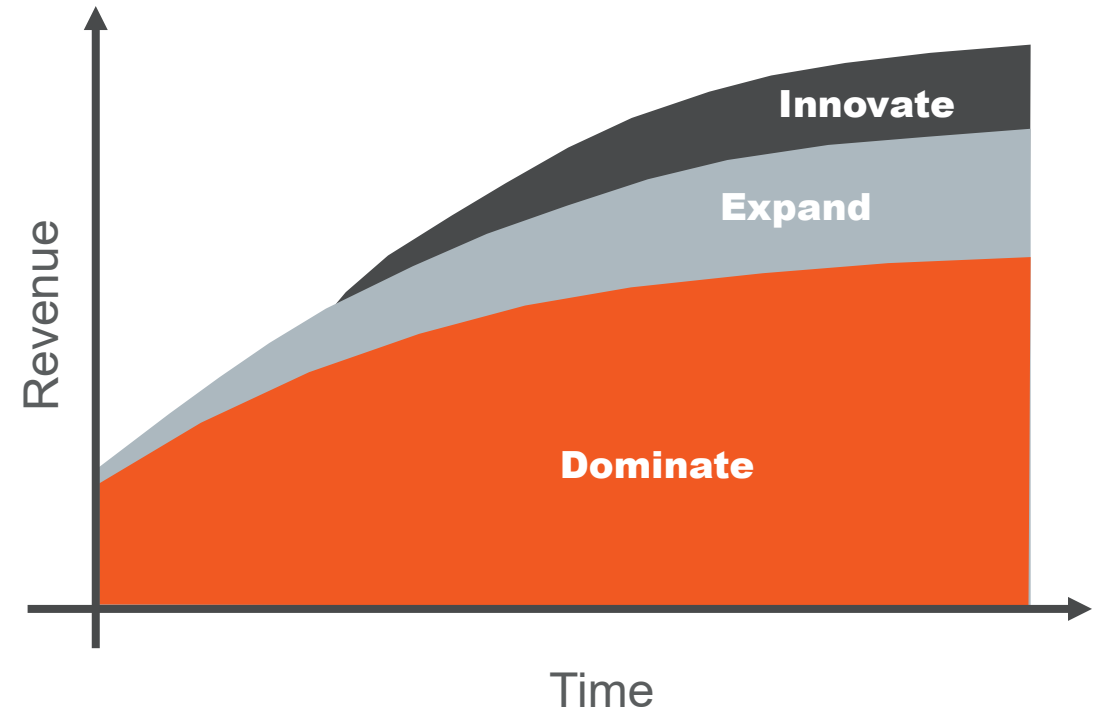
## 3 LEVERS OF GROWTH

**Dominate** our space – Develop our customer base with our core offer

**Expand** our product offering to adjacent industry solutions

**Innovate** – Target cyber-physical systems market → virtual certification

## REVENUE IMPACT



# Focus to grow



**Emmanuel Leroy**  
**EVP Industry Solutions**  
(Solution management, Solution Marketing,  
Innovation)

# A clear opportunity for Simulation and ESI

## Automotive market – Our leading industry

**2020 Simulation investment  
\$2 BILLION**

**60% of ESI's revenue FY20**



INTERNAL COMBUSTION VEHICLES



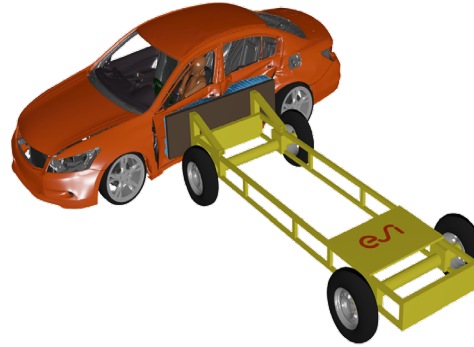
ELECTRIC VEHICLES



CONNECTED, SHARED, AUTONOMOUS

# Supporting our customers on full vehicle safety validation

**X 4**  
**COMPLEXITY**

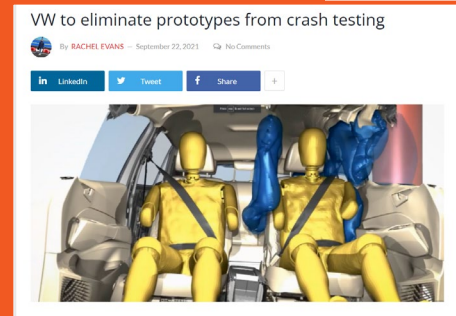


**÷ 2**  
**SIMULATION TIME**



*Right now, we are in a transition to get rid of prototypes within the next years. It is our goal to eliminate every kind of hardware testing during development (eg. down to the airbag module level), with only release tests required before market introduction of a new car.*

**Volkswagen Group**  
Sept 22<sup>nd</sup>, 2021



# A clear opportunity for Simulation and ESI

## Industry Portfolio market – Aerospace, Energy, Heavy Industries

**2020 Simulation investment  
\$2.5 BILLION**

**40% of ESI's revenue FY20**

**SUSTAINABILITY  
REGULATIONS**



**INDUSTRIAL  
PERFORMANCE**



**SAFETY &  
COMFORT**



**ELECTRIFICATION**



**LIFE-TIME  
PERFORMANCE**

# Our main principles to drive our offering



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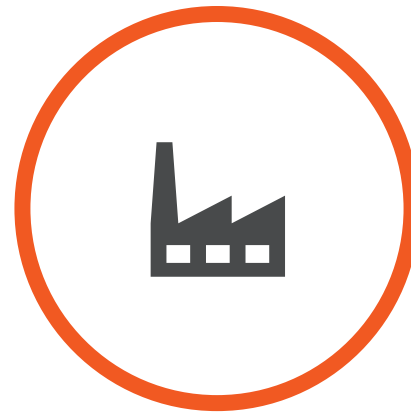
**FOCUS ON THE  
CORE**

**INCREASE VALUE**

**INVEST TO WIN**

# Focus on the core

**Dominate** our space – Develop our customer base with our core offer



## Product Performance

Improving performance and productivity

## Smart Manufacturing


Meeting performance indicators for industry products and processes

## Human Centric

Ensuring efficient assembly and maintenance operations



# Increase value

 **Expand** our product offering to adjacent industry solutions



**Chaining Capabilities**



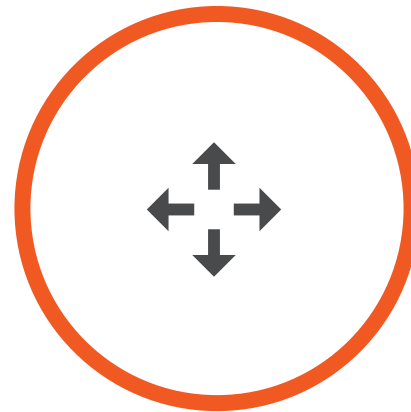
**Industry solutions**  
Value for customer



**Packaging & Pricing**  
Homogeneous packaging and pricing per type of customer

# Invest to Win

Redeploy 20% of our software development team



## Alignment on CORE

Redeploy ~20% of our software development team

## Increase efficiency & Accelerate Deliveries

Convergence to core technology bricks & standard platforms

## User Experience

Align on a single user-interface & increase usability

# Invest to Win

Focus our innovation effort

**Innovate** – Target cyber-physical systems market → virtual certification



## Innovation

Linked to market needs

## Hybrid Twin

Smart manufacturing  
Asset Health monitoring

## Cyber Physical Systems

Virtual validation of systems  
of systems

# OneESI distribution model



**Mike Salari**  
C-COO Revenue Generation



**Francis Griffiths**  
EVP of Sales

# Revenue segmentation

60% of ESI's revenue FY20

40% of ESI's revenue FY20



# A new global sales organization

## PREVIOUSLY

- ✗ **12** local organization
- ✗ Difficulties to **manage** growth
- ✗ Additional **costs**
- ✗ Reduced **effectiveness**



## STARTING IN JANUARY 2022

- ✓ **1** global organization
- ✓ Accelerated decision making
- ✓ Global account management
- ✓ Standardized methods & tools
- ✓ Reduced costs

# Technical talent for a software company

Address customer needs globally



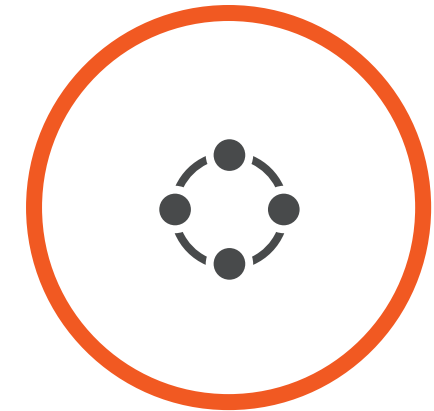
**Customer experience**  
(pre-sales, post-sales & support)



**Services**

# New pricing model

3 main points



**Align to the strategic objectives**

**Increase value through our industry offerings and licensing**

**Simplification and consistency**

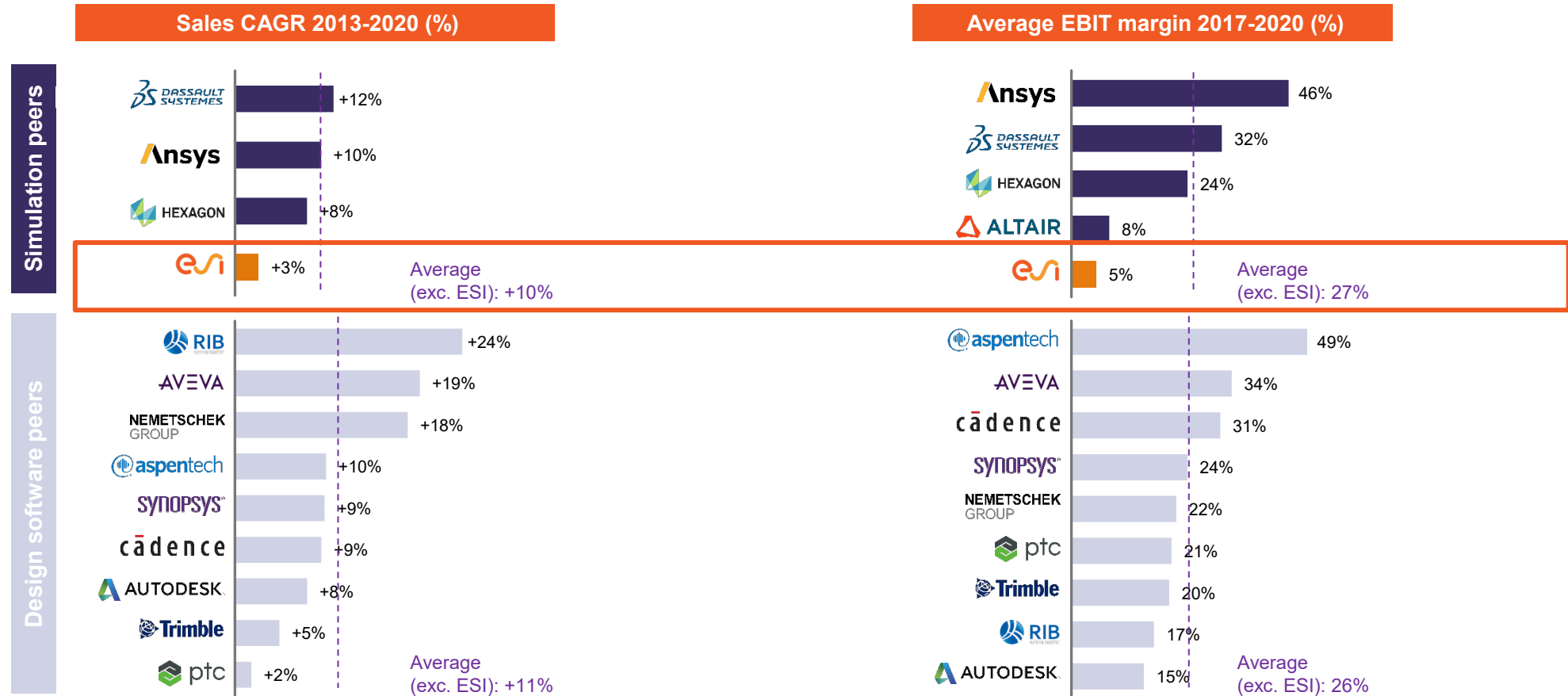


# Our 3-year business plan



**Olfa Zorgati**  
EVP, CFO & Operations

# A performance below our market

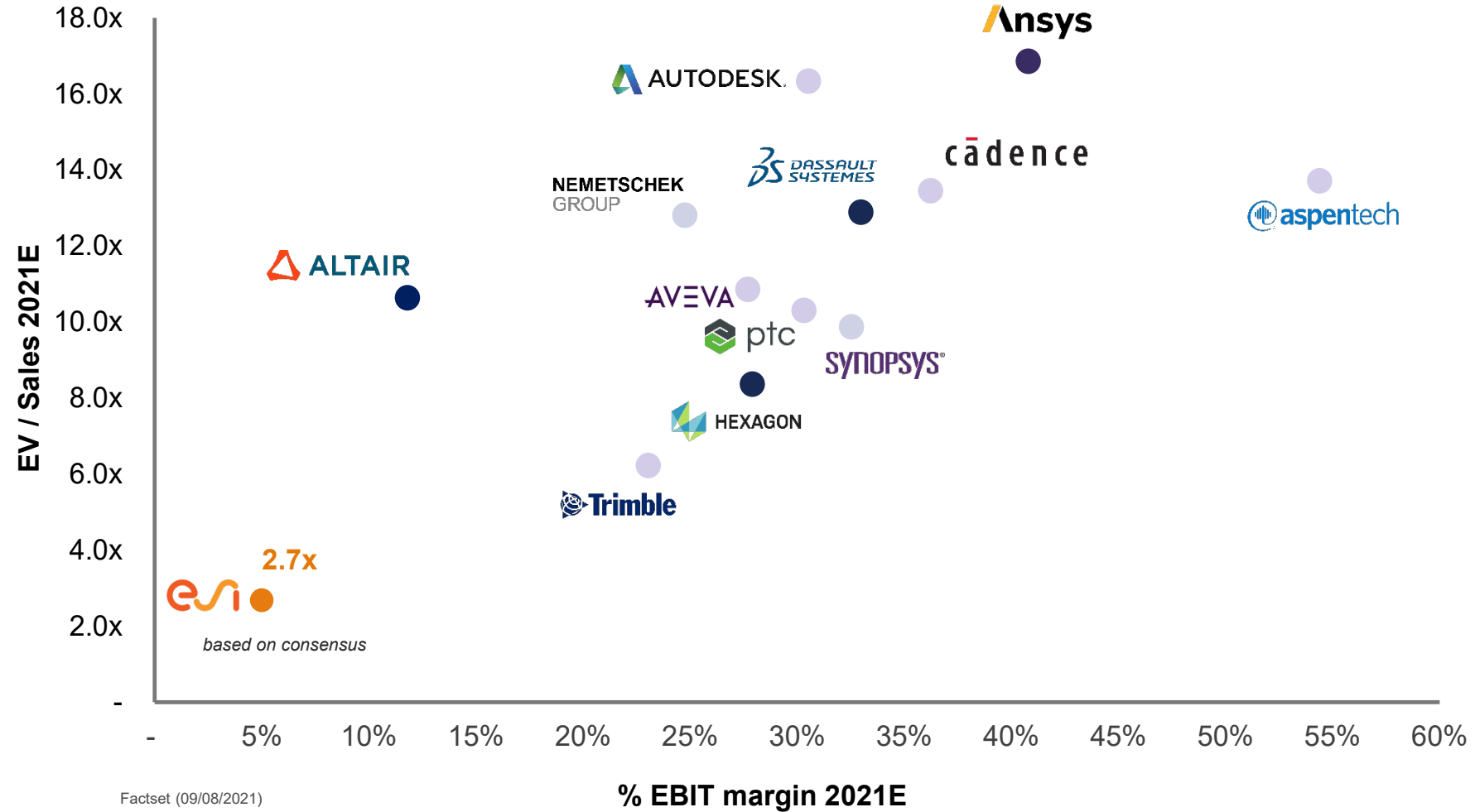


Source Factset (09/08/2021)

Note

- 1 Defined as (EBITDA – Capex) / EBITDA
- 2 Figures based on end of fiscal reported year

# An untapped value potential



Factset (09/08/2021)

# OneESI 2024 – our financial objectives

@ constant rate

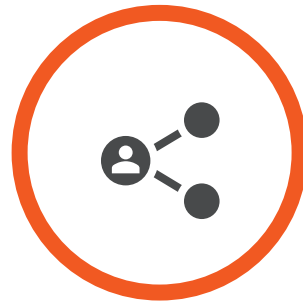
	FY21	FY22	FY23	FY24
Growth <sup>1</sup>	4 – 6%	4% - 6%	6% - 8%	7% - 9%
Adjusted EBIT <sup>2</sup>		10% – 12%	15% - 17%	> 20%

<sup>1</sup> Revenue Excluding Special projects (FY20 = €4m)

<sup>2</sup> Adjusted Ebit = EBIT adjusted for

- IFRS standard on leases
- amortization of intangible assets related to acquisitions
- stock-based compensation expense
- restructuring charges

# OneESI 2024 – our 3 growth accelerators



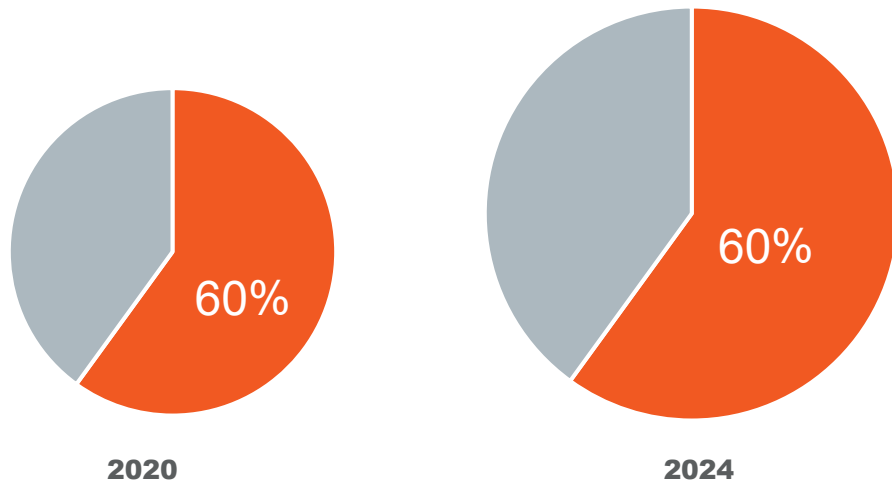
**Strategic  
packaging &  
pricing**

**Aligned global  
distribution  
channel**

**Focused innovation &  
product development  
strategy**

# Industry & geographical growth

## INDUSTRY



## GEOGRAPHY

- All our regions will be growing
- More opportunities in Americas and Asia

# Focus on profitable growth

## LICENSES / SERVICES

Higher growth of licenses supported by a focus on core services

## LICENSES STATUS

Faster growth of our new business versus repeat business

## LICENSES TYPE

Focus on growing our rental business vs perpetual

# OneESI 2024 – our profitability drivers

**STABLE  
COSTS**



**Focused innovation**



**Leaner organization & facilities structure**



**Controlled headcount**





# OneESI 2024 – A self-help plan



## Solid Balance sheet

Net financial debt  
End of Dec FY21: €24.9m  
End of June FY21: €6.8m

## Good cash position

End of Dec FY21: €22.5m  
End of June FY21: €36.2m

# Driving our change



**Cristel de Rouvray**  
Chief Executive Officer

# Focus to grow, a shared objective with our Teams

## Perform to reinvest



# OneESI 2024 – Focus to grow

## Conclusion



**Cristel de Rouvray**

Chief Executive Officer

# OneESI 2024 – Focus to grow

## Summary

- ✓ A confirmed **opportunity**
- ✓ A renewed **operating model**
- ✓ A best-in-class **governance**
- ✓ Committed **teams**

## CLEAR OBJECTIVES

GROWTH

High single digit

PROFITABILITY

> 20% Adj. EBIT

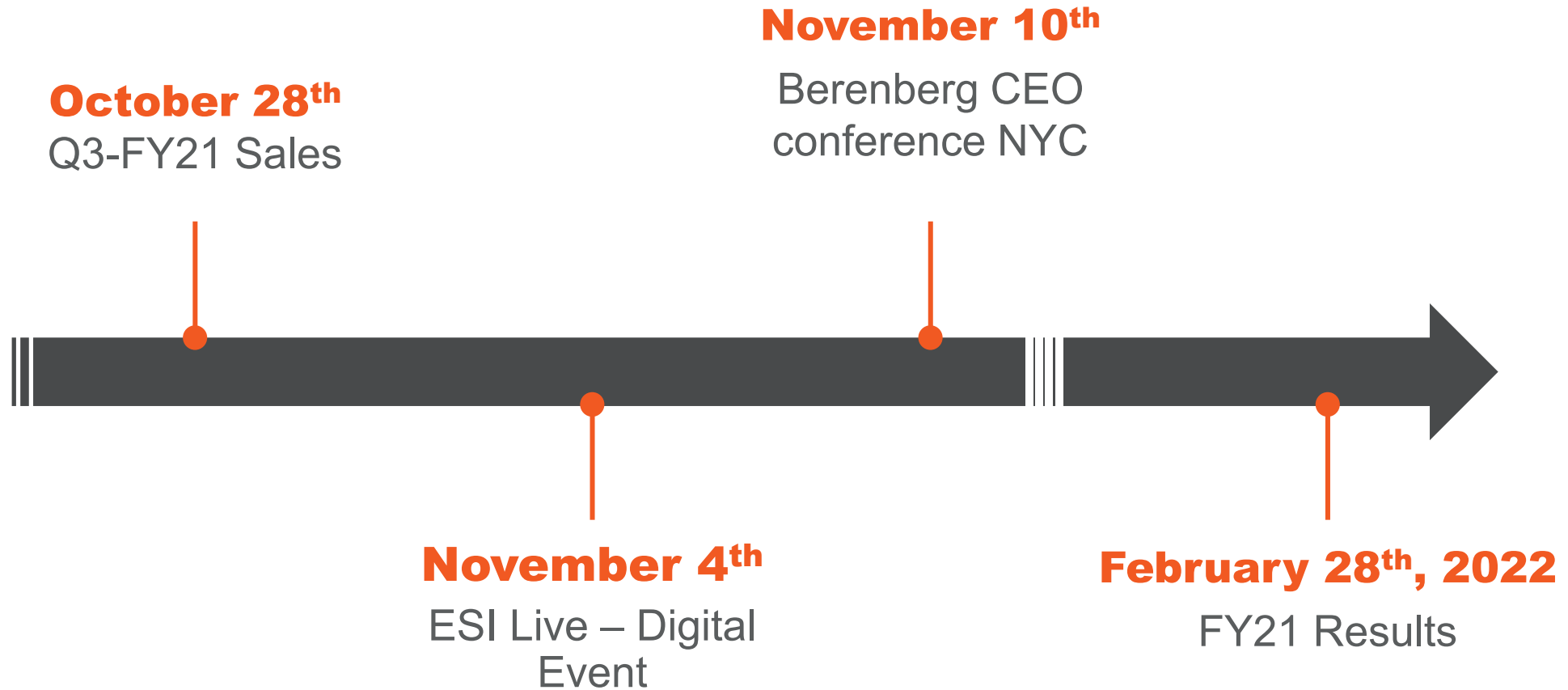
# Upcoming



**Florence Barré**

Director of Change Management  
(Communications & Investor Relation)

# Upcoming



# Thank you!

**Any Questions?**

**Florence Barré**

**Director of Change management**  
*(Communications & Investor Relation)*

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