

Esker

Tender offer successful; FY24 outperformance

Esker reported a strong close to FY24, resulting in revenue and operating profit ahead of our forecasts. The company is guiding to more of the same in FY25, leading us to upgrade our normalised diluted EPS by 9.3% for FY24e and 5.9% for FY25e. Esker has confirmed that the initial tender offer was successful, with the bidders now holding close to 75% of the company. The tender offer will be reopened to allow minority shareholders to tender their stakes.

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/22	159.0	23.4	3.04	0.75	86.0	0.3
12/23	178.5	19.8	2.48	0.65	105.6	0.2
12/24e	205.3	30.0	3.71	0.83	70.5	0.3
12/25e	233.9	34.1	4.15	1.00	63.0	0.4

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

Bidder now holds c 75%, tender offer reopened

After the first tender offer period closed on 9 January, the company confirmed that Boréal Bidco (Bridgepoint, General Atlantic and Esker management shareholders) holds 74.62% of share capital and 74.49% of voting rights. Factoring in the shares contributed in kind by management and treasury shares, Boréal Bidco will hold 77.36% of share capital and 76.37% of voting rights. The tender offer will be reopened from 17 to 30 January at the same price, €262, to enable minority shareholders to tender their shares. If at the end of this period the stake reaches at least 90%, a mandatory squeeze-out will take place.

FY24 better than expected; strong FY25 outlook

Esker reported Q424 revenue of €55.1m, up 17% y-o-y (+16% constant currency, cc) which resulted in FY24 revenue of €205.3m (+15% y-o-y, +15% cc), compared to our forecast of €202.4m and targeted cc growth of 12–14%. Having guided to an operating margin of 12–13%, the company now expects to report a margin of 13–15%. Esker closed FY24 with a net cash position of €70m, partly helped by the disposal of an equity investment in LSQ. For FY25, the company expects revenue growth of 13–15% and a 13–15% operating margin. We have upgraded our forecasts for both years.

Valuation: No change to bid price of €262

The bid price values the company at a P/E of 70.6x FY24e and 63.1x FY25e. The bidders are not increasing the bid price for the extended offer. Based on competitors that have been acquired over the last three years, the valuation is at the upper end of the range, in our view reflecting Esker's strong track record of profitable growth and prospects for double-digit revenue growth.

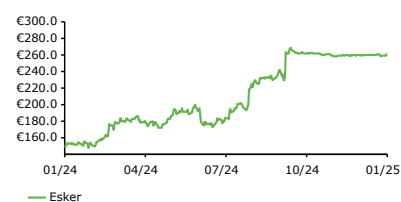
FY24 revenue update

Software and comp services

16 January 2025

Price	€261.60
Market cap	€1,555m
	\$1.03/€
Net cash at end H124	€70.2m
Shares in issue	5.9m
Code	ALESK
Primary exchange	NXT PA
Secondary exchange	OTCQX

Share price performance



%	1m	3m	12m
Abs	(0.2)	(0.9)	69.8
52-week high/low		€272.0	€148.3

Business description

Esker provides end-to-end SaaS-based document automation solutions supporting order-to-cash and procure-to-pay processes. In FY23, the business generated 53% of revenues from Europe, 41% from North America and the remainder from Asia and Australia.

Next events

FY24 results	26 March
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Review of Q424 revenue update

The table below summarises the revenue performance in Q424 and FY24.

Exhibit 1: Q424 and FY24 revenue performance

Revenue (€m)	Q424	Q423	y-o-y reported	y-o-y constant currency	FY24	FY23	y-o-y reported	y-o-y constant currency
SaaS subscriptions	25.9	19.0	36%	34%	93.0	69.8	33%	33%
SaaS transactions	18.7	19.2	-3%	-4%	74.8	77.2	-3%	-3%
Total SaaS	44.6	38.2	17%	15%	167.9	146.8	14%	14%
Implementation services	10.1	8.0	27%	25%	35.9	28.3	27%	28%
Legacy products	0.3	0.7	-51%	-54%	1.5	3.5	-57%	-56%
Total revenue	55.1	46.9	17%	16%	205.3	178.6	15%	15%
ARR bookings (€m)	6.9	7.0	-1%	-3%	25.7	20.8	24%	22%

Source: Esker

Management had guided to organic constant currency growth of 12–14% for FY24; yesterday's revenue update confirmed that the company beat this target, generating FY24 cc revenue growth of 15%.

- **SaaS subscription revenue** increased 34% cc y-o-y in Q424 and 33% cc for FY24. As we have previously written, the company is increasingly signing contracts that are 100% subscription based, or with only a small transaction-based component. Growth is therefore due to the combination of strong order intake over the course of the year and the trend towards subscription-based contracts.
- **SaaS transaction revenue** declined 4% cc y-o-y in Q424 and 3% cc for FY24, due partly to the reason described above, but also due to what we believe is a structural decline in volumes of fax and mail.
- **Implementation services** saw strong cc growth of 25% y-o-y for Q424 and 28% cc for FY24, boosted by the high order intake from Q423 onwards.

Order intake for Q424 was slightly lower y-o-y, but for the full year was 22% higher in constant currency. In Q423, the company saw strong order intake from France in anticipation of the new e-invoicing rules, which the government subsequently pushed back. Orders from France therefore declined 26% y-o-y in Q424 and 16% for FY24, but management is confident that demand will pick up as the revised deadline approaches. Demand in the Americas remains strong, with orders up 15% in Q424 and 51% in FY24, and Asia-Pacific benefited from new e-invoicing regulations in Malaysia (Q424 +20% y-o-y).

Outlook and changes to forecasts

The company expects to report an operating margin in the range 13–15%, ahead of the guided 12–13% range. Management had moderated the rate of hiring through the course of FY24, which resulted in revenue upside dropping through to operating profit.

For FY25, the company expects revenue growth in the range of 13–15% and an operating margin in the range of 13–15%. The company expects to pick up the pace of hiring during FY25.

We have upgraded our forecasts for both years to reflect the outperformance in Q424 and FY24 guidance. The company invested \$5m in supply chain finance company LSQ in FY22. During H224, it sold this stake for \$5.9m, boosting the cash balance.

Exhibit 2: Changes to forecasts

€m	FY24e old	FY24e new	change	y-o-y	FY25e old	FY25e new	change	y-o-y
Revenues	202.4	205.3	1.4%	15.0%	229.3	233.9	2.0%	13.9%
EBITDA	39.6	42.1	6.5%	42.3%	45.5	47.4	4.2%	12.6%
<i>EBITDA margin</i>	19.5%	20.5%	1.0%	3.9%	19.8%	20.3%	0.4%	-0.2%
Normalised EBIT	25.8	28.4	9.9%	56.1%	30.8	32.7	6.2%	15.1%
<i>Normalised EBIT margin</i>	12.8%	13.8%	1.1%	3.6%	13.4%	14.0%	0.6%	0.1%
Reported EBIT	25.6	28.1	10.0%	56.9%	30.5	32.4	6.3%	15.3%
<i>Reported EBIT margin</i>	12.6%	13.7%	1.1%	3.7%	13.3%	13.9%	0.6%	0.2%
Normalised PBT	27.5	30.0	9.3%	51.7%	32.2	34.1	5.9%	13.7%
Normalised net income	20.9	22.8	9.3%	52.1%	24.5	25.9	5.9%	13.7%
Reported net income	20.7	22.6	9.4%	52.3%	24.3	25.7	6.0%	13.8%
Normalised dil. EPS (€)	3.40	3.71	9.3%	49.9%	3.92	4.15	5.9%	11.9%
Reported basic EPS (€)	3.48	3.80	9.4%	50.6%	4.02	4.26	6.0%	11.9%
Reported diluted EPS (€)	3.36	3.68	9.4%	50.0%	3.89	4.12	6.0%	12.0%
Net cash	52.6	70.2	33.6%	64.6%	64.5	74.0	14.7%	5.4%
DPS (€)	0.83	0.83	0.0%	27.7%	1.00	1.00	0.0%	20.5%

Source: Edison Investment Research

Exhibit 3: Financial summary

	€m	2019	2020	2021	2022	2023	2024e	2025e
Year end 31 December		French GAAP	French GAAP	French GAAP	French GAAP	French GAAP	French GAAP	French GAAP
PROFIT & LOSS								
Revenue		104.2	112.3	133.6	159.0	178.5	205.3	233.9
EBITDA		20.1	21.9	25.7	31.8	29.6	42.1	47.4
Normalised Operating Profit		12.8	14.0	16.8	21.7	18.2	28.4	32.7
Amortisation of acquired intangibles		(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Exceptionals and other income		(0.1)	0.0	0.0	0.0	0.0	0.0	0.0
Operating Profit		12.4	13.6	16.6	21.4	17.9	28.1	32.4
Net Interest		0.3	(0.1)	0.2	0.3	0.6	0.7	0.5
Associates & joint ventures		0.5	0.5	1.0	1.5	1.1	1.0	1.0
Exceptionals		0.0	0.5	0.4	(0.3)	0.1	0.0	0.0
Profit Before Tax (norm)		13.6	14.5	18.0	23.4	19.8	30.0	34.1
Profit Before Tax (FRS 3)		13.1	14.5	18.2	22.9	19.6	29.8	33.9
Tax		(3.4)	(3.0)	(3.9)	(5.0)	(4.8)	(7.1)	(8.1)
Profit After Tax (norm)		10.1	11.5	14.2	18.3	15.0	22.8	25.9
Profit After Tax (FRS 3)		9.7	11.6	14.3	17.9	14.9	22.6	25.7
Ave. No. of Shares Outstanding (m)		5.42	5.67	5.85	5.88	5.88	5.95	6.05
EPS - normalised (€)		1.86	2.03	2.42	3.11	2.55	3.84	4.29
EPS - normalised fully diluted (€)		1.79	1.99	2.37	3.04	2.48	3.71	4.15
EPS - (GAAP) (€)		1.80	2.04	2.44	3.04	2.53	3.80	4.26
Dividend per share (€)		0.33	0.50	0.60	0.75	0.65	0.83	1.00
Gross margin (%)		N/A	N/A	N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		19.2	19.5	19.2	20.0	16.6	20.5	20.3
Normalised Operating Margin (%)		12.3	12.5	12.6	13.6	10.2	13.8	14.0
BALANCE SHEET								
Fixed Assets		47.2	49.0	57.2	71.7	75.9	75.1	78.6
Intangible Assets		29.3	30.8	33.6	47.7	51.4	54.4	56.9
Tangible Assets		10.4	10.0	9.9	9.0	8.7	8.7	8.7
Other		7.4	8.2	13.7	15.0	15.9	12.1	13.1
Current Assets		52.0	72.9	71.5	90.7	96.4	123.7	137.7
Stocks		0.2	0.3	0.3	0.5	0.3	0.4	0.4
Debtors		30.0	31.4	35.5	46.2	46.2	50.1	62.3
Cash		21.4	40.4	35.0	42.9	48.8	72.1	73.9
Other		0.5	0.8	0.7	1.1	1.1	1.1	1.1
Current Liabilities		(34.3)	(50.2)	(45.9)	(45.6)	(49.8)	(60.8)	(58.8)
Creditors		(34.3)	(38.7)	(44.7)	(45.6)	(49.8)	(60.8)	(58.8)
Short term borrowings		0.0	(11.5)	(1.2)	0.0	0.0	0.0	0.0
Long Term Liabilities		(8.3)	(6.3)	(2.5)	(18.1)	(14.2)	(10.1)	(8.1)
Long term borrowings		(6.5)	(3.6)	0.0	(15.0)	(10.9)	(6.8)	(4.8)
Other long term liabilities		(1.8)	(2.7)	(2.5)	(3.1)	(3.2)	(3.2)	(3.2)
Net Assets		56.6	65.4	80.4	98.6	108.4	127.9	149.4
CASH FLOW								
Operating Cash Flow		20.3	24.4	28.8	22.9	36.4	50.3	34.2
Net Interest		0.4	(0.0)	0.3	0.2	0.4	0.7	0.5
Tax		(3.3)	(0.9)	(3.4)	(4.5)	(5.3)	(7.1)	(8.1)
Capex		(11.0)	(10.2)	(11.1)	(14.7)	(16.0)	(17.0)	(17.5)
Acquisitions/disposals		(0.5)	(0.5)	(5.9)	(7.5)	(1.1)	4.8	0.0
Financing		1.4	0.0	2.8	1.1	0.3	0.0	0.0
Dividends		(2.2)	(1.9)	(2.9)	(3.6)	(4.5)	(4.0)	(5.2)
Net Cash Flow		5.0	11.0	8.5	(6.0)	10.2	27.5	3.8
Opening net debt/(cash)		(16.6)	(21.0)	(30.3)	(38.6)	(32.6)	(42.7)	(70.2)
HP finance leases initiated		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		(0.6)	(1.7)	(0.2)	(0.1)	(0.1)	0.0	0.0
Closing net debt/(cash)		(21.0)	(30.3)	(38.6)	(32.6)	(42.7)	(70.2)	(74.0)

Source: Esker, Edison Investment Research

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