



Financial Press Release

Paris, November 27, 2014

Sales for the 3rd quarter of 2014

Continuation of the positive trend of the first half and confirmation of the full-year outlook

- **Strong sales in Licenses**
- **Last effects of the refocus of the Services business**
- **Growth of New Business and continued high rate of Repeat Business**
- **Robust business in Europe and difficult environment in the BRIC countries**
- **Impact of currency effects over nine months**

Alain de Rouvray, ESI Group's Chairman and CEO, comments: *"Third-quarter sales continue the trend observed during the first half. The Licenses activity showed further strong demand for our innovative solutions, while the Services reflect the refocus in favor of high value added projects. We are anticipating an amplification of the seasonal nature of sales in the fourth quarter due to the repositioning of some License contracts, and the improvement in Services during this period. Encouraged by the commercial momentum of the Licenses, ESI Group maintains its expectations of growth and improvement of profitability over the full year."*

Change in sales in the third quarter and cumulatively

Years ended January 31 (unaudited figures).
The third quarter ends on October 31.

| € millions | Q3 2014 | Q3 2013 | % chg. | Var. % (cer*) | 9 months 2014 | 9 months 2013 | % chg. | Var. % (cer*) |
|-----------------|-------------|-------------|--------------|---------------|---------------|---------------|--------------|---------------|
| Licenses | 12.8 | 12.7 | +0.8% | +0.5% | 42.5 | 42.6 | -0.2% | +2.2% |
| Services | 6.5 | 6.8 | -4.4% | -5.4% | 19.5 | 21.3 | -8.3% | -7.0% |
| Total | 19.4 | 19.6 | -1.0% | -1.6% | 62.0 | 63.8 | -2.9% | -0.9% |

* cer: at constant exchange rates

Breakdown of quarterly sales

Years ended January 31 (unaudited figures).
The third quarter ends on October 31.

| € millions | Q3 2014 | Q2 2014 | Q1 2014 | Q3 2013 | Q2 2013 | Q1 2013 |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Licenses | 12.8 | 15.5 | 14.2 | 12.7 | 15.3 | 14.6 |
| Services | 6.5 | 7.0 | 5.9 | 6.8 | 7.4 | 7.1 |
| Total | 19.4 | 22.5 | 20.1 | 19.6 | 22.7 | 21.6 |

Reminder: the seasonal nature of the ESI Group's Licenses business results in the recognition of the largest share of annual revenue in the fourth quarter of the year.

Third-quarter sales

Sales for the period totaled €19.4 million, stable compared with the third quarter of 2013. Unlike the first half of 2014, foreign exchange effects did not impact sales during the quarter. Licenses sales amounted to €12.8 million, a slight increase of 0.8% at current exchange rates, impacted by the economic and political situation in Russia and in China.

Services sales were down 4.4% at €6.5 million. The impact of the refocus on projects with higher added value, still visible during the quarter, is expected to end in the fourth quarter.

Nine-month sales

Nine-month sales totaled €62.0 million, a decline of 2.9% at current exchange rates compared with the same period last year. The currency impact was a negative €1.3 million during the period, and stemmed primarily from adverse changes in the Yen. At constant exchange rates, sales were virtually stable.

The product mix is changing in favor of the Licenses activity, which accounted for 68.6% of total sales, compared with 66.7% in the same period last year.

Licenses: robust business

The Licenses business reported sales of €42.5 million, stable in real terms and up 2.2% at constant exchange rates compared with the same period last year. This growth, as mentioned in regard to the first half, was mitigated by the repositioning of major contracts in the fourth quarter. At constant exchange rates, and adjusted for the repositioning of these contracts, the installed base grew. The rate of recurrent business remained high at 78.7%, compared with 78.5% in same period last year. New Business activity totaled €9.8 million at current exchange rates, representing 26.2% of Licenses sales, compared with 25.4% in the same period last year.

Services: further consolidation of business

Services sales totaled €19.5 million in real terms, a decline of 7.0% at constant exchange rates. This was attributable to the continued refocus of the business; an impact which is expected to lessen by the end of the year.

Geographic mix: strong business in Europe

The geographic breakdown of sales over the first nine months reflected a shift in favor of Europe, driven primarily by the Licenses business. This region accounted for 42.9% of total revenues, compared with 40.8% in the same period last year. The trend in Asia (39.1% vs. 39.7%) was mainly attributable to the unfavorable impact of exchange rates and adverse business situation. The reduction of business volumes in the Americas, which accounted for 18.0% of sales compared with 19.5% in the same period last year, resulted from the refocus of the Services business. This masked the strength of the Licenses activity in this region during the first nine months.



Sales in BRIC countries represent 12% of total sales for the period, compared with 15% in the same period last year. This decrease is consequent to some postponed orders in China and Russia and reflects the current economic and political situation in these two countries.

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Next Events:

Full-year 2014 sales:
March 12, 2015

About d'ESI

[ESI](#) is a pioneer and world-leading player in Virtual Prototyping that takes into account the physics of materials. [ESI](#) boasts a unique know-how in Virtual Product Engineering, based on an integrated suite of coherent, industry-oriented applications. Addressing manufacturing industries, Virtual Product Engineering aims to replace physical prototypes by realistically simulating a product's behavior during testing, to fine-tune fabrication and assembly processes in accordance with desired product performance, and to evaluate the impact on product use under normal or accidental conditions. [ESI](#)'s solutions fit into a single collaborative and open environment for End-to-End Virtual Prototyping. These solutions are delivered using the latest technologies, including immersive Virtual Reality, to bring products to life in 3D; helping customers make the right decisions throughout product development. The company employs about 1000 high-level specialists worldwide covering more than 40 countries.

[ESI Group](#) is a French company listed in compartment C of NYSE Euronext Paris and granted "Entreprise Innovante" (Innovative Company) certification since 2000 by Bpifrance. ESI Group is eligible for inclusion in FCPI (venture capital trusts dedicated to innovation) and PEA PME.

2014 awards: winner of the 2014 ASMEP-ETI/Bpifrance award in the "Innovation and industrial strategy" category and of the "Grand Prix des Entreprises de Croissance", in the "Software and IT Services" category and of the 3rd "Ambitions d'Entrepreneurs" Trophy in the "International" category.

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