

Esker 2013 Half - Year Results

Achieving solid profitability and a strengthened financial structure as transition to the cloud model accelerates

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Values in thousands of €	H1 2013*	H1 2012	Change in %
Sales	20,306	19,626	+4%
Operating income	1,898	1,931	-2%
Pre-taxed income	1,809	2,015	-10%
Net income	1,301	1,377	-6%

Value in thousands of €	06/30/2013	12/31/2012	Change in thousands of €
Shareholders' equity	16,743	15,552	+1,191%
Cash position	12,737	11,393	+1,344%

*Accounts prepared under French accounting standards (CRC 99-02) and unaudited

Adoption of cloud computing continues to rise

The global computing market continues to transition to cloud computing as more and more companies of all sizes realize the considerable benefits it delivers. As a pioneer in cloud-based software, Esker is at the forefront of this fundamental shift, and, as a result, the company's activities in this area, have increased sales 20% for the first half of 2013, representing over 61% of company sales. These numbers only include contracts signed in previous quarters and contracts in production the first half of the year. The high amount of new contracts signed in 2013 allows Esker to anticipate continued growth in the coming quarters.

With strong growth in cloud computing, a decline in traditional license sales is a logical consequence. For the first half of 2013, Esker license revenue (all products included) amounted to 1.77 million euros, a 28% decrease compared to the previous year. Unlike cloud-based contracts, traditional licenses are recognized immediately in company sales revenue, and their decline reduces sales in the short term. However, the high recurrence and sustained profitability of cloud-based contracts enable Esker, over time, to offset the immediate impact with continuous and profitable revenue lasting many years.

Maintained profitability despite accelerated transition to the cloud

Esker's operating profit remains strong at 9.3% of sales, a slight decline (-1.7%) over 2012. In addition to the impact of cloud transitions, Esker's profitability was also adversely affected during the first half of 2013 by the increase in taxes and social contributions in France — the net amount estimated at 150k euros.

Despite this, in the first half of the year, profit actually grew 0.8% (based on constant exchange rates) over 2012, primarily due to the decline of the U.S. dollar against the euro. These positive results demonstrate the capacity of the company to effectively adapt to market changes.

Foreign currency fluctuations also impacted Esker's financial results with an unrealized foreign exchange loss of 140k euros — which would be modified in the event of a favorable evolution in foreign currency in the second half of 2013. Consequently, current pre-tax income amounts to 1.8 million euros, a 10% decrease compared to 2012. Taking into account a stable effective income tax rate, net income amounts to 1.3 million euros, a 5.5% decrease over first half 2012.

Financial structure further strengthened

Esker's strong first half results have allowed company capital to grow by 1.18 million euros, absorbing a dividend of 0.55 million euros. Company cash significantly increased by 1.3 million euros compared to December 31, 2012, reaching more than 12.7 million euros.

Outlook for second half of 2013

Based on first half results and given the foreseeable changes in market conditions, Esker anticipates that the short term negative effects of an increase in cloud transitions will gradually lighten, and, consequently, improve its overall financial performance.

About Esker

Esker is a worldwide leader in document process automation solutions. Addressing all types of business processes — from accounts payable and accounts receivable to order processing and procurement — Esker cloud computing solutions enable companies to automate the reception, processing and sending of any business document with one platform. Esker helps over 80,000 companies across the world to reduce the use of paper and eliminate manual processes while improving their productivity, efficiency and environmental impact.

With 40.3 million euros in sales revenue in 2012, Esker operates in North America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin. Esker is listed on the NYSE Alternext in Paris (Code ISIN FR0000035818). For more information, visit www.esker.com. Follow Esker on Twitter at twitter.com/eskerinc and join the conversation on the Esker blog at www.quitpaper.com.

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