

DASSAULT SYSTEMES
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FINAL

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Vice President, Investor Relations

Thank you for joining us on our first quarter earnings conference call. Presenting today are Bernard Charles, Vice Chairman and Chief Executive Officer, and Pascal Daloz, Executive Vice President, CFO and Corporate Strategy Officer.

Some brief reminders:

- Dassault Systèmes' financial results are prepared in accordance with IFRS. During 2018, the first year of implementation of IFRS 15, we are providing IFRS financial information on both an IFRS 15 and IAS 18 basis.
- All figures and comparisons on this call are presented under IAS 18 and are on a non-IFRS basis with revenue growth figures in constant currencies, unless otherwise noted. We have provided supplemental IFRS 15 and IAS 18 non-IFRS financial information and IFRS-non-IFRS reconciliation schedules in our earnings press release.
- Some of the comments on this call will contain forward-looking statements that could differ materially from actual results. Please refer to today's press release and to the Risk Factors section of our 2017 *Document de référence*.

A copy of this morning's webcasted presentation is available on our website and these prepared remarks will be on our website shortly after the call.

I would now like to introduce Bernard Charles.

Bernard Charles
Vice Chairman and Chief Executive Officer

Good morning and good afternoon.

**DELIVERING BROAD-BASED GROWTH WITH 3DEXPERIENCE
SOFTWARE UP STRONGLY**

We delivered a very good start to the year on broad-based growth with 3DEXPERIENCE software up strongly. The first quarter performance and activity demonstrated the improving breadth and balance of our growth.

- Our strong software revenue, licenses software and earnings per share results were well aligned with our outlook and well support our 2018 financial objectives.
- We benefited from licenses revenue up 14% in total and acceleration in 3DEXPERIENCE licenses revenue which increased over 50%, both figures in constant currencies.
- All three sales channels, all major brands and 9 of our 12 geos contributed to the performance in a significant manner.

The first quarter also well illustrated our social industry experience strategy at work. Social is evident in the increasing Cloud adoption and the introduction of 3DEXPERIENCE for the SOLIDWORKS community. The wins we will discuss are illustrating how we are game-changers, driving customer-centric innovation – whether our clients’ customers are consumers, citizens or even patients.

Finally, based upon our first quarter achievements and outlook for the year, we are reconfirming our financial objectives with a licenses revenue target of 8% to 10% at constant currency.

INDUSTRY REFERENCES AND INDUSTRY SHAKERS

The 3DEXPERIENCE platform and industry solution experiences are bringing strong value to industry leaders, who are serving as references as they lead transformations in their sectors, and to industry shakers, who are changing the game and looking to scale rapidly.

And together they are triggering a major evolution.

THE INDUSTRY RENAISSANCE

You can see this all around you and all around the world – we are experiencing a truly global Industry Renaissance, bringing new ways, real and virtual, of inventing, learning, producing and trading, triggered by the transformations industry leaders are undertaking and the impact of newcomers to different industries. The leading businesses of the future will be those that empower the workforce of the future and their value networks with knowledge and know-how to deliver new categories of sustainable solutions.

From our perspective, Industry 4.0 is yesterday's way of thinking, 'with people applying new technology to old ways of working together'. That is not enough. And digitalization is not enough either, it can be a catalyst but it needs more. Tomorrow is about the makers and innovators, basically the ecosystem, about inventing new things and changing the way you do things in order to innovate with the end-customer or

consumer in mind, leading also to the creation of new services and new content that industries can offer to their clients.

DASSAULT SYSTÈMES, CATALYST AND ENABLER OF THIS TRANSFORMATION

Our 3DEXPERIENCE platform functions truly as an operating system POWERING OUR INDUSTRY SOLUTIONS EXPERIENCES WITH OUR BRAND APPLICATIONS and as a business model, thanks to the MARKETPLACE services. Digital experience platforms are the infrastructures of the 21st century: they have transformed retail, transportation and hospitality services - the industrial world is next.

The 3DEXPERIENCE Marketplace positions Dassault Systèmes as a catalyst and enabler of this transformation by connecting buyers and sellers of design and manufacturing content and services worldwide. Among the first services of the 3DEXPERIENCE Marketplace, which we opened in January, is 3D printing services enabling any buyer, someone who wants to produce a 3D part, to find a seller, someone who is going to produce that 3D part. So we are becoming part of the transaction, bringing together the buyer and the seller, hence the term marketplace.

3DEXPERIENCE PERFORMANCE

The sharp increase in 3DEXPERIENCE licenses revenue in the first quarter proves that our 3DEXPERIENCE platform - thanks to the comprehensiveness of our offer coupled with the POWER'BY approach - opens up entirely new market opportunities. The platform brings unparalleled added value for customers in terms of leadership as well as innovation.

The 3EXPERIENCE Platform's unique values brought to clients is driving growth, increasing contribution and cloud adoption.

- During the first quarter 3DEXPERIENCE licenses revenue increased 53% in constant currencies.
- From a mix perspective, it contributed 34%, a nine-point increase over the year-ago timeframe. Go Lives are continuing with existing 3DEXPERIENCE customers extending their usage and new 3DEXPERIENCE investments are commencing with large customers, including adoption of the 3DEXPERIENCE POWER'BY offer by customers in Transportation & Mobility and Aerospace & Defense.
- Formally introduced earlier this year, POWER'BY will enable all customers to benefit from the 3DEXPERIENCE platform's value immediately without any need for migration of legacy data. There are three levels: to enable social collaboration; to leverage hybrid data for product configuration and bill of materials; or to use the full capabilities of the 3DEXPERIENCE platform.

3DEXPERIENCE CLOUD OFFER

- We also saw our 3DEXPERIENCE cloud activity grow substantially year over year. Our Cloud offer represents for large and small companies, the possibility to reduce to zero the distance to their own clients.
- For the SOLIDWORKS users' community it represents the opportunity to benefit from a wide range of Cloud services, from 3DEXPERIENCE PLM services, to Marketplace, or to SOLIDWORKS xDesign, a browser-based solution.
- Kärcher, the world's leading supplier of cleaning technology, has adopted the 3DEXPERIENCE platform on the Cloud to digitally transform its existing

processes worldwide and be first to market with efficient, resource-conserving cleaning systems, products and services. Kärcher is a member of the German Mittelstand, comprised of Germany's mid-sized companies, who are world leaders in their market segments.

- In Transportation & Mobility, EVELOZCITY, a new electric vehicle start-up in the United States focused on urban mobility, has adopted 3DEXPERIENCE on the Cloud with CATIA, SIMULIA and ENOVIA solutions.

AEROSPACE & DEFENSE INDUSTRY

Moving to other new business in the quarter, Lufthansa Cargo, among the world's leading air freight carriers, offering tailored logistics solutions for a wide range of challenging freight consignments, has selected QUINTIQ to balance costs and service levels for optimal customer satisfaction.

More broadly, QUINTIQ provides solutions to complex planning puzzles that all airlines face every hour of the day. It is able to capture and respect unique constraints, such as contract-specific requirements, labor regulations, and resource availability as well as capabilities. Airline companies can define their efficiency, customer service and profitability targets and QUINTIQ gives the tools and the feedback needed to plan according to those targets, and also gives to planning departments the flexibility to handle last-minute schedule changes.

BIO-PHARMACEUTICAL – WITHIN LIFE SCIENCES INDUSTRY

Finally, just a few words on our Life Sciences business. In Bio-Pharma, companies are shifting towards patient-centric innovation in order to create more personalized and effective medicine. Manufacturing and quality control of biologics are much more complex and challenging than chemical compounds triggering a shift to more

predictive and adaptive manufacturing processes. In this regard, Gilead Sciences has selected our BIOVIA brand and our 'Made to Cure' industry solution for continued process verification to produce "as designed" and "as registered" every time.

Let me now turn the call to Pascal.

Pascal Daloz
Executive Vice President, CFO and Corporate Strategy Office

Good morning and good afternoon, thank you for joining us. In my presentation today I will cover our first quarter business review, financial highlights and finish with our financial objectives. We apologize for the technical problems last quarter which inadvertently cut short the Q&A portion of the call. Let's begin.

FIRST QUARTER BUSINESS REVIEW
FINANCIAL SNAPSHOT

We expected a strong start to the year, continuing the strength we saw in the fourth quarter and that was the case.

- Total revenue increased 9%, near the high end of our 7 to 10% constant currency guidance range. Revenue, as reported, was €771.2 million, versus our guidance range of 750-770 million euros, so our currency assumptions were well in line with actuals.
- The operating margin expanded net 80 basis points to 27%, at the high end of our 26 to 27% range. We improved our operating margin 240 basis points, which enabled us to absorb 110 basis points of currency headwinds as well as offset 50 basis points dilution from acquisitions.
- EPS, thanks to the combination of revenue, operating margin expansion and the lower tax rate, grew 11% as reported and 26% at constant currency. EPS was 59 cents, compared to our range of 54 to 57 cents, so well in line with our EPS objective.

Now let's look in more detail beginning with our software revenue performance by region.

SOFTWARE REVENUE BY REGION

In the **Americas**, software revenue increased 11%, led by North America with strong performances for SOLIDWORKS, SIMULIA, DELMIA and BIOVIA.

In **Europe**, software revenue was higher by 6%, on a strong comparison base and was led by France and Southern Europe.

The most dynamic region during the quarter was **Asia**, up 16%, where we enjoyed broad-based growth across Japan, China, Korea and India and across our three sales channels. All of our major brands, CATIA, SOLIDWORKS, ENOVIA and SIMULIA, delivered strong software revenue growth.

INDUSTRIES PERFORMANCE

The broad-based growth during the quarter also benefited from good breadth from an industry perspective. We had six industries with double-digit software revenue growth including Transportation & Mobility, Industrial Equipment and Aerospace & Defense within our Core industries; and within Diversification, a very good performance from Natural Resources, Consumer Goods & Retail and Architecture, Engineering & Construction.

SOFTWARE REVENUE BY BRAND

Moving to our brands, CATIA licenses revenue were up double-digits led by Asia on strong growth in both our direct and indirect sales channels, and in the Americas with a good progression in indirect sales. 3DEXPERIENCE transactions represented more than half of CATIA's top 20 global wins in the quarter, coming from Aerospace & Defense, Transportation & Mobility, Marine & Offshore and Industrial Equipment.

We estimate that CATIA is involved in 80 electrical vehicle programs, including the recent win with EVELOZCITY, and becomes a reference in this domain.

ENOVIA's software revenue increased 11%, driven by large deals and on a regional basis, was led by Asia and Europe. 3DEXPERIENCE represented over 75% of license software for ENOVIA.

SOLIDWORKS also had double-digit licenses revenue growth on strong performances in Asia and the Americas.

Other Software grew 14%. In addition to SIMULIA, we had a good performance in manufacturing with DELMIA and in mining with GEOVIA.

SIMULATION: OUR SIMULIA BRAND IN FOCUS

Today, let me focus on our SIMULIA brand and share some further details with you. Over the last two years we have significantly enhanced our multi-physics simulation capabilities. We now cover more than 70% of the core physics market with leading technology in structural, electromagnetic, in particular high frequency which is so critical to enable Internet of Things or Smart products, Smart mobility and Smart industry, and in advanced fluids simulation with next-generation Lattice-Boltzmann technology with the EXA acquisition completed in November of 2017 and our earlier fluids acquisition.

In turn, we have strengthened our market leadership position and we believe that among PLM players we are on a pro forma basis in the number two position from a software revenue perspective.

Based upon first quarter results, our SIMULIA brand represents more than 15% of our total software revenue. Its total growth benefited from the addition of EXA, which

by the way, had a very good start. On an organic basis, SIMULIA's software revenue increased 9%, driven by Transportation & Mobility with OEMS, in High Tech with leading consumer electronics and semiconductor companies, and in Medical Devices within the Life Sciences industry.

FINANCIAL HIGHLIGHTS SOFTWARE REVENUE

Moving to our key financial figures, software revenue increased 10% in total. On an organic basis, software revenue grew 8%, a very solid level of growth. Looking at the details, demonstrates the improving breadth of our performance.

- We had a solid growth across all three sales channels and 9 of our 12 geos.
- Our major industries and a number of diversification verticals also grew software double digits.
- Across all major brands we had a very good licenses dynamic.
- And, as we anticipated last quarter, we saw increasing growth from 3DEXPERIENCE. The first quarter also reflected continuing strength for SOLIDWORKS, which would expect to continue but at a more moderate level given the strong year-over-year comparisons in the next coming quarters.

We saw a good performance coming from Licenses and Other software revenue which increased 14% - this is also the organic growth figure, and from Recurring software revenue, which increased 9% in total and 6% on an organic basis. Our Support revenue (formerly called maintenance) continued to demonstrate excellent renewal rates in all three regions. EXA's software is only sold on a Subscription basis and will enhance our subscription revenue dynamic.

SERVICES REVENUE

Moving to services, we indicated in February that 2018 would be a start-off point for growth over the next several years given the large increase in committed services engagements that we have. In the first quarter we had strong growth in 3DEXPERIENCE related services. Overall services revenue was flat on mixed performances by several brands, so services came in about €6 million below our target.

OPERATING MARGIN EVOLUTION

Our first quarter operating margin of 27% came in at the high end of our objective range and increased 80 basis points compared to the year-ago first quarter. As mentioned earlier, we had an underlying improvement of 240 basis points in the operating margin, absorbed currency headwinds of 110 basis points, and offset acquisition dilution of about 50 basis points.

EARNINGS PER SHARE

Earnings per share was also well aligned with our objectives. EPS increased 11% with currency headwinds hiding our true progression. In constant currencies EPS increased 26%, benefiting from our revenue growth, operating margin performance and lower effective tax rate.

CASH FLOW & BALANCE SHEET

Our cash flow from operations was up 17% in the first quarter to 407 million euros, reflecting our net results and improvement in working capital.

Excluding currency effects, unearned revenue under IAS 18 increased 9% in total and 6% on an organic basis, well aligned with recurring revenue growth figures on the same basis.

In the Appendix to the earnings press release we discuss the impact that IFRS 15 has on unearned revenue and therefore the figures are not comparable at March 31st under IFRS 15 and IAS 18. This is due to the fact that the March 31, 2018 balance sheet line item unearned revenue has been reduced by €158 million under IFRS 15, reflecting mainly (i) the one-time permanent difference of €110 million and (ii) the higher amount of recurring revenue recognized in the first quarter under IFRS 15 compared to IAS 18 in the amount of €49.4 million.

FINANCIAL OBJECTIVES UNDER IAS 18

We are reconfirming our Full Year 2018 Non-IFRS financial objectives for revenue, operating margin and earnings per share as well as our principal currency exchange rate assumptions.

Underlying our objectives, let me provide key details:

- We are reconfirming our target for licenses revenue growth of 8 to 10% in constant currencies for 2018, to reflect improving breadth, with an increased contribution from 3DEXPERIENCE and good growth for SOLIDWORKS but moderating from the 2017 pace.
- We expect recurring revenue up 7 to 8% in constant currencies, coming from solid growth in both Subscription and Support revenues.
- For services we are confirming that it will be back to growth in 2018, up about 9%. With software performing better than services in the first quarter, we did moderate the growth rate for services from the 12% growth initially.

- We are confirming an effective tax rate of about 29.7% for 2018 compared to the 33.2% in 2017.

These assumptions aggregate to total revenue growth of 8% to 9% in constant currencies, an operating margin of 31 to 31.5%, which embeds acquisition dilution of about 60 basis points and negative currency impacts estimated at 40 basis points; and EPS of 2.83 to 2.88 euros, representing growth of 6% to 8%, or 11% to 13% at constant currency.

Turning to the second quarter, let me begin with some key details supporting our financial objectives. First, with respect to licenses revenue, we are targeting a growth rate of between 6% and 10% in constant currencies, which would bring our First Half licenses revenue growth rate to between 9% and 12% at constant currency. Second, a good level of recurring software revenue growth, up between 8% and 9%, and third, services growth of about 9 to 14%. Combined altogether, we are targeting total revenue growth of 8 to 10% and earnings per share of about 65 to 68 cents, representing a reported growth rate range of 5 to 10% on heavy currency headwinds – the EPS growth rate at constant currency would be about 16 to 22%.

Let me turn the call back to Bernard.

Bernard Charles
Vice Chairman and Chief Executive Officer

SUMMARY

I believe the first quarter illustrates very well where we want to go this year.

- First, we delivered a strong start to the year on improved breadth and balance. Our long track record of performance, with growth in revenues, earnings and cash flow have been enriched by our multiple growth drivers.
- Second, our results demonstrate our strategy at work and our focus on strengthening our execution. As a result, we are expanding our market positions across the major value streams of our clients.
- Third, the 3DEXPERIENCE platform's power both as an operating system and as a business model are now both evident with the introduction of our first Marketplace set of services.
- Fourth, 3DEXPERIENCE on the Cloud opens up new market opportunities for industry expansion, to new types of users and for business model expansion.

We look forward to welcoming many of you to our Capital Markets Day on June 15th to meet with all members of the Executive Committee, some of our next-generation leaders and several of our clients.

Pascal and I would now like to open the call to your questions and thank you for your participation in this call and the earlier webcast.