

# Esker

Q420 revenue update

## Strong order intake supports growth outlook

Esker has confirmed it is still generating revenue growth, despite the continued COVID-19 restrictions around the world, with constant currency (cc) growth of 11% for Q420 and 9% for FY20. Order intake was 17% higher in FY20, accelerating to 30% growth in Q4, providing support for the company's double-digit revenue growth expectations for FY21. We have trimmed our forecasts to reflect FY20 revenues and the stronger euro, reducing normalised diluted EPS by 3.4% in FY20e and 5.1% in FY21e. In our view, Esker is well positioned to benefit from the accelerating adoption of digital automation solutions within the corporate world.

Year end	Revenue (€m)	PBT* (€m)	Diluted EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/18	86.9	12.2	1.65	0.41	117.6	0.2
12/19	104.2	13.6	1.79	0.33	108.3	0.2
12/20e	112.3	13.1	1.63	0.35	118.4	0.2
12/21e	128.7	17.1	2.10	0.40	92.4	0.2

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

## Strong performance despite COVID-19 impact

Esker reported Q420 revenue of €30.9m, 8% higher year-on-year on a reported basis and 11% higher on a cc basis. For FY20, this resulted in revenues of €112.3m (+8% reported, +9% cc), in line with guidance for 9% cc growth and 0.5% below our forecast. SaaS-based revenues grew 13% y-o-y versus 14% in Q3 and 2% in Q2. For FY20 on a cc basis, SaaS-based revenues grew 12%, licence and maintenance revenues declined 14% and legacy products declined 31%. Net cash at year-end of €30.7m was ahead of our €25.7m forecast.

## Double-digit growth expected in FY21

Order intake of €34m for FY20 was 17% higher y-o-y and Q4 order intake grew by 30% y-o-y. Esker expects double-digit revenue growth for FY21 (revenue of c €128m at current exchange rates) with operating margins of 10–15%. We have revised our forecasts to reflect FY20 revenues and the stronger euro versus the dollar, with FY20 revenue trimmed by 0.5% and FY21 by 1.4%. Our FY21e operating margin is at the mid-point of guidance. We reduce normalised diluted EPS by 3.4% for FY20 and 5.1% for FY21.

## Valuation: Reflects high level of recurring revenues

The stock trades at a premium to DPA software and French software peers but at a discount to US SaaS peers. Esker has re-rated over the last year (the stock is up 96% over the last 12 months), with its P/E multiple moving more towards the US SaaS software peer group. We believe this is due to the value placed on businesses with high levels of recurring revenue, providing visibility through a period of economic uncertainty. Esker has the added advantage of a strong balance sheet to fund growth. Successful execution of Esker's partner strategy could be a trigger for earnings and share price upside.

## Software & comp services

13 January 2021

**Price** €193.60

**Market cap** €1,104m

\$1.216/€1

Net cash (€m) at end FY20 30.7

Shares in issue 5.7m

Free float 68%

Code ALESK

Primary exchange Euronext Growth Paris

Secondary exchange OTCQX

## Share price performance



% 1m 3m 12m

Abs 14.2 30.8 104.2

Rel (local) 11.0 15.5 116.6

52-week high/low €194.40 €82.00

## Business description

Esker provides end-to-end document automation solutions, offering on-demand and on-premise delivery models. In FY19, the business generated 57% of revenues from Europe, 38% from the US and the remainder from Asia and Australia.

## Next events

FY20 results 25 March

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**Exhibit 1: Financial summary**

	€'000s	2016	2017	2018	2019	2020e	2021e
Year end 31 December		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	112,340	128,736
EBITDA		14,871	16,399	18,279	20,054	21,253	25,295
Operating Profit (before amort and except)		9,934	10,547	11,955	12,843	12,978	16,420
Amortisation of acquired intangibles		(200)	(300)	(344)	(425)	(425)	(425)
Exceptionals and other income		(474)	(456)	(88)	(62)	0	0
Other income		0	0	0	0	0	0
Operating Profit		9,260	9,791	11,523	12,356	12,553	15,995
Net Interest		(108)	(110)	(57)	268	(200)	100
Profit Before Tax (norm)		9,949	10,669	12,215	13,634	13,126	17,120
Profit Before Tax (FRS 3)		9,275	9,913	11,783	13,147	13,553	16,695
Tax		(2,950)	(3,148)	(2,940)	(3,402)	(3,659)	(4,508)
Profit After Tax (norm)		6,785	7,281	9,168	10,106	9,582	12,498
Profit After Tax (FRS 3)		6,325	6,765	8,843	9,745	9,894	12,187
Ave. Number of Shares Outstanding (m)		5.3	5.3	5.4	5.4	5.7	5.8
EPS - normalised (c)		128	138	170	186	169	217
EPS - normalised fully diluted (c)		122	132	165	179	163	210
EPS - (GAAP) (c)		120	128	164	180	175	212
Dividend per share (c)		30	32	41	33	35	40
Gross margin (%)		N/A	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		22.5	21.6	21.0	19.2	18.9	19.6
Operating Margin (before GW and except) (%)		15.1	13.9	13.8	12.3	11.6	12.8
<b>BALANCE SHEET</b>							
Fixed Assets		28,324	37,912	39,635	47,201	49,849	52,649
Intangible Assets		22,381	26,673	28,096	29,323	31,723	34,223
Tangible Assets		5,158	7,115	7,050	10,434	10,334	10,034
Other		785	4,124	4,489	7,444	7,792	8,392
Current Assets		42,024	42,823	49,016	52,022	67,760	63,941
Stocks		101	176	147	185	185	185
Debtors		19,523	21,253	25,551	30,015	30,778	35,976
Cash		21,338	20,632	22,794	21,357	36,332	27,315
Other		1,062	762	524	465	465	465
Current Liabilities		(28,299)	(26,206)	(30,072)	(34,300)	(47,238)	(38,631)
Creditors		(28,299)	(26,206)	(30,072)	(34,300)	(35,738)	(38,631)
Short term borrowings		0	0	0	0	(11,500)	0
Long Term Liabilities		(7,657)	(14,909)	(10,810)	(8,276)	(5,776)	(3,276)
Long term borrowings		(7,657)	(13,716)	(9,318)	(6,516)	(4,016)	(1,516)
Other long term liabilities		0	(1,193)	(1,492)	(1,760)	(1,760)	(1,760)
Net Assets		34,392	39,620	47,769	56,647	64,595	74,683
<b>CASH FLOW</b>							
Operating Cash Flow		15,944	17,311	18,366	20,290	21,928	22,990
Net Interest		(127)	(75)	63	352	(200)	100
Tax		(1,456)	(2,053)	(2,795)	(3,329)	(2,807)	(4,508)
Capex		(7,021)	(9,304)	(7,789)	(10,995)	(11,000)	(11,500)
Acquisitions/disposals		(935)	(7,551)	(225)	(486)	0	0
Financing		467	(345)	785	1,449	0	0
Dividends		(1,550)	(1,633)	(1,756)	(2,237)	(1,946)	(2,099)
Net Cash Flow		5,322	(3,650)	6,649	5,044	5,975	4,983
Opening net debt/(cash)		(8,978)	(13,681)	(10,016)	(16,576)	(21,018)	(26,993)
HP finance leases initiated		(645)	0	0	0	0	0
Other		26	(15)	(90)	(602)	0	0
Closing net debt/(cash)		(13,681)	(10,016)	(16,576)	(21,018)	(26,993)	(31,976)

Source: Esker, Edison Investment Research

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