

Press release

Esker 2023 Annual Results

Esker achieves solid growth, record booking performance and strong increase in free cashflow

Singapore, Malaysia and Hong Kong — March 27, 2024

Value in Thousands of Euros	2023	2022	Growth
Sales revenue	178,555	158,987	+12%
Gross margin ⁽¹⁾	129,334	114,193	+13%
Income from operations	17,919	21,409	-16%
Current income before taxes	18,473	21,682	-15%
Net income	14,856	17,864	-17%
Free cashflow ⁽²⁾	15,525	6,631	+57%

⁽¹⁾Gross margin equals sales revenue minus cost of production sold (e.g., platform, production and consulting costs).

⁽²⁾Free cashflow represents the cash that the company generates after accounting for cash outflows to support operations and maintain its capital assets.

The Esker Supervisory Board approved the financial statements for the year, ending December 31, 2023. 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.

Resilience and dynamic growth despite difficult economic environment

Esker 2023 sales revenue amounted to 178.6 million euros, a 12% increase over 2022 (14% based on constant exchange rates). These results are marked by the ongoing success of the company's cloud automation solutions, which represent 147 million euros in revenue, a 17% increase over 2022 (15% based on constant exchange rates), accounting for 82% of sales. Driven by strong sales performance over numerous years and its robust business model, Esker maintained strong organic growth despite an uncertain economic and geopolitical environment.

Revenue generated by the professional implementation services grew 12% (10% based on current exchange rates), representing 16% of total revenue for the year. This revenue line benefitted from the dynamic sales of SaaS solutions and supports the growth of the developing partner network.

The performance of legacy products continues its downward trend and represents less than 2% of total revenue in 2023 (-41% based on constant exchange rates).

Breaking it down by geographic location, the Americas and Europe regions were the most dynamic, with 15% and 14% sales growth respectively. The Asia Pacific region also grew by more than 11% despite the difficult economic context.

Strong sales momentum

The annual recurring value (ARR) of new contracts signed during 2023 increased by 23% based on constant exchange rates compared to 2022. After a strong start to the year (up 18% in the first half), the pace of new bookings further accelerated towards the end of the year to set a record in Q4, reaching 7.0 million euros (+58% growth).

Driven by the upcoming e-invoicing regulations in France, sales activity was extremely dynamic in France the second half of the year, with a 146% increase in signed contracts in Q4 and an 87% increase over the year. The rest of Europe increased 82% over the year, reflecting the success of substantial investments made in previous years. All countries in the region contributed to the dynamic performance, particularly Germany, the U.K., Italy and Spain.

After a record year in terms of bookings in 2022, the U.S. maintained its performance over the first three quarters of 2023 before returning to dynamic growth in Q4 (+16%). This trend is set to continue well into 2024.

After a very good year in 2022, the Asia-Pacific region saw a decrease in bookings (-19%) due to the uncertain economic climate in the region.

Esker's new bookings consist of multi-year contracts with end customers or partners. These contracts have a marginal influence on sales in the year they are signed but fuel growth in subsequent years. In line with consistent accounting policy, acquisition, marketing and sales costs are charged in full to the year in which the contracts are signed. The sharp acceleration in new bookings in 2023 therefore has an impact on company profitability, especially as this acceleration was much more pronounced at the end of the year. As announced at publication of the Q3 2023 sales results, the increase in sales costs linked to the acceleration in bookings impacts 2023 operating income for 3.5 million euros, or 1.9% of sales. However, the actual start dates for these numerous contracts will fuel Esker's growth and profitability over the coming years, thereby providing Esker with exceptional visibility on its future performance.

Temporary profitability deceleration

As anticipated at the time of the half-year and Q3 2023 results, Esker's operating profitability for 2023 fell by 3.5 points to 10% of sales revenue.

In addition to the consequences of the acceleration in bookings mentioned above, Esker, like many companies, faced significant inflation in payroll costs as well as for external costs (platform, travel, marketing, etc.). Notwithstanding the effort to rebuild margins in 2024, Esker made a strategic choice protect its employees, retain talent and preserve its growth potential by aligning salaries with local inflation rates.

Esker's average headcount for FY 2023 increased by 10%, reflecting the development investments made in 2022 and early 2023. To rebuild margins for 2024, Esker quickly adopted a more cautious recruitment policy. In the second half of 2023, recruitment rose by only 7.5%, compared to 13% in the first half year. The effects of these measures will be felt more strongly for FY 2024.

In 2023, Esker's profitability was also affected by other economic factors, such as a negative currency effect (0.4 sales points), the change in tax provisions for bonus shares (1.3 sales points), and the integration of Market Dojo, a fast-growing but not yet profitable company (0.3 sales points).

The cost-cutting measures already implemented and the natural reversal of some of these factors will enable Esker, maintaining the status quo, to return to operating profitability of between 12-13% of sales by

2024. Taking into account a slightly higher effective tax rate and a slight reduction in earnings accounted for by the equity method, net income for 2023 is down 17% to 14.9 million euros.

Strong growth in cash generation

Despite inflationary pressures, Esker significantly improved cash generation for FY 2023. Net cashflow from operating activities rose by 35% to 31.5 million euros, and free cashflow by 57% to 15.5 million euros. This performance demonstrates Esker's ability to manage its financial performance despite unfavorable circumstances.

As of December 31, 2023, company cash rests at 48.8 million euros, in addition to 4.8 million euros classified as long-term investments but available for short-term use. Esker also has 134,373 treasury shares available for potential acquisitions.

Outlook for 2024

Despite a complicated FY 2023 due to difficult economic circumstances, Esker managed to maintain strong organic sales growth, accelerate its sales performance and retain employees, while maintaining a fundamentally profitable and cash-generating structure.

The performance recorded in 2023, both in terms of sales and bookings and cost-control measures already implemented, allow Esker to look forward to 2024 with confidence. The contracts signed will gradually fuel sales growth and the cost-cutting measures will take full effect in 2024. However, the economic consequences of geopolitical tensions, as well as developments in the various economies in which Esker operates, may still have a slight impact on the performance in terms of revenue or bookings.

In this context, and as indicated at the time of publication of Q4 2023 sales revenue, Esker anticipates a growth in sales of 12-14% for FY 2024 (excluding acquisitions and currency effects), with profitability between 12-13% of sales. This outlook will be updated in future publications.

An English webcast with Jean-Michel Bérard (Esker CEO) and Emmanuel Olivier (Esker COO) will take place March 27, 2024, at 6:00 p.m. Central European Time. To participate, please join call [here](#).

About Esker

Esker is a global cloud platform built to unlock strategic value for Finance, Procurement and Customer Service professionals, and strengthen collaboration between companies by automating the cash conversion cycle. Esker's solutions incorporate AI technologies to drive increased productivity, enhanced visibility, reduced fraud risk and improved collaboration with customers, suppliers and employees.

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. For more information on Esker and its solutions, visit www.esker.com.sg. Follow Esker on [LinkedIn](#) and join the conversation on the Esker blog at blog.esker.com.sg.

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