Beatrix Martinez  
Vice President, Investor Relations

Thank you for joining us on our first quarter 2023 earnings conference call, with Bernard Charles, Chairman of the Board and Chief Executive Officer, Pascal Daloz, Deputy Chief Executive Officer and Chief Operating Officer, and Rouven Bergmann, Chief Financial Officer.

- 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 2022 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.
Thank you, Beatrix. Good morning and good afternoon, everyone. Thank you for joining us today. It is a pleasure to be with you.

FIRST QUARTER 2023 HIGHLIGHTS

- It was a solid start to the year, while the total revenue was up 7%
- Recurring revenue increased 10%, driven by strong subscription revenue growth of 14%
- We delivered on our profitability objectives, with an operating margin of 31%, while at the same time, continued to invest in our future growth, increasing headcount by 8%
- We generated record operating cash flow, up 24%. We are now fully deleveraged, nearly one year ahead of schedule
- Looking to the remainder of the year, we are on track to achieve our EPS objective of €1.20

As you can see, we are delivering on our financial commitments; Pascal and Rouven will discuss our performance in more detail, in a moment.

Now, just as important, I’d like to talk about advancing our purpose, and how we continue to create sustainable value for all stakeholders.

OUR LEGACY - HERITAGE & AMBITION: 40 YEARS OF KNOWLEDGE & KNOW-HOW

For forty years, we've been empowering clients to overcome challenges, imagine new frontiers, and achieve their ambitions.

This is all possible by revealing the power of the virtual world to improve the real world.

Our long-term relationships with customers - in many cases spanning decades - are a testament to our deep commitment to clients. Our legacy of success together is the outcome of cooperation, trust and game changing innovation.
As a scientific company, we’re driven to anticipate the future needs of customers and innovate well in advance. Each decade, we’ve disrupted the status quo:

- The virtual twin of the Boeing 777 – they said we couldn’t do it, it’s now a world standard.
- The virtual twin of Toyota’s production system is now a world standard.
- Platforming the industry is becoming a world standard.
- The virtual twin of the human body will become a world standard.
- Life Sciences are the next inspiration for sustainable innovation.

In fact, we are just getting started, laying the foundation for our next horizon: 2040. We are enabling clients to pioneer a profound metamorphosis across all sectors of the economy. Our heritage as a purpose-driven company will continue to guide our great ambition to foster a human-centric, and truly sustainable economy.

We will have more to share about our next horizon at our upcoming Capital Markets Day.

We spoke about the future, let’s come back to the present….

**3DEXPERIENCE WORLD 2023 – THE NEW WORLD OF DESIGN**

Recently, AI has captured the attention of the world. Today, with science-based Virtual Twin Experiences, we are already elevating customers' IP with machine learning and generative design - not only for large enterprises, but also for the mainstream innovators.

Earlier this year, we held our 3DEXPERIENCE World event, bringing together a community of over seven million designers, entrepreneurs and students.

We introduced a whole new approach to the future of design and manufacturing.

It was inspiring to see so many start-ups using our technologies for sustainability - to remove CO₂ from the atmosphere, clean our oceans and power electric vehicles with recycled batteries.

**INNOVATION FOR ALL WITH 3DEXPERIENCE ON THE CLOUD**
This is all made possible by Cloud-based 3DEXPERIENCE.

With our entire portfolio available on the cloud, we make the power of our technologies available to everyone, anywhere, anytime.

We had a good dynamic with new logos this quarter. Customers – from mainstream disrupters to established players - across geos and industries, are adopting our products and solutions on 3DEXPERIENCE Cloud to leverage data science, collaboration, and capture knowledge and know-how.

We are further supporting cloud with 3DS OUTSCALE, our unified cyber governance. To provide “Experience as a Service”, we offer three levels of trusted cloud - dedicated, private and international. And, we are operating at the highest standards of global security.

We have invested significantly to democratize innovation!

A WORLD WHERE PACKAGING NEVER BECOMES WASTE: PEPSICO

Now, I want to focus on our Purpose.

The Experience Economy and the circular economy are converging. Customers see reinventing a sustainable economy as both a challenge and an opportunity to differentiate.

We empower customers with a holistic approach to innovation and the ability to seamlessly link value creation with value experienced, design and usage, to cover the full experience lifecycle.

Our early adopters demonstrate the value of experience-based product creation and confirm the importance of expanding product life cycle management to material circularity.

In this context, packaging is a critical topic; customers are turning to Dassault Systemes to redefine packaging for circularity.

We have a good example with PepsiCo. The company is using our technologies to reduce raw materials usage and achieve full recyclability.
We make this a reality through our virtual twin experiences, powered by the 3DEXPERIENCE platform, that offer a unique combination of science (including material sciences, biology, mechanics, electronics and chemistry), modeling, simulation and AI-based data science.

With increased adoption of our technologies, we can imagine a world where packaging never becomes waste.

Indeed, this would be a better world for consumers, patients and citizens.

So, I think it’s clear: we walk the talk.

And now, I will hand the floor over to Pascal to continue the discussion.

PASCAL DALOZ, DEPUTY CHIEF EXECUTIVE OFFICER

Thank you, Bernard.

Hello everyone. It’s great to be with you today.

GAME CHANGER IN THREE SECTORS

It’s clear from our conversations with customers, their business environment remains volatile. To increase agility and profitability, clients are turning to Dassault Systemes to enable real-time analysis of raw material and part substitutions, as well as the reshaping of value networks. This in a context whereby the regulation is also constraining them, with Europe being an example.

Let’s zoom in on a few examples this quarter.

MANUFACTURING INDUSTRIES – ELECTRIFICATION

Let’s start with Manufacturing Industries.

In new mobility, we are driving electrification, propelling the industry forward with innovation that can only be achieved with our deep-science and platform based Virtual Twin Experiences.
Many traditional car companies are transforming to advance development of electric vehicles.

Companies want to achieve the agility of a start-up, because we are only at the first generation of the electrical car. A new battery, a new generation of batteries will come and this will have an impact. So, you need to keep this agility to produce new things on a regular basis. But, at the same time, it’s a high-volume, production ramp–up constraint, because we are in a volume business. It’s not anymore a premium business, it’s becoming mainstream. And, look what happened with Tesla, dropping the prices by 20%. This is putting a lot of constraint on many OEMs to be able to be efficient from a cost standpoint. The 3DEXPERIENCE platform is critical for them to achieve it.

If we step back a little bit and look at what’s been happening in the EV space. We started ten years ago with the newcomers. Today, we are also helping the large incumbents evolve. It’s for these reasons - looking at the numbers:

- The top 10 EVs are standardized on 3DEXPERIENCE and Dassault Systemes technologies
- While 72% of light weight vehicles were designed and engineered with CATIA, 85% of electric vehicles are developed with 3DEXPERIENCE
- As a result, 70% of OEMs have already adopted the 3DEXPERIENCE platform, and we are well positioned to benefit from continued EV expansion

I think it’s clear: today, we are the de facto standard in this industry.

**LIFE SCIENCES – PIONEERING THE FUTURE OF CLINICAL TRIALS - VERASTEM – MEDIDATA’s SCA**

Turning, now, to Life Sciences…

The use of data and AI is mission critical – and it’s becoming mainstream:

- We receive requests to utilize data insights on a daily basis
- Data and AI are indispensable for trial design, site selection and patient enrollment
• With synthetic patients, we are also building algorithms with very high accuracy in predicting adverse events

This quarter, VERASTEM has adopted MEDIDATA AI Synthetic Control Arm to support its rare disease oncology trial. This is a truly unique capability in the market. Not only to accelerate innovation, reduce costs and mitigate the risk profile of the trial, but also to enable research when a control group is difficult to recruit or retain. This is essential to address rare diseases. Ultimately, we are fostering a human-centric approach, ensuring patients have access to the most promising treatments.

We recently announced an unprecedented milestone: Medidata exceeded 30,000 clinical trials and 9 million study participants. Together with more than 2,100 global customers and partners we transformed the Life Sciences industry to scale clinical development globally, with a continuous flow of innovation over the last 20 years.

As a consequence, leveraging this volume of trials, patients and data, Medidata delivers unmatched results in the industry; in 2022, nearly 75% of FDA approved drugs are developed with Medidata software.

We are incredibly thankful to support the 9 million trial participants who chose clinical trials as part of their healthcare journey with us to advance human health and patient diversity… and we’re just getting started!

**INFRASTRUCTURE & CITIES – ECOLAB – 3DEXPERIENCE**

Now, let’s move on to Infrastructure and Cities….

Water is a precious resource, vital to sustain product, nature and life. The overconsumption of fresh water is one of the greatest threats the planet faces.

• As soon as 2025, two-thirds of the world’s population may face water shortages.
  (Source: World Bank)

In our “Act for Water & Consumption”, which you can read about on our website, Dassault Systèmes outlines how it plans to address this challenge, and offers, through Virtual Universes, tremendous accelerators for measuring and optimizing the water
footprint of businesses, supporting the growth of sustainability-focused innovation and empowering future generations.

This quarter, Ecolab is leveraging 3DEXPERIENCE to reformulate its products to use less water and, in turn, enabling its customers – across many industries from Life Sciences, to Transportation & Mobility, Aerospace -to reduce their global water footprints.

We’re very pleased to support Ecolab’s efforts - and to foster our purpose.

1Q23 PERFORMANCE: GEOS, PRODUCT LINES

Now, let’s move to our first quarter results and a discussion of the key trends across geos and product lines.

Starting with revenue by geography, and these are first quarter, year-over-year growth rates in constant currencies:

Software Revenue Performance by Geography (ex FX):

- In the Americas, revenue grew 6%, benefiting from strong performance in Life Sciences and High-Tech, and good results in Mainstream Innovation. We expect to see an acceleration in the Americas throughout the year, as we execute against our pipeline. The Americas represented 41% of software revenue.

- In Europe, we are seeing incredible resiliency, with growth accelerating to 12%. This was driven by excellent results in western and southern Europe, and Transportation & Mobility and Aerospace & Defense, from an industry perspective. Europe represented 36% of software revenue.

- In Asia, revenue declined 3%, driven by China down 8%. The operating environment in China was more challenging than expected in the first two months of the quarter. We started to see green shoots in March, with business activity increasing and materializing in our pipeline, with good momentum. This gives us confidence in the potential for a sustained recovery over the course of the year. The impact of China was partially offset by robust, double-digit growth in India. Asia represented 22% of software revenue at the end of the first quarter.
Zooming in, now, on **Product Line Performance**, for the first quarter, and these are year-over-year growth rates in constant currencies:

- Industrial Innovation software revenue rose 4% to account for 53%, of software revenue, thanks to double-digit growth in subscription, driven by strong momentum in CATIA and ENOVIA, highlighting the progressive evolution in our core industries.
  
  - SIMULIA and NETVIBES also delivered strong results, during the period.

- In Life Sciences, software revenue rose 11% to 23% of software revenue. MEDIDATA continued to experience strong momentum, growing 13%.

- Turning now to Mainstream Innovation: revenue increased 4% to represent 24% of software revenue.
  
  - SOLIDWORKS reported single-digit growth, offsetting a continued negative impact from China, and against a relatively high comparison base. Centric PLM performed well, benefiting from its leading market position and successful diversification strategy.

**MAINSTREAM OPPORTUNITY: CENTRIC PLM**

Continuing on this topic....

Today, CENTRIC PLM, used by over 12,500 brands, has a significant footprint on the market. However, the opportunity is much larger. We believe CENTRIC PLM has the potential to become a billion dollar business.

We are advancing multiple axis of growth, expanding:

- from fashion and apparel to new verticals including food and beverage, cosmetics and personal care, home and furniture, and consumer electronics;

- from brands today, to retailers, manufacturers and consumers, tomorrow;

- to new geographies - particularly Asia;
o from collection management to establishing a business platform that will serve as a backbone for e-commerce.

With capabilities like dynamic pricing, critical for e-commerce, CENTRIC PLM is really disrupting the market.

We are well-positioned to continue to execute our strategy to build a global leader, and a significant business in the coming years.

And, now, I’ll hand the presentation over to Rouven to discuss revenue, profitability and our 2023 objectives. Rouven, you have the floor.

ROUVEN BERGMANN, CHIEF FINANCIAL OFFICER

Thank you, Pascal. Hello, everyone, welcome and thanks for joining our call today.

FIRST QUARTER 2023 FINANCIAL PERFORMANCE: HIGHLIGHTS

I will be commenting on financial performance based on NON-IFRS metrics here and refer you to the Press Release for IFRS metrics.

We had a solid start of the year as we remained focused on the fundamentals of our business model increasing the share of predictable revenue with strong growth in subscription and cloud revenue up 14% and 17% respectively, while delivering on the profitability targets.

Total revenue grew 8%, as reported, and 7% at constant currency, in line with our objectives, and relative to a high comparison base. Recurring revenue rose 10%, and now represents 84% of software revenue.

Adding to these strong fundamentals, we generated a record high Cash from Operations, up 24% to €783 million. As expected, we are now deleveraged, nearly one year ahead of schedule. Clearly, this highlights our trusted customer relationships, the value we deliver, and our discipline when it comes to spending and capital allocation policy.

As you heard from Bernard and Pascal, our long-term structural growth drivers across industries remain strong, as such we continued to invest hiring more than 300 net new
team members in Q1. At the same time, we are focused on profitability with diluted earnings per share of €0.28 and an operating margin of 31.0%, both in line with our target range.

1Q23 FINANCIAL PERFORMANCE

Now, let’s look at our results in more detail, Software Revenue rose 6% at constant currency, slightly below the objective. This was due to the lower contribution from upfront license revenue, down -10% year-over-year, relative to the low end of guidance of -7%.

This shortfall can be attributed to the lower-than-expected performance in China. As we’ve discussed, the operating environment in China has been difficult over the last several quarters. To recap, we experienced a soft performance in the second half of 2022 during the “lockdown” period, with software revenue growth of 3-4% and flat license growth. It was our baseline assumption, that growth would remain muted in Q1 in line with this trend, while expecting a progressive recovery throughout the remainder of the year.

However, Q1 turned out to be much lower at -8% software revenue growth in China. More specifically, in the first two months of the quarter as the economy and production cycles were preparing the restart, investment levels in innovation remained low. This lag contributed about 3-4 points to the upfront license decline. Only in March, investments in innovation started to return materializing in our pipeline. While we remain focused, we believe that this progressive trend is raising the potential for recovery and gives us confidence in the rest of the year.

Services revenue was very strong this quarter, up 21% driven by the completion of milestones and outcome-based services mainly in Life Sciences. More specifically, we are seeing a few Biotech customers who have turned to Medidata to deliver end-to-end study build services for the purpose of accelerating the time to start enrolling patients. While we continue to shape this offering, we do expect this trend to normalize throughout the year.
Recurring Software revenue rose 10% to 84% of total Software Revenue up a strong 310 basis points. As mentioned, this growth is driven by an acceleration in the subscription revenue up 14% vs 10% at the same time last year.

Consequently, the increasing share of predictable revenue provides greater visibility and resiliency. Our strategic growth drivers of 3DEXPERIENCE and Cloud are at the center of the shift to subscription.

As highlighted by the customer examples presented by Pascal, Clients – both large incumbents, transforming, and the new entrants, disrupting - are adopting 3DEXPERIENCE and Cloud to leverage the full potential of our technologies, to increase agility, scale and accelerate innovation and growth.

- 3DEXPERIENCE revenue grew 10% at constant currencies. This reflects 31% of 3DEXPERIENCE addressable software revenue and is up 1 point relative to last year.
- Cloud revenue rose 17%, at constant currency, to 24% of software revenue, an increase of 3 points, driven by continued strong Medidata performance and growth in 3DEXPERIENCE cloud.

We are confident that we will continue to capitalize on our leading position in key industries capturing above market growth with 3DEXPERIENCE and Cloud.

Now, let’s review how we performed relative to the objectives we set for the first quarter.

**FIRST QUARTER FINANCIAL PERFORMANCE VS OBJECTIVES**

Total revenue of €1,434 billion was €3 million higher than the mid-point of our target range. We reported Software Revenue of €1,288 billion, up 6%, which is €25 million below the mid-point and €10 million below the Low End of the guidance. We expect to recoup this gap throughout the remainder of the year – I will discuss this further in the objectives section. As mentioned, this shortfall was driven by the decline in software revenue in China, which explains the gap to the low end of the software revenue range of 7% or 1 point of growth. We reported services revenue above the midpoint by €11
million which essentially offsets this gap at the Total Revenue level. We benefited from an FX impact of €17 million, during the period.

We reported an operating margin of 31%, in line with the objective.

It is clear from the numbers: we delivered on our profitability targets, while continuing to invest, adding over 300 net new employees, during the quarter. As we look to the remainder of the year, we will continue to take a disciplined and balanced approach to hiring and investing for the future. As such we expect the overall OPEX increase to slow down highlighting the fact that we are on track to absorb the cost run rate from 2022 carrying forward to 2023.

Now, turning to earnings per share: we reported €0.28 as reported, well aligned with our objective range of €0.27 - €0.28.

The non-IFRS tax rate for the quarter of 20.7% and is well-aligned with our guidance of 21%.

CASH FLOW AND BALANCE SHEET (1Q23, IFRS)

Turning now to cash flow and balance sheet items:

Cash and cash equivalents totaled €3.468 billion, compared to €2.769 billion at the end of 2022, an increase of €699 million.

At the end of the quarter, our net financial position totaled €459 million, an increase of €686 million versus net financial debt of €227 million at December 31, 2022. We are now deleveraged, nearly one year ahead of schedule.

Now, let’s look at what is driving our cash position at the end of the first quarter:

Operating Cash Flow rose 24% to a record high of €783 million. As expected, strong collections in Q1 contributed to a favorable change in operating working capital of €350 million. Operating Cash Flow was mainly used for CAPEX of €33 million and repayment of lease liabilities of €25 million, slightly up versus last year.

Lastly, of note, we had a negative FX impact of €(44) million during the first quarter.

OBJECTIVES: FISCAL 2023
Now, let’s turn to our fiscal year 2023 objectives.

We are maintaining our guidance. The key takeaway is that we are well positioned and on a good trajectory to our long-term financial objective of €1.20 Earnings per Share.

Total revenue growth between 8-9% at constant currency remains unchanged, and is adjusted in absolute terms for a favorable FX impact by €17 million to a range of €5.940 - €5.990 million.

This assumes that we expect a positive impact driven by an increasing contribution from large deals in our pipeline starting to materialize in Q2. We also expect to return to low to mid-single digit growth in China throughout the year as more and more investments are directed towards innovation and science.

Finally, we reaffirm the Operating Margin range of 32.3% to 32.6%.

Before moving to the Q2 objectives, I would like to emphasize that the unchanged full year revenue guidance assumes that we maintain growth rates at constant currency for Software Revenue of 8-9% and Services Revenue of 5-7%. We continue to expect Recurring Revenue growth of 10-11% with strong Subscription Revenue, increasing in the range of 17-18%. In spite the lower performance in Upfront License Revenue in Q1, we remain confident for the full year on the range of 2-5%.

Now let’s turn to our Q2 objectives. We are targeting total revenue growth of 7%-9%, at constant currency, with recurring revenue increasing 9%-10%, driven by strong subscription growth of 16-18%. We are forecasting upfront license revenue growth of 0%-5%.

This reflects structurally improving pipeline, assuming three main elements: an acceleration in North America, continued momentum in Europe, across key industries, and a return to mid-single-digit growth in China, with the benefit of a lower base line effect.

For services revenue, we are predicting a normalized 6-8% growth.

In terms of profitability, we are forecasting operating margin of 30.0%-30.5% and diluted EPS of €0.27 - €0.28.
For additional information, and to review what we’ve discussed, I’ll refer you to today’s earnings presentation.

**FINANCIAL PERFORMANCE CONCLUSION**

In conclusion, we’ve had a solid start to 2023 with well aligned fundamentals supported by our strategic drivers of 3DEXPERIENCE and Cloud.

Our first quarter results demonstrate that our technologies have never been more relevant and critical for our clients as strongly evidenced in Europe. We are focused on execution to deliver sustainable growth across all geographies throughout the year and as such remain confident in our ability to advance towards our EPS objective of €1.20.

In closing, we are planning roadshows in London, Paris and later in Q2 New York and Boston. Also, I want to remind you to join us for our Capital Markets Day where we will discuss the next horizon. It will take place this coming June, at our headquarters in Paris!

Now, Bernard, Pascal and I are happy to take your questions.

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