

Esker

Q3 revenue update

Q3 update confirms FY21 outlook

Esker's Q3 update confirms continued strong revenue growth (23% y-o-y constant currency growth in Q321, 22% for 9M21), with organic revenue growth guidance for FY21 nudged up to 18%. Order intake also continues to grow at double-digit rates, providing the foundations for growth in the medium term. We maintain our forecasts.

Year end	Revenue (€m)	PBT* (€m)	Diluted EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/19	104.2	13.6	1.79	0.33	160.2	0.1
12/20	112.3	14.5	1.99	0.50	144.2	0.2
12/21e	131.6	19.1	2.51	0.55	114.3	0.2
12/22e	153.6	24.5	3.17	0.60	90.4	0.2

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

Solid growth in new contracts signed

Esker reported Q321 revenue of €33.4m, 20% higher y-o-y or 23% higher in constant currency (cc); 9M21 revenue is up 22% (reported and cc). SaaS revenue grew 22% cc in Q321 and 25% cc for 9M21, reflecting higher volumes from existing customers and the contribution from new customers. Implementation revenue showed the fastest growth (40% Q321, 21% 9M21 cc) as the company worked to fulfil bookings received since the end of 2020. The annual recurring value (ARR) of new contracts in Q321 was 11% higher y-o-y at €3m (worth €11.6m in subscription revenue over the life of the contracts) and the ARR of new contracts for 9M21 of €9.5m was 42% higher y-o-y (total subscription value €34.5m). Esker closed Q321 with net cash of €36.9m.

Raising FY21 guidance

The company has nudged its full year constant currency growth rate from 17% to 18%, with the expectation of FY21 revenue in the region of €132m and an operating margin of 12–15%. Our FY21 revenue forecast is €131.6m with a reported operating margin of 13.5% – we leave our estimates unchanged.

Valuation: Reflects growth in recurring revenue

The stock trades at a premium to document processing automation software and French software peers but at a discount to US SaaS peers. Esker has re-rated over the past two years (the stock is up 100% over the last year and 272% over two years), with its P/E multiple moving much closer to 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, and the potential for multi-year profitable double-digit growth. Esker has the added advantage of a strong balance sheet to fund growth.

Software & comp services

14 October 2021

Price €286.5

Market cap €1,654m

\$1.16:€1

Net cash (€m) at end Q321 36.9

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 (1.2) 10.0 92.0

Rel (local) 0.0 9.3 46.0

52-week high/low €303.50 €138.40

Business description

Esker provides end-to-end SaaS-based document automation solutions supporting order-to-cash and procure-to-pay processes. In FY20, the business generated 56% of revenues from Europe, 38% from the US and the remainder from Asia and Australia.

Next events

FY21 revenue update 13 January 2022

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Exhibit 1: Financial summary

	€'000s	2016	2017	2018	2019	2020	2021e	2022e
Year end 31 December		French GAAP	French GAAP	French GAAP	French GAAP	French GAAP	French GAAP	French GAAP
PROFIT & LOSS								
Revenue		65,990	76,064	86,871	104,188	112,274	131,614	153,583
EBITDA		14,871	16,399	18,279	20,054	21,927	27,363	32,712
Operating Profit (before amort and except)		9,934	10,547	11,955	12,843	14,037	18,188	23,137
Amortisation of acquired intangibles		(200)	(300)	(344)	(425)	(425)	(425)	(425)
Exceptionals and other income		(474)	(456)	(88)	(62)	0	57	0
Other income		0	0	0	0	0	0	0
Operating Profit		9,260	9,791	11,523	12,356	13,612	17,820	22,712
Net Interest		(108)	(110)	(57)	268	(67)	100	200
Profit Before Tax (norm)		9,949	10,669	12,215	13,634	14,462	19,088	24,537
Profit Before Tax (FRS 3)		9,275	9,913	11,783	13,147	14,528	18,720	24,112
Tax		(2,950)	(3,148)	(2,940)	(3,402)	(2,966)	(4,118)	(5,305)
Profit After Tax (norm)		6,785	7,281	9,168	10,106	11,509	14,888	19,139
Profit After Tax (FRS 3)		6,325	6,765	8,843	9,745	11,562	14,601	18,808
Ave. Number of Shares Outstanding (m)		5.3	5.3	5.4	5.4	5.7	5.7	5.8
EPS - normalised (c)		128	138	170	186	203	259	328
EPS - normalised fully diluted (c)		122	132	165	179	199	251	317
EPS - (GAAP) (c)		120	128	164	180	204	254	322
Dividend per share (c)		30	32	41	33	50	55	60
Gross margin (%)		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	20.8	21.3
Operating Margin (before GW and except) (%)		15.1	13.9	13.8	12.3	12.5	13.8	15.1
BALANCE SHEET								
Fixed Assets		28,324	37,912	39,635	47,201	48,987	51,687	55,087
Intangible Assets		22,381	26,673	28,096	29,323	30,787	33,187	35,587
Tangible Assets		5,158	7,115	7,050	10,434	10,036	9,536	9,336
Other		785	4,124	4,489	7,444	8,164	8,964	10,164
Current Assets		42,024	42,823	49,016	52,022	72,918	71,029	85,736
Stocks		101	176	147	185	257	257	257
Debtors		19,523	21,253	25,551	30,015	31,440	36,780	42,919
Cash		21,338	20,632	22,794	21,357	40,421	33,193	41,760
Other		1,062	762	524	465	800	800	800
Current Liabilities		(28,299)	(26,206)	(30,072)	(34,300)	(50,150)	(41,983)	(45,770)
Creditors		(28,299)	(26,206)	(30,072)	(34,300)	(38,650)	(41,983)	(45,770)
Short term borrowings		0	0	0	0	(11,500)	0	0
Long Term Liabilities		(7,657)	(14,909)	(10,810)	(8,276)	(6,342)	(3,842)	(2,698)
Long term borrowings		(7,657)	(13,716)	(9,318)	(6,516)	(3,644)	(1,144)	0
Other long-term liabilities		0	(1,193)	(1,492)	(1,760)	(2,698)	(2,698)	(2,698)
Net Assets		34,392	39,620	47,769	56,647	65,413	76,891	92,355
CASH FLOW								
Operating Cash Flow		15,944	17,311	18,366	20,290	24,389	25,356	30,359
Net Interest		(127)	(75)	63	352	(30)	100	200
Tax		(1,456)	(2,053)	(2,795)	(3,329)	(884)	(4,118)	(5,305)
Capex		(7,021)	(9,304)	(7,789)	(10,995)	(10,167)	(11,500)	(12,200)
Acquisitions/disposals		(935)	(7,551)	(225)	(486)	(492)	0	0
Financing		467	(345)	785	1,449	48	1,000	0
Dividends		(1,550)	(1,633)	(1,756)	(2,237)	(1,896)	(2,897)	(3,343)
Net Cash Flow		5,322	(3,650)	6,649	5,044	10,968	7,941	9,712
Opening net debt/(cash)		(8,978)	(13,681)	(10,016)	(16,576)	(21,018)	(30,285)	(38,226)
HP finance leases initiated		(645)	0	0	0	0	0	0
Other		26	(15)	(90)	(602)	(1,701)	0	(0)
Closing net debt/(cash)		(13,681)	(10,016)	(16,576)	(21,018)	(30,285)	(38,226)	(47,937)

Source: Esker, Edison Investment Research

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