

First Quarter 2024 Earnings Conference Call

25th April 2024

BEATRIX MARTINEZ, Vice President, Investor Relations

Thank you for joining our First Quarter 2024 earnings conference call with Pascal Daloz, Chief Executive Officer, and Rouven Bergmann, Chief Financial Officer, here in London.

- 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 2023 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.

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

24Q1 AT A GLANCE

Let's start first with the first quarter results.

- Software revenue rose by 7% driven by 3DEXPERIENCE up 29%.
- We delivered an operating margin of 31.1%, slightly overperforming our profitability objective, thanks to disciplined cost management.
- Our EPS was strong, up 12% at constant currency.

In the first quarter, our 3DEXPERIENCE business delivered strong results, with a significant number of top industry leaders in Manufacturing now onboarded to our platform. They benefit from its science-driven approach, integrative capabilities, and cloud flexibility.

Looking ahead, we have a strong 3DEXPERIENCE pipeline.

In Life Sciences, we're devoted to replicating our success in other industries, providing an end-to-end platform. This transformation lays the foundation for sustainable new sources of growth.

In the short term, we anticipate MEDIDATA's return to growth in the second half of 2024.

Therefore, supported by the 3DEXPERIENCE business good momentum and MEDIDATA's outlook, we confirm our guidance for the full year.

Now let me say a few words about the vision and strategy.

STEPPING UP IN A GENERATIVE ECONOMY

While we are rooted in the present, we also want to make a positive impact on the world. Shaping the Generative Economy is the next step in our journey. The Generative Economy goes beyond extending virtual twins to living organisms: it's about learning from life to adopt net-positive ways of living – and the way I am describing it, giving back to the planet and society more than what we take for manufacturing, trading and using products and services. To do this, we need a more holistic view of the entire life cycles and impact becomes critical. For example, mobility involves environments with passengers, vehicles, buildings, and air quality: we need to create virtual twins of all these different systems to master the impact. In Life Sciences, it is exactly the same: cancer is the result of an organic process.

UNIFYING THE VIRTUAL & THE REAL

To support this transformation, we combine multiple virtual twin experiences together into UNIV+RSES that unify virtual and real at the same time. During the last quarter, we showcased a concrete example of early adoption of our UNIV+RSES by Biogen, a leading American biotech company specializing in neurological diseases. They connect virtual twins of the patient's brain and spinal column with drug virtual twin to determine the optimal drug injection site, illustrating the practical use of UNIV+RSE to transition from *in vivo* to *in silico* testing.

GENERATING SCIENCE-BASED UNIV+RSES

This holistic approach is made possible through our 3DEXPERIENCE data science platform, enabling clients to connect data from experience with models from science.

With the 3DEXPERIENCE data science platform, our clients have already achieved impressive results. Here are a few:

- In Aerospace and Defense: customers are improving the reliability and availability of critical assets.
- In Consumer industries: clients are tracking churn to find a way to reduce it and increase cross-selling and upselling opportunities and pricing management.
- In Transportation and Mobility: Most customers are using genAI to for flexible management of supply chains, to navigate fluctuations in raw material, energy, and component prices. This entails substantial savings in raw material procurement, optimization of product performance in terms of weight, cost, and durability.
- In Consumer-Packaged Goods: the key topic is on product reformulation to comply with sustainability regulations while ensuring the best possible consumer experience. The data science capabilities of the platform is very useful.

This is just the beginning and we firmly believe that our generative AI engines will increasingly empower customers to nurture circularity, elevating data into valuable knowledge and know-how.

GAME CHANGER

Let's now return to the business trends we observed in the first quarter.

Starting with the Manufacturing Industries, we have already highlighted the excellent performance of our **3DEXPERIENCE** platform and the progress in terms of adoption within our installed base.

Looking ahead, we have a strong pipeline in Transportation & Mobility and Aerospace & Defense, gaining more and more traction in CPG and Consumer Goods, positioning us to secure major contracts with industry leaders in 2024.

Turning to the Life Sciences, the sector is currently pivoting towards 3 things:

- patient-centricity,
- technology transfer from labs to bio-reactors,
- and the utilization of generative AI for faster innovation.

MEDIDATA offers the most comprehensive platform to design, launch, and conduct advanced clinical trials. It uniquely connects all stakeholders pharmaceutical companies, hospitals and patients from home simplifying collaboration within a unified environment.

This connectivity is crucial as data sources diversify, underscoring the importance of this differentiation.

In the Infrastructure & Cities sector, decarbonization is crucial, contributing to one-third of global emissions. Sustainability is driving commitments to tripling nuclear capacity, shifting to clean energy, and innovating for efficiency. Among the challenges is reviving nuclear construction at scale and shortening the time between nuclear construction and commissioning.

Now let's have a look at the win charts. This quarter si about win-backs.

MANUFACTURING INDUSTRIES – Volvo Cars adopts 3DEXPERIENCE platform

Volvol Cars used CATIA. In the first quarter, they made the strategic decision to adopt the **3DEXPERIENCE** platform under a multi-year agreement to transform its engineering processes. This marks a significant milestone in our partnership because it implies migrating 1,500 users from CATIA V5 to CATIA **3DEXPERIENCE**, transitioning from multiple standalone solutions to a unique and scalable platform. It will facilitate real-time collaboration and reduce time to market by integrating hardware and software, targeting gains in months rather than weeks, a key road blocker.

Additionally, Volvo Cars is aiming to reduce the lifecycle carbon footprint per car by 40% from 2018 to 2025 with our Life Cycle Management. It is just the beginning of Volvo Cars' journey with the **3DEXPERIENCE** platform, promising further opportunities to expand into domains such as systems of systems, modsim, or data science.

LIFE SCIENCES – TFS Announces Adoption of MEDIDATA to unify their clinical trial solutions on a single platform

Let's now review a customer testimonial in the Life Sciences Sector.

In the first quarter, we displaced VEEVA at TFS, a leading global Contract Research Organization (CRO) headquartered in Sweden. It has selected MEDIDATA Rave Solutions because it provides a single platform to connect all stakeholders, not just pharmaceutical companies (and their investigators) but also, hospitals (with practitioners) and patients (from home). This is an entirely unique capability in the market as the MEDIDATA platform will give them the ability to integrate and streamline their data management and trial management operations at the same time.

Using MEDIDATA AI, they will accelerate clinical trial timelines by enhancing study enrollment and feasibility. Additionally, they will improve data quality and reporting for clinical trials. In conclusion, MEDIDATA's platform will play a pivotal role in supporting TFS to accelerate the delivery of new treatments to the market.

INFRASTRUCTURE & CITIES – Sizewell C Selects 3DEXPERIENCE platform to build and operate their new nuclear plant

Moving to Infrastructure & Cities, Sizewell C, a new, well-known company in Britain, planning to supply electricity for 6 million homes in the UK: they are a nuclear power station and have selected our **3DEXPERIENCE** platform to increase nuclear capacity and enable nuclear construction by reducing time to operation. With this, they will ensure

smooth delivery, operation, and maintenance of the future facility. As a result, they will reduce the UK's dependence on fossil energy and provide low-carbon electricity to 6 million households.

This is the first step of their project with us, with the potential to increase our footprint, expanding from 200 to thousands of users, along with transitioning to the cloud.

This win clearly underscores the role of decarbonization as a driving force for this sector to adopt our solutions.

CONCLUSION

In conclusion, before handing over to Rouven, let me wrap up.

We had a solid start of the year. Our **3DEXPERIENCE** business delivered strong results and we have a strong pipeline going forward.

In Life Sciences, the sector is pivoting, and we are uniquely positioned to address those changes. Importantly, we anticipate Medidata's return to growth in the second half of the year.

Simultaneously, we are laying the foundations for our future growth by leveraging our **3DEXPERIENCE** platform, enabling clients to connect data from experience and do genAI with models from science. Using our generative AI engines, they will nurture circularity and elevate data into valuable knowledge and know-how, the purpose of Dassault Systèmes.

And, now, let's focus on Q1 performance and the outlook for Q2 2024 with Rouven.

ROUVEN BERGMANN, CHIEF FINANCIAL OFFICER

1Q24 PERFORMANCE AT A GLANCE

We are entering into the year with a solid start to the year as we remained focused on the fundamentals of our business model. The combination of Subscription revenue and Upfront License revenue together grew 9%, while Operating Margin was up 50 basis points to 31.1% and EPS grew by 12%, both ex FX.

We knew, coming into this year and into Q1, that Medidata would weigh on our subscription performance. In this context, subscription revenue is up 10%. Ex Medidata, subscription revenue is strong, up 22%, driven by good growth in **3DEXPERIENCE**. The share of recurring revenue remains high at 84%.

Upfront License Revenue was good in Q1 up by 7%, driven in part by the good performance of our business in Asia and a slightly stronger demand for Capex investments supporting our customer's business model preferences.

Adding to the fundamentals, we generated €671M in operating Cash Flow. While below last year's level, Cash Flow conversion remains healthy at 1.44 times NON-IFRS Operating Income. This trend reflects the progressive shift to subscription as we see a more ratable cash generation going forward.

Now, let's review briefly how we performed relative to our objectives in Q1 2024.

1Q24 ACTUAL VS OBJECTIVES

Total revenue at €1.5 billion was in line with our objective, just slightly below the mid-point. Lower software and service revenue were partially offset by currency.

Operating margin was at 31.1%, above the high end of the objectives, driven by disciplined expense management. Importantly, we continued to invest to support our strategic initiatives with a net headcount growth of around 1,200 over the last 12 months. This sets a strong basis for continued growth and margin improvement in the future.

As mentioned earlier, EPS at 0.30 EUR is reflecting good operating performance and strong Financial Income in Q1.

To summarize, in the context of the Medidata transformation, we delivered solid financials in the first quarter. Lower contribution in subscription revenue was offset by stronger Upfront license. Clearly, 2024 is a back end loaded year – like 2023, underpinned by continued momentum in **3DEXPERIENCE** and return to growth for Medidata. Profitability is strong as a result of effective cost control while we continue to make focused investments to shape our strategic growth drivers of **3DEXPERIENCE** and Cloud to support our FY and mid-term objectives.

GROWTH DRIVERS

3DEXPERIENCE revenue rose 29% in Q1 at constant currencies driving the share of **3DEXPERIENCE** to 36% of addressable Software revenue.

This quarter, 3/4 of the growth related to **3DEXPERIENCE** is driven by deals larger than €2M– highlighting strong Value Up potential and the momentum in our customer base. In Q1 we had several key customers expanding their **3DEXPERIENCE** platform use such as VOLVO, HONDA, DANA, DAMEN SHIPYARDS, B-BRAUN, EDF.

Cloud revenue grew 6% in Q1 due to the anticipated slower Medidata growth contribution. Ex Medidata, Cloud revenue was up approx. 50% driven by the continued growth momentum in **3DEXPERIENCE** Cloud. Cloud is now representing 24% of our Q1 software revenue. Key customers expanding **3DEXPERIENCE** cloud use in the quarter were RENAULT, DASSAULT AVIATION, BOUYGUES CONSTRUCTION, SCHINDLER, HONDA and SANOFI, besides many others.

We are confident that we will further capitalize on the momentum of our growth drivers and continue to grow our market share in 2024.

SOFTWARE REVENUE BY REGION

Now let me highlight to you the performance across GEOs and Product lines.

Americas was up 5% in part due to the lower anticipated contribution from Medidata this quarter. Excluding Medidata, the Americas is up 9% driven by strong momentum in Home & Lifestyle, Aerospace & Defense, and very durable growth in Transportation & Mobility.

Europe was up 7% with strong double-digit growth in the North and West regions. We saw a well-diversified growth profile across multiple industries such as: Transportation & Mobility, Energy & Materials, Construction and Home & Lifestyle.

Asia had a rebound in Q1 led by strong growth in China up 17% driving the strong license performance this quarter. Also Japan, India and Korea delivered high single digit software revenue growth.

SOFTWARE REVENUE BY PRODUCT LINE

From a Product Line standpoint, we saw continued good momentum in Industrial Innovation with growth of 9% overall, CATIA and ENOVIA were up high single digit, while DELMIA and NETVIBES were up double digit in Software revenue. Subscription revenue already represents more than 2 times the license revenue in Industrial Innovation, and was up 20% this quarter.

Life Sciences software revenue was -2% overall, with MEDIDATA at -3% versus a strong comparison base in Q1. On the other hand, BIOVIA had a good quarter, delivering high single-digit growth in Software revenue driven by strong renewals and expansions with major customers, such as REGENERON, GILEAD, TAKEDA.

Now let me provide you with an update on the market trends in clinical trials and our progress since the beginning of the year.

First, on a trailing 12-month basis, we see market growth trends normalizing. In fact, since the beginning of the year – over the last 3 months – study starts are stabilizing to be slightly up versus a -10% decline at this time last year.

Second, in this improving market environment, our growth bookings in Q1 support our plan to return to growth in H2. In fact, our study-based bookings are back to growth, driven by an increase in partner consumption. In addition, we have started to see increasing activity in the mid-size pharma market, which has always been a catalyst of our growth.

Lastly and important to highlight, we are competing well with win rates up across all segments, driving market share gains in phase III trials. To summarize, our market share dynamics are positive, adding about 2 points versus last year.

Mainstream Innovation is up 10%, driven by the excellent performance of CENTRIC PLM. In this quarter we won Abercrombie & Fitch, our largest deal in the Fashion and Apparel business. This, plus strong renewals, delivered excellent performance.

For SOLIDWORKS, we are clearly transitioning to subscription model at scale. Subscription revenue is growing over 60%, offsetting the decline in license revenue. We expect this trend to continue and further accelerate towards a higher share of subscription revenue driving sustainable growth.

MAINSTREAM OPPORTUNITY

As a key contributor to our growth, CENTRIC PLM continues on its strong growth trajectory, signing new large enterprise deals quarter over quarter, adding new logos to our growing list of brands. In addition, we are successfully renewing with existing customers, expanding the share of wallet with many others this quarter. As you can see, the momentum is broad-based.

CENTRIC delivers an integrated platform, from concept to customer leveraging generative AI as a competitive differentiator. This is truly a new category of PLM, building a path to a billion dollar plus business.

CHANGE IN CASH AND DEBT POSITION AS OF MARCH 31, 2024

Turning now to cash flow and balance sheet IFRS items:

Cash and cash equivalents totaled €4.096 billion, compared to €3.568 billion at the end of 2023, an increase of €528 million.

At the end of the quarter, our net cash position totaled €1.103 billion, an increase of €526 million versus net cash of €578 million on December 31, 2023.

This clearly highlights a disciplined and efficient Capital Allocation.

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

We generated €671 million Operating Cash Flow for the quarter versus €783 million last year.

Cash flow from operations was mainly impacted by a lower decrease in trade accounts receivables this quarter versus last year. This can be explained by 2 main effects:

1. First, an impact of over €65m of receivables which shifted to April as customers pushed payment dates to after the bank holidays at the end of the quarter. Almost all of them have been collected so far.
2. Secondly, receivables are trending above last year's level due to the progressive adoption of our subscription model, in which invoicing is spread over the contract term and creates a new pattern in the cash collected when compared to the upfront license model.

In 2024, given the dynamics highlighted above, Q1 represents about 38-40% of the expected full year Operating Cash Flow. In previous years, Q1 averaged about 45% of the FY operating cash flow. As such, we expect a positive catch-up effect already in Q2.

For any additional information you will find the Operating Cash Flow reconciliation in our presentation published this morning.

To sum up, Operating Cash Flow was mainly used for the repurchase of Treasury Shares for €131 million, investments in Capex of €57 million and repayment of lease liabilities of €24 million.

Lastly, the total FX impact is about €33 million versus December 31 last year.

Now, let's move to our objectives for 2024.

2Q24 & FY24 FINANCIAL OBJECTIVES

Most important, we confirm our FY objectives: total revenue growth 8-10%, operating margin at 32.5%-32.8% and EPS at €1.29-1.31.

Our pipeline supports our growth objectives and is broad-based across multiple levers with a back-end loaded shape. We have good visibility in the continued momentum of **3DEXPERIENCE** growth contribution, including sizable transactions.

MEDIDATA is on track to return to growth in H2 based on the stabilizing market environment of clinical trial starts and continued good execution as evidenced in win rates and market share gains.

As mentioned, SOLIDWORKS is progressing well, transitioning to subscription model as planned.

With this, we reaffirm our FY objective of double-digit growth in recurring revenue, in the range of 10 to 11%. We expect Upfront License Revenue to be in the range of +2% to +5%. Services Revenue growth is expected at 8 to 9%.

To update your models, I would like to share additional information related to Q2. We expect total revenue and software revenue growth of 7-9% each, with upfront license revenue between -1% to 7%, recurring revenue up 9% and subscription up 15-16%. Services is expected to grow 6-7%. Our profitability is expected to continue to expand,

with operating margin up 50 bps at the mid-point, or a reported range of 31.3% to 31.5%. EPS is expected to be in the range of €0.30-0.31, up 10-12%. All these figures ex-FX.

Now let me conclude:

We had a solid start to the year. Our core business is performing well and is expected to accelerate throughout the year. 2024 is a back-end loaded year, underpinned by continued momentum in **3DEXPERIENCE**. For MEDIDATA, we see progress towards recovery in the second half, supported by the stabilization of the clinical trial market and good execution in terms of bookings growth and win rates. As such we are confirming our FY outlook and look forward to updating you throughout the year.

We have several investor roadshows planned over the upcoming weeks including in the US end of May and we look forward to meeting with you in person.

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ABOUT DASSAULT SYSTÈMES

Dassault Systèmes is a catalyst for human progress. We provide business and people with collaborative virtual environments to imagine sustainable innovations. By creating virtual twin experiences of the real world with our **3DEXPERIENCE** platform and applications, our customers can redefine the creation, production and life-cycle-management processes of their offer and thus have a meaningful impact to make the world more sustainable. The beauty of the Experience Economy is that it is a human-centered economy for the benefit of all –consumers, patients and citizens.

Dassault Systèmes brings value to more than 350,000 customers of all sizes, in all industries, in more than 150 countries. For more information, visit www.3ds.com

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