



DASSAULT SYSTEMES

2021 Third Quarter & Year-to-Date Earnings Conference Call

Thursday, October 28, 2021

François-José Bordonado

Vice President, Investor Relations

Thank you for joining us on our third 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. Thank you for joining us. It is a pleasure to be with all of you, today.

THIRD QUARTER & YTD 2021 HIGHLIGHTS

We're pleased with our third quarter results. Our team executed well, leveraging continued positive business momentum across geographies and industries:

- ✓ Earnings per share rose 40% in constant currencies, thanks to robust revenue growth and high profitability.
- ✓ Total revenue increased 12% organically, with Licenses & other revenue up 24%, well above our guidance.
 - This is reflecting double-digit growth in our core industrial end markets and life sciences.
- ✓ We also benefited from continued acceleration of **3DEXPERIENCE** and cloud adoption.
 - Year-to-Date, **3DEXPERIENCE** software revenue grew 18%, with Licenses & Other revenue up 36%; cloud revenue increased 24%.
- ✓ We raised our full year guidance, capturing the incremental earnings upside from the third quarter.

Pascal will discuss our financial performance in more detail. Now, I'd like to share some perspectives on our strategy, progress and the business environment.

VIRTUAL TECHNOLOGY WAS BORN FOR SUSTAINABILITY

Each quarter we keep coming back to our Purpose; Virtual universes enable sustainable innovation capable of harmonizing product, nature and life.

Our strategic ambition is to become the world's number one partner for re-inventing a sustainable economy.

Virtual technology was born for sustainability: it was first used in industry for virtual prototyping, for doing things right the first time while saving materials and resources, capitalizing knowledge and know-how, and improving environmental handprints.

The greatest power of the virtual world lies in unleashing imagination, in enabling people to imagine differently and growing our handprint. Sustainability is all about life cycle, about connecting the dots. Offering a multi-scale, multi-discipline, holistic and inclusive approach to innovation, virtual platforms provide an inspiration for new sustainable offerings.”

The **3DEXPERIENCE** platform and science-based virtual twin experiences are unparalleled catalysts to rationalize our eco-bill, to harmonize product, nature and life, and ultimately reinvent a more sustainable economy.

IFWE experience the virtual twin, we can harmonize product, nature and life: this is the very core of Dassault Systèmes.

MANUFACTURING TRANSFORMATION

3DEXPERIENCE – Cloud – The Renaulution

Let me illustrate how virtual twin experiences, **3DEXPERIENCE** and cloud are enabling transformation.

- Renault, one of our top car manufactures, is embracing the move to sustainable mobility with the announcement of: “The “Renaulution”, a profound strategy and business model transformation. It will shift from a car company working with tech to a tech company working with cars, adding revenue streams from services, data and energy, and becoming a leader in the energy transition.
- Renault has chosen to partner with Dassault Systemes for this important initiative. The company will employ **3DEXPERIENCE** on the cloud to drive the “RENAULUTION Virtual

Twins” – virtualization of both its consumer experiences, and of the enterprise, connecting all stakeholders to its value network, to enable inclusive innovation in the context of the circular economy. This will ensure the groups’ sustainable profitability and maintain its path to achieve its Zero CO2 footprint commitment, in Europe, by 2040.

Renault is positioning itself to thrive in the new economy.

HIGH TECH

3DEXPERIENCE – Data Intelligence – Bloom Partnership

The world has shifted from a product economy to an experience economy, one that values the usage over the product. The experience economy is not just about “user experience”. It is about the overall balance and impact of any service we provide to society. This means seeing industry as a value creation process for people – experience is human.

With this in mind, we are excited to announce a partnership with Bloom to bring social data intelligence – data on the human experience, across industries - to our clients.

- Bloom is the first artificial intelligence company dedicated to qualitative, predictive and strategic analysis of social networks. Dassault Systemes will incorporate Bloom’s proprietary, social inference technology and real world evidence, into our **3DEXPERIENCE** platform to afford clients an understanding of consumer, patient and citizen experiences and the ability to anticipate major technological and sociological trends.

Our **3DEXPERIENCE** platform connects people’s lives in all dimensions and Bloom’s strategic social insights will enable human-centric experiences, changing the game for our clients.

We look forward to working with our new partners at Bloom.

LIFE SCIENCES – 2021 NEXT – NEW CLIENT PARTNERSHIPS

Turing now to Life Sciences, as you know, we are the global leader. Life Sciences is transforming rapidly, putting patients at the center of the approach with precision medicine, generative therapeutics, decentralized clinical trials and synthetic control arms. Our technologies are unmatched in accelerating these key trends, which improve patient outcomes.

MEDIDATA NEXT – New Technologies - Game Changing

Earlier this month, our MEDIDATA NEXT conference drew a record number of participants. We shared significant technological advancements: our new RAVE platform will have the ability to create multi-dimensional views of a patient, incorporating data from sensors, wearables, electronic medical records and other sources. This represents the next step in the evolution of how clinical trial data is captured and monitored. So, we continue to deliver game-changing innovation in this sector.

During NEXT 2021, we featured a number of successful partnerships including Amgen, Boston Scientific, Labcorp, Moderna and Medicenna. We encourage you to visit our website to hear their amazing stories.

Now, let's turn our attention to some of the Life Sciences partnerships we established during the third quarter.

MEDIDATA Decentralized Clinical Trials

- RHO is a privately held contract research organization (CRO) with a 35-year track record as a trusted partner to leading drug development companies. RHO has selected MEDIDATA's decentralized clinical trial technologies to attract and win more sponsor bids, reduce study build time and costs, and streamline real-time visibility into patient data and quality.

The promise of decentralized clinical trials to deliver better patient experiences, democratize access and accelerate drug development have established them as the new

standard in research. MEDIDATA is changing the game as the first company to offer decentralizing capabilities for both patient participation and study quality.

License to Cure for Medical Device, **3DEXPERIENCE** - Genome Sequencing - Precision Medicine

In medical devices, we are working with a company enabling a patient centric approach.

- MGI Tech (MGI) is a China-based, leading manufacturer of genome sequencing instruments and other products supporting precision medicine. MGI has chosen to leverage our License to Cure for Medical Devices solution on our **3DEXPERIENCE** platform. This end-to-end solution changes the game with an integrated framework for optimizing quality, regulatory requirements and patient experience, therefore reducing cost and time to market.

Life Sciences Summary

Progressing from things to life is a core part of our strategy and mission to harmonize product, nature and life. We believe we're entering an industry renaissance in Life Sciences; together, we have a significant opportunity to impact patients and drive meaningful change for healthcare.

MANUFACTURING INDUSTRIES

Shifting back to manufacturing industries: in manufacturing, companies need to think beyond optimization to usages and reconsider their portfolio of products, services, raw materials and engineering in the context of waste reduction and circular economy design. We are enabling this paradigm shift with game-changing technologies.

DELMIA Quintiq – Production Planning and Scheduling

- BMW, our long-time partner, is taking a holistic view of sustainability. Recently, at the International Mobility show in Munich, BMW focused on the circular economy, with its “Re:think, Re:duce, Re:use, Re:cycle” approach. The company announced its goal to rapidly put in place “the most sustainable supply chain in the whole of the automotive industry”.
- To achieve this, BMW is using our DELMIA Quintiq virtual environment. It synchronizes demand from vehicle plants for components and increases productivity, while reducing inventories and costs. This enables BMW to address materials procurement, supply chains and social responsibility to benefit the global community as a whole, as well as its employees.

DELMIA Quintiq – Sales & Operations Planning, Master Production Scheduling

Another example, this time from the supplier perspective is:

- Hexcel, a global leader in advanced composites technology that supports customers in commercial aerospace, space and defense, and industrial markets to make products using lighter, yet stronger, materials. Lighter means less fuel is required, resulting in less impact on our global environment. The company’s products also reduce noise pollution and help produce clean and renewable energy.
- Hexcel has also selected DELMIA Quintiq technologies – Sales & Operations Planning and Master Production Scheduling – to support its efforts to deliver advanced, sustainable materials.

INFRASTRUCTURE & CITIES

3DEXPERIENCE - Virtual Twin of The Earth

In Infrastructure & Cities, where we are disrupting the market:

- Airbus has been a valued partner for over twenty years. We are very pleased to announce a truly game-changing endeavor that will help solve global challenges and improve life on Earth.
- Using its own space imagery, Airbus will employ Dassault Systemes virtual twin experiences, powered by our **3DEXPERIENCE** platform to create a virtual twin of the Earth. Airbus plans to use **3DEXPERIENCE** to provide space imagery in the context of the Space Data Marketplace, a project founded by a consortium including Dassault Systemes.

Creating a virtual twin of the earth will benefit the space economy as it seeks to grow with sustainability at the forefront, including manufacturing in space. It will also have positive, sustainability use cases across other sectors and industries including fighting deforestation, land use planning, securing the food supply and measuring climate impact.

We look forward to hearing more from Airbus about this exciting initiative in the future.

Reinvent the Sky, Virtual Twin powered by **3DEXPERIENCE** on the Cloud

In the new space arena, companies are revolutionizing the market with sustainable experiences such as reusable launchers, expanded lifespan satellites and even life on other planets. Our technologies are changing the game for these exciting companies.

- Interstellar Lab, is a Franco American company building BioPods that support sustainable living on Earth and in space by generating and recycling food, water and air. Interstellar Lab is leveraging our solution, Reinvent the Sky, on our **3DEXPERIENCE** platform and using Virtual Twins to simulate, test and optimize the performance of its BioPod's domes and biological systems.

We are on the cusp of a new era in global space, a \$450 billion dollar economy, with significant implications for citizens and consumers. We look forward to enabling disruptive companies with virtual twin experiences and critical technologies to accelerate concept to certification.

SUSTAINABILITY IMPERATIVE – FT SURVEY - WALK THE TALK

For additional proof points on the imperative of sustainability, a recent Financial Times survey, involving 300 executives, found that:

- 36% of executives are considering how to start integrating sustainability into product development.
- Technology departments have made sustainable innovation a priority in 68% of cases

In our earnings presentation, we feature several examples of how our clients – including Bouygues, Deutsche Lichtmiete, MetsaBoard and Torres- are using our technologies to walk the talk when it comes to sustainability.

CONCLUSION:

In summary, the stories I've shared with you today demonstrate the many ways in which our clients are reimagining all aspects of business in the context of sustainability and the circular economy.

There are also the global commitments of the Paris Agreement and COP to consider. According to COP26, 70% of the world's economy has committed to reaching net zero emissions. More than 80% of countries have updated their NDCs and all G7 countries have announced NDC targets to achieve net zero emissions by 2050.

Our strategic objective is to become a critical partner to the world, enabling countries and citizens to achieve these commitments and reinvent a sustainable economy – thus extending our handprint, our positive impact.

Clearly, our virtual universes, powered by our **3DEXPERIENCE** platform are THE tool, not only for our clients, but for all stakeholders, to be able to design, test and imagine radically new materials, products, and manufacturing processes, for tomorrow's sustainable economy. To be able to do so at the fastest possible speed.

While in addition, we experience the change and embed sustainability into everything we do. We shared with you last quarter, the Science Based Targets initiative approved our ambitious greenhouse gas emissions targets, thus reducing our footprint. So, we walk the talk.

At Dassault Systèmes, sustainable innovation has been at the core of our mission to harmonize product, nature and life.

Together, we can make a difference.

And now, Pascal, the floor is yours.

Pascal Daloz

Chief Operating Officer and CFO

Thank you, Bernard. Hello, everyone; I hope you are all doing well. Thank you for joining us today.

FINANCIAL PERFORMANCE (Revenue figures in constant currencies)

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

Starting with top line, year-over-year comparisons – and these are non-IFRS and in constant currencies:

Revenue:

- Total revenue grew organically 12%, to €1.16 billion, near the top of our 10% to 13% range. Software revenue grew 11%, organically.
- Licenses and other revenue rose 24% to €208.3 million, well above guidance.
- Subscription and support revenue increased 8% driven by high, double digit subscription growth, reflecting strong MEDIDATA and **3DEXPERIENCE** sales. Recurring revenue (subscription & support) represented 80% of software revenue.
- Services revenue was up 19% and we achieved services gross margin of 20%, substantially better than last year, thanks to the efforts we made in 2020 to preserve the margin in the face of the pandemic.

Operating Margin & EPS

From a profitability standpoint, we delivered significant outperformance in operating margin and earnings per share. This was driven by revenue at the high end of guidance, strong operational execution and a continuation of the pandemic related expense and headcount tailwinds we discussed last quarter.

- Our operating margin expanded 560 basis points to 33.8% versus the mid-point of our guidance of 29.15%, an over-performance of 465 bp.
- EPS grew 40% in constant currencies and as reported to €0.22 compared to our guidance of 13% - 19%.
- Headcount:
 - This quarter, we saw strong hiring activity, up more than two times compared to Q1, resulting in a 2% overall headcount increase driven by R&D, up 4%.
 - We have a proven track record of delivering transformational innovation and in the context of a mission driven culture. While attrition remains elevated, we

are confident in our ability to attract and retain top talent in the mid to long term. This is a top priority.

Turning now to software revenue by geography:

- The Americas grew 12% during the third quarter, benefitting from strong performance in Life Sciences & Healthcare, aerospace, and consumer packaged goods. On a year-to-date basis, the Americas represented 38% of total software revenue.
- Europe increased 9% led by Northern Europe and France; Germany rebounded during the quarter, specifically driven by the auto supply chain. On a year-to-date basis, Europe represented 36% of revenue.
- Asia rose 13% with India and Japan rebounding during the quarter. China grew 8% on the back of strong year-over-year comparisons. Year-to-date, Asia represented 26% of revenue.

Zooming in, now, on our Product Line Performance (non-IFRS):

- Industrial Innovation software revenue rose 8% to €555.3 million. SIMULIA and DELMIA performed well, thanks in part to larger client wins. CATIA license revenue was up double-digits while ENOVIA experienced strong subscription growth.
- In Life Sciences, software revenue totaled €226.5 million, an increase of 19%.
 - MEDIDATA continued to experience strong momentum across its product portfolio including MEDIDATA Rave, MEDIDATA Acorn AI and MEDIDATA Patient Cloud, as well as across end markets including pharmaceutical and biotechnology companies, contract research organizations (CROs) and Medical Device Companies, where we signed a new enterprise platform deal with a top ten med device company.

- We also saw high, double digit growth in attach rates.
- In summary, the Life Sciences industry is transforming rapidly, adopting decentralized trials and AI based analytics using MEDIDATA's unique data science capabilities as evidenced at the NEXT conference this month.
- In Mainstream Innovation, software revenue rose 13% to €262.9 million.
 - Broad based demand drove SOLIDWORKS software revenue growth of 12%, on the back of a relatively stronger comparison, as the recovery started in Q3 last year. We continued to see good adoption of our **3DEXPERIENCE WORKS** family, cloud-based solutions during the period.
 - CENTRIC PLM executed well, again this quarter, reaching the milestone of 500 clients, more than 2000 brands and driving a high, double digit increase in revenue.

Adding some color on industries (non-IFRS):

- During the quarter, we saw very positive and broad based dynamics in key industries. The vast majority of our end markets grew double digits, including core manufacturing industries - Transportation & Mobility, Aerospace & Defense, and Industrial equipment, to highlight a few.

GROWTH STRATEGIES - **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

- Year-to-date **3DEXPERIENCE** revenue grew 18%, with Licenses & Other revenue up 36% to now account for 28% of total software revenue, an increase of 3 points relative to last year.

- The strong value proposition of our **3DEXPERIENCE** has been a key factor in driving client wins.

Cloud

- Year-to-date Cloud software revenue increased 24% to represent 20% of total software revenue, up one point relative to last year, driven by continued strength in Life Sciences and **3DEXPERIENCE** cloud.
- We are focused on supporting our customers as they adopt new business models.
- They are coming to us in order to accelerate innovation cycles, speed up execution and to drive business transformation – all centered on improving value and experiences for users and customers.
- Our strategy is to enable this transformation through cloud native applications, cloud extensions to existing on premise investments and the **3DEXPERIENCE** Platform with an open ecosystem.
- As evidenced by the Renault partnership and the momentum in the mainstream market, we see clear proof points of our cloud strategy to enable the transformation of businesses and consumers in core markets.

CASH FLOW AND BALANCE SHEET (YTD, IFRS)

Turning now to cash flow and balance sheet items:

- Year-to-date cash flow from operations rose 24.5% relative to last year, to €1.25 billion.
- Our net financial debt position at September 30th decreased by €0.85 billion to €(1.20) billion, putting us on pace to reach our deleveraging goal nearly one year ahead of schedule.

2021 FINANCIAL OBJECTIVES (non-IFRS)

Now, zooming in on our 2021 financial objectives:

- We are raising our Fiscal Year 2021 revenue growth objective range from €4.745 - €4.790 billion to €4.800 to €4.825 billion, representing an increase of 10%-11%, in constant currencies.
- We are raising our non-IFRS diluted EPS objective range from €0.89- €0.91 to €0.94 - €0.95 or 25-27%.
- We expect operating margin in the range of 34.0% – 34.1% versus 32.7% - 33.1% previously.
 - We expect the expense and headcount tailwinds we've experienced this year to dissipate in the coming quarters as we've started to resume travel, increase sales and marketing spend, and accelerate net gains in hiring in key areas across the globe.
- Our updated guidance captures the incremental earnings upside from the third quarter and increased revenue visibility while expenses remain unchanged.
- You will find more details about our full year objectives as well as our fourth quarter guidance in our earnings press release and presentation.

CONCLUSION

In conclusion:

- We're encouraged to see the vast majority of our end markets growing double digits this quarter – particularly our core manufacturing industries. It was also great to see certain countries like India, hard hit by the pandemic, stage a comeback this quarter.

- Client imperatives of virtual twin experiences, inclusiveness by way of platformization and the cloud, as well as sustainability are accelerating; we view these as secular drivers.
- Our strategy is to enable these imperatives and our 3DEXPERIENCE platform, powering virtual twin experiences, is a competitive advantage as it connects ideas, people and data on a common architecture and a common framework.
- Our commitment to clients drives our strategy and we thank them for their continued trust this quarter.
- Lastly, we hope to resume in-person meetings with the investment community in the coming months. We look forward to seeing you soon.

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

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