

## First Quarter 2025 Earnings Conference Call

### 24th April 2025

#### **BEATRIX MARTINEZ, Vice President, Investor Relations**

Thank you for joining our Fourth Quarter and Full Year 2025 earnings conference call with Pascal Daloz, Chief Executive Officer, and Rouven Bergmann, Chief Financial Officer.

- Dassault Systèmes' results are prepared in accordance with IFRS.
- The financial figures discussed on this conference call are on a non-IFRS basis, with revenue growth rates on a constant currency basis, unless otherwise noted.
- Some of the 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 2024 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 hand over to Pascal Daloz.

#### **PASCAL DALOZ, Chief Executive Officer**

Thank you, Beatrix and good morning and good afternoon to everyone.

Thank you for joining us today.

It's always a pleasure to do this call here in London and we had the pleasure to see some of you this morning, Let's start with Q1 earnings announcement.

I think we've had a strong start to the year, with subscription and 3DEXPERIENCE revenues driving our EPS to the high end of expectations.

Here are a few key highlights:

- **Software growth:** +5%, driven by:
  - Subscription revenue: +14%
  - 3DEXPERIENCE revenue: +17%

And before handing it over to Rouven for more details on our financials and guidance for Q2 and for FY2025, I really would like to emphasize three key points:

1. **The First one**, in today's volatile environment, with tariffs affecting many sectors, I think we are well-positioned to help our customers navigate uncertainty.
2. **Second one is**, in February this year, we introduced the next generation of our customers' virtual universes—and we call it the 3D UNIVER+SES.

I think Companies eager to integrate AI often struggle without a unified platform to do it.

This is where 3D UNIVER+SES comes in, transforming 3DEXPERIENCE into a next-generation platform for knowledge and knowhow, and positioning it as a global IP management platform.

3. **My Third comment is**, we are actively investing in 3D UNIV+RSES. And I'll discuss this further, including our acquisition of ContentServ and our strategic investment in Click Therapeutics.

Now, let's take a closer look at the sector trends and key wins.

### **Starting with Manufacturing**

We saw strong resilience across the manufacturing industries in Q1:

- **Transportation & Mobility** performed well in China, Japan, and North America where we are achieving double digit growth. We are expanding with key Chinese players, now including BYD, but also Xaomi and Xpeng and we continue also to tackle the new entrants in the EV market.

More broadly I think the manufacturers in this industry everywhere are reassessing the strategies due to tariff pressures, and we are well-positioned to help them adapt quickly and optimize their supply and demand chains.

- **Aerospace & Defense** they will maintain a solid momentum, supported by the rising demand and continued investment in key programs in the commercial but also in the defense and space.

- **High Tech** saw continued momentum, driven by broader adoption of our electromagnetic simulation for consumer electronics, but also and energy-efficient infrastructure for cloud data centers.

### **Life Sciences**

In Life Sciences, I think we are seeing a big shift, a shift from the R&D and the clinical trials toward manufacturing and supply, and it is a trend which is further accelerated by tariffs.

The Demand for end-to-end platforms that connect R&D and manufacturing is rising as a consequence

It is extremely visible with Sanofi or Amgen's expansion of the 3DEXPERIENCE platform across the entire value chain reflecting this evolution.

We also saw an expansion of MEDIDATA with some key players like Regeneron, and also new clients such as Merck KGaA.

### **Infrastructure**

In the Infrastructure & Cities sector, the demand for sovereign infrastructure is rapidly increasing, and we are accelerating our expansion.

While the energy transition, and particularly the nuclear, remains a core focus for us, sovereignty today extends beyond energy to include defense, security, but also the digital infrastructure especially building AI capabilities through high-performance data centers within national borders.

Now let's look at some key wins this quarter:

In **Transportation & Mobility**, we've entered a strategic partnership with XPeng, one of the fastest-growing EV manufacturers, driving the future of the smart mobility:

- XPeng is really reshaping the EV landscape with innovative electric vehicles and autonomous driving technology, but they are also expanding their reach, their international reach at the same time.
- Their **XPeng G6**, for example, which competes directly with premium EVs, offer really high performance and rapid charging (10% to 80% in just 20 minutes), and a suite of premium features such as the advanced autonomous driving systems—and all of this at a competitive price point.

- This partnership leverages 3DEXPERIENCE to drive innovation, accelerate the time-to-market, and I think it is setting new benchmarks in smart mobility.

I think It's a strong signal: even in a sector challenged by tariffs and all the disruption, you can see that the innovation the leaders are choosing us to accelerate and scale.

### In **Life Sciences**,

Merck KGaA has selected Medidata as its new standard for clinical development:

- This is both a new logo because we never had an Enterprise agreement with this company. And but it is also a competitive displacement from one of our competitors.
- Merck aims to streamline its clinical trials and increase speed and that is the reason they've chosen us to make that possible at the same time they want to reinsource the clinical trials they outsourced to CROs. Reason they are looking for productivity in this space
- The Medidata platform offers end-to-end capabilities for managing the full clinical lifecycle.
- Importantly, thanks to Clinical Data Studio we provide seamless access to integrated data from all sources (not only EDC) - without compromising data quality.
- They'll also benefit from our deep domain expertise, particularly in oncology, thanks to what we call the pre-configured templates.

So in this competitive space, this win is underscoring our ability to not only defend our competitive position but also to expand it.

Let's now shift to **sovereign infrastructure**.

Today, technological superiority is critical to national security, and we see more and more startups which are playing a pivotal role in reshaping this landscape.

This quarter, we signed with **RAPHE**, an Indian defense startup developing cutting-edge autonomous drones with an in-house design and also manufacturing capabilities.

Their goal is to achieve speed and sovereignty by leveraging the breakthrough technologies such as 3D printing and precision-grade electronics to become self-sufficient in the production.

RAPHE selected the 3DEXPERIENCE platform to scale quickly - cutting development cycles from years to months and enabling full autonomy in manufacturing. Which is extremely critical.

We are enabling the next wave of defense innovation.

Let's now talk about **Gen 7**.

Back in February this year, during our full-year results, you remember we introduced **3D UNIV+RSES**, our Gen 7 virtual universe for our customers.

Keep in mind that for more than 40 years, we've been building Virtual Worlds for Real Life, with one constant promise: creating a scientifically accurate representation of the world.

And 3D UNIV+RSES mark a fundamental shift, integrating modeling and simulation, powered by AI and spatial computing at the same time, and within one single immersive environment. And speaking of immersive environments, we're thrilled to announce our partnership with **Apple** to bring this vision to life.

**3D UNIV+RSES**, powered by the 3DEXPERIENCE platform, is now natively integrated with **Apple Vision Pro**.

So, I don't know if we have the video, so for the ones who attended this morning we had the video

You can immerse yourself in a life-size experience, navigating with your eyes, hands, and voice, bringing your entire team along - no matter where they are.

For us it is a way to have Virtual twins on the 3DEXPERIENCE platform now interact seamlessly with the physical world, all with scientific accuracy.

And this is creating a radically different way to innovate - a true game-changer for

- creativity,
- productivity,
- learning,

- and customer experiences. Design review, interview also with some practitioners

The possibilities are really limitless.

Speaking of investments, In March, we also acquired **ContentServ**, the leaders in AI-powered Product Information Management (that we call PIM) PIM is really solution centralizing all the product data, more from the specifications, the descriptions, images—marketing materials all in one place.

They combined it also with what we call the Product Experience Management (PXM), which is another system, which is basically gathering all the marketing data, but specializing it for each channel you will use to reach the customer and this is extremely helpful to get the customer feedback before basically you will launch the production but also to drive personalization and the conversions.

This customer is based in Germany, With 200 employees and 1,600 clients across many industries but more specifically consumer goods, retail, and electronics, I think this is a perfect fit for our strategy because when we integrate ContentServ with Centric we ensure that from the moment a product is developed, it's enriched, optimized, and ready to be converted.

This really helps our customers shorten time to market, to boost sell-through, and personalize at scale.

This quarter, we also reinforced our commitment to the patient journey in **Life Sciences**.

We made a strategic investment in **Click Therapeutics**, a leader in prescription digital therapeutics and software-enhanced drug therapies and software enhanced drug therapies.

They recently received an FDA approval for the first digital treatment for episodic migraine.

This partnership really extends the **Medidata's** patient engagement beyond the clinical trials - I think we are maintaining continuous connections with patients Throughout the commercialization and beyond.

And I think it's a crucial step toward integrating the patient journey starting from R&D to the real-world care, this is positioning us as a key player in the evolving healthcare ecosystem.

Now In conclusion, I think we have a tremendous long-term opportunity ahead.

While the markets are volatile, the need for our solutions has never been greater and recognized by our customers.

3D UNIV+RSES is really the ideal environment to harness Artificial Intelligence, and we are committed to making it trustable for our customers -enabling them to deploy AI at scale while at the same time we are safeguarding their intellectual property.

Our direction is clear: to be the trusted partner who helps customers stay ahead, while we continuously strengthening our barriers to entry.

This commitment will guide us as we move forward.

Now I think it is time to hand over to Rouven for the Financial details.

## **ROUVEN BERGMANN, CHIEF FINANCIAL OFFICER**

Thank you, Pascal and thank you to everyone for joining today's Earnings call. As you heard from Pascal, our Q1 results were good and in line with our expectations across key growth areas in the Manufacturing industries, driven by strong subscription growth, up 14%.

Operational efficiency was good as we reached the upper end of our EPS guidance and saw strong growth in operating cash flow, increasing by 21%.

### **1Q25 PERFORMANCE AT A GLANCE**

Turning to results.

Total revenue was up 4%, with Software growth of 5%, driven by good subscription growth up 14%.

As you can see, the momentum continues to build. When excluding Medidata, subscription growth was up 21% YOY over the last 12 months. This was due to renewals and a baseline effect from large deals signed in previous quarters. Recurring revenue grew 7%, and now reflects 86% of Software revenue. Service revenues were negative in the quarter, mainly due to some timing effects related to the start of new projects, which we expect to normalize in the year.

Operating margin came in at 30.9%. Our EPS in the quarter was €0.32.

Now... with that, let's review how our growth drivers performed.

### **Growth Drivers**

While 2024 set the motion in a series of competitive wins and the expansion of 3DEXPERIENCE across industries, domains and geographies - NOW in 2025, we expect continued momentum in the adoption of 3DEXPERIENCE driven by AI and Cloud.

In Q1, **3DEXPERIENCE** grew 17% and now makes up almost 40% of eligible software, up 3pts from 1Q24.

While **Cloud** revenue for the Group was up 7% ex-fx in the quarter, we saw strong momentum in the adoption of 3DEXPERIENCE Cloud, up 41%. Over the Trailing Twelve Month basis, 3DEXPERIENCE Cloud revenue is growing to €270 million. This confirms the positive dynamics as our clients across the Manufacturing industries embrace the potential of our platform and AI. Cloud now represents 25% of our 1Q25 software revenue.

### **1Q ACTUAL VS OBJECTIVES**

Now, let's review briefly how we performed relative to our objectives in the 1Q25:

Total revenue came in at 1.573 billion, or 5 million above the mid-point, benefitting from a positive currency effect.

Operating margin was 30.9%, about 10 basis points below the mid-point. Selective investments in business growth were balanced by continued disciplined expense management.

EPS at €0.32 was at the high end of the range, thanks to a solid operating performance, good financial income and slightly positive currency impact.

### **SOFTWARE REVENUE BY REGION**

Now, let me turn the focus on our geos and product lines:

**Europe** up marginally up in Q1, on tough comps. We saw good growth in Aerospace Offsetting negative growth in T&M, Home & Lifestyle and High-Tech Industries also had a solid quarter in Europe.

In the **Americas**, revenue was up 7% in Q1 which was led by broad-based strength across the manufacturing Industries, most notably Aerospace & Defence, also T&M, and High Tech. Following 3DEXPERIENCE World in the US, we saw strong engagement with our customers firming up their roadmaps to adopt 3DX and accelerate the use of AI and Generation 7.

In **Asia**, performance was solid, with first quarter growth led by double-digit in **India**, while **AP South** and **Korea** were up high single digits. The **China** performance was resilient and impacted by high comps when compared to last year Q1.

## **SOFTWARE REVENUE BY PRODUCT LINE**

Now let's review our Product Line Performance:

**Industrial Innovation** Software revenue grew c. 8% in Q1. AI and Cloud act as catalysts for the adoption of 3DEXPERIENCE. This is driven by the demand for next generation use cases to operate in an increasingly competitive and complex world. Looking at the brands, Catia and Delmia were up high single digits, while Netvibes, Enovia and 3DEXCITE were all up double digits.

**Life Sciences** was flat in the quarter.

2024 was a year of transformation to re-position Medidata in our Life Sciences Strategy. This strategy was validated by good Q4 renewals with several Top 10

Pharma, including several win-backs and platform expansions with our most strategic accounts.

Now in Q1, we had a mixed picture. On one side a continued positive trend in the Mid-Market across US and Europe. In the large Enterprise segment, we won Merck KGaA as a new customer as you just heard from Pascal.

On the flip side, CRO partners continued to adapt to a more cautionary environment of clinical trial starts with booking levels remaining low and revenue contribution decreasing. This impacted Medidata growth by 1-2 pts.

Important to highlight, Despite the volume headwind, we expanded our market share by over 1 pt. in clinical trials, driven by large share gains in Phase III and II.

Now I would like to make one additional remark for the the business dynamic for Large Pharma. We see more and more this business is being driven by innovation and transformation from lab to manufacturing. We are strategically positioned to cover the entire value chain, leveraging the strengths of the 3DEXPERIENCE platform in this industry, as evidenced by our partnerships with Sanofi and Amgen.

**For Mainstream Innovation** grew 2% in the quarter, after strong performance in 2024. SolidWorks was up low single digits. We saw Solid bookings and good subscription growth, which confirms the shift in business model and momentum of 3DEXPERIENCE adoption. However, we noted in the last weeks of March a more muted quarter-end uptick which we believe reflects some caution in the purchasing behaviour in a changing, more uncertain market environment.

Centric was down on timing differences of renewals after an exceptional year of growth in 2024. And we expect good performance for the remainder of the year.

As you heard earlier from Pascal, we successfully completed the ContentServ acquisition in the first quarter. This positions Centric as a business platform for consumer centric industries. ContentServ adds a real time feedback loop into the market, to adapt product design, pricing and sourcing strategies, leveraging AI.

## **CHANGE IN CASH AND DEBT POSITION**

Now let me turn now to cash flow and balance sheet items:

Cash and cash equivalents totaled €4.243 billion at the end of Q1 2025, compared to €3.953 billion at the end of 2024, an increase of €290 million.

At the end of Q1 2025, our net cash position totaled €1.788 billion, which represents an increase of €329 million, versus a net cash position of €1.459 billion on December 31, last year.

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

We generated €813 million Operating Cash Flow in the first quarter, which is an 21% increase versus Q1 2024. These are excellent results and they were driven by positive working capital, as accounts receivables decreased, with DSOs down by 10 days versus Q4, and they also reflect good cash collection following 4Q wins.

For further detail, please see our Operating cash flow reconciliation published this morning.

The Cash conversion of 90% on a non-IFRS Operating Income highlighting was strong on a Trailing Twelve Month basis. This reflects good cash collection trends across both ongoing multi-year partnerships as well as recent signings. And we expect cash conversion to be in line with our prior projections in the mid-80 percent range.

To sum up, Operating Cash Flow was mainly used for acquisitions and investments, totaling €287 million. This includes the acquisition of ContentServ of €191 million and €56 million for investments in CAPEX. We also repurchased Treasury Shares for €80 million in the quarter and repaid short term debt of €59 million.

## **2Q25 & FY25 FINANCIAL OBJECTIVES**

Now, let me turn to our fiscal year 2025 outlook.

When entering 2025, our approach was to provide a risk adjusted financial outlook for the year. Since then, the introduction of new tariffs has created a more volatile

market environment in some of our end markets. While the pipeline remains resilient, we could be impacted by delays in decision making. Overall, our visibility for now remains aligned with the mid-point of guidance, and therefore we keep it unchanged.

As such, our full-year targets of 6-8% in revenue growth and 7-10% growth in EPS remain the same.

As it relates to the margin, we decided to provide headroom to make focused investments in Gen7. Now is the right time. The year-on-year margin improvement is now 50 – 70 basis points versus 70 - 100 basis points previously.

We are a long-term company, and a reliable trusted partner to our customers. This is what our customers value most.

In this constantly changing global environment, we see the 3DEXPERIENCE platform in combination with Gen 7 as a strategic choice for our clients to be future-ready as outlined by Pascal.

Now, for Q2 – let me provide some additional insights which will help you to update your models:

Like in Q1, we are guiding to a wider than usual range in the second quarter of 3-7% top line growth. This takes into account market uncertainty and caution on the timing of deal closing based on current information.

To complete the picture, subscription growth is anticipated in the range of 10-15% and Upfront License revenue between - 6% to +1% growth. For services, we expect 3-7% growth with good bookings from prior periods converting to revenue.

In terms of profitability, we expect the operating margin to be in the range of 29.8% to 29.9%, and the fully diluted EPS at €0.30 – 0.31 or up 1-5% y/y ex-FX.

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

In conclusion, our conversations so far with customers across geos and industries support our growth ambition. However, the recent tariff announcements have increased uncertainty in the macro environment and the situation will most likely remain dynamic for a while. As previously stated, 3DEXPERIENCE Cloud and AI continue to be the primary growth driver. It has created a shift in the market dynamics as evidenced in several competitive wins. Clearly, customers who are advancing the adoption of 3DEXPERIENCE benefit more than others. The pace of adoption will support either the upside scenario, or potential downside as reflected in our 2025 revenue range.

Thank you again for joining us this afternoon or this morning in the US – now Pascal and I look forward to taking your questions.