

Preliminary Second Quarter 2024 Earnings Conference Call

9 July 2024

BEATRIX MARTINEZ, Vice President, Investor Relations

Good afternoon and good morning, ladies and gentlemen. Thank you for joining us for a review of our second quarter preliminary financial results. On the conference call are Pascal Daloz, CEO, and Rouven Bergmann, CFO.

- Dassault Systèmes' results are prepared in accordance with IFRS.
- On this call, our discussion will be limited to non-IFRS financial information in order to make comparisons to our financial objectives which are presented solely on a non-IFRS basis. All growth figures will be on a constant currency basis.
- These figures are before deferred revenue write-downs, amortization of acquired intangibles, share-based compensation expenses and other operating income and expense, net, and the related tax effects as applicable.
- In addition, some of the comments we will make on this call will contain forward-looking statements, which could differ materially from actual results. Please refer to our Risk Factors in today's press release and in our 2023 *Document de référence* / Universal Registration Document.

We will begin with formal comments by Pascal and Rouven and then will take your questions. Since the information we are sharing today is preliminary in nature, it is subject to completion of our closing work. We may not be in a position to respond to all your questions at this time, but we will do our best.

Finally, we will return to our pre-earnings quiet period beginning this evening, and will provide no further comments until we release our comprehensive 2Q results and analysis on July 25th.

I would now like to turn the call over to Pascal Daloz, Chief Executive Officer.

PASCAL DALOZ, CHIEF EXECUTIVE OFFICER

LOOKING BACK

Thank you Beatrix. Good morning and good afternoon to everyone. Thank you for taking the time to join us on this call to discuss our preliminary second quarter results.

Let's get straight to the point. As you saw in our press release this morning, we missed our second quarter by €30 million, or 2%, as we experienced delays in customer signings in an increasing complex geopolitical environment. So first, I really want to apologize for that, on behalf of the management team.

In fact, At the end of the quarter we saw several large transactions shift out of the second quarter. While Q2 pipeline permitted to deliver on our initial guide and the need for our solutions remains strong, we have observed cautiousness in customer decision making.

However, I want to be clear: none of these deals were lost and they remain active in our roadmap for future quarters.

To give you a bit more colour on this: There are a few things I want to share with you

- These results reflect an increasing scrutiny of large deals in major economies, including one MEGA Deal that shifted out of the quarter as the scope of investment is evolving and still in discussion.

- In terms of industries, Aerospace & Defense was the most impacted in the quarter.
- Looking at the Product Lines: Medidata was in line with our objectives as well as Solidworks.
- From the perspective of Geos, we saw an increased volatility in the last weeks of the quarter across Europe as well as in the US.

We assume that this volatility in decision making will continue, and as a result believe it is prudent to integrate this in our full year outlook.

While we are disappointed, we stay confident for the second half and I remain personally committed to Dassault Systèmes' long track record of delivering results in accordance to our guidance.

With that, let me pass the floor to Rouven.

ROUVEN BERGMANN, CHIEF FINANCIAL OFFICER

Thank you, Pascal.

Good morning and good afternoon to all of you. Thank you for joining this call. First, I would like to start off by highlighting that these results are still preliminary and as planned we will update you with the full financial details during our scheduled Earnings release on July 25th.

Preliminary Q2 total revenue is estimated at approximately €1.495 billion, or growth of around 4% in constant currency, compared to our objective of €1.525 - €1.555 billion.

Preliminary Q2 EPS came in at €0.30, in line with our objective of €0.30 to €0.31.

The miss of approximately €30 million in revenue below the guidance, includes a positive currency effect of about €10 million and the impact of currency on the EPS is very marginal.

The revenue shortfall is mainly due to some large transactions that shifted at the very end of the quarter, primarily in Aerospace & Defense, as the macro environment became increasingly challenging while we are operating in a complex geopolitical context. Consequently, we saw a lower revenue contribution from large deals in the quarter, particularly in North America and in Europe. At the same time the number of mid-sized transactions at around 500k was up by 8% in the quarter, which highlights overall healthy and active business activities.

All postponed transactions remain active in our pipeline, however given the unexpected delays and the backend loaded profile of the year, we believe it is prudent to risk adjust our full year outlook, which now reflects 6 – 8% total revenue growth supported by our pipeline of opportunities.

Now let me switch to the bottom-line performance.

Thanks to the disciplined expense management throughout the first 6 months of the year, plus a very healthy financial income and an improved Tax rate, we were able to offset the lower revenue at the EPS level. For the year, we will continue to take measures that ensure the operational efficiency of the company. As a result, we now expect EPS in the range of 8-11% year on year growth.

Important to highlight that these measures will not stop us from investing – we continue to invest in targeted areas to fully capitalize on the potential of our **3DEXPERIENCE** platform, virtualizing industries across the three sectors of the economy.

A brief word on Balance Sheet items: We saw the anticipated catch-up in Operating Cash Flow in Q2, as a result of positive Working-Capital Improvements. As such Operating Cash Flow is in line with our projections for the first 6 months.

Finally, I would like to apologize to our Investors for this miss and assure you that we are on top of our operational priorities to deliver H2 objectives as outlined. In fact, we are confident about the growth opportunity presented in H2 from expansions with **3DEXPERIENCE** and Life Sciences returning back to growth.

Dassault Systemes business model is very resilient with a long runway of growth!

That is pretty much what we think is important to share with you today. Before I open the call for a brief discussion, again let me please remind you that our earnings call is confirmed on July 25, 2024 as planned, where we will provide you with all the details. With this, let's go ahead with a brief Q&A.

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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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