François-José Bordonado
Vice President, Investor Relations

Thank you for joining us on our third quarter 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 2019 Document d'enregistrement universel (our Regulatory Annual Report).

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

Thank you for joining, and good morning or good afternoon to all of you. We hope everyone is keeping well. The pandemic continues to present challenges for people and for companies of course, with a second wave now affecting a number of countries.

I think our results, again, highlight our resiliency, especially thanks to our recurring software revenue and operational management.

Further, as our presentation today will display, we bring significant value to the three sectors of the economy we serve.

**Q3 and YTD HIGHLIGHTS**

Our key metrics for the quarter came in largely aligned with our expectations.

- **Total software revenue was up 22% in the third quarter,** and represented 91% of total revenue. Licenses activity saw an improvement over the second quarter. At the same time, our assessment is that recovery in spending conviction by clients will take longer in general – with decision-making visibility very different across industries and industry sub-segments. – Thanks to our savings program, as well as our diversity and diversification, we are able to offset this slower recovery.

- The **resiliency of our financial model** was evident, with recurring revenue up 4% on an organic basis for both the third quarter and nine-month periods. Including Medidata, software revenue grew 32%, well in line with our guidance. Year-to-date recurring revenue represented 83% of our total software.

- Demonstrating our operational management, both our operating margin and earnings per share came in at or above the high end of our guidance.
Looking at the year, we are confirming our EPS objective for 2020, with growth at about 3% to 5% in constant currencies, aligning well to the Financial Framework that Pascal introduced in April as the pandemic spread across the world.

**OUR STRATEGY: HUMAN INDUSTRY EXPERIENCE**

Our work with clients and industry sectors demonstrate that the direction of our investments in our industry solutions align with our strategy - that is in three words, human centric innovation - for Patients, for Customers and for Citizens with the 3DEXPERIENCE Platform, one single platform, to bring together all aspects of a business.

**LIFE SCIENCES & HEALTHCARE**

The life sciences and health industry are mobilizing to accelerate research and innovation and the pandemic is activating the shift to virtual. It has shown how much digital technology in health can provide concrete answers for the continuity of clinical trials.

In Life Sciences & Healthcare, we bring significant scientific assets with our Medidata, BIOVIA and Science Cloud as well as SIMULIA. We are benefiting from our competitive strengths and increasing relevance as a strategic partner to the Life Sciences industry.

Today, I wanted to share briefly three examples of our work with these brands and industry solutions.

- Janssen, a pharmaceutical company within Johnson & Johnson, signed a multi-year extension with Medidata, to use its next-generation unified
platform for clinical development. This is a significant contract in size, reinforcing the long-term relationship between the two companies.

- In the Americas, world-class researchers at Incyte focused on transforming the treatment of cancer and inflammatory and autoimmune conditions, are using our One Lab Industry Solution Experience With BIOVIA enabling Faster Innovation by Connecting R&D and Manufacturing teams to simplify technology transfer and optimize biologic processes.

- Abbott is expanding its use of SIMULIA to drive increased virtual testing, replacing bench testing which is more difficult to do at this time of Covid-19 and far more expensive.

Historically, simulation has not played as large a role in Life Sciences as we have seen other sectors such as Automotive and Aerospace or Space at large. SIMULIA’s capabilities enable it to simulate the human body, medical and surgical equipment as well as its use.

Finally, in addition to our scientific brands, our coverage of pharmaceutical and medical devices companies benefits from our Mainstream Market with SOLIDWORKS, and ENOVIA, and DELMIA brands as well.

**INFRASTRUCTURE & CITIES**

Moving to Infrastructure & Cities let me share some updates. In France, SNCF (within SNCF Materiel) has selected the 3DEXPERIENCE Platform on the cloud as part of its digital transformation program. The goal is to use big data information from trains in operation in order to implement predictive
maintenance and improve quality of service. This will allow it to rethink its management of rolling stock and increase its reliability by detecting warning signs of malfunctions thanks to the data collected throughout operations.

While we are at an early stage of our long-term objectives for this sector, our solutions appear well adapted. With a number of industry start-ups adopting our 3DEXPERIENCE industry solutions on the Cloud – we can become a game-changer in Construction, Infrastructure & Cities. These companies include Branch (large-scale 3D printing) or Kreod (Organic architecture, ecological and inspired by nature).

MANUFACTURING SECTOR

Turning to our Manufacturing Sector, we are seeing stable to growing year on year software performance in Industrial Equipment, High Tech, Home & Lifestyle and Consumer Packaged Goods-Retail. Thanks to our broad market reach within Transportation & Mobility as well as Aerospace & Defense and Space, we saw continued strong investments by pure-play Electric Vehicle companies and a good dynamic in Space.

High Tech

Beginning with High Tech, STMicroelectronics has adopted the 3DEXPERIENCE platform and Semiconductor Industry Solution Experience. ST’s strategic focus is on Smart Mobility, Power & Energy, and Internet of Things and 5G. ST’s objective is to improve its flexibility and respond faster to these dynamic markets. This new engagement will involve a broad scope of users across multi-sites around the globe. This represents a significant expansion of the scope of our relationship with them and demonstrates our capacity to be a catalyst for transformation.
As you recall, last quarter we announced that Ericsson had begun its roll out of the 3DEXPERIENCE platform as part of its 5G efforts.

Home & Lifestyle
In the Consumer markets, Centric PLM continues to extend its leadership. For example, we are very pleased that J.D.Com, China’s Top1 online retailer and worldwide 20th largest retailer, with annual net revenues close to 79 billion US dollars last year, is adopting Centric PLM in one of its private label brands to cut time to market, reduce costs and drive collaboration. With the increase in e-commerce activities as the result of the current pandemic, companies need to be able to improve the linkage between their product introduction planning and e-commerce, in order to speed up introduction of new products to consumers, helping to reduce cycle time.

Aerospace & Defense
Moving to Aerospace & Defense, in the Americas we are working with Ball Aerospace, a subsidiary of Ball Corporation, a manufacturer of spacecraft, components, and instruments for national defense, civil space and commercial space applications. They have selected the 3DEXPERIENCE platform as their digital engineering collaborative solution.

While the commercial sector of aerospace is under significant pressure, our breadth enables us to capture opportunities across other areas of this industry – in Space and Aero EVs.
PATIENT AND CONSUMER EXPERIENCES

Moving from industry sectors let me illustrate how our investment are re-orienting our business to improve the human experience as patients and as consumers.

- Medidata, through its offers, is helping the industry re-imagine the future of clinical trials. Earlier this month, myMedidata LIVE became available to give researchers and patients a way to engage in remote site visits within the platform of site and patient-facing technologies they are already using on the study.
- Medidata is also further extending the patient-centric orientation with a recent small acquisition to enable better execution of remote patient studies. Today, about 10% of clinical trials are using devices to capture real-time information from patients while they are at home. These devices take multiple forms including sensors, specific equipment or mobile phones. All this data needs to be collected, and recorded in a consistent manner, which the software created by MC 10, the name of the company, is able to do, thanks to its ability to capture data from any type of device.

In the consumer experience, our Homebyme brand targets professionals as well as individuals who wish to redesign their interior. Aurelie TSHIAMA, an influencer in the field of interior architecture gives online courses for the use of Homebyme and thus contributes to increase the notoriety and the number of users of the brand whose promise is "You're going to love designing your home".
3DEXPERIENCE ON THE CLOUD
FOR THE MANUFACTURING SECTOR

Moving to 3DEXPERIENCE on the Cloud, just as we are advancing with game-changing start-ups in the Infrastructure & Cities sector, our platform is powering many of the visionary brands across virtually all of manufacturing industries.

We continue to bring improvements to make buying and using 3DEXPERIENCE on the Cloud as simple as – the click of the finger – to have access to very powerful software.

➢ In the Mainstream Innovation market served by SOLIDWORKS, we are extending the reach of the 3DEXPERIENCE platform with the 3DEXPERIENCE WORKS family of solutions announced a year ago. This portfolio represents the most comprehensive cloud-based portfolio offering on this market. For example, Deepcell – a non-invasive genetic testing company – is using SOLIDWORKS and EXTENDING now to ENOVIA.WORKS on the CLOUD.

UPCOMING BUSINESS EVENTS
Our upcoming virtual events, Science in the Age of Experience and Medidata’s NEXT Global underscore the deep scientific orientation of the company.

SUSTAINABILITY
A few words on Sustainability - We are convinced that Dassault Systemes can be a tremendous lever for sustainable innovation to meet contemporary challenges. We are reducing our footprint with an ambitious CO2 emissions reduction target;
extending our **handprint**, which offers an outsized leverage compared to the footprint, in a ratio of 1 to 10,000 as revealed by a Harvard study through sustainable offers for all the industries we address; and we have joined the Ellen MacArthur Foundation to build a circular economy.

Let me hand the call to Pascal now.
Pascal Daloz
Chief Operating Officer and CFO

Thank you for joining us today. I hope you and your families are well.

PERFORMANCE AT A GLANCE FOR Q3 AND YTD

I would like to begin my comments with a quick overview of our financial performance:

- First, total revenue was 1.03 billion euros in Q3. Revenues increased 17% in constant currencies, compared to our range of 18% to 21%. Software revenue came in near the middle of our range, while Services revenue came in below our estimate with the largest portion, confirming the volatility we were seeing in services activities. Importantly, on an organic basis, total revenue decreased 3% in Q3 improving from a decrease of 8% in Q2.

- We continue to manage well our cost reduction efforts while investing in key resources for the future. We captured approximately 80 million euros of savings in Q3 and 200 million euros for the nine months. We are above our full year target of 170 million euros, as we made adjustments in Q3 to align with market and customer decisions. On an organic basis, operating expenses decreased 3% in Q3.

- Thanks to this performance, our operating margin came in at 28.2%, about 170 basis points above the high end of our guidance range. For the first nine months, the operating margin was 28.1%.

- Q3 EPS was 80 cents with a negative 2-cent currency impact. EPS grew 3% as reported and 8% in constant currencies. We were at the high end of our guidance range of 75 to 80 cents.
Zooming in on our revenue by type:

- First, software revenue results aligned with our planning, increasing 22% in the third quarter and 17% year-to-date. On an organic basis, software revenue was flat in Q3, compared to a decrease of 3% for the first nine months.

- Licenses and other software revenue came in at the higher end of our planning range, decreasing 11%. Notable improvement came from ENOVIA, CATIA and SOLIDWORKS.

- Subscription & support: Our recurring software revenue grew 32% in total and represented 82% of total software in the third quarter. We saw a solid performance for renewals, both regionally and across most of our brand applications. Our subscription performance benefited by the addition of Medidata, with double-digit subscription growth on a comparable basis. On an organic basis, recurring software revenue increased 4% for both Q3 and YTD.

- Services revenue decreased 15% in Q3 compared to our expectations for flat to growth of 10%. As highlighted, service activity has been volatile as companies adjust decisions based on the most current information they may be seeing. Changes in customer spending plans were small in amounts but taken together these adjustments added up.

- A portion of the services variance relates to our decision in the quarter to continue with some strategic client activities in order to maintain the multi-year project timelines, keeping our staff in place and absorbing some of these costs.
SOFTWARE REVENUE BY REGION: Q3 and YTD

Moving to a regional software review let me share perspectives on the impact of the pandemic in Q3 compared to Q2.

- Beginning first with Asia, software revenue growth improved to 10% in Q3 from 3% in Q2. The best performing geos were China, Korea and Asia Pacific South. Overall, licenses revenue decreased high single digits in Q3 compared to a decrease of 21% in Q2, led by a strong recovery in China. Support revenue growth was very solid in Asia except for India.

- China accounted for many of the larger transactions in Asia during Q3, spanning Transportation & Mobility, High Tech, Aerospace & Defense and Marine & Offshore. For China, Q3 displayed greater depth with all three of our customer engagement models seeing solid growth, compared to Q2, where direct sales led.

- Turning now to Europe, it had a much better performance in Q3 compared to Q2. Europe software revenue increased 10% in the third quarter, compared to a decrease of 4% in Q2. Similarly, on an organic basis, it returned to growth, up 2%. Relative to our planning and in view of the pandemic, our five geos performed well. The best performing geos were France, Southern and Northern Europe. We had a good dynamic with 3DEXPERIENCE, with top deals in High Tech, Transportation & Mobility and Aerospace & Defense. Life Sciences deals with Medidata were also among the largest transactions of the quarter in Europe.

- In the Americas, software revenue increased 46% in Q3 in total with a strong contribution from Medidata. Similar to the second quarter, North America had the most deals in the top 20. On an organic basis, however, its software revenue decreased 2%.
SOFTWARE REVENUE BY PRODUCT LINES

Moving to a view of our software revenue by product lines, we saw a quarter-to-quarter improvement overall across all three product lines.

Specifically:

- Industrial Innovation software revenue decreased 2% in Q3. ENOVIA had a strong quarter with overall software growth of 4%, and double-digit licenses software growth.

- Mainstream Innovation displayed a strong improvement compared to Q2, with software revenue growing 9% and underneath this 10% growth for SOLIDWORKS. Driving this revenue performance was growth in recurring revenue, as well as a much improved license software performance. These improvements were visible in a number of geos around the globe.

- In Life Sciences, Medidata’s total revenue was up 13% in the quarter on a comparable basis, with a solid operating margin performance and an improved cash flow from operations. The quarter was an active one with a number of multi-year renewals signed with its largest customers beyond their par value. Some of them, based upon their estimated start dates, will begin to benefit us in 2021 and thereafter. It was also a quarter with strong new customer acquisition. Its customer base has grown 16% year over year driven by Patient Cloud as well as the Rave product line.

REVENUE AND OPERATING MARGIN PERFORMANCE

Zooming in on a comparison of our revenue and operating margin results let me share several takeaways:

1. First, on the revenue side, we came in at 1.07 billion euros, 40 million euros below the mid-point of our estimated range, with higher than expected currency headwinds of 14 million euros and lower services revenues of 23
million euros, adding to 37 million of the 40 million gap. Software accounts for 3 million euros.

2. On the operating margin, we made up for this with our core operations delivering 160 basis points higher contribution along with about 40 basis points above plan from recent acquisitions. Currency had a 10 basis points negative impact. As a result, we reported a non-IFRS operating margin of 28.2% compared to the mid-point target of 26.2%.

3. Third, **on an organic basis, our operating margin was stable year on year** despite the volatility in services activities. This achievement reflects our ability to adjust quickly in the quarter to the changing circumstances and at the same time to continue to invest and to support our customers.

**CASH FLOW AND BALANCE SHEET**

Our operating cash flow for the first nine months was 1 billion euros, level with the year-ago period.

Contract liabilities totaled 1.04 billion euros, up about 5% in constant currencies and perimeter. DSOs remained stable on a constant perimeter basis.

Our cash continued to grow, now 2.5 billion euros at the end of September from 1.45 billion euros at December 2019. This translates to a 561 million euro improvement in our net financial position year-to-date.
2020 FINANCIAL FRAMEWORK AND OBJECTIVES

Moving to our outlook, this is a relatively straightforward discussion. There are three takeaways.

1. First, we are confirming our 2020 non-IFRS EPS range of 3.70 to 3.75 euros we shared in July, thanks to the resiliency of our recurring software revenue and the savings programs put in place. Currency is a negative factor by 3 cents, which we counter with an equal improvement from operations.

   • Second, we are adjusting our revenue growth range by 1 percentage point to 11 to 12% from 12 to 13% in constant currencies:
     - We reflect a lower US dollar in our fourth quarter perspectives, from 1.15 to 1.18, hence a negative impact of about €15 million on our non-IFRS revenue.
     - Services non-IFRS revenue should be lower in 2020 by -9% and -8%, to reflect Services volatility – this represents a 16 million euros impact.
     - For software revenue, we confirm our recurring revenue growth perspectives for 2020 of about 26% to 27%; For licenses we see a similar trend in Q4 as in Q3;
     - On a reported basis, this translates to a revenue range of about 4.44 billion to 4.565 billion euros for 2020.

   • Third, we increased our savings plan during Q3, expanding it from 170 million euros to 240 million euros. – To be clear we continue to maintain our targeted level of investments in Research & Development and we will be doing hiring in Q4 preparing for 2021.

We have outlined in the earnings press release and presentation our guidance framework for Q4 and 2020.
WRAP-UP

Wrapping up, let me say that we look forward to speaking with many of you at our Virtual Capital Markets Day, scheduled next month on November 17. We will begin at 2 pm Paris time. Bernard and I would now like to take and answer your questions.

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