

# Esker

Q1 revenue update

## Q1 revenue in line, outlook maintained

Esker reported 18% y-o-y revenue growth for Q122 and continues to expect organic growth of 15–16% for the full year with operating margins in its target range of 12–15%. This is in line with our forecasts, which are unchanged. The lifetime value of new contracts signed in Q122 increased by 23% y-o-y to €13.3m, underpinning our growth expectations.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/20	112.3	14.5	1.99	0.50	84.8	0.3
12/21	133.6	18.2	2.39	0.55	70.6	0.3
12/22e	156.8	21.3	2.75	0.60	61.2	0.4
12/23e	182.9	26.7	3.39	0.65	49.7	0.4

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Q122 revenue growth of 18% y-o-y

Esker reported Q122 revenue of €36.5m, up 18% y-o-y or 14% on a constant currency (cc) basis. SaaS revenue grew 23% y-o-y (20% cc) to make up 80% of revenue. Implementation services revenue grew 8% y-o-y (4% cc) making up 16% of revenue, affected by high COVID-19 case rates at the beginning of the year. Legacy product revenue declined 22% y-o-y (23% cc) to make up only 4% of revenue. The annual recurring revenue (ARR) of new contracts signed in Q122 increased 11% y-o-y to €3.64m, with the total value of new contracts increasing by 23% to €13.3m. This implies an average contract length of 3.7 years, compared to 3.3 years in Q121. Net cash at the end of Q1 totalled €41.2m, leaving ample funds for bolt-on acquisitions.

## Outlook unchanged

The company continues to expect organic revenue growth of 15–16% for FY22. Assuming it completes early in Q222, we estimate that the acquisition of the majority stake in Market Dojo will contribute c €1.5m to revenue in FY22, resulting in total growth of 17% for the year. The company continues to target an operating margin of 12–15% for FY22 – we are at the lower end of this range. Our estimates are unchanged.

## Valuation: Reflects high level of recurring revenue

The share price has been relatively flat since it rebased after Esker reported FY21 results. Based on P/E ratios for FY22 and FY23, the stock continues to trade at a premium to French software peers and at a discount to US SaaS peers, we believe due to its high level of recurring revenue, history of and potential for double-digit profitable growth and strong balance sheet. We see potential for upside if the company achieves profitability at the upper end of its target range.

## Software & comp services

21 April 2022

**Price** €168.6

**Market cap** €974m

\$1.08€1

Net cash (€m) at end Q122 41.2

Shares in issue 5.8m

Free float 78%

Code ALESK

Primary exchange Euronext Growth Paris

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs (16.1) (34.1) (26.7)

Rel (local) (16.2) (28.6) (30.7)

52-week high/low €361.5 €160.0

## Business description

Esker provides end-to-end SaaS-based document automation solutions supporting order-to-cash and procure-to-pay processes. In FY21, the business generated 55% of revenues from Europe, 39% from the United States and the remainder from Asia and Australia.

## Next events

Q2 revenue update 12 July 2022

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**Exhibit 1: Financial summary**

	€'000s	2016	2017	2018	2019	2020	2021	2022e	2023e
Year end 31 December		French GAAP	French GAAP	French GAAP	French GAAP	French GAAP	French GAAP	French GAAP	French GAAP
<b>PROFIT &amp; LOSS</b>									
Revenue		65,990	76,064	86,871	104,188	112,274	133,580	156,814	182,923
EBITDA		14,871	16,399	18,279	20,054	21,927	25,653	29,572	35,662
Operating Profit (before amort and except)		9,934	10,547	11,955	12,843	14,037	17,006	19,997	25,287
Amortisation of acquired intangibles		(200)	(300)	(344)	(425)	(425)	(425)	(425)	(425)
Exceptionals and other income		(474)	(456)	(88)	(62)	0	0	0	0
Other income		0	0	0	0	0	0	0	0
Operating Profit		9,260	9,791	11,523	12,356	13,612	16,581	19,572	24,862
Net Interest		(108)	(110)	(57)	268	(67)	202	200	200
Profit Before Tax (norm)		9,949	10,669	12,215	13,634	14,462	18,210	21,297	26,687
Profit Before Tax (FRS 3)		9,275	9,913	11,783	13,147	14,528	18,188	20,872	26,262
Tax		(2,950)	(3,148)	(2,940)	(3,402)	(2,966)	(3,907)	(4,592)	(5,778)
Profit After Tax (norm)		6,785	7,281	9,168	10,106	11,509	14,298	16,612	20,816
Profit After Tax (FRS 3)		6,325	6,765	8,843	9,745	11,562	14,281	16,280	20,485
Ave. Number of Shares Outstanding (m)		5.3	5.3	5.4	5.4	5.7	5.8	5.8	5.9
EPS - normalised (c)		128	138	170	186	203	245	285	351
EPS - normalised fully diluted (c)		122	132	165	179	199	239	275	339
EPS - (GAAP) (c)		120	128	164	180	204	244	279	345
Dividend per share (c)		30	32	41	33	50	55	60	65
Gross margin (%)		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		22.5	21.6	21.0	19.2	19.5	19.2	18.9	19.5
Operating Margin (before GW and except) (%)		15.1	13.9	13.8	12.3	12.5	12.7	12.8	13.8
<b>BALANCE SHEET</b>									
Fixed Assets		28,324	37,912	39,635	47,201	48,987	57,229	70,689	74,089
Intangible Assets		22,381	26,673	28,096	29,323	30,787	33,644	45,804	47,604
Tangible Assets		5,158	7,115	7,050	10,434	10,036	9,896	10,096	10,496
Other		785	4,124	4,489	7,444	8,164	13,689	14,789	15,989
Current Assets		42,024	42,823	49,016	52,022	72,918	71,534	74,554	91,923
Stocks		101	176	147	185	257	341	341	341
Debtors		19,523	21,253	25,551	30,015	31,440	35,548	43,822	51,118
Cash		21,338	20,632	22,794	21,357	40,421	34,978	29,724	39,796
Other		1,062	762	524	465	800	667	667	667
Current Liabilities		(28,299)	(26,206)	(30,072)	(34,300)	(50,150)	(45,872)	(48,253)	(52,242)
Creditors		(28,299)	(26,206)	(30,072)	(34,300)	(38,650)	(44,703)	(48,253)	(52,242)
Short term borrowings		0	0	0	0	(11,500)	(1,169)	0	0
Long Term Liabilities		(7,657)	(14,909)	(10,810)	(8,276)	(6,342)	(2,497)	(2,497)	(2,497)
Long term borrowings		(7,657)	(13,716)	(9,318)	(6,516)	(3,644)	0	0	0
Other long term liabilities		0	(1,193)	(1,492)	(1,760)	(2,698)	(2,497)	(2,497)	(2,497)
Net Assets		34,392	39,620	47,769	56,647	65,413	80,394	94,494	111,273
<b>CASH FLOW</b>									
Operating Cash Flow		15,944	17,311	18,366	20,290	24,389	28,844	24,847	32,355
Net Interest		(127)	(75)	63	352	(30)	253	200	200
Tax		(1,456)	(2,053)	(2,795)	(3,329)	(884)	(3,420)	(4,592)	(5,778)
Capex		(7,021)	(9,304)	(7,789)	(10,995)	(10,167)	(11,140)	(12,200)	(13,000)
Acquisitions/disposals		(935)	(7,551)	(225)	(486)	(492)	(4,502)	(9,000)	0
Financing		467	(345)	785	1,449	48	2,769	0	0
Dividends		(1,550)	(1,633)	(1,756)	(2,237)	(1,896)	(2,897)	(3,340)	(3,705)
Net Cash Flow		5,322	(3,650)	6,649	5,044	10,968	9,907	(4,084)	10,072
Opening net debt/(cash)		(8,978)	(13,681)	(10,016)	(16,576)	(21,018)	(30,285)	(38,609)	(34,524)
HP finance leases initiated		(645)	0	0	0	0	0	0	0
Other		26	(15)	(90)	(602)	(1,701)	(1,583)	0	0
Closing net debt/(cash)		(13,681)	(10,016)	(16,576)	(21,018)	(30,285)	(38,609)	(34,524)	(44,596)

Source: Esker, Edison Investment Research

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