

DASSAULT SYSTEMES
2021 Second Quarter & First Half Earnings Conference Call
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Vice President, Investor Relations

Thank you for joining us on our second quarter 2021 earnings conference call, with Bernard Charles, Vice Chairman and CEO, and Pascal Daloz, Chief Operating Officer and CFO.

- 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 2020 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

Vice Chairman and Chief Executive Officer

Good morning and good afternoon to everyone. Thank you for joining us today.

SECOND QUARTER 2021 HIGHLIGHTS

We delivered a strong second quarter driven by robust demand across sectors and geographies:

- ✓ Software revenue increased 15%, at the high end of our guidance.
- ✓ License revenue grew 38%.
- ✓ Recurring software revenue rose 10% and represented 79% of total software sales.
- ✓ Earnings per share rose 35% including currency impact, and 45% in constant currencies, thanks to strong revenue growth and higher profitability.
- ✓ **3DEXPERIENCE** drove important wins across large accounts resulting in revenue growth of 26%; licenses were also up sharply.
 - This reflects our compelling value proposition and substantiates new era imperatives for clients.
- ✓ We raised our full year guidance, capturing the earnings upside from the second quarter.

Pascal will discuss the financials in more detail. Now, I'd like to share some observations on the economy and updates on our business.

POST-PANDEMIC, CLIENTS ARE REDEFINING LEADERSHIP:

NEW ERA IMPERATIVES

As we emerge in a post-pandemic world, companies and individuals are awakening to a new era; they have a new vision of the world. They are redefining the parameters of future leadership.

- First, they are looking to virtualization – going beyond digitization – of industries and the economy as mission critical.
- Second, there is a significant orientation towards sustainability in innovation – for Dassault Systèmes and our clients - across all sectors of the economy.
- Third, inclusiveness is an essential feature of new technologies.

**VIRTUALIZATION POWERED BY 3DEXPERIENCE:
A GAME CHANGER IN ADDRESSING NEW ERA IMPERATIVES**

Dassault Systèmes' Virtual Twin Experience, powered by our **3DEXPERIENCE** platform, is truly a game changer for addressing these new era imperatives. By bringing together unparalleled mod-sim and AI data technologies, we empower our clients with real world evidence and experiences to imagine new solutions and foster scientific breakthroughs across all sectors of the economy.

Inclusiveness is also paramount; the cloud is a powerful environment that democratizes accessibility and mobility, enabling everyone to leverage the experience infrastructure to deliver impactful innovation.

A GAME-CHANGER IN ALL SECTORS OF THE ECONOMY

LIFE SCIENCES

MEDIDATA Decentralized Clinical Trials, MEDIDATA Patient Cloud:

In Life Sciences, virtualization will transform the sector, enabling a patient-centric approach, new efficiencies and higher quality outcomes. As the global leader, we bring significant assets to foster these endeavors. During the quarter, we continued to deliver important, game changing innovations.

With the launch of MEDIDATA's Decentralized Clinical Trials Program, which leverages MEDIDATA's Patient Cloud, we became the first company in the world to unify direct patient data capture technology, direct-to-patient services, and study oversight and monitoring, on a single platform.

These technologies allow rapid deployment, reduce costs and democratize access. Together with our clients, we are pioneering new, global standards for the launch of broadly decentralized global and mega-studies. This has profound implications for patients and for society.

- **Novavax**, a biotech company I think we all know well - thanks to its great work on the COVID-19 vaccine - will leverage our technologies, including MEDIDATA's Patient Cloud and decentralized clinical trials program, to conduct three global studies involving more than 45,000 participants and initiated in less than eight weeks.

This is truly remarkable and we look forward to hearing about the results of Novavax's studies.

MEDIDATA's Sensor Cloud, Decentralized Trials, Virtualization, AI:

Continuing on the topic of clinical trials, MEDIDATA's capabilities of integrating data from wearable sensors – including clinical grade metrics – to help customers successfully decentralize and virtualize clinical trials is essential.

- **Lapcorp**, a multi-billion dollar provider of clinical laboratory and drug development services, with over 70,000 employees, has chosen to partner with Dassault Systèmes. Labcorp will utilize our MEDIDATA offering on the cloud to advance trial virtualization through sensor integration and digital biomarker discovery.

By providing our clients and their patients with a seamless experience, we can continue to collect important patient intelligence – even after the trials - gaining new insights into the long-term effects of diseases and treatments.

We are entering an era of accelerated innovation in Life Sciences; we are truly excited about our potential for “changing the game” well into the future.

MANUFACTURING INDUSTRIES

Transforming Manufacturing with 3DEXPERIENCE:

Turning to Manufacturing Industries, I mentioned earlier that our clients are rethinking the parameters of future leadership. This has significant implications for manufacturing industries where business dynamics are changing rapidly. The amount of data used in manufacturing is growing at an accelerating pace. To be competitive, to be compliant and to be sustainable requires managing tremendous complexity.

Dassault Systèmes is “changing the game”. With AI driven intelligence through the virtual twin experience and our **3DEXPERIENCE** platform, we are empowering our customers to master the complexities of manufacturing. A great example this quarter:

- **Boticario Group** is one of the world’s largest beauty franchises, and well-known for its commitment to natural ingredients and sustainable practices. The company is aiming for significant reductions in manufacturing times, electricity consumption, and in processing and raw material costs.”

Boticario has selected our **3DEXPERIENCE** platform to transform the manufacturing of more than 300 products with connected, real-time data and to help achieve its objectives.

Cloud: Inclusiveness, Large Clients Recognizing the Value of the Cloud

Now, I want to turn our attention to the cloud. The cloud is a powerful enabler of inclusion in innovation. It removes the silos that burden companies with disparate, legacy systems. It improves execution, accelerates innovation and reduces costs.

Importantly, we are seeing an inflection point in terms of large customers realizing the value of moving to the cloud, particularly in the context of maintaining their leadership position into the future. Alstom is a good example.

- **Alstom**, a multi-billion euro leader in mobility, including high-speed trains and metros, will deploy our **3DEXPERIENCE** platform, on the cloud, to 15,000 team-members. Our partnership will enable Alstom to respond to what it describes as an unprecedented need for sustainable mobility and to achieve a number of transformational goals: to decommission legacy systems, **standardize** its

engineering and manufacturing processes, and to accelerate the integration of its recent acquisition of Bombardier Transportation.

High Tech: Virtualization & Simulation with SIMULIA

In high tech, to be a leader, to win market share, requires constant innovation. Virtualization is critical and our multi-physics simulation is “game changing” for our clients. An example:

- **Honor**, a spin-off of HUAWEI, is a global provider of smart devices. The company will expand SIMULIA adoption to improve research and development with virtual simulation and accelerate go-to-market strategies by incorporating its value chain into the process.

INFRASTRUCTURE & CITIES

Mobility Infrastructure: Optimizing Logistics with Delmia Quintiq

Turning now to Infrastructure & Cities, where we are also the “game changer”, disrupting the market. We talked to you last quarter about revolutionizing the construction industry with virtualization and platformization. Today, we will focus on cities and territories where resiliency and the ability to optimize logistics is vital for the success of mobility infrastructure that benefits our citizens. An example this quarter:

- **Kiwirail Ltd**, a New Zealand based rail operator, has adopted Delmia Quintiq to enable a multi-year, transformational project that will deliver new levels of health, safety and sustainability. It will also improve business agility and profitability.

CLIENT EXAMPLES DEMONSTRATE NEW ERA IMPERATIVES

In summary, you will notice that each of the client stories I have shared with you today have clearly demonstrated new era priorities for clients: the power of virtualization – in many cases elevated with our **3DEXPERIENCE** platform - inclusiveness and sustainability.

In fact, I now want to focus in on sustainability as it is such an important topic.

SUSTAINABILITY: ADVANCING OUR OBJECTIVES, EMPOWERING OUR CLIENTS TO ACHIEVE THEIR GOALS

In this new era, sustainability is becoming an essential feature of leadership and it is a top priority for all of our clients.

At Dassault Systèmes, sustainability has been at the core of our mission to harmonize product, nature and life. We began preparing for today's new era imperatives decades ago. We are in a truly unique position to be able to empower our clients to deliver sustainable innovation and contribute to a more sustainable economy and society. In doing so, we are extending our handprint, our positive impact.

While we extend our handprint, we continue to progress against our own objectives to reduce our footprint.

- Our science-based targets for greenhouse gas emissions reductions were recently approved by the Science Based Targets initiative.
- After achieving these targets, we will neutralize any residual emissions to reach Net Zero by 2040 with innovative carbon removal projects that leverage our **3DEXPERIENCE** platform.

Together, we have what it takes to make a difference.

And now, I will turn the call over to Pascal.

Pascal Daloz

Chief Operating Officer and CFO

Thank you, Bernard. Hello, everyone. Thank you for joining us today.

FINANCIAL PERFORMANCE
(Revenue figures in constant currencies)

Turning to our financial performance, we delivered strong, second quarter results thanks to broad based growth across regions and product lines.

Revenue:

- Total revenue increased 14% year-over-year, to €1.16 billion, at the top of our 12% to 14% range.
- Software revenue and its components also came in at the high-end of our objectives. Organic software revenue grew 15% to €1.1 billion.
 - Licenses and other revenue rose 38% to €223 million during the quarter. Looking at the first half, we are now back to 2019 levels.
 - Subscription and support revenue increased 10% year-over-year driven by subscription growth of 18%. Recurring revenue (subscription & support) represented 79% of software revenue.

- Services revenue was up 5% year-over-year and showed significant sequential improvement. We achieved services gross margin in the double digits, also substantially better than last year, thanks to the efforts we made in 2020 year to preserve the margin in the face of the pandemic.
- **3DEXPERIENCE** and Cloud both performed well, growing 26%, year-over-year.

Operating Margin & EPS

From a profitability standpoint, lower than planned expenses combined with revenue at the high end of guidance, led to significant outperformance in operating margin and earnings per share.

- Our operating margin came in at 32.2% versus the mid-point of our guidance of 29.7%, an over-performance of 250 bp. This was driven in part by a continuation of the expense and headcount tailwinds we discussed with you last quarter.
 - Our headcount was stable year-over-year as hiring was offset by attrition that was higher than plan, but in line with 2019 levels. Within R&D, we experienced mid-single digit net gains in terms of new team members.
 - We have adjusted our hiring capacity and expect to more than offset attrition in the coming quarters.
- EPS grew 35%, or 45% in constant currencies to €1.09 pre-split, or €0.22 post our five-for-one share split, compared to our guidance of 18% - 23%.

Turning now to **software revenue by region**:

- **The Americas** grew 19% this quarter benefiting from strong performance in Life Sciences & Healthcare, High-Tech and Transportation & Mobility. The Americas now represents 39% of non-IFRS software revenue.

- **Europe** increased 13%, led by Southern Europe, and totaled 36% of software revenue.
- **Asia** also rose 13%. Within the region, we saw continued strength from China, which grew 24%, and continued softness in Japan.

Zooming in now on our **product lines' second quarter performance** (non-IFRS):

- **Industrial Innovation** software revenue rose 8% to €571 million. CATIA, with its world-leading solutions in product design and modeling experiences, delivered sales growth of 9%, punctuated by CATIA Cyber Systems. NETVIBES, in data intelligence, and ENOVIA, in collaboration, also benefited from positive business trends during the period.
- In **Life Sciences**, software revenue totaled €218 million, an increase of 22%. We continued to see strong momentum across MEDIDATA's product portfolio including Rave EDC, Patient Cloud, Acorn AI as well as in attach rates. MEDIDATA is also establishing itself as a leader in decentralized clinical trials.
- In **Mainstream Innovation**, software revenue rose 27% to €262 million. Within Mainstream, SOLIDWORKS software revenue rose 25% with the **3DEXPERIENCE WORKS** family, cloud-based solutions sales also up sharply during the period.
- **CENTRIC PLM** delivered excellent performance, posting near triple digit growth and continuing to take market share.

Adding some color on **sectors & industries** (non-IFRS):

- **Transportation and Mobility** sales were a significant contributor to returns across regions, posting 14% software revenue growth.

- **Infrastructure and Cities** rose double digits thanks in part to sales in China.
- **High-Tech** and **Home & Lifestyle** also demonstrated noteworthy strength.
- Lastly, **Aerospace & Defense** grew mid-single digits on the back of strong performance last year.

GROWTH STRATEGIES

Value-up, Value-Wide, 3DEXPERIENCE, CLOUD

Now, let's review our key growth strategies – **3DEXPERIENCE** and **Cloud** - and how we're progressing relative to the objectives we laid out during our 2020 Capital Markets Day.

3DEXPERIENCE

Our **3DEXPERIENCE** strategy incorporates two axis of growth. With **Value-up**, we are increasing the value we bring to our existing customers. With **Value-wide**, we are extending our value to new clients.

- As I mentioned, **3DEXPERIENCE** sales grew 26% during the quarter and now represent 25% of total software revenue, an increase of 2% relative to last year.
- Importantly, **3DEXPERIENCE** drove a number of significant, large client wins during the period.

3DEXPERIENCE Mainstream Opportunity

Now, I want to highlight particularly meaningful Mainstream market opportunities that encompass both **3DEXPERIENCE** and the cloud, another key growth driver.

- **3DEXPERIENCE WORKS** family connects people, ideas, data and solutions in a single, collaborative environment, leveraging virtual experiences to improve the real

world. Our over one million SOLIDWORKS users, as well as new customers, can benefit from leveraging SOLIDWORKS's best-in-class technologies on our **3DEXPERIENCE** platform, on the cloud.

- We are seeing good momentum in **3DEXPERIENCE WORKS** with over 200 wins from China alone this quarter.

- Also within Mainstream, **CENTRIC PLM**'s clients include over 2000 of the world's most iconic brands. We believe we can continue to take market share in Home & Life Style, including Fashion, as well as expand to new industries such as Food & Beverage. We also plan to expand geographically in regions like China.

Cloud

Turing to the cloud, Cloud adoption is another cornerstone of our growth strategy and affords an opportunity to expand our depth and breadth of clients.

Our cloud contribution represented 19% of our total software revenue, a two-point increase relative to last year. You may recall that last year, based on our end market sectors, we set the goal to reach €2 billion in cloud software revenue by 2025; this would represent an estimated one-third of our total software revenue.

Cloud – 3 Paths for All

In terms of our cloud strategy, we value the long-term, strategic relationships we have with our clients. As such, our cloud strategy is set to meet our clients wherever they are and in the context of their industry: we offer three different cloud paths.

- Native on the cloud, for new customers.
- Extended, with both on-premise and on the cloud solutions.

- “PowerBy”, with on-premise software solutions connected to our **3DEXPERIENCE** platform on the cloud for collaboration and data technologies.

With the Release of 2021X, we now have more roles on the cloud than on premise and expect this trend to continue.

CASH FLOW AND BALANCE SHEET (YTD, IFRS)

Now, turning back to our financial performance and to balance sheet items, year-to-date cash flow from operations rose 21% relative to last year, to €1.03 billion.

Our differed revenue, now called contract liability, rose 17% in constant currencies.

Our net financial debt position at June 30th decreased by €768.3 million to €(1.27) billion, putting us on track to reach our deleveraging goal early next year, ahead of schedule.

MERGERS & ACQUISITIONS

Moving now to mergers and acquisitions:

- In July, we acquired France-based **Iterop**, an innovative SaaS start-up that leverages BPMN 2.0 standards – a neutral, graphical language – to provide Business Process Solutions. Let me explain our rationale:
 - Our **3DEXPERIENCE** platform, in addition to being a technology platform, is also a powerful business platform. By enabling a virtual twin of the enterprise, **3DEXPERIENCE** transforms document-based processes into experiences that guide users seamlessly through protocols.

- Iterop's accommodative and inclusive technology will complement Dassault Systemes' approach to empowering clients with effortless migration from documents to experiences.
- Together, Dassault Systèmes and Iterop will enhance the **3DEXPERIENCE** platform and 3DS Outscale and extend inclusive innovation via the cloud.
- Turning to **CENTRIC PLM**, we plan to complete our acquisition of CENTRIC early this fall without a significant, incremental cash payment.
 - You may remember, we initiated a 63% equity stake in CENTRIC in July 2018.
 - We're happy to finalize our partnership and continue to execute against CENTRIC's substantial opportunity in consumer industries.

2021 FINANCIAL OBJECTIVES (non-IFRS, constant currencies)

Turning now to our 2021 financial objectives, we expect the current business environment and profitability trends to persist in the second half.

- As a result, we are raising our Fiscal Year 2021 revenue growth objective range to €4.745 to €4.790 billion, incorporating second quarter out-performance and greater visibility, adding approximately €10 million in MEDIDATA software revenue. Our new objective represents an increase of 10%-11% revenue growth versus 9%-10% previously.
- We are raising our non-IFRS diluted EPS objective range to €0.89 - €0.91 on a split adjusted basis or 23%- 25% from 17%-18%, in constant currencies. This captures

the earnings upside from the second quarter, the increased revenue visibility we mentioned and lower-than expected expenses.

- We expect operating margin in the range of 32.7% - 33.1% vs. 31.6%-31.7% previously.
 - I want to remind you all that, because of the pandemic, we implemented a cost-savings plan in the second quarter of last year. We expect the expense and headcount tailwinds we've experienced to dissipate in the coming quarters as we resume travel, increase sales and marketing spend, and accelerate to net gains in hiring.
- You will find more details about our full year objectives as well as our third quarter guidance in our earnings press release and presentation.

CONCLUSION

In conclusion:

- We are encouraged by the demand we are seeing across regions, sectors and product lines.
- We believe many of these trends are underpinned by secular drivers we highlighted today including: virtualization, sustainability and an inclusive environment.
- With our **3DEXPERIENCE** platform, we began preparing for these trends over a decade ago. As such, we are uniquely well positioned to help our clients address these new era imperatives well into the future.

- We succeed when our clients succeed. We want to thank our clients for their ongoing partnership and our employees for their hard work and dedication to our success.
- Lastly, we expect to resume in-person meetings with the investment community this fall. We hope to see you soon!

Bernard and I would now like to take and answer your questions.

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