



DASSAULT SYSTEMES

Fourth Quarter and Fiscal 2022 Earnings Conference Call

February 2, 2023

Beatrix Martinez

Vice President, Investor Relations

Thank you for joining us on our fourth quarter 2022 earnings conference call, with Bernard Charles, Chairman of the Board and Chief Executive Officer, Pascal Daloz, Deputy Chief Executive Officer and Chief Operating Officer, and Rouven Bergmann, Chief Financial Officer.

- Dassault Systèmes' results are prepared in accordance with IFRS.
- Most of the financial figures discussed on this conference call are on a non-IFRS basis, with revenue growth rates in constant currencies unless otherwise noted.
- Some of our comments on this call contain forward-looking statements that could differ materially from actual results. Please refer to today's press release and the Risk Factors section of our 2021 Universal Registration Document.

All earnings materials are available on our website and these prepared remarks will be available shortly after this call.

I would now like to introduce Bernard Charles.

BERNARD CHARLES

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Thank you, Beatrix. Good morning and good afternoon, everyone. Thank you for joining us. It is a great pleasure to be with you today.

FY 2022 HIGHLIGHTS

We had a strong fourth quarter, wrapping up a very good 2022. We met or exceeded our financial objectives across the board.

For the full year:

- Revenue increased 9%, driven by continued momentum in subscription, up 15%.
- Our strategic growth drivers performed well, with both **3DEXPERIENCE** and Cloud revenue rising 22%.
- We delivered strong profitability, with Earnings per Share up 19%.
 - At the same time, we continued to invest to support our long-term growth, increasing headcount by 10%.
- Looking to 2023, we are on track to achieve our 2024 EPS objective of €1.20, well in advance.
- The governance evolution we announced last April is now in effect. I'm confident we have laid a strong foundation to support our growth well into the future.

We are delivering on our financial commitments – Pascal and Rouven will discuss our performance further, in a moment.

And just as importantly, we advance our purpose, creating sustainable value for all stakeholders.

OUR LEGACY - HERITAGE & AMBITION

For forty years, Dassault Systemes has been the catalyst and enabler of scientific, industrial, ecological and societal transformations. Every decade, we have disrupted the status quo.

(1981) 3D: we have unflattened the world

(1989) DMU: we have removed the physical prototypes

(1999) PLM: we have connected products and processes, virtually

(2012) EXPERIENCE: we have expanded beyond the products and the services to the experience, which is the final use

(2020) Virtual Twin Experience of Humans: is the next big step; we are expanding from things to life

(2040) Virtual Twin Experiences for a Sustainable World: As we look to our next horizon, 2040, we believe fostering the connection between the experience economy and the sustainable economy requires going far beyond a transformation; a real metamorphosis is required. In fact, we can learn so much from life and apply what we learn back to things.

SCIENCE BASED VIRTUAL TWINS EXPERIENCE: A HOLISTIC APPROACH

This can only be achieved by leveraging the virtual worlds to improve the real world; it requires deep science. Our science based Virtual Twin Experiences rely on a range of multiscale disciplines - biology, chemistry, materials science, mechanics and electromagnetism - allowing our AI engines to transform their gigantic, unorganized data, into structured knowledge and know-how.

These virtual assets are becoming the enabler of new products and services to the end consumer, which is what customers are expecting: not just the virtualization of the product, but the virtualization of the product in the context of its usage - this is what we call the "Experience Economy" and what "Experience" is all about.

The growing adoption of Virtual Twin Experiences is mission critical for our clients, across all sectors, to address their customers' needs with differentiated experiences and to re-imagine their portfolios and service for sustainability.

OUR PURPOSE & SUSTAINABILITY

In 2012, we articulated our company mission - to harmonize, product, nature and life. At the time, many did not fully understand our deep commitment to leveraging science and technology to benefit society, but today I think it is well understood - we need to change the way we produce and consume.

With virtualization, we have transformed the processes of creation and production with a holistic approach to circularity, incorporating frugality and end of life into design. We enable companies, and society at large, to measure and balance what it takes and what it gives back to the planet; the eco-bill.

Working together, we can imagine new horizons and improve the world for consumers, patients and citizens.

WALK THE TALK: S&P GLOBAL: STRONG ESG RATING, OUTPERFORMING

We have a good proof point this quarter.

We received an outstanding ESG evaluation from S&P Global and are outperforming the tech sector as well as the overall market.

So I think it's a clear indicator we walk the talk.

THE RIGHT GOVERNANCE IN PLACE

The governance evolution we crafted over many years, to support the company's long-term strategy, is now in effect. As Charles Edelstenne, our founder, and a significant shareholder of Dassault Systèmes, takes the role of Honorary Chairman and remains a Director, I look forward to continuing our collaboration of forty years.

I will replicate this successful tandem approach with Pascal. He and I share the same conviction: the power of science-based virtual universes drives value and progress for

humanity, for all stakeholders. Together, we will continue to advance the company's legacy and mission.

And now, Pascal, Deputy CEO – congratulations - the floor is yours.

PASCAL DALOZ, DEPUTY CHIEF EXECUTIVE OFFICER

Thank you, Bernard.

Hello everyone. It's great to be with you today.

I'm thrilled to take on the role of Deputy Chief Executive Officer. At Dassault Systemes, we are focused on the long term, and that includes our team. Bernard has invested in me and prepared me well; we have enjoyed a successful collaboration for twenty years. And, I am looking forward to the next 20. In fact, we are just getting started, aren't we Bernard?

BERNARD CHARLES, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Indeed, we are.

PASCAL DALOZ, DEPUTY CHIEF EXECUTIVE OFFICER

Of course our clients and partners have been a critical part of our journey and that will continue, as well. It goes without saying, in my new role, I remain deeply committed to helping clients overcome challenges and realize their ambitions with game changing innovation.

GAME CHANGER IN THREE SECTORS

In 2022, we unveiled the **3DEXPERIENCE** IFWE Loop, representing the company's unique ability to seamlessly link value creation with value experienced. This strategic shift opens up significant opportunities to expand value propositions as well as audiences.

We are walking the talk across all three sectors.

Let's zoom in on a few proof points this quarter.

MANUFACTURING INDUSTRIES – RENAULT

In Manufacturing Industries, the transition to sustainable experiences is impacting all subsectors from new mobility to clean energy. We are leading the change as we've done for half a century – with both the large incumbents, transforming, and the new entrants. The science and technologies we provide are the foundation for electrification, battery development and manufacturing.

There is a true race to innovate – scale and speed are really crucial.

At the same time, today's operating environment is incredibly challenging, with unprecedented volatility in raw material costs and availability, and the reshaping of supply chains and value networks.

To adapt, customers are expanding the way they use our technology, building the virtual twin of their company with **3DEXPERIENCE** on the cloud. Here, it's not the virtual twin of the products, it's the virtual twin of the company – how we make things. To do this, they are incorporating real world evidence, data science and AI to lead the transformation of the entire organization.

We have an excellent example this quarter with Renault, continuing to foster the company's groundbreaking **RENULATION**, announced last year.

- With **3DEXPERIENCE** and cloud, Renault is utilizing data science and AI to project the impacts of raw material costs in real time, to secure the margin, to secure resilience and competitiveness.
 - This is saving the creation of over 100,000 documents exchanged per week, with all the suppliers.
- With the agility of the cloud, Renault executed a new mobility production go-live, with over 2,000 employees, in just one month.
 - The company also expanded business services, reaching new audiences such as procurement and finance.
- With this initiative, we are preparing Renault to measure the energy and environmental impact of each vehicle, in real time.

LIFE SCIENCES – AMGEN

Turning now to Life Sciences, the sector is transforming extremely rapidly to accelerate drug development, improve efficiency, and scale precision medicine.

This poses a particularly unique challenge in biologics. Derived from living cells, biologics are highly complex, sensitive to minor differences in environments and processes and often require smart injectors. Needless to say, developing and producing biologics requires deep scientific technology.

In the fourth quarter, Amgen, one of the world's leading biotechnology companies, already using MEDIDATA, BIOVIA and SOLIDWORKS, is deploying the **3DEXPERIENCE** Platform on the cloud, to unify three things:

- The first one is all the applications we are providing but also all the customer's applications they have developed themselves, with a single source of truth.
- The second thing, Amgen is unifying all the lifecycle management of the APIs –the ingredients for the drugs – the drug itself, the devices, and all the processes to accelerate the tech transfer to manufacturing.
- The third piece is a unifying approach of the chemical and biological manufacturing to ensure quality and improve regulatory and compliance.

We are pleased to continue to support Amgen as it advances the patient journey.

Driving transformation in life sciences is a long-term opportunity and we are not even in the first inning. We are pioneering innovation with durable competitive advantages; we are changing the game for clients and also for patients.

INFRASTRUCTURE & CITIES - FRAMATOME

Moving to Infrastructure and Cities, and, specifically, energy. The geopolitical events of last year brought sustainable energy supply, costs and independence to the forefront for the global community, particularly in Europe. Solutions to the crisis are being pursued with urgency. Interest in nuclear energy, long forgotten, is seeing a resurgence.

The International Energy Agency (IEA) expects global nuclear power capacity will need to double by 2050 in order for the world to reach net zero emissions.

To unlock the potential of carbon-free nuclear power -a complex science, based on a scarce resource -we need to achieve new scientific breakthroughs. Producing nuclear energy also requires the ability to connect the entire value network – operators, suppliers and regulators.

With science-based virtual twin experiences on the platform, we are a leader in this industry, working with nearly all the nuclear energy players –from incumbents like EDF to new disruptors like NAAREA, to government agencies like CEA.

This quarter, we have another proof point: Framatome is adopting the **3DEXPERIENCE** platform to ensure quality and safety, reduce costs and capitalize on innovation.

GROWING OUR 3DEXPERIENCE CLOUD FOOTPRINT IN 2022

As you can see from our proof points this quarter, customers – from start-ups to established players - across geographies and industries are adopting our products on **3DEXPERIENCE** cloud to accelerate change, solve problems, and to achieve their ambitions; adoption is broad based and accelerating.

This reflects our strong cloud offering:

- Nearly all of our products are available on the cloud – the scope of solutions is extremely broad.
- We are operating at the highest standards of global security and with nearly 100% availability.
- With OUTSCALE, our unified cyber governance, we offer three levels of trusted cloud - dedicated, private and international. The importance of trust and sovereignty have been elevated and OUTSCALE affords a significant advantage.

4Q22 PERFORMANCE: GEOGRAPHIES, PRODUCT LINES

Now, let's turn to our fourth quarter results and a discussion of the key trends across geos and product lines.

Starting with revenue by geography, and these are fourth quarter, year-over-year growth rates in constant currencies:

Software revenue performance by Geography (ex FX):

- In the **Americas**, growth accelerated to 13% driven by very good performance in Life Sciences, High-tech and Aerospace. In the US, we saw a continued strong preference for subscription. Year-to-date, the Americas represented 40% of software revenue.
- **Europe** demonstrated resilience, increasing 6%, driven by excellent results in France and Southern Europe, and Transportation & Mobility and Aerospace, from an industry perspective. Europe represented 36% of software revenue, year-to-date.
- **Asia Pacific** rose 7%. India and Korea were up double-digits this quarter and year-to-date. Japan performed well, up mid-single digits for the quarter and high-single-digits for the full year. China grew low-mid-single-digits as extended shutdowns continued to weigh on activity. Asia represented 24% of software revenue on a year-to-date basis.

Zooming in, now, on **Product Line Performance, for the fourth quarter**, and these are year-over-year growth rates in constant currencies:

- **Industrial Innovation** delivered strong growth with software revenue up 11% to account for 55% of software revenue.
 - CATIA exhibited continued strong momentum with revenue up mid-single-digits in Q4. Cyber-Systemes and **3DEXPERIENCE** delivered excellent results again this quarter, driven by demand in Transportation & Mobility – especially in electrification, Aerospace and High-Tech.
 - ENOVIA had an outstanding quarter, reporting high, double-digit revenue growth driven by **3DEXPERIENCE**. SIMULIA also displayed very good growth, up double-digits, driven by the high-tech sector.

- In Industrial Innovation, we continue to expand our market share and leadership position with average win rates above 80%, in 2022. If not 100% in some specific cases, for example we are replacing Agile.
- In **Life Sciences**, software revenue rose 12% to 21% of software revenue. MEDIDATA delivered excellent performance again this quarter. Biovia grew mid-single-digits, thanks to customer adoption in both life sciences and materials science. This is extremely core for sustainability
 - The significant value we are providing to life sciences companies extends to our broader portfolio including ENOVIA, SIMULA, CATIA and other leading brands – as you’ve seen with Amgen this quarter and Sanofi, Boehringer Ingelheim and Novartis, recently.
- Now, let’s turn to **Mainstream Innovation**: revenue increased 3% to represent 24% of software revenue.
 - During the fourth quarter, and throughout much of the year, the mainstream market was impacted by macroeconomic uncertainty, particularly by higher levels of inflation. China’s COVID shutdowns continued to be a headwind, affecting SOLIDWORKS’ results – specifically in the upfront license growth – again this quarter.
 - In terms of a potential China reopening, we are hopeful but cautious.

And, now, I’ll hand the presentation over to Rouven to discuss revenue, profitability and our 2023 objectives. Rouven, you have the floor.

ROUVEN BERGMANN, CHIEF FINANCIAL OFFICER

Thank you, Pascal. Thank you, Bernard. Hello from my side, welcome and thanks for joining our call today.

FOURTH QUARTER 2022 FINANCIAL PERFORMANCE: HIGHLIGHTS

I will be commenting on financial performance based on NON-IFRS metrics here and refer you to the Press Release for IFRS metrics.

2022 Q4 & FY FINANCIAL PERFORMANCE: HIGHLIGHTS

Simply put, we had a very good fourth quarter with total revenue growth of 16%, as reported, and 10% at constant currency, and this relative to a high comparison base. These excellent results reflect the confidence and trust our customers have in working with Dassault Systemes, especially in times when volatile macro-economic challenges require to accelerate change.

Software revenue rose 9% at constant currency, driven by strong recurring revenue, up 11%. Subscription growth accelerated to 18% in Q4, and license revenue recognized upfront grew a healthy 5%.

The combination of Subscription and Upfront license revenue together rose 12% at constant currency, during the quarter. The combined growth of both revenue streams is a good measure to look at the new business growth irrespective of the contracting model and customer preference.

As we continue to increase our share of subscription revenue, it is our conviction that aligning with the business models of our customers, across geos and industries, by offering the flexibility of both subscription and the capex-oriented license model creates a unique differentiation of our platform.

Rounding out the good performance of the quarter, Services revenue increased 15%, at constant currency, during the period. Fourth quarter operating margin was 34.9% and earnings per share rose 20% to €0.34, as reported.

This strong finish complemented very good results for the full year 2022, well in-line with our revenue objectives and demonstrating the resiliency of our model with total and software revenue up 9%. Recurring revenue grew 10% at constant currency, and averaged 78% of software revenue for the year, an increase of 70 basis points, relative to last year. While upfront license revenue was up 6%, we continued to deliver strong subscription growth for the full year, up by 15%. Here, I want to highlight an important takeaway for you: subscription revenue for the FY 2022 is 1.5 times the level of license revenue recognized upfront and is growing significantly faster. This is an important milestone, and as you will see in our 2023 outlook - it is the foundation of our growth model. Together, subscription plus upfront revenue was up 11%.

In 2022, we fully executed our strategic investment plan, aligning us with our long-term growth initiatives; we will capitalize on these investments in 2023 and beyond. I will elaborate further on this point in a moment. At the same time, as you can see from the numbers, we delivered on our profitability objectives. For the full year, earnings per share grew 19%, to €1.13, as reported, well-ahead of the objective we set at the beginning of the year.

3DEXPERIENCE, CLOUD

Our growth drivers of **3DEXPERIENCE** and Cloud delivered excellent results again this quarter. Clients - from large established enterprises to new players and disruptors - are adopting **3DEXPERIENCE** and Cloud to unlock the full potential of virtual twin experiences to accelerate innovation, scale operations and propel growth.

- **3DEXPERIENCE** revenue grew 24% at constant currencies and accounted for 37% of software revenue in Q4, an increase of 4 points relative to last year. On a full year basis, the growth was 22% with a share of 33% of software revenue up by over 3 points.
- **Cloud revenue** rose 22%, ex-FX, driven by continued strong Medidata performance, up 13% on top of a strong comparison base, and very healthy growth in **3DEXPERIENCE** cloud. For the full year, cloud revenue is up 22% improving its share by 3 points to 23% of software revenue.

Now, let me turn to the fourth quarter financial results and how we performed relative to the objectives we set.

FOURTH QUARTER FINANCIAL PERFORMANCE VS OBJECTIVES

Total revenue of €1.584 billion was €36 million higher than the mid-point of our target range, reflecting the resilience of our model and strong execution by our team. We reported software and services revenue above the midpoints by €7 million and €10 million, respectively. We benefited from an FX impact of €19 million, during the period.

We reported an operating margin of 34.9%, in line with the objectives. Relatively stronger revenue growth partially offset higher expenses, resulting in a net negative

impact of 0.5 points. There was no FX effect on the margin as revenue and expense impacts offset one another, during the period.

It is clear from the numbers; we delivered on our profitability targets while hiring nearly 400 net new team members, during the quarter. In Q4 we fully completed our strategic investment plan. We grew headcount by 10% year-on-year, overall, with more than 50% of new R&D hires in India, of which a significant portion fuels MEDIDATA's continued momentum.

Now, turning to fourth quarter earnings per share: we delivered strong growth of 20% to €0.34, as reported, well aligned with our objective range of 12-18%. The growth in Q4 EPS benefited from:

- a lower tax rate and higher financial income contributing 1.2 cents, and
- a slightly more favorable US Dollar/Euro conversation rate had an impact of 0.5 cents

The non-IFRS tax rate for the quarter of 19.0% versus our guidance of 21.4% was driven by a continued benefit from higher FDII tax deduction in the US.

CASH FLOW AND BALANCE SHEET (FY 2022, IFRS)

Turning now to cash flow and balance sheet items:

Cash and cash equivalents totaled €2.769 billion, compared to €2.979 at the end of last year, a decrease of €210 million.

Our net financial debt at December 31, 2022 decreased by €662 million to €227 million, compared to €889 million at December 31, 2021. This keeps us well ahead of schedule on our deleveraging objective.

Now, let's look at what is driving our cash position at the end of 2022:

First, Operating Cash flow is slightly down year over year by 5%, mainly due to two effects: First, looking at the changes in Operating Working Capital: The timing and seasonality played a critical role in the second half of the year as collections in Q4 were impacted by the lower Q3 activity. At the same time, in Q4 we signed large deals

and renewals invoiced before the end of the year resulting in a strong increase of receivables. As you would expect, we will see the corresponding positive impact at the time of collections in early 2023.

Secondly, as it relates to the change of non-operating working capital and the evolution of non-cash items, the largest impact is related to higher tax payments in the United States in 2022 – as discussed in previous quarters - due to mandatory capitalization of R&D expenses for tax purposes. Consequently, the deductibility of these expenses is delayed resulting in an increase of cash taxes we pay. The total one-time net cash impact for the FY was about €130M. Adjusting for this amount, plus an unfavorable impact from the delay of tax reimbursements, Cash Flow from Operations would have been up 5%, on a strong 2021 baseline.

As we've said before, we're committed to returning value to our shareholders through innovation, strategic acquisitions, stock repurchases and prudent use of debt and our dividend. Consequently, in 2022, we used operating cash for share buy-backs, net of proceeds from stock option exercise at a total of €379 million, we paid out dividends of €224 million, and repaid debt at the level of €886 million, net of proceeds from 250 million Commercial Paper issued in the second half of the year.

Lastly, of note, we had a benefit of €71 million from FX during the year which is much lower than at the end of Q3 due to the strong increase of Euro vs USD in December of 2022.

OBJECTIVES: FISCAL 2023

Now, let's turn to our fiscal 2023 objectives.

Looking to 2023, my main message is that we are on track to achieve our long-term financial objective of €1.20 Earnings per Share well in advance. This underscores the resilient business model and the focused execution to double EPS according to our long-term plan.

Total revenue is expected to grow between 8-9% at constant currency to a range of €5.925 - €5.975 billion. Software revenue growth rates are in line with 8-9%.

We anticipate recurring revenue to increase by 10-11% and license revenue recognized upfront to grow between 2-5%. As such, we expect the share of recurring revenue to increase by 100 basis points for the full year to 79%. We are forecasting subscription revenue to accelerate growth by over 200 bps to a range of 17-18%, driven by continued strong **3DEXPERIENCE** and cloud growth of approximately 20%, and keeping us on the trajectory to achieve the target of €2 billion by 2025. As we always said, it is our objective to progressively increase the share of recurring revenue from subscription and cloud. At the same time, we continue to leverage our leadership position to capture more of the market to increase our growth rate of new business: This is reflected in the combination of the growth of subscription and upfront revenue from licenses, which is expected to accelerate by up to 200 bps to a range of 11-13% in 2023.

For services revenue, we are targeting 5-7% growth, reflecting robust activity, delivering innovation to clients across all segments, and with good margin.

Turning to profitability, our 2023 operating margin objective is 32.3% - 32.6%. This is 60 basis points below last year and reflects the carry over effect from our 2022 investment plan. Last year, to compensate for relatively lower levels of investment during the pandemic, we accelerated hiring engineers, sales, and services resources to sustain our long-term growth. As I mentioned earlier, this investment plan has been successfully completed. This year, in 2023, we will capitalize on the previous investments and reduce the hiring rate significantly to absorb the run rate and reduce expense growth, which will allow us to snap back to the margin level of 2022 by 2024.

OBJECTIVES: FIRST QUARTER 2023

Before closing, let me briefly share our objectives for the first quarter:

We are targeting revenue growth of 7%-9%, at constant currency, with recurring revenue increasing 10-11%, driven by strong subscription growth of 12-16%. We are forecasting upfront license revenue growth down in the range of negative 7% to negative 2%. The reason for the soft start in the year is simply a very strong comparison base and the high potential for continued headwinds for our business in

China. While we are hopeful for a return to more normal operations, we want to be prudent.

For services revenue, we are predicting 11-12% growth, in Q1.

In terms of profitability, we are forecasting operating margin of 30.7%-31.3% and diluted EPS of €0.27 - €0.28. This reflects the seasonally lower margin profile in Q1 and higher expense level from the carry over effect mentioned above which will improve throughout the year. Also, please keep in mind that Q1 last year was exceptionally low as many COVID related restrictions were still in place.

For additional information, and to review what we've discussed, I'll refer you to today's earnings presentation.

FINANCIAL PERFORMANCE CONCLUSION

In conclusion, 2022 was a year highlighting the resiliency of our business. We continued to advance our strategic priorities, gaining market share, and strengthening our leadership position. You see this reflected in accelerating both recurring revenue and subscription growth by leveraging **3DEXPERIENCE** and cloud. We completed our investment plan to support our long-term growth opportunities while delivering on our profitability targets with EPS growing 19% for the year. For 2023, we are providing a strong guidance - despite the challenging macroeconomic backdrop - positioning us to advance towards our EPS objective of €1.20 – which puts us ahead of the schedule.

Therefore, we invite you already this year to our next Capital Markets Day this coming June, at our headquarters in Paris to talk about the next long-term Financial Plan. We hope you can join us!

And now, Bernard, Pascal and I will be very happy to take your questions.

###