

# 2016 FINANCIAL RESULTS

Jean-Michel Bérard, CEO  
 Emmanuel Olivier, COO  
 ■ March 2017



# Overview

- Positioning
- 2016 Financial Year Overview
- Financial Statements
- Development and Objectives
- Addendum



# POSITIONING

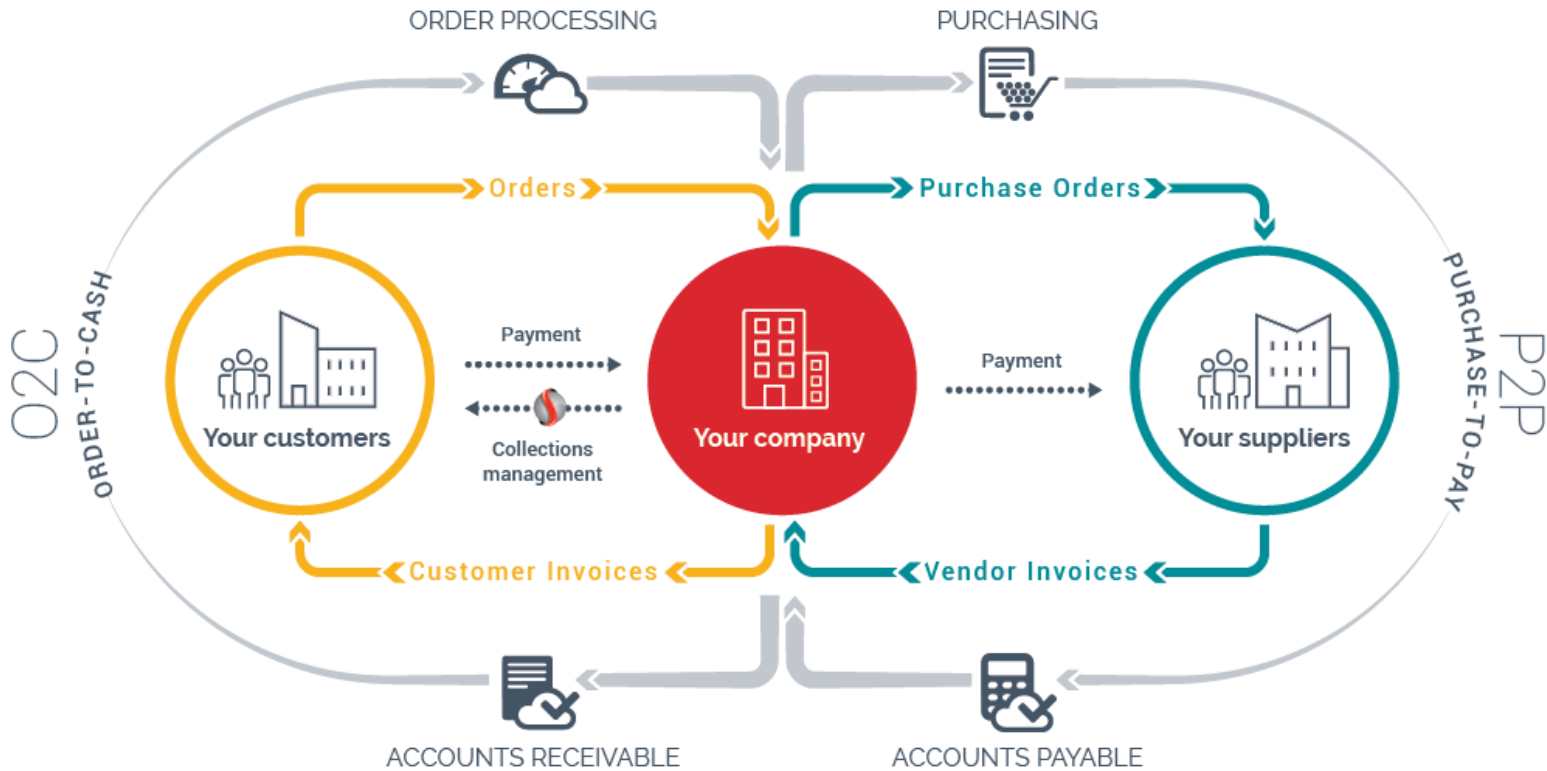
DOCUMENT PROCESS AUTOMATION & DYNAMIC CLOUD-BASED SOLUTIONS MARKET

# Mission and Vision



DOCUMENT PROCESS AUTOMATION

# Positioning



## Automate

any process as needed in multiple formats and through multiple channels



## Eliminate

the need for various products or costly separate components. All you need is a web browser



## Unify

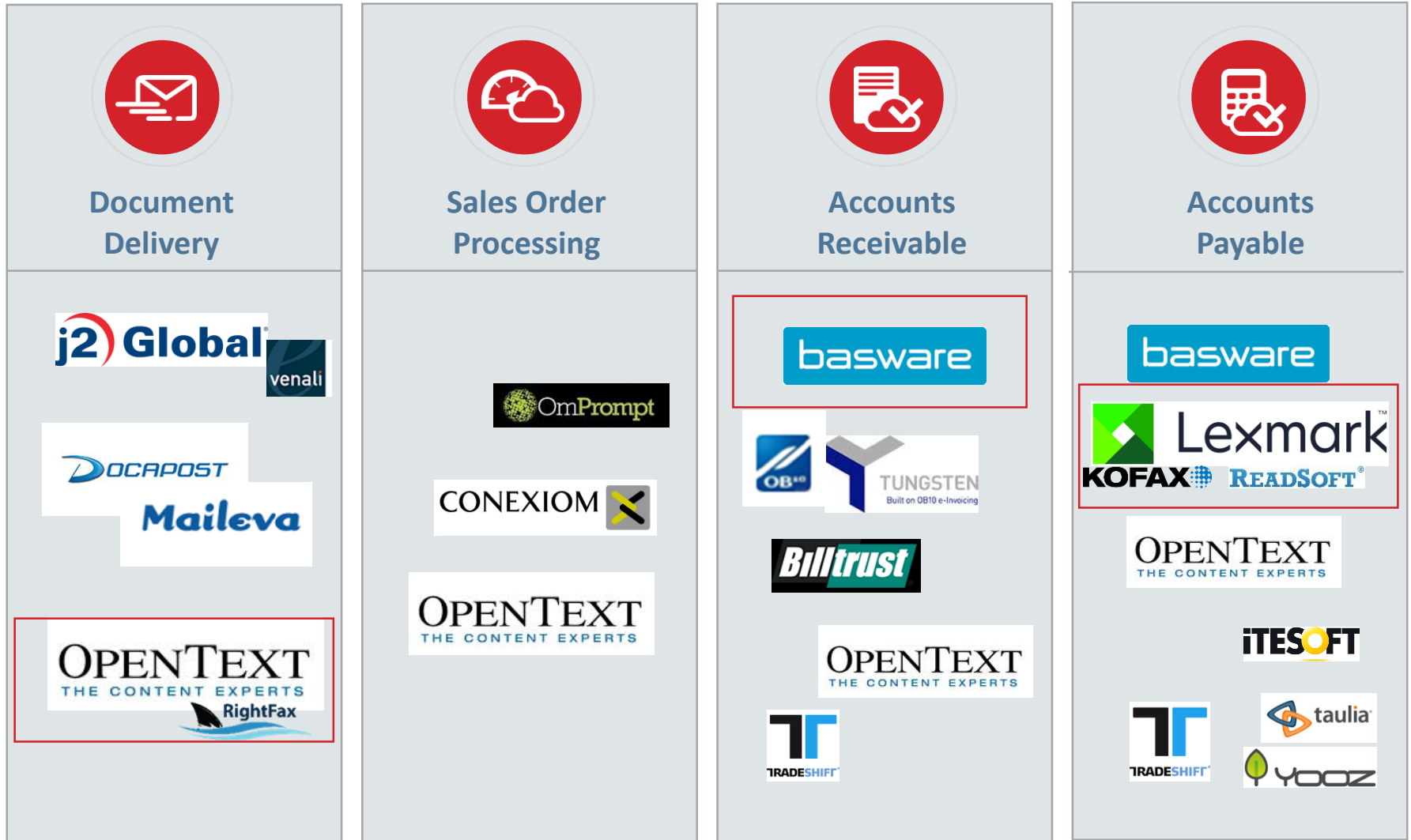
customer and supplier communications, and free up IT and CS departments



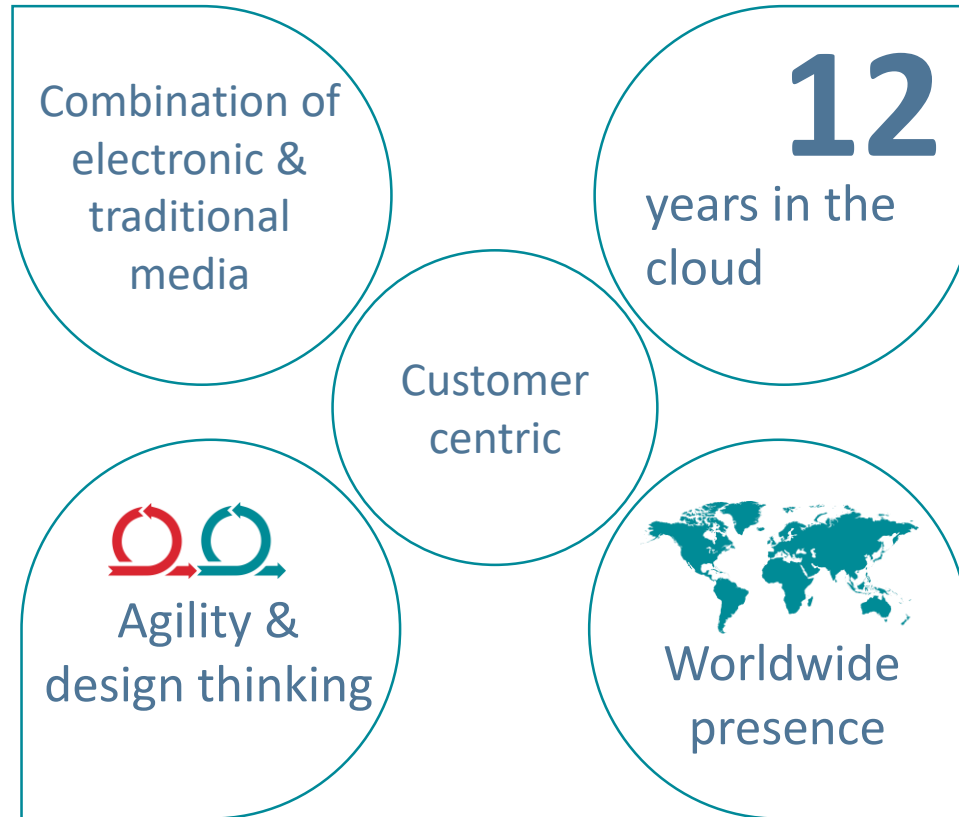
## Simplify

user adoption with a similar user interface for all processes.

# Competitive Landscape



# What Makes Us Unique

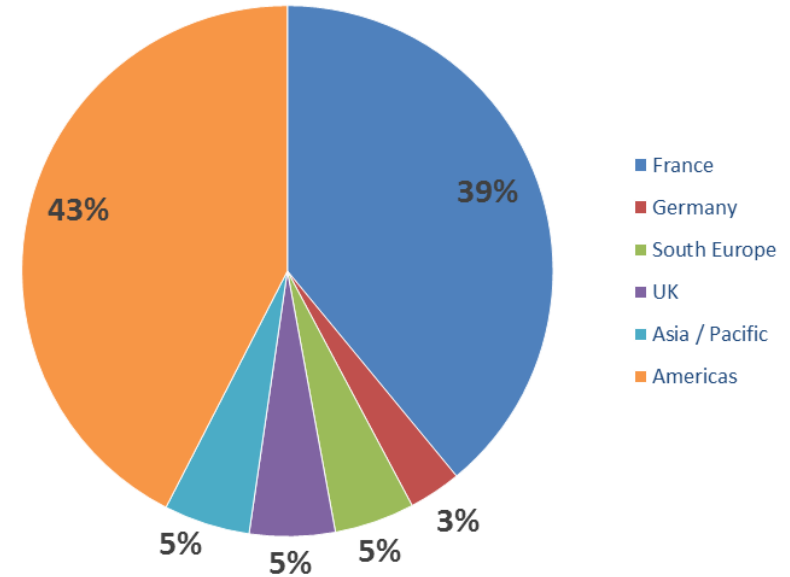


# Worldwide Presence

- Offices



## 2016 Sales Revenue

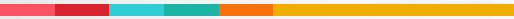


- Presence in 10 countries
- 61% of sales generated outside France
- 43% of sales generated in Americas





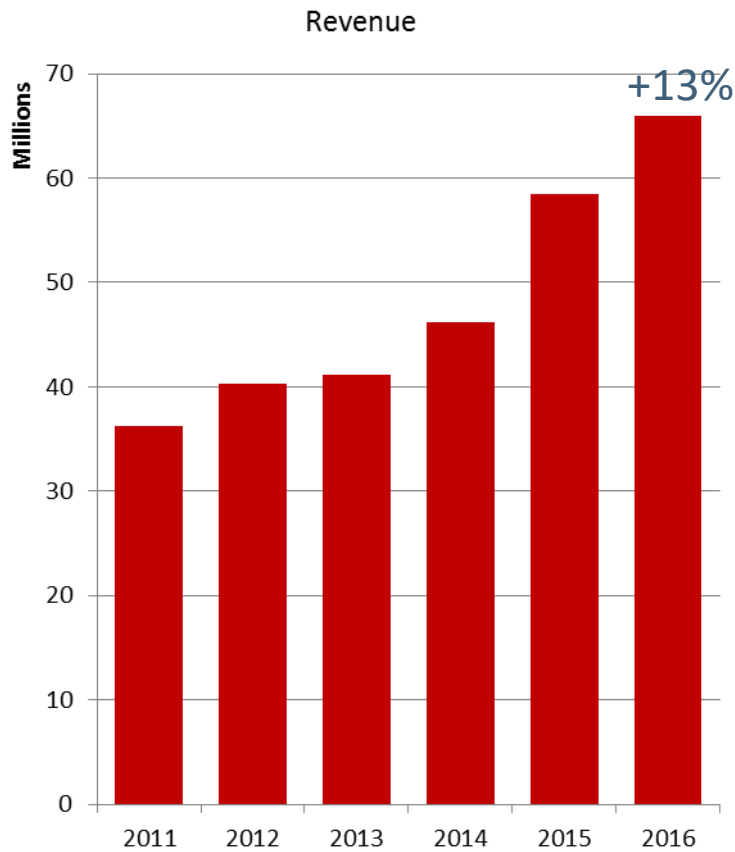
# 2016 FINANCIAL YEAR OVERVIEW



# Results Analysis

- Dynamic organic growth: +12%
- Strong increase in signed contracts
- Good partnership with Neopost
- Increase in operating income: +7,5%
- Accelerated company development and investment
  - › Staff increase:
    - R&D: +26%
    - Consulting: +21%
    - Sales: +15%
  - › Relocation of two Esker offices, in Madison, WI (U.S. headquarters) and Lyon, France (company headquarters). (Anticipated costs: 0.2 million euros (non-recurring expenses))
- Conservative revaluation of retirement liabilities: 0.2 million euros (non-recurring expenses)
- Successful integration of TermSync and CalvaEDI
- Increase in effective tax rate
- Net income slightly down due to non-recurring items

# Strong Organic Growth

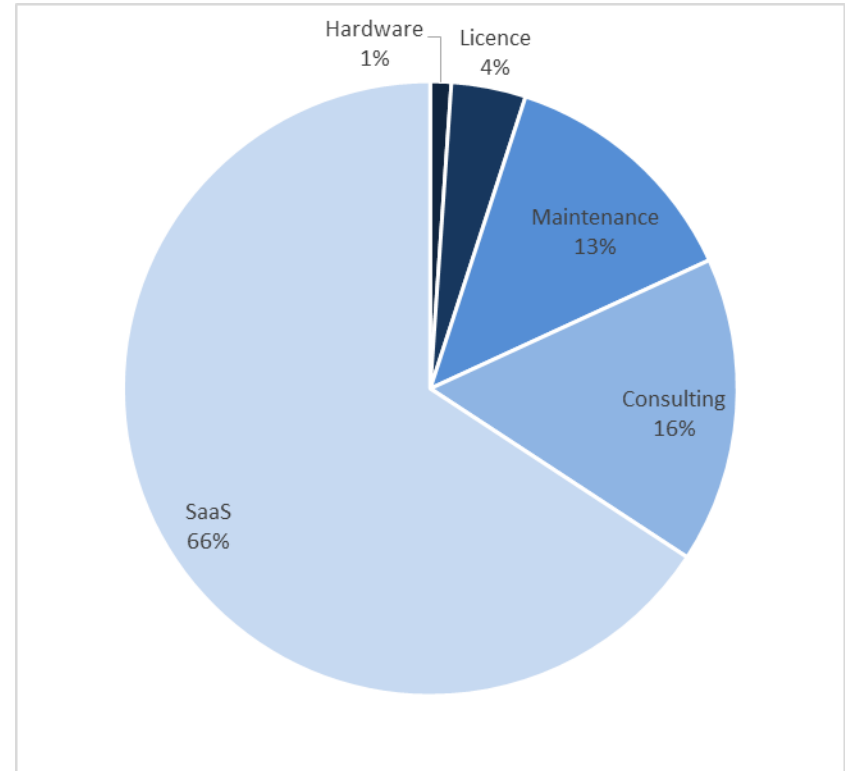
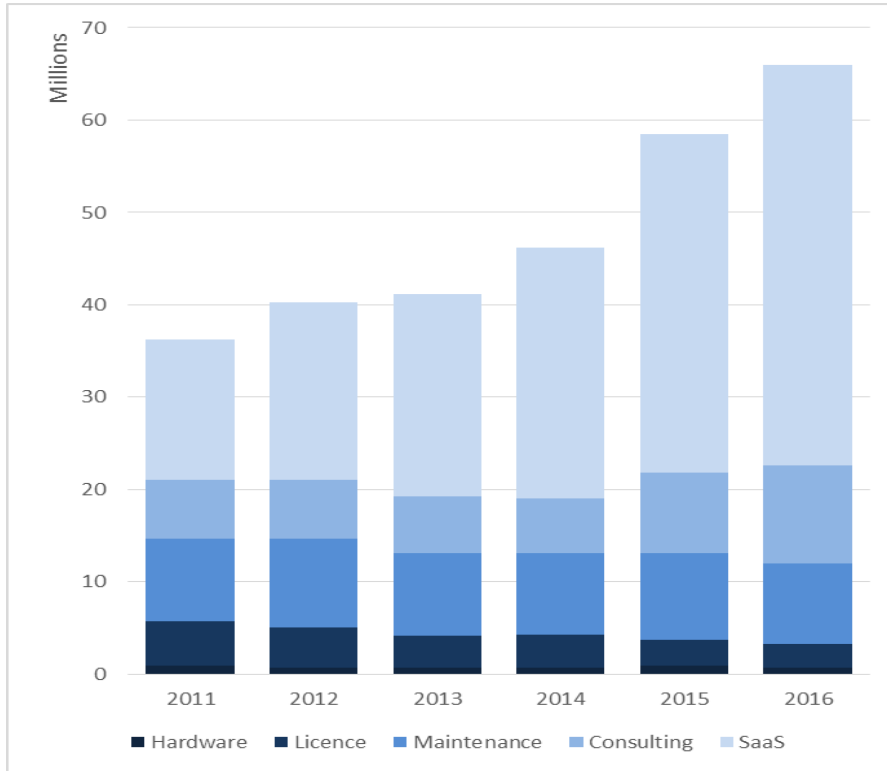


**€66 million**  
in sales achieved in 2016

**+12%**  
organic growth  
(constant exchange rate)

**+13%**  
published growth

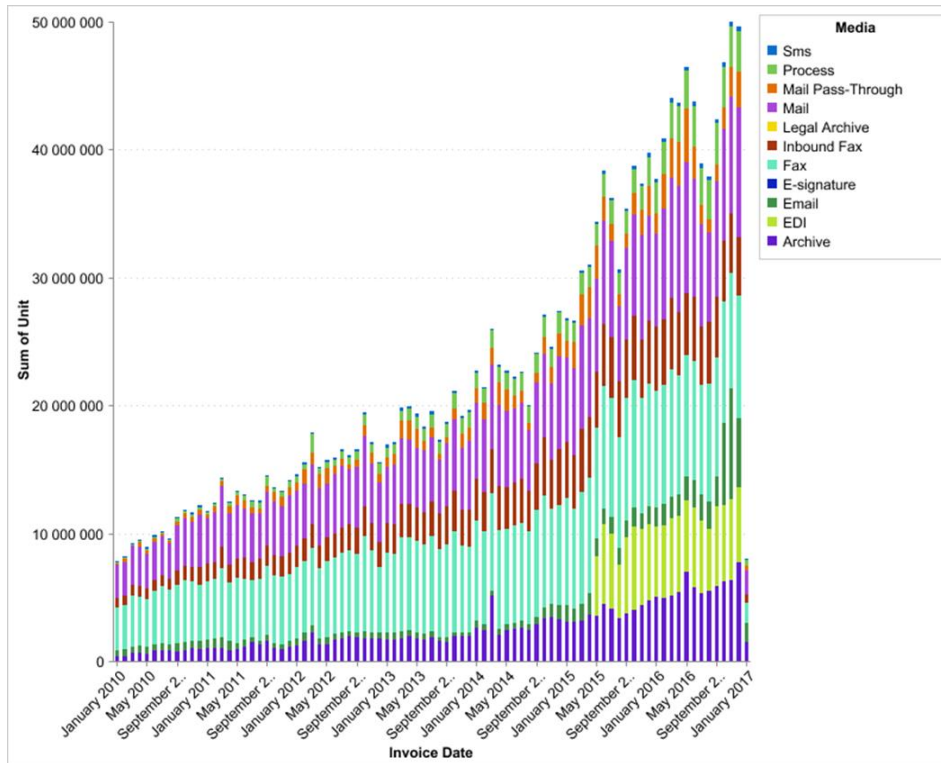
# Business Model Based on Recurring Revenue



- In 2016, SaaS solutions increased by 20% to represent 77% of sales (79% in Q4)

- ~80% recurring revenue (SaaS revenue & maintenance)

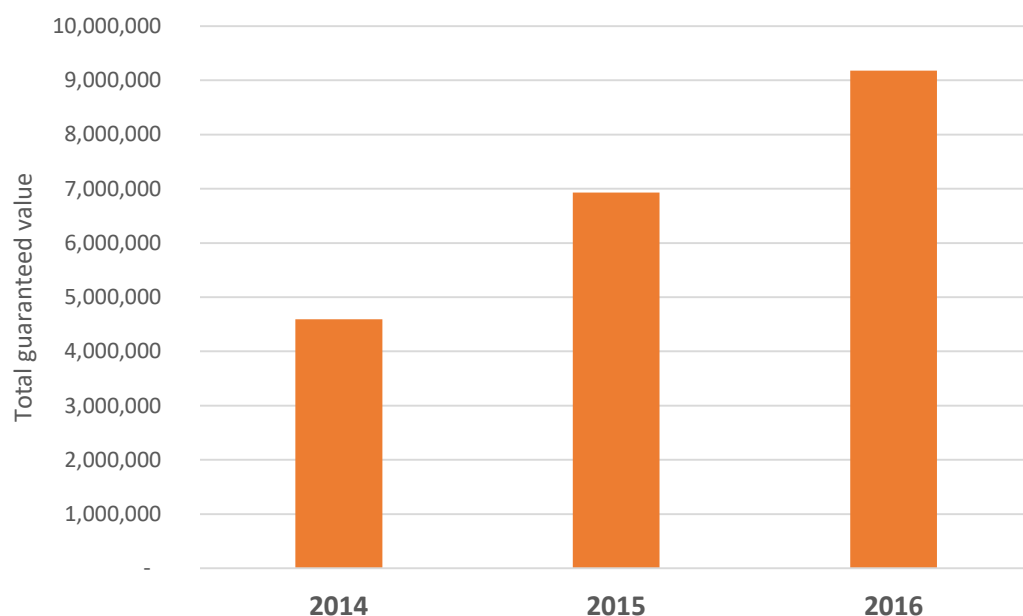
# Growth of Cloud Services



- Represents **3/4 of sales**
- **50 millions pages** processed each month
- Over **5,000 customer** worldwide
- **5 millions users** on platform

# Strong Increase in Signed Contracts

## Guaranteed value of signed contracts



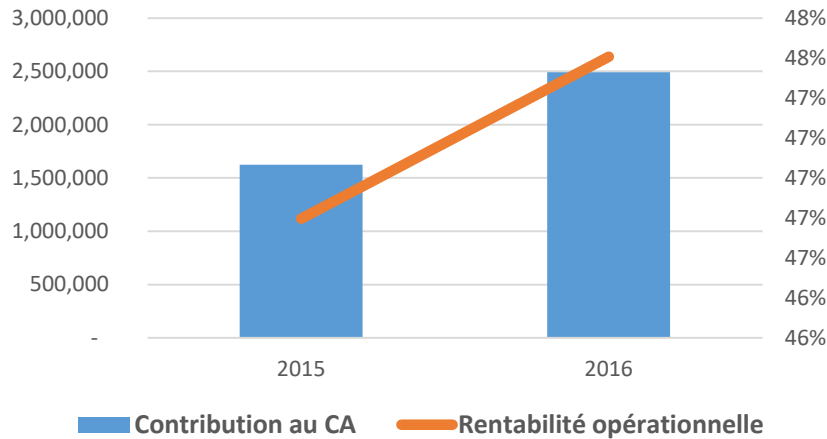
- Contract duration: 3 years
- Consists of :
  - › Fixed (subscription)
  - › Variable (by document)
- Guaranteed signed value:
  - › €9,2 million
  - › +33% in 2016
- Will be recognized in 2017 sales revenue onwards
- Acquisition costs (sales & marketing) — 100% in signing year
- Guaranteed value of contracts: approximately 50% of overall actual value over contract duration

# Recently Signed Contracts

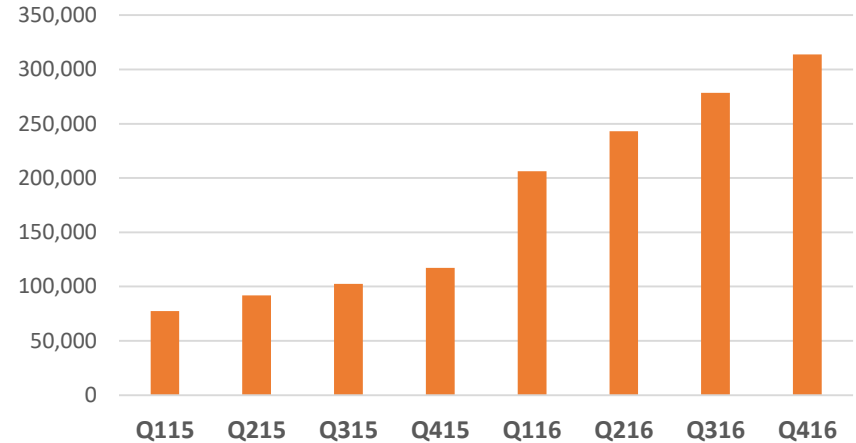
					
					
					
					
					
					

# Successful Integrations

### CalvaEDI



### TermSync quarterly sales revenue



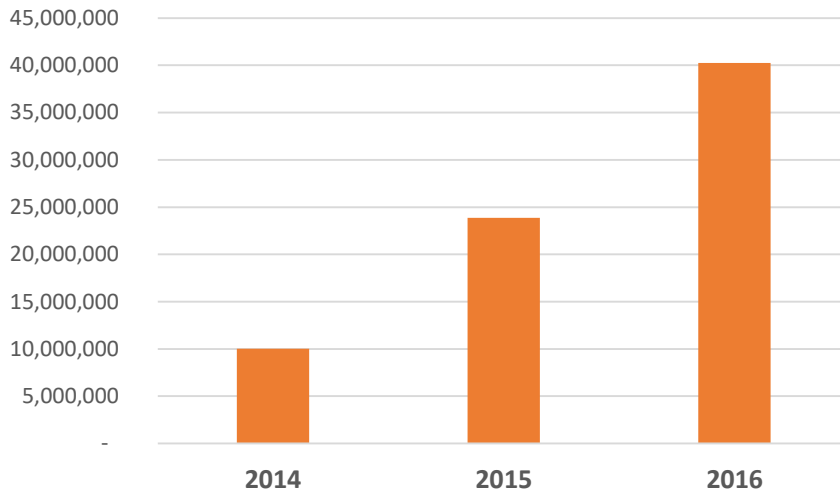
- Contributing 2016 sales revenue: €2.5M
- Organic growth: 2%
- High profitability
- Sustainable structure (investment in personnel)

- Contributing 2016 sales revenue: €0.95M
- Strong growth: +170% in 2016
- USA only
- Sustainable structure
- Launched in France in 2017



# Neopost Joint Venture

**Volume in pages – Neopost Joint Venture**



- Strong volume increase (+70% in 2016)
- Predominately mail in France
- Approx. 5% of global sales
- Esker share in JV's profit: + €120K (+100% vs. 2015)
- Main challenge in 2017: international expansion (US, UK, Belgium, Ireland)

# e-integration acquisition 2017

- Germany-based electronic data interchange (EDI) service provider, ([www.e-integration.de/en.html](http://www.e-integration.de/en.html))
- Based in Ratingen, Germany
- €3,2 million in sales revenue (2016)
- Profitability: 17% before taxes
- 30 employees
- 600 active customers
- Acquisition of 20 percent share in e-integration's PROmitema business (e-procurement) [www.promitea.de](http://www.promitea.de)

## e-integration



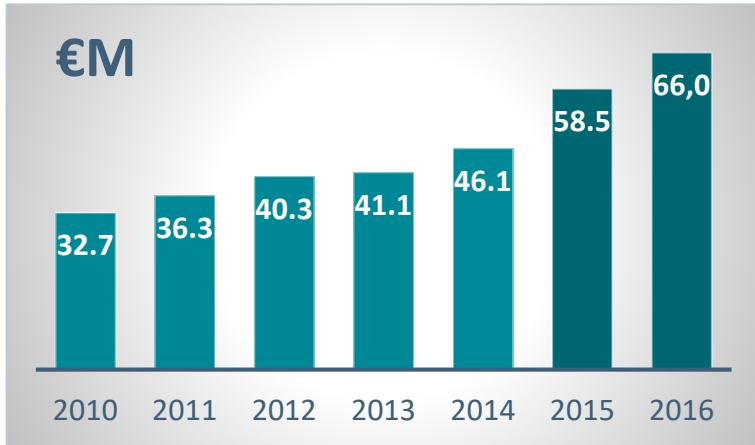


# 2016 FINANCIAL STATEMENTS

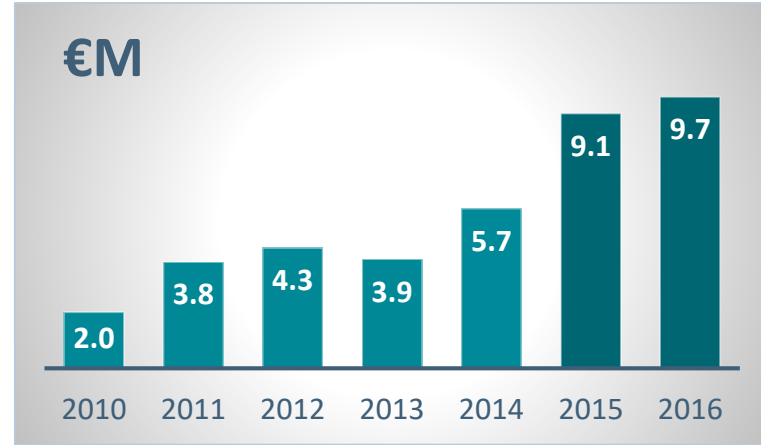
DECEMBER 31, 2016

# EVOLUTION OF RESULTS

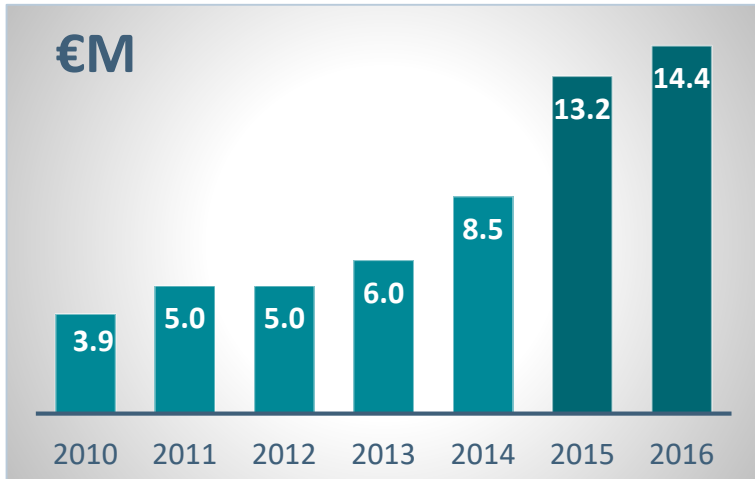
Sales revenue



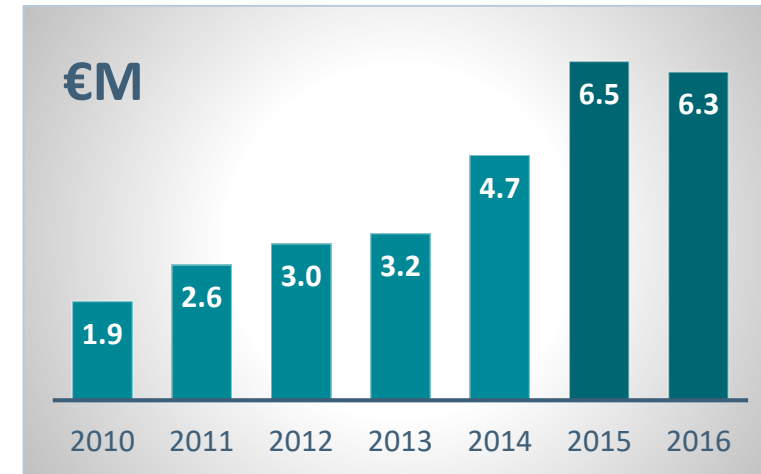
Operating income



Cash flow

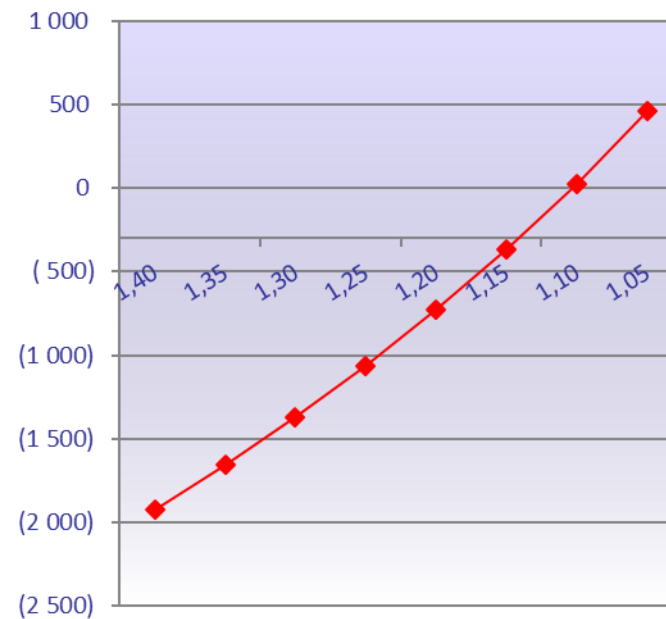


Net income



# Currency Impact (USD)

USD/EURO	CA	REX
1,1032	0	0
1,00	2 889 K€	934 K€
1,1045	-11 K€	-35 K€
1,20	-2 260 K€	-731 K€
1,30	-4 240 K€	-1 371 K€



# Income Statement— December 31, 2016

<i>(in thousands of euros)</i>	12/31/16	% net sales	12/31/15	% net sales	Var	Var %
<b>Net sales</b>	<b>65 990</b>	<b>100%</b>	<b>58 457</b>	<b>100%</b>	<b>7 533</b>	<b>13%</b>
Development costs	4 774	7%	3 836	7%	938	24%
Other income	966	1%	1 401	2%	-435	-31%
Purchases and external expenses	-19 727	-30%	-17 414	-30%	-2 313	13%
Personnel and related taxes	-36 185	-55%	-31 954	-55%	-4 231	13%
Local and misc. Taxes	-916	-1%	-896	-2%	-20	2%
Depreciation expenses	-5 137	-8%	-4 326	-7%	-811	19%
Reserves	-31	0%	-50	0%	19	-38%
<b>OPERATING INCOME</b>	<b>9 734</b>	<b>15%</b>	<b>9 054</b>	<b>15%</b>	<b>680</b>	<b>8%</b>
<b>Financial income</b>	<b>-108</b>	<b>0%</b>	<b>-6</b>	<b>0%</b>	<b>-102</b>	<b>1700%</b>
<b>Pretax income before exceptional items</b>	<b>9 626</b>	<b>15%</b>	<b>9 048</b>	<b>15%</b>	<b>578</b>	<b>6%</b>
<b>Exceptional income</b>	<b>-474</b>	<b>-1%</b>	<b>-245</b>	<b>0%</b>	<b>-229</b>	<b>93%</b>
Income tax	-2 950	-4%	-2 292	-4%	-658	29%
Share of profit in associates	123	0%	61	0%	62	
Goodwill amortization	0	0%	-99	0%	99	
<b>NET INCOME</b>	<b>6 325</b>	<b>10%</b>	<b>6 473</b>	<b>11%</b>	<b>-148</b>	<b>-2%</b>
<i>Earnings per share in Euros</i>	1,20		1,30			
<i>Diluted earnings per share in Euros</i>	1,14		1,22			

- ✗ Constant exchange rate: +12% in sales revenue
- ✗ Currency impact €/ \$ neutral
- ✗ Continued investment growth (R&D, sales)
- ✗ Increased personnel costs in line with increased sales revenue
- ✗ Financial results: impact GBP (unrealized) €110K
- ✗ Non-recurring expenses:
  - ✗ France & U.S. office moves: €0.2M
  - ✗ Reserve for retirement indemnities (IDR) France : €0.2M
- ✗ Increase in effective tax rate: 32% vs. 26%
- ✗ Increase of Esker's share in Neopost JV's income

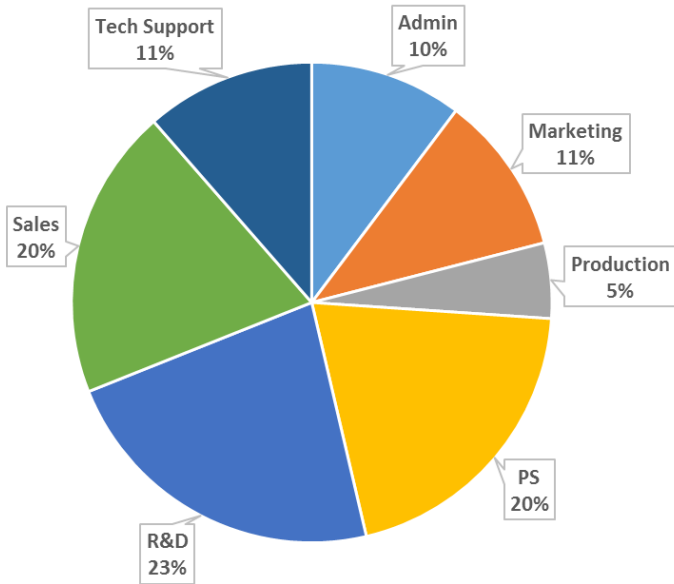
# Income Statement by Function

(in thousands of euros)	12/31/16	% net sales	12/31/15	% net sales	Var	Var %
<b>Net sales</b>	65 990	100%	58 457	100%	7 533	13%
Cost of sales	-11 096	-17%	-10 013	-17%	-1 083	11%
Research and Development expenses	-5 599	-8%	-3 977	-7%	-1 622	41%
Selling expenses	-25 483	-39%	-22 032	-38%	-3 451	16%
Marketing expenses	-6 790	-10%	-6 112	-10%	-678	11%
General and Administrative expenses	-7 286	-11%	-7 269	-12%	-17	0%
<b>OPERATING INCOME</b>	9 735	15%	9 054	15%	681	8%
Financial income	-108	0%	-6	0%	-102	1700%
Pretax income before exceptional it	9 626	15%	9 048	15%	578	6%
Exceptional income	-474	-1%	-245	0%	-229	93%
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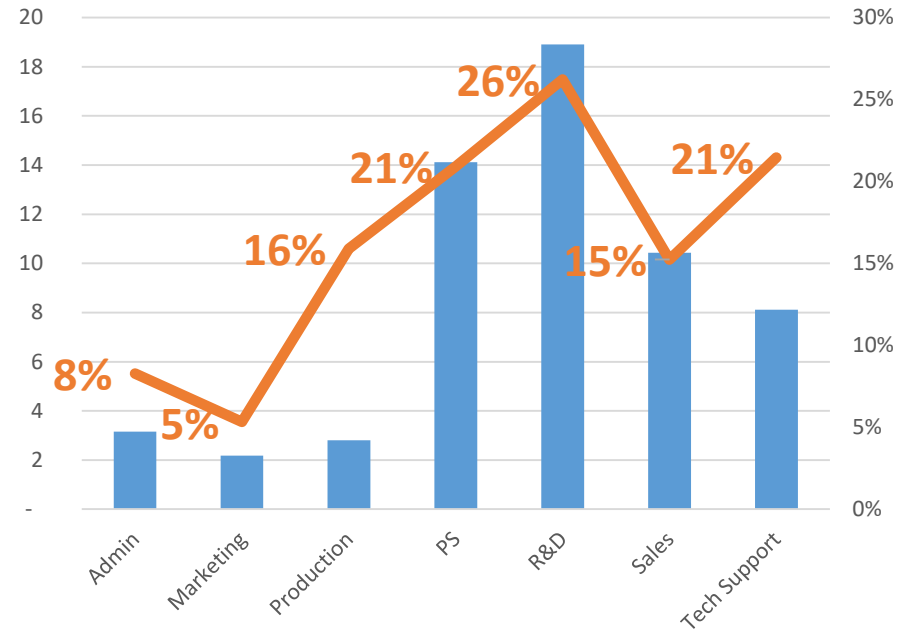
- ✗ Large increase in R&D costs: +41% (€1.6M)
  - ✗ CIR : €-0,5M (2012 & 2013 recast booked in 2015 €0.6M)
  - ✗ Staff increase: +26 %
  - ✗ Net effect capitalized R&D: +€1.6M vs. +1.1 in 2015
- ✗ Increase in sales costs: +16% (€3.5M)
  - ✗ Consulting: +20% (staff increase)
  - ✗ Sales: +14% (staffing and variable remuneration)

# Staffing by Function

Effectifs 2016 par fonction



Staff growth (by function)



- Strong investment in:
  - R&D
  - Technical roles (consulting and support)
  - Sales



# Balance Sheet as of December 31, 2016

<b>ACTIF</b> (en milliers d'euros)	<b>31/12/2016</b>	<b>31/12/2015</b>
Ecart d'acquisition	5 522	4 321
Immobilisations incorporelles	16 859	15 282
Immobilisations corporelles	5 168	4 985
Immobilisations financières	592	526
Titres mis en équivalence	193	70
<b>Total Actifs immobilisés</b>	<b>28 334</b>	<b>25 184</b>
Stocks	101	161
Créances clients	16 060	13 203
Impôts différés actifs	1 062	1 581
Autres créances et comptes de régularisation	3 463	4 870
Disponibilités et valeurs mobilières de placement	21 338	16 295
<b>Total Actif circulant</b>	<b>42 024</b>	<b>36 110</b>
<b>TOTAL ACTIF</b>	<b>70 358</b>	<b>61 294</b>

<b>PASSIF</b> (en milliers d'euros)	<b>31/12/2016</b>	<b>31/12/2015</b>
Capital social	10 789	10 496
Primes d'émission	18 972	18 485
Résultat consolidé	6 325	6 473
Réserves consolidées	-1 684	-6 266
<b>Total des Capitaux Propres</b>	<b>34 402</b>	<b>29 188</b>
<i>Dont Part du groupe</i>	<i>34 402</i>	<i>29 188</i>
<i>Dont Intérêts minoritaires</i>	<i>0</i>	<i>0</i>
<b>Provisions pour risques et charges</b>	<b>554</b>	<b>567</b>
Emprunts et dettes financières	7 657	7 317
Dettes fournisseurs	4 765	4 221
Dettes sociales et fiscales	11 142	9 792
Impôts différés passifs	304	105
Autres dettes et comptes de régularisation	11 534	10 104
<b>Total dettes</b>	<b>35 402</b>	<b>31 539</b>
<b>TOTAL PASSIF</b>	<b>70 358</b>	<b>61 294</b>

## Strengthened financial structure:

- Net cash: €13.7M
- Equity: €34.1M

## Financial debt:

- Lease: €2.8M
- BPI loan: €1.3M
- Bank loans: €3.6M

# Strong Cash Flow

(en milliers d'euros)	31/12/2016	31/12/2015
<b>Résultat net consolidé</b>	<b>6 325</b>	<b>6 473</b>
Elimination des charges et produits sans incidence sur la trésorerie et non liés à l'activité:		
- Dotations nettes aux amortissements et provisions	5 129	4 500
- Valeur comptable des éléments d'actif cédés	60	145
- Produits des cessions d'éléments d'actif	-104	-134
<b>Capacité d'autofinancement après coût de l'endettement financé</b>	<b>11 410</b>	<b>10 984</b>
- Charges d'impôts	2 950	2292
- Impôts payés	-1 456	-1165
- Intérêts payés et reçus	-19	-21
<b>Variation du besoin en fond de roulement lié à l'activité</b>	<b>1 476</b>	<b>1 136</b>
<b>FLUX NET DE TRESORERIE GENERE PAR L'ACTIVITE</b>	<b>14 361</b>	<b>13 226</b>
Acquisition d'immobilisations incorporelles et corporelles	-7 021	-11528
Cession d'immobilisations incorporelles et corporelles	113	181
Augmentation, réduction des immobilisations financières	13	-45
Investissement dans une entreprise associée	-1 061	-4262
<b>FLUX NET DE TRESORERIE LIE AUX OPERATIONS D'INVESTISSEMENT</b>	<b>-7 956</b>	<b>-15 654</b>
Dividendes versés aux actionnaires de la société mère	-1 550	-1208
Augmentation de capital ou apports		
Frais d'augmentation de capital		
Sommes reçues lors de l'exercice d'options de souscription d'actions	779	583
(Augmentation) Diminution des actions propres		0
Remboursement d'emprunt - contrats de location financement	-2 279	-1907
Augmentation des dettes financières	2 000	3000
<b>FLUX NET DE TRESORERIE LIE AUX OPERATIONS DE FINANCEMENT</b>	<b>-1 050</b>	<b>468</b>
<b>VARIATION DE TRESORERIE</b>	<b>5 355</b>	<b>-1 960</b>
Incidences des variations de taux de change	-312	696
<b>Trésorerie à l'ouverture</b>	<b>16 295</b>	<b>17 559</b>
<b>Trésorerie à la clôture</b>	<b>21 338</b>	<b>16 295</b>



# DEVELOPMENT AND OBJECTIVES

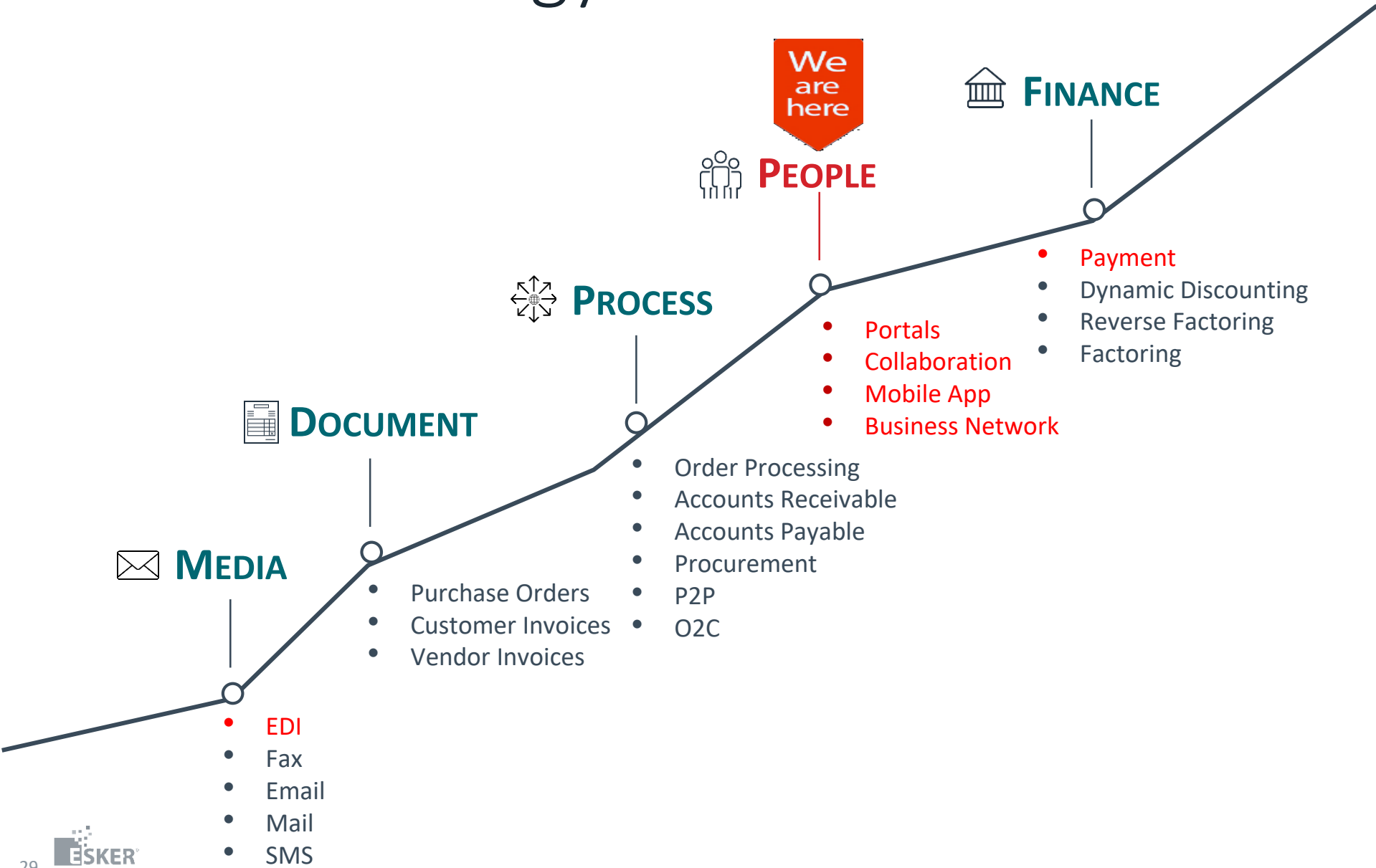
# Mission and Vision



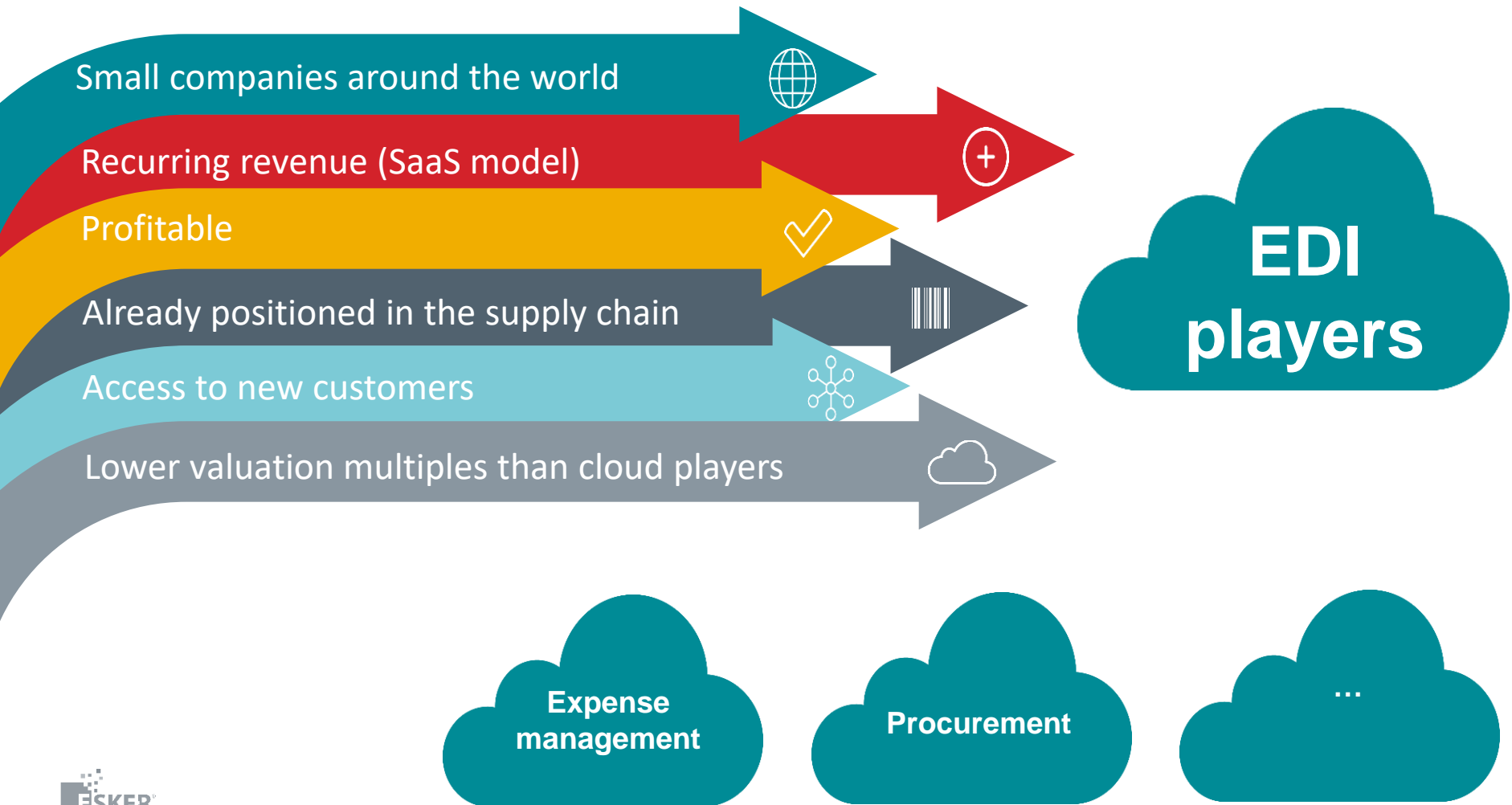
With a Unique



# Product Strategy



# External Growth Strategy



# Company Objectives

- Reduce implementation cycles
- Reduce sales cycles
- Increase the security, performance and scalability of SaaS platform
- Integrate e-integration

# Financial Objectives

- Maintain organic double-digit growth
  - Greater than 2016 despite an unfavorable base in the first half of the year
- Maintain a high level of profitability
  - While pursuing growth
- Explore opportunities for external growth
  - Specifically in the United Kingdom





# ADDENDUM

# Stock Market

**Alternext Paris**

**ISIN Code : FR000035818 ALESK**

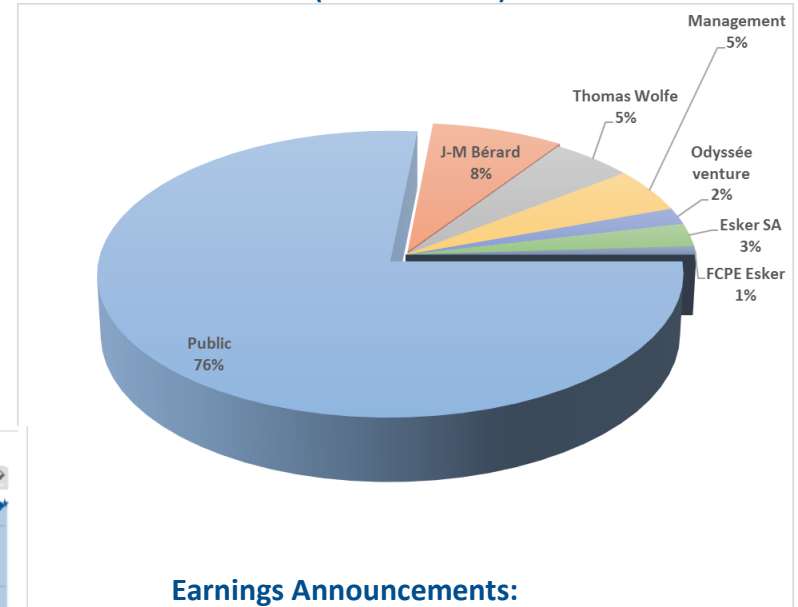
**Market capitalization on 03/21/17: €255 million**

**Number of shares: 5,394,358**

## Stock market evolution over past 3 years



## Capital distribution as of December 31, 2016 (estimated)



### Earnings Announcements:

**Q1 2017: April 18 2017\***  
**Q2 2017: July 18 2017\***  
**H1 2017: September 14 2017\***  
**Q3 2017: Octobre 17 2017\***

\* After stock market closing

# Board of Directors

**Jean-Michel Bérard (55)**

CEO – President of BoD  
Esker founder



**Emmanuel Olivier (48)**

COO – General Manager  
Board Member



**Eric Bussy  
(43)**

WW Corporate Marketing  
and Product Management  
Director



**Jean-Jacques Bérard  
(51)**

Executive Vice President,  
Research and Development



**Steve Smith  
(55)**

U.S. Chief Operating Officer



**Eric Thomas  
(49)**

Vice President of Business  
Development



**Anne Grand-Clément  
(45)**

WW Director of Professional  
Services and Technical  
Support



[www.esker.com](http://www.esker.com) 