DASSAULT SYSTEMES

Third Quarter 2026 Earnings Conference Call

28 October 2026 – Full transcript

MARIE DUMAS

Good morning, good afternoon, and thank you for joining.

I'm with Pascal Daloz, Chief Executive Officer and Chairman of Dassault Systemes; and Rouven Bergmann, Chief Financial Officer to discuss our third quarter 2026 results.

Dassault Systemes results are prepared in accordance with IFRS and the financial figures discussed on this conference call are on a non-IFRS basis with revenue growth rate at constant currency 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 2025 Universal Registration Document. All earnings materials are available on our website, and these prepared remarks will be available shortly after this call. I would like to hand over to Pascal.

PASCAL DALOZ, CHIEF EXECUTIVE OFFICER

Thank you, Marie.

Good morning or good afternoon to all of you, and thank you again for joining us today.

Before Rouven takes you through the numbers, I really want to start with the big picture. It's about what we are building and why it matters for us, and for the next era of the industry. At the start of the year, we called 2026 a foundational year.

Foundational year means it's not a year of waiting. It's obviously a year of building, exploring new product categories, building an AI-native platform. and deepening the partnerships with our customers and partners, all in service of the next phase of growth.

And this is the role of our Virtual Twins and Industry World Models to ground AI in science and in the behavior of the physical world.

And this is why the 3DEXPERIENCE is evolving into an agentic platform. So intelligence can move from generating ideas to helping deliver trusted outcomes for our customers.

Now let's start with the Q3 performance because execution matters. So first, we delivered strong execution, at the high end of our objectives.

Total revenue grew 5%, Software up 5%, 3DEXPERIENCE up 25%, the cloud grew 14%, and EPS reached EUR0.32, up 8%. And this performance gives us even more confidence for the full year.

So we are raising our full year objectives, with revenue growth which is now expected to be between 4% to 5%, up from 3% to 5%. And EPS growth is now expected to be between 6% to 7%, up from 3% to 6%.

ArisGlobal is obviously part of the updated outlook. And again, Rouven will walk you through the assumption and the financial details.

There are three priorities which are driving this progress.

The first one is, we are really helping existing customers to transform their businesses and to turn industry's pressure into opportunities.

And it's extremely visible with the 3DEXPERIENCE platform and the Cloud, which continue to perform strongly this quarter, with new customer wins and broad-based performance across industries and countries.

The second one, we are taking a major step forward in life sciences with the addition of ArisGlobal into the portfolio - and why this is an important one? Because this is helping us to build toward the unified AI-native platform, which is changing the game, and to make this happen, we are putting a dedicated leadership in place.

The third one is, we are expanding 3D UNIV+RSES to turn AI advances into practical industrial values and we see this every day in our work with customers and we shared a few great examples at GTC Berlin last week.

So, I think our strategy is clear: deliver today and build for the next wave, but more importantly, to connect the two.

So let's start with some highlights for the quarter.

The first one is China, where we are seeing a strong momentum across High-Tech Industrial Equipment and Automotive. And you know, the next step for many of these industries is to move to industrialize this innovation and bring them to the global markets. We see this similar shift in robotics, pharmaceuticals, aerospace, where the complexity is increasing and the ability to connect the disciplines matters more than ever.

Take COMAC as an example, the China leading commercial aircraft manufacturer. Its ambition is to bring its first large wide-body aircraft to the global market. And to make this happen, COMAC needs to industrialize the program, secure the certification, and get ready to bring the aircraft to the market, both in China and internationally. And that's the key.

Because global market needs to be part of the plan from day one, not something you think or that you add later on. With 3DEXPERIENCE, we are bringing Design, Systems engineering, Simulation, and Manufacturing planning, together in one unified environment. And this is giving everyone a shared view of the program. And with the Model-Based Systems Engineering, we are really giving teams the ability to tackle the complexity early on, when changes are easier, less costly to make, and decisions can have the biggest impact.

That's how we are helping our customers to manage complex programs and to turn their global ambition into reality.

Now, let's have a look at life sciences, where I think we start to see some positive signs.

The first one is Pharma and Biotech are picking up. You have seen, CROs are reporting better results, and we see more and more major partners and players moving forward with their key trials.

We are also seeing things improve quarter-over-quarter at Medidata. Medidata is flat this quarter, and we expect the return to growth in Q4. Another encouraging sign is that the customers are increasingly seeing the value of the one platform approach. We saw this with Worldwide Clinical Trials in Q1.

We are seeing this also with new customers, something similar with Everest. And the idea is pretty simple. Instead of using different tools for every trial, we give CROs one platform to manage their clinical operations.

And the benefits are very clear. Teams can work much more efficiently. They can have better insight from the clinical data and ultimately improve the profitability.

Now, let's turn to our Diversification industries, which grew at a double-digit rate this quarter. We are seeing particularly strong momentum.

Strong momentum in High Tech, especially around the AI infrastructure. For the ones who are following us for a long time, we have built a lot of expertise in the nuclear domain, which is one of the most complex systems to engineer. And we are now putting this expertise to work in another equally demanding area, which is the AI factory.

Because an AI factory is much more than a room full of GPUs. You need the Compute, the networking, the power, the cooling, the software, and all of this needs to work together. And when you change one element, it could affect everything else.

So you need to think about the whole system from day one, and to be ready to adapt as things are evolving over time. That's exactly what we are working on with Vertiv, a leader in the critical design infrastructure, simulations, how they will be deployed in one single solution.

And the goal is pretty obvious. You spend so many, many investments into the space that the AI infrastructure needs to be up and running faster, and reduce the time to the first token.

That brings us back to the bigger picture, which is AI infrastructure become more complex. And I think we could apply the same system-level engineering expertise we have developed in some of the world's demanding, most demanding industries.

In July, we made the 3DEXPERIENCE platform agentic and introduced a Virtual Companions with specific skills.

Why this is important? Because it's a way for those agents to work alongside people. So we are exploring this with early adopters across industries, around the world, from the AI-native startups to some of the biggest global players. So far we have around 100 strategic customers partnerships engaged today, and we are working with them to deeply and to fine-tune new use cases.

Now, the focus is really on taking this early success to the next level and starting in 2027, the plan will be to scale up, moving from promising use cases to solutions that can be deployed more broadly and repeatedly across our customers.

Now, let's make this much more concrete with two examples we shared at GTC Berlin last week.

Let's start with Volkswagen. There, Virtual Companions help engineering team to streamline their workflows and get things done much more efficiently.

So AURA acts as a coordinator. It brings action plans together, assigns tasks, and keeps the work moving. And when more specialized engineering expertise is needed, AURA is calling automatically LEO, our Engineering Virtual Companion, to explore the design options.

So the real value is not just automating tasks. It's getting different skills to work together with industrial knowledge and human oversight built in from the start.

Now let's move to another example, which is how you move from engineering workflows to the factory floor. And it's something we have done with humanoid robots from Agile Robots and in the context of one of the manufacturing facilities of Audi. In this case, LEO uses our Industry World Models to create the Virtual Twin of the factory.

And the robots, they have their own Virtual Twin too, so which means they allow the teams to explore how they behave in the virtual environment that reflects the real-world physics.

And this is where it's getting, in my view, very interesting. Before deploying robots in a real factory, teams can test different scenarios, check safety, assess the cycle times and see how production throughput might be affected. And that's really the common thread between the two examples I've just shared with you: we can now explore, learn and validate in the virtual world, before taking any action in the physical one, when you are embedding AI in all the physical products.

So in Manufacturing, we'll call this Physical AI, but in Life Sciences, we call it Biological AI.

So moving to Life Sciences, there's also something very interesting. Too often, what we learn from the real world does not flow back quickly enough to inform the next discovery. And closing this gap, I think it's one of the biggest opportunities we see in Life Sciences. This quarter, I think we took an important step in that direction with the completion of the acquisition of ArisGlobal. But I think it's much more than only adding drug safety capabilities.

It's about connecting the entire Pharmaceutical journey from Molecule to Patients, and then bringing what we learn from the patient from the real world, back to Science. So our ambition is to make that connection possible on one intelligent AI-native platform, helping Life Sciences companies to bring everything together and turn real world insights into the next wave of scientific progress.

To make that mission real, we are also putting a new operating model in place.

We are bringing together the expertise from discovery, the lab, clinical developments, manufacturing, regulatory compliance and real-world safety - and soon, medical practice. And we are unifying these capabilities within our 3DEXPERIENCE offer and streamline how we go to market. And the goal is straightforward. One coordinated organization, a more integrated offer, a simpler way for our customers to access the solution they need.

I'm also pleased to welcome Dr.Ashwini Zenooz to Dassault Systemes as an Executive Vice President, being part of the ExCom of Dassault Systemes, and also the CEO of Life Sciences and Healthcare. Ash is a Physician and a Technology entrepreneur with a strong experience in digital world- Health and AI. And what makes her background particularly valuable is that she brings together the two worlds, Medicine on one hand and the Technology on the other, and that's exactly the combination we need to bring our ambitions to life.

Her role will be to lead the strategy and to bring MEDIDATA,, BIOVIA and ArisGlobal together in one AI-native platform connecting molecules, patient and the real world outcome and back into science.

She will lead the Life Sciences and Healthcare as one business, with a clear focus on science-driven innovation, operational excellence as well as building even stronger relationships with our customers and Partners. And for those joining us at the Capital Markets Day, you will have a chance to meet Ashwini in person and hear more about her vision for the business. So we look forward to sharing more with you at our Capital Markets Day in Paris on November 17th.

And before to hand over to Rouven, let me sum up the key messages.

The first one, we are making good progress on our priorities. And this is giving us confidence in our updated full year objectives. The second one is, we are moving from AI roadmap to real world adoption. And I think we are taking an important step forward in Life Sciences.

With that, Rouven, the floor is yours.

ROUVEN BERGMANN, CHIEF FINANCIAL OFFICER

Thank you Pascal -- Good morning to those joining us from the US and good afternoon to the rest of the world. Thank you for connecting and joining our call today.

As you heard, we enter the final stretch of the year with momentum. Our focus remains squarely on executing our growth model and delivering on our objectives.

The ARR is up 6%, and as you can see the transition to subscription, cloud and 3DEXPERIENCE is creating durable growth of our recurring base. Revenue grew 5%, at the top end of our objectives. The operating margin expanded by 150 bps to 31.6%, and this is well above our objectives for the quarter, while the operating profit rose 10% year on year.

Strong profitability is converting into cash. Cash conversion reached 111% year-to-date, and it is driving EPS growth of 8% and operating cash flow growth of 20% year-to-date ex-fx.

In short, we are stepping up execution as we head into the close of the year. Now, looking at the details of the financials for the quarter. Total revenue reached €1 552 million. It is up 5% with Subscription revenue growing at 6%, while licenses are growing 14%.

The License growth mainly reflects robust performance in China and compares to a low baseline versus last year.

Consistent growth in subscription revenue of 6% in the quarter as well as year to date highlights the progress in our business model transition. This quarter we are reaching an important milestone because subscription revenue now represents 50% of recurring revenue.

Finally Services Revenue was up 7%.

This top line leverage and continued operating discipline translated to an uplift of 10% in operating profit with an operating margin of 31.6%, which is up 150 basis points better than last year ex-fx.

EPS was €0.32, up 8% ex-FX. Year to date that brings us to: €4,617m in total revenue, up 4% and solid expansion of the operating margin by 80 bps to 30.6%. EPS reached €0.93, up a healthy 7% ex-FX year-to-date.

In summary, third quarter revenue reached the top end of our expectations, while the operating margin and EPS surpassed them.

Now looking more closely at our recurring business growth:

In the quarter, we added €62m in annualized contract value when compared to Q2. This brings total ARR to €4,505m or growth of 6%.

Subscription ARR (SARR) continues to accelerate quarter on quarter towards mid-teens, driving the underlying ARR growth. Importantly as of Q3, SARR now accounts for half of ARR, and it is up from 46% versus Q3 of last year. Over the last four quarters, we improved the SARR by 1 point. So over the last four quarters, we improved the subscription ARR share on total ARR by 1 point per quarter This is an important milestone as it is shifting our business model further towards growth acceleration.

Equally, we saw continued growth in cloud bookings and the contribution from multi-year subscription deals with higher total contract values. In fact the net increase was driven by a strong SaaS growth, Subscription and Cloud in our core Industrial business, with CENTRIC and MEDIDATA generating sequential growth. The top 15 deals accounted for 80% of the net increase in subscription ARR.

Now Turning to our growth drivers.

3DEXPERIENCE rose 25% and Cloud 14% in the third quarter. 3DEXPERIENCE Cloud grew 46%.

Growth in 3DEXPERIENCE and cloud reflects customers' increasing focus on transforming their operations and preparing for Industrial AI at scale.. With AI we are virtualizing the real world leveraging Virtual Twins to provide intelligence to engineers, scientists and business users. Our agentic platforms lays the foundation to scale AI with Virtual Companions. This quarter, clients such as EDF, Mahindra & Mahindra, Eaton, Embraer, Honda, Vertiv among others highlight this momentum.

Now turning to Geos,

Looking across our geographies, Asia was excellent up 12%, and Europe was resillient, growing at 9%. And while Americas executed well, it is was down -3% due to a tough year-over-year comparison.

In more detail**,** starting with Asia: Strong growth was broad-based across the region supported by an excellent performance in China. We saw good momentum in Aerospace, including the COMAC deal as highlighted by Pascal, and important wins in High Tech.

In Europe: healthy growth was driven by renewals in the UK and France, despite softer performance in Central and Sourthern Europe. By industries, the performance was broad-based supported by good momentum in 3DEXPERIENCE and subscription growth.

In the Americas, we saw negative growth -3%, as a result of tough comps of the prior year quarter. On the positive side, Life Sciences is improving, while Home & Lifestyle, High Tech and Industrial Equipment are growing well. Our growth drivers performed very well with strong growth in Cloud in the Americas region. Important to highlight is that we are advancing fast with strategic clients, creating concrete plans to adopt Gen7. Vertiv is an excellent example highlighting our Gen7 portfolio and how we are expanding our reach in building sustainable AI factory infrastructure. Overall, the Americas is a bit more back end loaded this year than other geographies.

Moving to our performance by Product Line.

Industrial Innovation grew a healthy 5%, despite a strong comparison base. Growth was driven by solid performance in **3D**EXPERIENCE and Cloud, with ENOVIA leading the momentum. Competitive wins across both core and diversification industries, highlight the strength of our integrated platform and sustained competitive win rates across our solutions.

Mainstream Innovation**,** up 8%, and it continues its momentum through CENTRIC and SOLIDWORKS.

SOLIDWORKS performance was broad-based across geographies, with unit growth up double digits. The traction on AI is solid with over 40 use cases. Thisis driving the move to subscription and from CAD into Simulation and Manufacturing.

CENTRIC delivered another strong performance in Q3, with several significant wins, including a global leader in sports merchandising and licensing, as well as a significant US fashion and outdoor brand . This reinforces our confidence in the business to remain at the forefront of consumer-driven transformation across several verticles such as Food & Beverage, Retail, and Sports Apparel – and it is augmented by CENTRIC ‘s end to end platform and AI.

Now to Life Sciences. As you heard from Pascal, Life Sciences performance improved, we are up 1%, and we reached two important milestones:

First, MEDIDATA improved sequentially and was flat year on year. It is on track to deliver growth from Q4 onwards. The shift to the enterprise platform business model is underway, and we are replicating the deal we signed with WCT in Q1 - also now in Q3, where we signed a significant expansion with Everest.

Overall, we are expanding our platform – we are expanding our pipeline of transformational platform agreements across CROs partners, Mid Market and Enterprise clients. And this is resulting in a positive impact on renewals and bookings growth over the last quarters.

From a solution perspective Patient Cloud and Study Eperience are the fastest growing categories, with AI delivering tangible gains for our customers.

Second, we completed the ArisGlobal acquisition in the second half of September.

ArisGlobal revenues will be reported as part of the Life Sciences product line going forward. The revenue contribution in Q3was not material.

One more point: With Pascal, I share the excitement to have Ashwini Zenooz join and lead our teams across Life Sciences. I look forward to working with her to reveal and deliver the full potential of our business in this new chapter we are now starting.

Now, turning to our cash performance:

We generated strong Operating Cash Flow year-to-date, €1,567m, up 20% ex-FX and up 18% as reported. This was driven by strong operating performance, with higher billing activities and good cash collection.

In the third quarter, net cash flow from operations was up over 77%, on a strong operating result and continued focus on working capital management.

Year-to-date, our Free cash flow was up 25% ex-FX year-to-date, at €1.388 billion, and it's driven by strong operating cash flow performance.

Now all of this results in Cash conversion at 111% year-to-date which is well ahead of last year.

To complete the picture:

Cash and cash equivalents reached €3.814 billion at the end of September 2026. Year-to-date operating cash flow has already funded the €1.5bn ArisGlobal acquisition, leaving cash and cash equivalents broadly unchanged. This also includes the repayment of the €0.9bn bond which was due in September.

Our net cash position of €1,049 million provides the financial flexibility to invest selectively in our growth and value creation levers going forward.

Now turning to our full year objectives:

First I would like to take a step back. Since the start of the year, we have progressively increased top line growth rates from 3% in Q1, 4% in Q2 and now 5% in Q3. This consistent improvement in year-to-date performance now in combination with better visibility entering Q4 gives us room to narrow our full year guidance range, from what was previously €120m to now €60m, while integrating ArisGlobal.

So what does it mean for the guidance range?

For the full year, we update our revenue outlook from 3-5% to now 4-5% revenue growth. The new range of €6.399m to €6.459 billion, reflects an increase of €103m to the low and an increase of €43m to the high-end of the previous range. With this, our mid point is increasing by €73m, which documents our confidence in our 2026 outlook.

And now we are reflecting a range of 32.5%-32.7% versus 32.2%-32.6% prior.Finally, we lift our EPS objectives to +6-7% growth, versus +3-6% previously, or an EPS of €1.35 to €1.36.

For the fourth quarter, we expect revenue growth of 5% - 8% and this includes a 2 point contribution from ArisGlobal. We expect operating margin in a range of 37.2% to 37.8%, with EPS at €0.42 to €0.43, up 3% to 7% ex-FX.

For the exchange rates, Q4 guidance now assumes $1.14 dollar per Euro and Y170.0 Yen per Euro, and a tax rate of 17.4%.

Hence, combining the anticipated growth in Q4 with the quarterly progression throughout the first 9 months, 2026 reflects a healthy balance and growth acceleration throughout the year.

Now let me summarize. We continue to execute on our growth strategy. We are delivering sequential improvemenst quarter over quarter. Our growth drivers show the strategy is in place and its working. The shift to subscription is well underway. 3DEXPERIENCE and Cloud are accelerating. As we enter Q4 2026 and look ahead, our focus remains on execution: advancing our growth drivers, accelerating AI, and shaping our Life Sciences business to deliver sustainable growth. We will continue to expand margins. We improve cash conversion to generate consistent long term value for our clients, the company and our shareholders. And this will be at the center of the upcoming Capital Market Day.

Pascal and I now look forward to taking your questions.