

Esker

Accelerating SaaS growth

Esker has seen revenue growth accelerate through the course of 2019. Group revenues grew 18% y-o-y in Q3 on a constant currency basis while cloud-based revenues grew 22% over the same period. The company has maintained its full year revenue guidance, which we view as conservative. We maintain our estimates, but highlight that risk is weighted to the upside.

Year end	Revenue (€m)	PBT* (€m)	Diluted EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/17	76.1	10.7	1.32	0.32	62.7	0.4
12/18	86.9	12.2	1.64	0.41	50.3	0.5
12/19e	100.6	14.4	1.74	0.45	47.4	0.5
12/20e	114.6	18.0	2.12	0.50	39.0	0.6

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

Q3 sees record SaaS growth

Revenue growth accelerated in Q3, with Esker reporting 21% year-on-year growth in revenues to €25.4m. In constant currency, revenues grew 18%, up from 14% in Q1 and 16% in Q2. Revenues for 9M19 of €75.5m were 19% higher year-on-year and 16% higher on a constant currency basis. Cloud-based revenues (SaaS and consulting) made up more than 90% of Q3 revenues, growing 25% y-o-y and 22% in constant currency (up from 17% in Q1 and 21% in Q2). Surprisingly, legacy product sales grew 21% y-o-y in constant currency in Q3 and 13% for 9M19. Net cash at the end of Q3 increased to €19m from €15m at the end of H1.

Outlook and estimates maintained

Management continues to expect to achieve revenues of at least €100m in FY19. Based on revenues reported to date, this would require revenue of at least €24.5m in Q4, which should be achievable considering the performance in Q3 and the strength of the dollar versus the euro. We maintain our forecasts but highlight that risk is to the upside.

Valuation: Reflects SaaS business model

Esker's stock has gained 39% year-to-date and trades at a premium to French small-cap software peers and global DPA software providers. Compared to companies with a similar SaaS business model, however, Esker trades at a discount on all multiples. As the company accelerates revenue growth towards its 20% target, we would expect the shares to re-rate. We note that Esker has a strong balance sheet with €19m net cash at the end of Q319, representing ample funds to support growth via internal investment or selective M&A.

Q3 revenue update

Software & comp services

17 October 2019

Price €82.5

Market cap €460m

\$1.1/€

Net cash (€m) at end Q319 19.0

Shares in issue 5.6m

Free float 68%

Code ALESK

Primary exchange Euronext Growth Paris

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 5.0 0.4 33.7

Rel (local) 3.4 (1.1) 23.3

52-week high/low €87.30 €56.20

Business description

Esker provides end-to-end document automation solutions, offering on-demand and on-premise delivery models. In FY18, the business generated 58% of revenues from Europe, 37% from the US and the remainder from Asia and Australia.

Next events

Q4 revenue update 14 January 2020

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Exhibit 1: Financial summary

	€000s	2014	2015	2016	2017	2018	2019e	2020e
Year end 31 December		French GAAP	French GAAP	French GAAP	French GAAP	French GAAP	French GAAP	French GAAP
PROFIT & LOSS								
Revenue		46,061	58,457	65,990	76,064	86,871	100,649	114,596
EBITDA		8,979	13,405	14,871	16,399	18,237	20,889	24,951
Operating Profit (before amort and except)		5,700	9,257	9,934	10,547	11,913	13,683	17,295
Amortisation of acquired intangibles		0	(302)	(200)	(300)	(344)	(344)	(344)
Exceptionals and other income		53	(245)	(474)	(456)	(88)	139	0
Other income		0	0	0	0	0	0	0
Operating Profit		5,753	8,710	9,260	9,791	11,481	13,478	16,951
Net Interest		220	(6)	(108)	(110)	(57)	250	100
Profit Before Tax (norm)		5,920	9,312	9,949	10,669	12,173	14,433	17,995
Profit Before Tax (FRS 3)		5,973	8,765	9,275	9,913	11,741	14,228	17,651
Tax		(1,323)	(2,292)	(2,950)	(3,148)	(2,940)	(4,411)	(5,472)
Profit After Tax (norm)		4,609	6,877	6,785	7,281	9,125	9,959	12,417
Profit After Tax (FRS 3)		4,650	6,473	6,325	6,765	8,801	9,818	12,179
Average Number of Shares Outstanding (m)		4.8	5.0	5.3	5.3	5.4	5.5	5.7
EPS - normalised (c)		97	138	128	138	169	180	219
EPS - normalised fully diluted (c)		90	131	122	132	164	174	212
EPS - (GAAP) (c)		97	130	120	128	163	177	215
Dividend per share (c)		24	30	30	32	41	45	50
Gross margin (%)		N/A	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		19.5	22.9	22.5	21.6	21.0	20.8	21.8
Operating Margin (before GW and except) (%)		12.4	15.8	15.1	13.9	13.7	13.6	15.1
BALANCE SHEET								
Fixed Assets		12,552	25,184	28,324	37,912	39,635	42,285	43,985
Intangible Assets		7,709	19,603	22,381	26,673	28,096	29,796	31,496
Tangible Assets		4,470	4,985	5,158	7,115	7,050	8,000	8,000
Other		373	596	785	4,124	4,489	4,489	4,489
Current Assets		33,894	36,110	42,024	42,823	49,016	56,390	63,627
Stocks		93	161	101	176	147	147	147
Debtors		15,110	18,073	19,523	21,253	25,551	28,127	32,024
Cash		17,559	16,295	21,338	20,632	22,794	27,593	30,932
Other		1,132	1,581	1,062	762	524	524	524
Current Liabilities		(19,827)	(24,789)	(28,299)	(26,206)	(30,072)	(32,555)	(35,069)
Creditors		(19,827)	(24,789)	(28,299)	(26,206)	(30,072)	(32,555)	(35,069)
Short term borrowings		0	0	0	0	0	0	0
Long Term Liabilities		(5,113)	(7,317)	(7,657)	(14,909)	(10,810)	(8,310)	(5,810)
Long term borrowings		(5,113)	(7,317)	(7,657)	(13,716)	(9,318)	(6,818)	(4,318)
Other long term liabilities		0	0	0	(1,193)	(1,492)	(1,492)	(1,492)
Net Assets		21,506	29,188	34,392	39,620	47,769	57,810	66,733
CASH FLOW								
Operating Cash Flow		9,245	14,307	15,331	17,311	18,324	20,797	23,568
Net Interest		310	(27)	(127)	(75)	63	250	100
Tax		(1,075)	(1,165)	(1,456)	(2,053)	(2,795)	(4,411)	(5,472)
Capex		(4,028)	(3,909)	(7,021)	(9,304)	(7,789)	(10,200)	(9,700)
Acquisitions/disposals		22	(11,700)	(335)	(7,551)	(225)	0	0
Financing		(694)	1,324	480	(345)	785	0	0
Dividends		(877)	(1,208)	(1,550)	(1,633)	(1,756)	(2,237)	(2,656)
Net Cash Flow		2,903	(2,378)	5,322	(3,650)	6,607	4,199	5,839
Opening net debt/(cash)		(11,961)	(12,446)	(8,978)	(13,681)	(10,011)	(16,576)	(20,775)
HP finance leases initiated		(2,293)	(1,090)	(645)	0	0	0	0
Other		(125)	0	26	(20)	(43)	(0)	0
Closing net debt/(cash)		(12,446)	(8,978)	(13,681)	(10,011)	(16,576)	(20,775)	(26,614)

Source: Esker accounts, Edison Investment Research

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