

Esker’s 2017 Annual Results

A year fueled by growth in operating income and accelerated investment

MIDDLETON, Wis. — March 23, 2018

VALUE IN THOUSANDS OF EUROS	2017	2016	GROWTH
SALES REVENUE	76,065	65,990	+15.3%
OPERATING INCOME	10,248	9,735	+5.3%
NET INCOME	6,766	6,325	+7%
NET WORTH	39,620	34,402	+5.2M
CASH BALANCE	20,632	21,338	-0.7M

The Esker Supervisory Board approved the financial statements for the year, ending December 31, 2017. Audit procedures on the consolidated accounts have been completed. The certification report will be issued at the end of April, following the completion of procedures required for the publication of the annual financial report.

Strong growth of cloud-based solutions

Esker’s sales revenue reached 76.1 million euros in 2017, a 15.3 percent increase over 2016 (11 percent based on a constant exchange rate and excluding 2017 acquisitions). These results are marked by the ongoing success of the company’s cloud-based document process automation solutions, which represent close to 64 million euros (85 percent of sales) and an annual growth of 21 percent compared with an increase of 20 percent recorded in 2016.

The performance of traditional license-based products leveled off at 8.1 million euros (down 24 percent), now representing only 10.6 percent of company sales. Given the growth of license-based products has not been part of Esker’s strategy for many years, the decline in license revenue is and will be largely offset by the new cloud-based solution contracts signed during the year. Nevertheless, this decrease has a short-term impact on the company’s sales growth and results. Legacy products declined 18 percent, representing less than 5 percent of company revenue.

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Strengthened structure for future growth

In order to reinforce the success of its cloud-based automation solutions and accelerate growth in the short and medium term, Esker has placed a strong emphasis on recruitment in 2017. Excluding acquisitions, the company's workforce increased 12 percent in 2017 compared to 2016. Including the companies acquired, the number of employees reached 503 at the end of 2017 compared with 427 at the end of December 2016.

The number of employees dedicated to research and development increased by 18 percent, now representing 22 percent of the workforce, and the consulting teams responsible for implementing Esker's solutions for customers increased 27 percent, now representing 23 percent of the workforce. Starting in 2018, Esker's investments in its own human resources will be complemented by a policy of developing commercial partnerships designed to accelerate the overall growth of the business.

Increased success in new customer acquisitions

Beyond the strong sales and financial results in 2017, Esker experienced a record year in terms of sales performance. The guaranteed minimum value of contracts signed in 2017 (bookings) rose by 45 percent compared to 2016, which is much faster than what is reflected in the company's financials. This performance is also significantly higher than the growth of the same indicator recorded in 2016 (+33 percent). These multi-year contracts only marginally influence annual revenue the year of signature, whereas their marketing and sales acquisition costs are immediately allocated to that financial year. The 2017 sales success, therefore, structurally penalizes immediate profitability in favor of future results.

Strong profitability

After taking into account the investments made throughout the year and the cost of preparing the company's future growth, Esker's 2017 operating income increased 5.3 percent to reach more than 10.2 million euros, compared with 9.7 million euros in 2016. This performance corresponds to the company's strategic objective to combine sustainable growth and profitability. 2017 currency rates developments — mainly with the U.S. dollar and British Pound — slightly penalized (0.5 percent) 2017 profitability in the 2017 fiscal year.

Consolidation of e-integration

The annual results for 2017 take into account the consolidation of Esker's acquisition of German-based company, e-integration GmbH, as of January 1, 2017. The company contributed 3.6 million euros to Esker's sales revenue, up 9 percent over 2016, and an operating income of 0.65 million euros. The administrative integration of the company has been completed and joint commercial actions are being launched.

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Non-recurring elements and net income

The extraordinary results in 2017 recorded significant non-recurring expenses similar to those of 2016. This is primarily due to two main factors: 1) The finalization of valuation adjustments providing for the retirement of French employees; and 2) The closure of the costs related to the move of the company's French headquarters and its main U.S. office.

Given the increase in operating income, the non-recurring items mentioned above and an effective tax rate approaching nominal rate (32 percent), 2017 net income amounts to 6.8 million euros, up 7 percent compared to 2016.

Positive outlook for 2018

Esker expects to achieve double-digit organic growth in 2018. The company's strong recurring revenue offers excellent visibility. A record number of new contracts signed in 2017 will begin to materialize in 2018 sales and allow Esker's organic growth to accelerate. An unfavorable change in the rate of the U.S. dollar against the euro could temporarily slow the apparent growth of the company's profitability in 2018.

About Esker

Esker is a worldwide leader in cloud-based document process automation software. Esker solutions, including the acquisition of the TermSync accounts receivable solution in 2015, help organizations of all sizes to improve efficiencies, accuracy, visibility and costs associated with business processes. Esker provides on-demand and on-premises software to automate accounts payable, order processing, accounts receivable, purchasing and more.

Founded in 1985, Esker operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France and U.S. headquarters in Madison, Wisconsin. In 2017, Esker generated 76.1 million euros in total sales revenue. For more information on Esker and its solutions, visit www.esker.com. Follow Esker on Twitter [@EskerInc](https://twitter.com/EskerInc) and join the conversation on the Esker blog at blog.esker.com.

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