INVESTOR'S CONFERENCE

"OneESI 2024 – Focus to Grow"

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Good morning, good afternoon,

I'm honored to be in front of you today to open our first ever Investor Conference. I feel really privileged to be part of the very talented team you'll meet today and the ones behind the transformation plan we will present shortly. Moreover, I have the good fortune to work daily for an inspiring leader, Cristel de Rouvray.

Before we begin, let me introduce today's format and logistics:

- Our speakers will use the next hour to present the plan
- The presentation will be followed by a Q&A session.
- Our press release, shared this morning, is accessible in our 3-year plan dedicated page on our website. On it, you'll be able to find, by tonight or tomorrow, all recordings and additional contents about our plan.
- Our release contains forward looking statements. These statements are not guarantee of ESI's future performance. These statements are subject to a number of risks and uncertainties.
- I now leave the floor to Cristel who will introduce our conference and our different speakers.

INTRODUCTION

Cristel de Rouvray
Chief Executive Officer

Thank you, Florence, and welcome everyone to our first investor conference. It's an important milestone for our company and also for me, as CEO so let me start by thanking each of you for your trust, advice and long-term support.
I also want to thank my team for their commitment, their motivation, their ideas, and their work! I am very proud to lead a diverse team.

Five are here today, alongside me, to present our plan yet several others are behind the camera – so let me emphasize that this 3-year planning exercise mobilized the talent and energy of my entire team and I'm really confident that together we can achieve great things.

Today you will hear from Emmanuel Leroy, our EVP industry Solutions, Mike Salari, our Corporate COO Revenue Generation, Francis Griffiths, our EVP of Sales, Olfa Zorgati, our EVP, CFO and Operations and of course Florence Barré. Behind the camera, are Corinne Romefort-Régnier – Director of Governance; Dominique Lefebvre – EVP Platform and Product Operations; and Yannick Charron - VP HR.

Ok, let's start!

1) ESI's performance is a paradox: we are a key technology provider operating in a vibrant market and yet the profit and growth indicators are far below comparable and stakeholder expectations
2) Why? In a few words: we have an operating model to fix, specifically
    - R&D efforts are spread too thin and unbalanced
    - Distribution is too siloed including no globally coordinated pricing strategy

    My team members will address each of these themes one by one throughout the course of this conference. Yet before we go into further diagnostic and our plan to address these issues, let me address the obvious question:
3) Why didn't we tackle these issues earlier? We have been aware of these problems and I have even discussed them with your prior. Yet, we were not able to tackle these issues before because first we needed to align our governance fully aligned. That alignment was accomplished in February 2021.
4) We spent the past 7 months developing this *One ESI 2024 - Focus to Grow* plan to fix our operating model. We also spent this time explaining to an extended team of 50 key managers the necessity and the credibility of this plan. We are now entering the next phase of communicating more broadly and executing on all facets of this transformation.
5) What to expect?

- A plan to deliver growth and profit: by year 3 we are aiming for high single digit growth and an adj. EBIT to exceed 20%.

- In 2022: we will make significant strides towards the goal of adjusted EBIT while steadily building momentum on growth

- Beyond the 3-year horizon our growth ambition is higher – building off the accelerators we will describe today.

- You have likely noticed the name we gave our plan: FOCUS TO GROW. ESI must focus to grow; ESI must increase its competitiveness to grow. Why? Because we have to be competitive to properly compensate the talent who will drive the growth.

- We have already made significant progress in this direction- as previously discussed our healthy run rate initiative showed its 1st results in H1 2021: we have become a more competitive and productive company - a growth in revenue, and growth in profit, and in tandem a sustained reduction in headcount in the past year.

- We aim to continue with this trajectory, estimating a further reduction in headcount of approximately 5% by Dec 2022 and then a stabilization of headcount.

- These reductions would be primarily linked to jobs that would no longer be needed from the globalization of our activities, from focusing innovation on priority markets, professionalizing certain roles and from a reorganization of the company necessary to safeguard its competitiveness.

- Every separation is a hard decision and will continue to be taken with care and following local regulations, ensuring employees are treated fairly and with respect. Yet this is necessary: to focus and to reset the momentum in performance improvements. The drivers of long-term value are sustained improvements in profit and growth.

By aligning on our core strengths and by building a performance culture we will be able to unlock the tremendous value that has been created by the innovation of ESI over the last ~50 years.

With that said, let's now examine ESI's strategic position in an enviable market.

WE ARE CONFIDENT IN OUR MARKET AND DIFFERENTIATORS

1. We are evolving in a vibrant Simulation & Analysis market

Our business is mainly focused on one sub segment of the overall PLM market: Simulation & Analysis. Here are some key figures describing this market:

- 2020 revenue $7.5b
- 2021 expected growth +8.1% to $8b
- 2020 – 2025, 5-year compounded annual Growth rate 10% to $12b

Global product development & Manufacturing trends are making simulation indispensable. It is the only way to enable the efficient development of complex systems that combine software and real industrial assets.

There are several trends contributing to the expected market growth.

- Compliance with sustainability regulations
- Cross-Enterprise Digitalization
- The growing impact of VR & AR technologies
- Industry 4.0 and IoT
- Product as a service
- Digital Twin

Let me tell you a story. A year ago, one of our customers, Nissan Motors, made a bold announcement: they succeeded to industrialize a much-coveted lightweight material, the CFRP Carbon Fiber Reinforced Polymer.
Why was this news so important to Nissan? By widely integrating this new material into their cars, they could cost-effectively reduce the total weight of these vehicles with the same safety standards for customers, leading to decreasing their car fleet's environmental footprint in line with their commitments to reduce by 90% their carbon footprint by 2050.
How did they succeed to mass produce CFRP? They developed a unique methodology thanks to the use of our software. With this new approach, Nissan's team were able to go from a 2-hour part production cycle to a 2 min cycle – the gateway to industrialization.

The Nissan Motors example perfectly illustrates the key trends of the industry globally, not only in Automotive – being clean, safe and productive. I While Auto invested 2 billion in Simulation & Analysis in 2020, the collective investment from Aero, Heavy Industry and Energy exceeds 2.5 billion
What are their key levers? Digitalization and the use of simulation and virtual tests solutions.

I am very proud to be leading a company playing a key role in a cleaner, safer, and productive society.

2. <u>ESI has a unique added value to bring to its customers and to the industry based on our key differentiators</u>:

We are a key partner for our customers who in many cases have relied on our software for decades. Why? Thanks to our unique differentiators:

- Our differentiated predictive physics – gives our customers the confidence to replace a real test with a virtual test.
- Our differentiated capability to chain – gives them the ability to connect previously siloed elements on the simulation workflow brought to life by a common user interface.
- our differentiated talent – We have a deep pool of engineers and PhDs from the best universities across the world

3. <u>And yet our revenue has not been growing as fast as the market & Our profitability performance is an obstacle to long-term value creation for our shareholders.</u>

Why this paradox?

ONEESI 2024 – FOCUS TO GROW

We have a great potential, and here is where we will focus to unleash this potential and improve our operating model:

1. <u>We will focus on our core business</u>

This is no secret and many of you have shared this diagnostic with me.

We need to prioritize our offerings & our innovation so that we can focus and invest in our core business.
Emmanuel will cover this shortly

2. We are a software company, and we will

- continue world-class developments in the core technology that drives our key differentiators
- AND:
    - We will increase agility to meet customers time to market expectations
    - improve our usability.

We are working on these two challenges and we know that they are key expectations from our customers.

3. Globalize our distribution

Our distribution was historically broken up into 12 local entities, each optimizing their own P&L which was blocking key performance enhancing initiatives.
This created overlapping costs, lowering our profitability, and blocking our capacity to invest and focus on our core business.
Later during our presentation, Mike, will delve into this topic. he will be joined by Francis Griffiths, our new Executive Vice President of Sales to discuss our actions to globalize distribution and execute in a more consistent fashion.

4. And finally, we will develop an effective globally coordinated packaging and pricing strategy which Emmanuel, Mike and Francis will address today

5. In the past 2 years we have already tackled our need for best-in-class tools and operations backbone enabling us to get the right data to make the right decisions.

thanks to Olfa's efforts

With these changes we will be able to deliver on our stakeholders' expectations

So why did we not tackle these issues earlier?

THE RIGHT GOVERNANCE TO CHANGE

I mentioned earlier that in February, we aligned our governance. What did we do?

When I became CEO, 2 years ago, the functions of chairman and CEO were separated. This first change was necessary, yet not sufficient. To enable the type of change that is necessary to set ESI on a trajectory for performance improvement, we needed best-in-class governance aligned with the practices of global public tech companies.

On February 8th, Alex Davern became Independent Chairman. Alex, previously CEO of National Instruments, brings valuable experience at scaling and transforming a global software company. Additionally, we changed our Board's internal rules to set the conditions for an accountable management.

On May 11th, the shareholders pact, dating back to our IPO in 2000, was terminated. This means that there is no longer any dominant or majority shareholder.

Since then, we have been adding highly competent directors. Our latest board recruit, Patrice Soudan former Legrand CEO managing Group's industrial divisions and operations who joined our Board in early September, is a great fit for this next phase in our corporate journey.

With these conditions in place, we can now have ambition and we can tackle our problems. Let's talk about our ambition.

I have often mentioned the term "CORE". To focus our effort and investment, we developed a new Core Strategic Vision to enable us to effectively prioritize. Let's read it together: "To be a leading **software partner** in **selected virtual test markets**, by leveraging **our predictive physics IP** and **platform for chaining.**"
This clarity enables rapid aligned prioritization and makes clear to all employees that our focus:

- is on recurring software revenue
- in our core markets only, we will partner with the ecosystem elsewhere
- and we will do this by leveraging our unique predictive physics IP and our unique ability to link simulation across the workflow.

Our core strategic vision enables us to stop doing the important in order to do the more important.

This core strategic vision will guide our multi-horizon growth strategy. Indeed, we intend to drive our growth effort over the short, mid and long term.

We are working in 3 parallel and complementary tracks.

First, dominate: We aim to become the undisputed leader in our traditional markets, to develop our customer base, replicate successes with the competitors of our customers, catch low hanging fruits; there is immediate growth potential everywhere. We expect the 1st results within 18 months. Our new globally streamlined sales org capable of implementing a value pricing strategy is key to delivering on this 1st phase.

At the same time, we are expanding our product offering to adjacent solutions, including better software usability to address a broader class of users... For example, Multi Material Joining and Assembly – our new manufacturing offer in automotive assembly, or our Heavy Machinery solution. We expect to see results from these efforts in 12 to 24 months and we are investing now in R&D for these new industry solutions.

The last track "Innovate", also already launched, has an expected impact in our revenue in the next 3 to 5 years. This track is led by our world class incubation team in the fast growing cross-industry cyber-physical systems market, where the trends are for virtual validation to replace real validation as is mandatory today. Relying only on virtual will be the new normal.

And now, I would like to welcome Emmanuel, to discuss the major industry trends and opportunities and to explain our offering strategy.

FOCUS TO GROW

Emmanuel Leroy

EVP Industry Solutions

Thank you Cristel.

Good morning, good afternoon everyone, I am very pleased to be here with you today. I joined ESI 1 and a half year ago after almost 10 years working in the automotive industry, mainly at Gestamp, living in the same business but from the customer side. At ESI, my mission is to lead our industry solutions: two words that mean exactly what they say - ESI solves problems for industry. This means to drive our solutions management, product marketing and innovation to deliver the best software products for our customer.

To comment on the industrial landscape and opportunities for ESI, I'll address our two main markets: Automotive on one side and Industry Portfolio, gathering Aerospace, Heavy Industry and Energy, on the other side.

Starting with the Automotive market, let's talk about the trends pushing these industry investments:

- First, the historic challenges that exist with ICE vehicles like lightweight / safety / comfort / manufacturability / quality / time to market are still relevant with the move to electrification and new types of powertrains
- Second, with estimated new investments in Electric Vehicles of $350B between 2020 and 2025 and a dramatic increase in new EV models and production by major OEMs, we expect an acceleration in the demand for virtual engineering
    - **On the design & certification side for example:**
        - Meet new passive safety requirements with introduction of batteries
        - Introduce more complex active safety solutions
        - Increase Comfort and reduce noise inside the cabin
    - **On the manufacturing side for example:**
        - more complex manufacturing processes, including multi-material joining and assembly
        - More complex vehicle integration due to increase in wire harnesses, electrical systems and sensors

These trends are bringing new opportunities very aligned to ESI core solutions.

For example, our Virtual performance solution is today best in class in the crash and safety domain. It is used at several top OEMs like VW Group, Renault-Nissan, Honda for example to improve passenger safety and reduce weight…. Our customers are continuously working with us for our predictiveness and continuous reliability: in the past 10 years, a full digital vehicle model has increased in complexity by 4, now including detailed airbags and failure models yet the simulation time has reduced by half.
We are supporting OEM electrification even further to improve prediction of new electrical components like batteries during a crash event (risk of short circuits and fires) working with AI and multiscale simulation.

You can read on this slide one quote from one of our best customer VW, telling how they are replacing physical prototype by virtual prototypes.
"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."

Beyond Automotive ESI's Industry focus expands to Aerospace, Energy and Heavy Industries.

Parts of these markets, especially in Heavy Industry, are still at the early phases of their path to enterprise digitalization with pending key investments related to Virtual Engineering and Manufacturing.

The Accelerated Directions towards Carbon Neutrality, Noise Reduction and Clean Energy Generation are key drivers for both new innovations and digitalization of these industries, including cross industry electrification and new materials and processes to provide high performance light weight components in Aerospace.

So, we are positioned in a growing market with highly differentiated technology: our capability to chain predictive physics across the workflow.
Our products, built from decades of research and innovation, are amongst the most predictive and accurate on the market.

ESI has always struck me as having one of the best innovation teams. When I was myself a customer this always impressed and attracted me the most.

Yet, ESI has been challenged to bring this innovation to scale.

So, we will follow 3 main principles:

1) Focus on the core
2) Increase value
3) Invest to Win

1) Focus on the core

The core strategic vision introduced by Cristel is helping us focus. It helped us clarify our core solutions and technologies. It will help us to invest significantly in the most important and to reduce investment in what is less important. This also means we will take end of life decisions for some of our products where we are not in a position to win (taking of course care of existing customer.). At the same time, we will also open much more to the ecosystem and partners.

Clarify/Simplify our offer:

I previously introduced the trends driving our focus industries, our customers are following one objective – accelerate innovation and improve safety, environmental impact & productivity. We clearly have unique value to help them achieve that objective.

Our offering is divided into 3 main product families/

- Product Performance: enables gains in performance and productivity. Thanks to predictive models and process automation, industrialists can meet certification requirements and other validation needs without relying on physical tests.
- Smart Manufacturing: establishes the right manufacturing processes to meet performance indicators for both industrial products (for instance reducing weight) and for associated processes (for example controlling distortions or reducing waste).
- Human Centric: allows customers to implement an operator centric approach to ensure the efficiency and safety of assembly and maintenance operations.

2) Increase value

We will better package our offer to deliver more value to our customers, to answer their problematics rather than selling technology.

Indeed, in addition to being spread too thin, we also have made it quite complex for our customers to purchase and combine our products. Historically, we sold discrete products to our customers which only addressed one element of the workflow, for example: casting, welding, vibro-acoustics, etc.

This approach clearly did not leverage our unique capability to chain our predictive physics IP through the workflow. So, we have started developing new **industry solutions** suited to more completely address the challenges of our customers. These Industry solutions will be packaged specifically for that industrial workflow and will have dedicated pricing, linked to the return on investment for the customer.

We are launching next year our 2 first industry solutions:

- An Automotive assembly solution will provide significant cost and time industrial benefits over the complete body development cycle. A Heavy Machinery Solution bringing value validated in the automotive industry into a packaged offering targeting an industry to a large extent still ramping up its use of simulation and virtual testing.

Going forward, we will define specific offerings per type of customers. This will increase the efficiency of our sales teams and ease the understanding of our offerings for our partners and our customers.

3) Invest to Win

R&D investments

As introduced before, we want to focus on our core, but this is no way meaning we want to stop investing. On the opposite thanks to our core strategic vision, we can identify activities that are not aligned with our core and redeploy these investments for the leveraged adjacencies to better invest to win, to outpace the competition in a selected market.

We will redeploy a significant portion of our R&D investment to much more valuable growth opportunities. As a result, in Q4 we will be redeploying 20% of our software development team and we will continue to optimize our investments for growth as we go through 2022. This 20% will be redeployed to accelerate the delivery of software to the customers in our core markets.

In addition, with this focus on the most important initiatives, our development team will also be able to converge on a common platform. This will enable our software development to become more efficient and align on one single user-interface allowing a better user experience for our customers.

Innovation

When it comes to innovation, we are building on our strength, just the best innovation team.

Cristel introduced earlier the multi-horizon offering strategy that will drive our growth in the next 5 years.

We are prioritizing our mid-term innovation on investments on our core Hybrid Twin solutions (enriching the existing knowledge consolidated in our simulation tools with data and Artificial Intelligence), in particular related to manufacturing problems (industry 4.0, to reduce scrap, energy usage, predictive maintenance) and Asset Health monitoring (*reduce maintenance, warranty and operational cost)*. The value for the customer is here again to become safer, cleaner, and more productive.

On a longer term, our target is the fast-growing cyber-physical systems markets: one of our main targets is virtual validation, which is at the core of ESI's DNA from the beginnings, but mainly on computational mechanics, materials, and physics. Our positioning is in progress with our world class incubation team and will involve partnerships and working in an ecosystem much more than before.

If I can conclude on one sentence: by focusing and improving our offerings & innovation management, our development effectiveness, and our user-experience we can significantly increase our customer's satisfaction and realize our full growth potential.

Cristel de Rouvray
Chief Executive Officer

Thank you, Emmanuel, for this overview of our plan to inspire our teams around a Core Strategic Vision and enable us to focus our offer and our innovation and development to invest to win.
Let's now delve into our approach to globalizing our distribution.

ONE ESI DISTRIBUTION MODEL

Mike Salari
Corporate COO Revenue Generation

Thank you Cristel. In our prior distribution operating model, we were optimizing individual countries, at a local level which:

- created significant difficulties in growing regional & global accounts
- caused overlap and redundancy with additional costs for the company, and
- slowed decision making and reducing effectiveness

Thanks to our recent governance change, we are now able to optimize and evolve to a much more efficient organization. We are changing our model to act globally, increase effectiveness and share know-how and expertise.

To achieve this, we are transforming from 12 business units into one global unit. Emmanuel just explained our industry dynamics. To align with our core strategic vision and to better address our customers' needs, we are now organizing our sales team by industry with one dedicated automotive global team and one team focused on Industry Portfolio combining Aero, Heavy Industry and Energy.

In so doing, we are building an automotive focus for OEMs and selected Tier 1s. The rest of our business is gathered in Industry portfolio to better focus the channel leveraging the global organization. As a reminder, please note that 60% of our revenue is from Automotive and 40% from Portfolio.

This new organization will allow us:

- To accelerate our decision making
- To address our customer's needs globally
- To standardize our methods and processes
- To reduce our costs
- And to better replicate customer successes globally, improving our growth

To lead this new sales organization and drive the changes needed to transform our distribution model, I am happy to announce the arrival of Francis Griffiths as Executive Vice president of Sales.

As you may have seen from our press release, Francis has a long track record of success in global markets with technical and scientific software solutions and has hands-on experience with the type of transformation we are driving at ESI. He has over 30 years of experience in the Test and Measurement, Simulation, and Industrial Automation.

Francis has advised ESI for nearly six months and has already met and collaborated with our sales leaders. We all share the same confidence and motivation to work with Francis and to use his talent to accelerate our journey.

The organizational move in our sales model is the first step. To support the sales team, we are also globalizing our technical talent. We have highly experienced and excellent engineers, passionate about our solutions and technologies but also and it's maybe the most important, one eager to support, help and train our customers.

Historically, our talent was dispersed and not properly valued. We are now fixing this by creating one global customer experience team in charge of pre-sales, post sales and support, gathering our key technical resources within one Group. This will allow us to serve our customer's best interests.
We also have a service activity. Let me repeat our core strategic vision: "To be a leading **software partner** in **selected virtual test markets**, by leveraging **our predictive physics IP** and **platform for chaining.**" I want to emphasize on one word: SOFTWARE. We are a software company.

Our services are important because they're helping to develop strong relationship with our customers and because they are "helping" us sell licenses. Yet historically our services were driven at the local level and were not aligned with maximizing recurring software revenue.

So, we are creating a global services team, aligning our services to drive recurring revenue and adoption of our core software offerings:

I'm convinced that these fundamental changes in the way we organize our sales team, our services team and our support team will enable us to deliver solutions to our customers globally, therefore accelerating our growth, while reducing our costs.

Now that we have discussed the new organization, let's switch to another topic linked with sales discipline and best-in class management. For this topic, I'm inviting Francis to join me.

NEW PRICING MODEL

Earlier Emmanuel shared our new offering and packaging strategy. Our objective is to deliver these offerings to our customers and to value these offerings in a clear, transparent, and understandable way for our customers.

Yet, until now We didn't have any strategic approach to pricing, nor global execution of value-based selling. This led us to a situation where neither our sales teams nor our customers had a clear and consistent view of our value or our pricing.

This is a clear opportunity for simplification and value creation, and we are pleased to have Francis join our team to drive this effort.

Francis, again welcome onboard.

Francis Griffiths
EVP of Sales

Thanks Mike.

Firstly, I am extremely excited to join ESI on this transformation journey and to realize the opportunity we have in these vibrant markets that Cristel and the team have outlined.

As a leader in virtual prototyping solutions founded on excellence in predictive physics-based modelling, I believe ESI is uniquely positioned to partner with our customers on their digital transformation journey across the whole performance product life cycle.

Building on what Mike outlined I am very confident that by aligning our global sales organization, by focusing on our core and by selling our value, we can accelerate delivery of ESI solutions, accelerate our recurring software revenue growth and improve our efficiency within the sales channel.

In terms of pricing there are 3 key points I want to outline:

1. Alignment to the strategic objectives laid out in our 3-year plan
2. Increasing value for our customers through our industry offerings and licensing.
3. Simplified and more consistently applied across the world.

Strategic alignment - Our approach will focus on our whole customer base, so a broad initiative across both automotive and industry portfolio accounts. This approach will build a best-in-class pricing model that forms an integral part of our 3-year business plan.

Increasing Value - This pricing model will better serve customers through specific offerings tailored to their industry needs and include service levels that will ensure customers are successful with ESI solutions both locally and globally.

Simplifying – We will simplify access to the ESI software portfolio through new license agreements that coupled with our industry solutions will lower acquisition costs for all our customers across their product performance life cycle.

We have a global, cross functional team representing all key functional areas within the business to ensure we execute effectively. We will combine these efforts through a more strategically aligned and simplified pricing model that will be applied globally in a consistent way.

Summarizing again the 3 key points of the pricing model:

1. Alignment to the strategic objectives laid out in our 3-year plan
2. Increasing value for our customers through our industry offerings & licensing.
3. Simplified and more consistently applied across the world.

I'm confident that this approach will better serve our customers need and improve our own performance objectives.

Thank you and I'll hand it back to Cristel.

Cristel de Rouvray
Chief Executive Officer

Thank you all.

Ok, so far, we have discussed our offering strategy, our allocation of software development resources, our new distribution model, and our focus on strategic pricing execution; so, let's dive now into concrete numbers. In my introduction I shared our objectives: to reach by 2024 high single-digit growth and more than 20% adjusted EBIT margin. Olfa now joins me to further discuss these objectives. Olfa joined the company 3 years ago: her mission was to equip us with the information infrastructure processes and operations backbone to enable ESI to operate as a global company. She used her signature energy and enthusiasm, ensuring we now have a clear visibility on our global business and a foundation for operations. From this foundation we can tackle the obstacles I discussed. Olfa leads F&A, along with IT, facilities, global marketing, and sales operations.

Please Olfa, join me and let's delve into the financial details of our 3-year plan.

OUR 3-YEAR BUSINESS PLAN

Olfa Zorgati
EVP, CFO and Operations

Thank you Cristel

I joined ESI 3 years ago and it is a great privilege to be part of this exciting journey to transform ESI. Before that, I spent over 20 years in Digital & SaaS Businesses in a variety of Finance & Operations roles both in Europe & Silicon Valley. What attracted me to ESI is its unique position in a highly innovative market & its international footprint.

ESI has a solid & resilient Business model with a large Customer base made of top leaders in different industries. ESI consistent investment through the last 50 years in R&D made its solutions performance key in the long-proven loyalty of both our Customers & Talents.

Today we are presenting a concrete plan, a self-help plan accelerating our growth & improving our margins allowing a significant value creation for ESI stakeholders.

To achieve that, and as detailed by the team, we need to deeply transform our company while committing to keep and even strengthen our DNA of passionate Engineers Company.

What is our current situation?

Historically, we have been underperforming our Simulation peers' both in terms of topline growth and to a greater extent in term of profitability

We believe that our market value is heavily impacted by this underperformance. As illustrated in this graph, robust margin level is a strong driver of EV to Sales multiples.

Our new operating model, that we are presenting today is all about focus & synergies to increase our growth & margin and create the long-due value for our shareholders & the rest of our stakeholders.

Let's now dive into the numbers.

We set the objective to reach high single digit growth in 2024. Here is our path to achieve that result.

	2022	2023	2024
Revenue	4% - 6%	6% - 8%	7% - 9%
Adj EBIT	10% – 12%	15% - 17%	➢ 20%

Our already shared revenue forecast for FY 21 at constant rate is established at 4 to 6%. We forecast a growth excluding special projects at 4 to 6% in FY 22, 6 to 8% in FY 23 & 7 to 9% in FY 24.

To align with market best practices, we are communicating on a new KPI: the Adjusted EBIT. This will be our key profitability metric going forward.

The definition we are adopting is commonly used within our peers.

Operational income – our EBIT – adjusted for:

- IFRS standard on leases
- Amortization of intangible assets related to acquisitions
- Stock-based compensation expenses
- Restructuring charges

Our adjusted Ebit margin is forecasted at 10 to 12% in FY 22, at 15 to 17% in FY 23 and above 20% in FY 24.

All impact on our accounts of this strategic plan (including Restructuring charges & stock-based compensation expenses) will be fully disclosed during our next results communication according to the IFRS standards & local regulation.

Let’s look in how we intend to achieve these growth & improved margin.

Revenue first

Our plan is simple, and I believe conservative knowing that the revenue baseline reference is low with the Covid situation. The plan is based on the assumption that we will continue our historical rate of growth, ranging from 3 to 5% and layer on top of that three accelerators:

1) strategic packaging and pricing,
2) an aligned global distribution organization
and 3) a more focused & agile innovation & product development strategy

Each of these accelerators will have a different lead time to impact revenue & in 2022 we are mainly assuming our historical rate of growth.

In 2023 and 2024 we expect to see these 3 accelerators contribute to a steady increase in momentum allowing us to meet or exceed the market rate of growth.

Let’s now illustrate more concretely the details of our Growth plan.

As you heard from Emmanuel & Mike, our growth will continue to be led by our long-term strong Auto market which we expect to continue to represent about 60% of our revenue. We are in the ‘good part’ of the Auto Business, where investments are increasing to meet mega-trends of EV & Digitalization.

In term of geographies, all our regions will be growing, and we see more opportunities in Americas and Asia that will drive even faster our growth.

As a software company, we will focus on profitable growth. Our 3 drivers to short- & long-term profitable growth are the following:

- the ratio of licenses to services; with a focus on Core services, we will grow our licenses faster than services

- the proportion of new business that we expect to grow much faster than our repeat business

- the proportion of rental versus perpetual that will be limited to specific regions and businesses

As detailed by Mike & Francis, we are aligning our global sales organization to these objectives.

<u>Now let's discuss our costs monitoring strategy</u>

How are we achieving this significant margin improvement?

we already started a Healthy run-rate initiative that generated a better Ebit margin in H1 FY 21 versus historically.

We plan to further reduce our costs during 2022 then benefit from the operational scalable model we're developing to maintain a very controlled increase of these costs in the next years.

We estimate that thanks to the 3 growth accelerators (to repeat: Packaged & Business driven Offer, Innovation focused on our software & an aligned global selling teams), we will need stable resources to deliver next 3 years growth. So as Cristel outlined in her introduction, we will see a decrease in headcount of approximately 5% and then a stabilization at the end of 2022. This reorganization will be implemented in the various regions of the Group in accordance with the legal rules applicable to each of them.

In an innovation led market, we will continue to significantly invest in our R&D with much more focus on our software development and will benefit from a global & leaner organization and facilities structure to tightly monitor our S&M and G&A costs. We will leverage the implementation in the last 3 years of best-in-class cloud tools & more globalize our operations based on our historical centers of Excellence & shared services in low-cost geographies (India, Czech Republic & Tunisia essentially).

We target our total 'adjusted Ebit' costs in 2024 to be approximately equal to the 2021 level. Stated otherwise, by focusing we will be able to spend less to grow more.

<u>To summarize, this is a self-help plan, and its key elements are within our control.</u>
We are convinced that it's a reasonable ambition and the best way to drive our company's performance. In addition, I want to emphasize that we do not need additional external cash injection or capital increase to reach these objectives.
As shared during our results communication, we have a solid balance sheet and a good cash position.

Cristel de Rouvray
Chief Executive Officer

Thank you Olfa for this explanation and for sharing the concrete data you were all expecting. With this presentation and this plan, we also continue our communication effort towards best-in-class practices, more transparency and commitment to short and long-term results.

This is made possible thanks to a team effort. To reward and align these contributors, we are also initiating best practice changes in people management.

DRIVING OUR CHANGE

With this plan, we are aligning all our stakeholders' interests.

When it comes to our teams, we know that we are addressing their needs and concerns because they have told us what they care about. We know this because we launched 4 months ago our first Employee 'listening campaign. while we have strong scores in many areas, our teams did score us lowest in three areas. They told us that:

- historically we have not allocated resources properly
- that we have not been focused enough to transform innovation into profitable and sustainable business
- and ultimately that we are not offering them a proper career path.

Sound familiar?

They also shared a high level of commitment and motivation to go above and beyond for the future of our company and a great level of trust in our teams and in their managers. And this is the most important thing! We have great talent and it's essential.

To retain this talent, we aim to drive a performance culture, with clear goals and accountability, where bonuses are anchored on ambitious yet realistic goals and with a credible equity component to allow our key talent to benefit from value creation.

Related to the bonus, you heard in our H1 2021 communication, that we have increased our bonus provisions compared to prior years to drive this performance culture.

Related to equity we are implementing a stock, Long-Term Incentive Plan, aiming to increase the equity component in compensation for our leadership, our transformation team, and our key talent, to align their interests with the results of this plan and with our shareholders.

Complementing these initiatives, I regard our communication efforts and transparency as being critical for employee trust and commitment. For nearly 18 months we have engaged in monthly dialogues, now further formalized in listening surveys to tap into the collective understanding of our challenges. This transparency has created an appetite for change. My personal motivation to see this transformation through is anchored on the shared expectations of our customers, our teams, and our investors.

To drive our company, I can count on a renewed and cohesive team, that have relentlessly worked these past seven months to structure our plan. They are motivated and ready to transform our organization and coach our staff across the globe. It may not be an easy journey for everyone, but We know that there is a great opportunity to improve our performance and to create significant value.

CONCLUSION

To conclude before opening for questions, let me summarize our plan.

1) ESI's performance is a paradox: we are a key technology provider operating in a vibrant market and yet the profit and growth indicators are far below comparable and stakeholder expectations.

2) Why? In a few words: we have an operating model to fix, specifically
   - R&D efforts are spread too thin and unbalanced
   - Distribution is too siloed including no globally coordinated pricing strategy

3) We evolved our governance in February 2021.

4) We spent the past 7 months developing this *One ESI 2024 - Focus to Grow* plan to fix our operating model. We also spent this time explaining to an extended team of 50 key managers the necessity and the credibility of this plan. We are now entering the next phase of communicating more broadly and executing on all facets of this transformation.

5) What to expect?
   - A plan to deliver growth and profit: by year 3 we are aiming for high single digit growth and an adj. EBIT to exceed 20%.
   - In 2022: we will make significant strides towards the goal of adjt EBIT while steadily building momentum on growth
   - Beyond the 3-year horizon our growth ambition is higher – building off the accelerators we presented today: dominate our traditional markets, expand into adjacent industry solutions, and innovate with our world class teams

By aligning on our new core strategic vision and by building a performance culture we will be able to unlock the tremendous value that has been created by the innovation of ESI over the last ~50 years, playing a key role in a cleaner, safer, and productive society.

Let me close today's presentation by thanking all the people who helped us in this journey.

I want to thank my team for their commitment, their motivation, their ideas, and their work! I am very proud to lead a diverse team.

I want to thank you, our investors, have been a critical stakeholder in framing the necessity for change and giving us the leeway to take on this courageous endeavor. As always, your partnership and candid feedback is required to make this transformation the success we all know it can be.

To validate and accelerate our decisions, we were lucky to count on trusted advisors who have already experienced such types of transformation and who were able to guide us and to help us avoid pitfalls. A special thank you to our chairman Alex Davern who provides clear guidance, steady support, and great enthusiasm for the value we can unlock together for all stakeholders.

Today it's not the moment where our effort ends, it's the moment where everything starts!

Florence, you can now drive us into our last part, the Q&A.

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