François-José Bordonado  
Vice President, Investor Relations

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

- Dassault Systèmes’ results are prepared in accordance with IFRS.
- Most of the financial figures on this conference call are presented on a non-IFRS basis, with revenue growth rates in constant currencies unless otherwise noted.
- Some of our comments on this call will contain forward-looking statements that could differ materially from actual results. Please refer to today’s press release and to the Risk Factors section of our 2018 Document de référence.

All earnings materials are available on our website and these prepared remarks will be available shortly after this call also.

I would now like to introduce Bernard Charles.
Thank you for joining us on this call and our earlier webcast.

**SUMMARY REVIEW**

Summarizing 2019 in a few words, it was a year where we well achieved our five-year plan, delivered on our 2019 financial objectives and set the stage for multi-decade expansion.

1. First, 2019 represents the achievement of our five-year plan, 2014-2019, to double EPS. We are delivering against our commitments thanks to the sustainability of our key growth drivers. 3DEXPERIENCE now represents almost one-third of related software. We are reaching more industries and achieving further end-market balance. Diversification Industries represented over one-third of our software revenue in 2019, with 3DEXPERIENCE enabling this.

2. Second, looking at the year 2019, we met our annual financial objectives with revenue up 13%; operating margin at 32% and earnings per share up 17% to €3.65. And as you have seen from our guidance, we envisage 2020 to be a year with a solid financial performance.

3. Third, we unveiled this morning that we are opening up new Horizons in Health and Life Sciences with 3DEXPERIENCE for the Virtual Twin of Humans.

4. To support our new multi-decade ambition, we will focus on developing our leadership in Life Sciences & Healthcare, continuing to extend our investments and leadership in Manufacturing Industries and advancing forward in the promising Infrastructure & Cities sector.
5. We also announced this morning the appointment of Pascal Daloz to the newly-created position of Chief Operating Officer, in addition to continuing in his role as our CFO. With Pascal, we have also created a new Operations Executive Committee. We want to ensure excellence in operational decision-making and prepare the new leadership team that will carry forward our ambitions into the future in a seamless manner.

6. Finally, we are introducing new product line reporting beginning in 2020 to align our disclosure with these three sectors and to ensure that you have a clear line of sight on our progress.

LOOKBACK TO 2012: OPENING A NEW HORIZON WITH 3DEXPERIENCE

We have learned a good deal since 2012, when we opened a new Horizon, introduced our purpose and unveiled 3DEXPERIENCE and the 3DEXPERIENCE PLATFORM. At the time, I shared my belief that the 21st century would be a time of unprecedented invention and innovation by providing business and people with 3DEXPERIENCES to imagine sustainable innovations capable of harmonizing products, nature and life. In 2012 we also dared imagine that the 3DEXPERIENCE platform would become the most powerful vehicle for sustainable innovation. – I could not have imagined that the proof points over the last seven years would be so real.

At the time, we were largely focused on products – in a word, things, but through our research and investments – Living Heart, Living Brain, 3DEXPERIENCITY, our multi-physics, multi-science capabilities and now the Medidata acquisition – we have discovered that we can go further. And so we are, extending from things to life. We also realized that while social industry experience made good sense, it was not enough.
STRATEGY: HUMAN INDUSTRY EXPERIENCES

Experiences are human, the power to create a better world, whether as a worker, patient or citizen, SO WE ARE SPEAKING ABOUT HUMAN INDUSTRY EXPERIENCES. To do so, we see three sectors of the economy that have a significant impact on each and every one of us: Life Sciences & Healthcare, Infrastructure & Cities and of course Manufacturing Industries and where we believe Dassault Systemes can become a global leader.

2020: OPENING A NEW HORIZON, WITH 3DEXPERIENCE FOR VIRTUAL TWIN OF HUMANS

Critical to this is virtual twin experiences – for Dassault Systemes they have been part of our DNA for more than 35 years and we believe they can be instrumental to our contribution to a sustainable world over the next twenty years. There was a before and an after 1989, the year where we created the first virtual twin of the Boeing 777. There was a before and an after February 9, 2012, when we shifted the center of gravity of the industry from product to experience. There will be a before and an after the virtual twin experience of the human body which will have profound implications for the future of healthcare, life sciences and the human experience.

2020: OUR PURPOSE BECOMES OUR BUSINESS OBJECTIVES

To ensure that all operational decisions are made in a very coherent manner according to our corporate strategy, we are extending the scope of responsibility of key executives and establishing a new leadership system, combining talents and multi-generations, and led by Pascal Daloz as Chief Operating Officer. Underlying the construction of our new Operations Executive Committee, are two important themes. First, we want to ensure continuity as we move forward by taking steps in advance to
prepare our leadership transitions. Second, a key characteristic of our long-term performance and long-term value of Dassault Systèmes has been the ability to ensure resiliency of our performance: in other words, to see and manage in a seamless fashion key transitions in our business. In addition, we have strong leadership and depth across our three sectors and all across the organization, from strategy, to operational excellence to Research & Development.

Let me turn the call over to Pascal now.
Hello and thanks for joining us. Today, I would like to share a summary overview, followed by a more detailed financial and business review, finishing up with our new revenue reporting and 2020 financial objectives.

2019 PERFORMANCE AT A GLANCE

With respect to our full year financial results, both total revenue and software revenue increased 13%.

- We had broad-based **organic** growth with total revenue and software revenue up 7%, recurring software up 8% and services up 9%.
- EPS increased 17%, with our operating margin at 32% led by a 100 basis points underlying improvement.
- Our Cash flow from operations increased 32% to €1.19 billion.

Zooming in on our fourth quarter, financial results were in line with our guidance. This was the case for revenue and operating margin. EPS came in ahead on a lower effective tax rate reflecting final year-end estimates refinements. SOLIDWORKS, SIMULIA and Centric PLM delivered good growth. Results for Medidata are included as of October 29th, when we completed the acquisition. And as we outlined at our Life Sciences Day on November 13th, we see a significant growth opportunity and were off to a good start.

3DEXPERIENCE Platform and Industry Solution Experiences

Looking at our **3DEXPERIENCE** performance:
• From a growth perspective 3DEXPERIENCE software revenue increased 22% in 2019, following the 24% growth in 2018.
• From a penetration rate or mix perspective, 3DEXPERIENCE increased to 29%, up 400 basis points over 2018, and 800 basis points over 2017.
• From a licenses revenue perspective, 3DEXPERIENCE licenses revenue grew 12% in 2019, and as you know we had significant growth on the subscription and support side, adding to the total 22% software growth I mentioned.

EDF
3DEXPERIENCE has been an important driver of our Diversification. EDF, with whom we entered into a long-term partnership in June of 2018, is expanding its adoption of the 3DEXPERIENCE PLATFORM. EDF will deploy our Capital Facilities Information Excellence Industry Solution Experience to access real-time project data and to create the digital twins of nuclear plants whether they are at the design, construction or operational phase.

• This will enable EDF to have a single source of trust for every stage of the plant lifecycle, from early design and engineering, to construction, operations and decommissioning. With this deployment EDF expects to increase by 30% its operational efficiency and well supports the partnership goals of strengthening plant performance and the overall competitiveness of nuclear power.

INDUSTRY HIGHLIGHTS
Moving to industry highlights, following double-digit growth for our three largest industries in 2018, we had some mixed performance during 2019. Aerospace & Defense software revenue was up high double-digits on broad-based strength. Transportation & Mobility grew mid-single digits, with a number of automotive
OEMs making significant new investments, while we saw a slowing of the automotive supply chain. Industrial Equipment also had mid-single digits software revenue growth in 2019, however, we saw some improvement in H2 compared to earlier in the year – and this is visible in part in SOLIDWORKS’ stronger second half results.

With respect to our Diversification Industries, they would have represented about 50% of our software revenue on a like-for-like basis (assuming Medidata were consolidated with DS for all of 2019).

- In Home & Lifestyle, Centric PLM is leading the way, working with more than 1,200 well-known brands around the world, helping them increase income and sales, improve inventory management and reduce logistic costs translating into: More new products, Increased efficiency, Faster time to market and Improved sustainability thanks to less waste. Centric PLM’s leadership is evident with strong growth in bookings, new clients acquisition, and revenue during 2019.

- In Consumer Packaged Goods, we are seeing a strong appetite for Sciences. Creating the right formula is more complex than ever. Consumers are demanding more quality, transparency and global and local regulatory bodies are creating more stringent guidelines for raw materials and product claims. CPG brands and contract manufacturers need the systems in place to manage the product innovation, regulatory, quality and cost constraints as key drivers for business success. Last quarter I mentioned our Perfect Formulation solution, well-structured to address these issues.

- In Life Sciences, we are consolidating our position in the Medical Devices Segment. For example, a leading manufacturer in this sector, B. Braun, has selected the 3DEXPERIENCE Platform and the License to Cure for Medical Device Industry Solution, to accelerate the delivery of innovative, safe and fully
compliant medical devices. This solution will allow them to eliminate scattered processes and data and to “embed” regulations as an asset, optimizing quality and compliance and reducing cost and time to market. This solution will be deployed among 13,000 users.

SOFTWARE REVENUE: Licenses & Other Software

Looking at our software results:

- License & Other Software revenue increased 6% for 2019 and 2% in Q4. On an organic basis, license & other software revenue increased 3% for the year, with growth flat in Q4. As you may recall, we began 2019 with a licenses revenue growth target of 10% to 11% in constant currencies. We ended the year as I said with 6% growth, with the two major areas of change being 1) weakness in the automotive supply chain, and 2) decision timelines shifts by clients due to internal customer factors. Licenses and other software revenue totaled €1.0 billion for 2019.

- As we had maintained our revenue growth objective unchanged since the beginning of 2019 (before adding Medidata), recurring software and services compensated for the softer license growth.

SOFTWARE REVENUE: Recurring Software

Moving to our recurring software, it represented 72% of 2019 total software.

- For the full year and on an organic basis, recurring software increased 8%, at the high end of our growth objective. This represents an improvement of its growth rate of about 200 basis points over 2018, compared to the targeted organic increase of 100 to 200 basis points we shared with you at the start of 2019. In comparison to 2017, our organic recurring software growth is up 300 basis points. Both 2018 and 2017 growth rates were on an IAS 18 basis.
For the fourth quarter, the organic recurring software revenue growth was 5%, reflecting continued strong support dynamics globally offset in part by IFRS 15 accounting treatment which affects not only quarter to quarter variations for subscription revenue, but also year over year – and, in fact, that was the case as Q418, under IAS 18, subscription revenue growth was up sharply in part related to catch-ups on renewals. During 2019, under IFRS 15, we were careful to renew subscriptions on time and in Q419, the amount of catch-ups was much lower.

SOFTWARE REVENUE BY REGION
Moving to our software performance by region:

- The Americas had a solid fourth quarter and year, led by strong growth in subscription revenue and the contribution from acquisitions.
- In Europe we continued to have contrasting views. Northern and Southern Europe had good growth all along the year. Germany continued to reflect macro weakness that we have seen most of the year. Finally, also recall Q4 2018 where we had very strong 3DEXPERIENCE activity, notably France.
- Asia software revenue increased 7% in 2019, led by China up 16%. In the fourth quarter, Korea saw some improvement and China grew 11%, slowing from earlier in the year.

SOFTWARE REVENUE BY BRAND
Zooming in on software performance by brands:
CATIA had a contrasted H1 and H2 performances, with software revenue up 8% in the first half, and weaker results in H2 bringing its growth for the year to 6%. Keep in mind that in 2018 CATIA was growing at 4%. What was very clear, however, was
the traction with 3DEXPERIENCE, with CATIA posting 3DEXPERIENCE software revenue growth up just over 30% for 2019.

Following DOUBLE-DIGIT software growth in 2018, ENOVIA’s software revenue increased 5% in 2019, reflecting the combination of a high comparison base, particularly in Q4, as well as extended decision-making timeframes. ENOVIA continues to maintain a high win rate over its key competitors.

SOLIDWORKS software revenue saw better results in H2, with fourth quarter growth of 9% on improving licenses performance and very solid support revenue growth around the globe. Just as a reminder in Q4 2018 SOLIDWORKS grew 12%, so it was not an easy comparison.

Moving to Other Software, DELMIA had a very good fourth quarter and year with a strong offer in manufacturing. SIMULIA is benefiting from its broader multi-physics portfolio and we are seeing an improving performance for BIOVIA. DELMIA QUINTIQ had a more difficult year, with many opportunities but some operational issues that slowed its ability to convert these to sales. I believe they are now largely resolved and behind them. During 2019 Centric PLM expanded its industry-leading position as I highlighted earlier.

Turning to Medidata, its revenue growth was driven by Rave Core, well on plan and strong growth in Rave Attach products, as well as Professional Services, a large portion of which is recurring services. From our Life Sciences Day, we shared that these three categories are expected to drive the large majority of its growth between now and 2023. Medidata’s Data & Analytics business, which includes Acorn AI - launched in early 2019 and its commercial analytics from a 2018 acquisition, are in
the early stages and part of our longer term business plans. For 2020, we are estimating Medidata’s revenue growth at about 13% in constant currencies, within the target range of 13 to 15% growth we see over the 2020 to 2023 timeframe embedding revenue synergies in the later part. One final point is the high retention rate Medidata ended the year with, on par with 2018, so a strong endorsement from its client base.

SERVICES REVENUE
Turning briefly to services, revenues increased 9% for the full year on an organic basis. This was principally driven by 3DEXPERIENCE services engagements, up double-digits. In Q4 on an organic basis, services revenue was lower by 1% - this reflects a large catch-up for QUINTIQ in the year-ago Q4 as we noted at the time, as well as a high base of comparison for 3DEXPERIENCE services growth with the Boeing ramp-up.

OPERATING PROFITABILITY AND MARGIN
For 2019 our operating profit increased 17% to 1.3 billion euros. Our operating margin was up slightly, at 32.0%, thanks to an organic improvement of 100 basis points – largely offsetting 120 basis points of acquisition dilution. Currency had a positive impact of 30 basis points.

EARNINGS PER SHARE
EPS increased 17% to 3.65 euros in 2019, with a 6 cents contribution from Medidata. Our effective tax rate decreased 1.8 percentage points to 26.5%, related principally to favorable patent and software treatments in France.

CASH FLOW AND BALANCE SHEET
Our operating cash flow was 1.2 billion euros in 2019, up 32%. The principal contributors were growth in net income & non-cash items; accounts receivable, and lower tax down-payments in 2019 related to the 2018 US tax change on foreign driven intangible assets (FDII).

Contract liabilities were up 8% in constant currencies and perimeter.

Finally, following the acquisition of Medidata, our adjusted net debt (including leases to be compliant with IFRS 16) to EBITDAO ratio for 2019 was 2.5x - right in line with our expectations.

NEW REVENUE REPORTING

Before moving to our financial outlook, let me share changes we plan to make to product line reporting to reflect our new ambitions and also as a consequence of integrating Medidata:

- Our first grouping will be **Industrial Innovation Software Revenue**, where we will give a total software figure and then break-out CATIA and ENOVIA. In addition to these two brands, this first group includes SIMULIA, DELMIA, GEOVIA, NETVIBES/EXALEAD and 3DEXCITE.
- The second grouping will be **Life Sciences Software Revenue**, and here we will combine Medidata and BIOVIA.
- The third product line will be **Mainstream Innovation Software Revenue** and will include SOLIDWORKS, Centric Software, 3DEXPERIENCE.WORKS and 3DVIA. In this category, we will also break-out SOLIDWORKS.
- In the **Q4 presentation on our website**, we have provided historical information for these groupings.
INITIATING 2020 FINANCIAL OBJECTIVES

Now, let’s move to our 2020 financial objectives:

- For total revenue, we are targeting growth in the range of 21 to 23% in constant currencies. Based upon our currency assumptions, this would lead to a reported revenue range of 4.84 to 4.89 billion euros.

- For software, our growth target is 22 to 23%. Recurring revenue will be the biggest contributor to this growth, increasing in the range of 28%. Assuming Medidata had been a part of Dassault Systemes for all of 2019, our recurring software revenue growth target on a like-for-like basis would be about 9.5%.

- Our operating margin range is about 31 to 31.5%, representing a decrease of about one-half to one point. On an organic basis, the operating margin improvement we are targeting is between 80 to 130 basis points excluding currency.

- Our EPS range for 2020 is 4.15 to 4.20 euros, growing 14 to 15% based upon an effective tax rate of about 26%. Q1 EPS growth would be in the range of 3 to 9%.

- For Medidata, we are targeting 2020 revenue growth of about 13% in constant currencies and they are entering the year with coverage around 93% of their total revenue growth target. From an operational perspective the goal is about a 200 basis points improvement in its operating margin.

Now, to give you some further color, from a structural perspective, as well as pipeline timing, the growth in licenses revenue is weighted to the second half of 2020.

- More specifically, we would expect licenses growth in the range of about 5 to 10% for 2020.
- Q1 assumes a decrease of about 5% to stable on a higher comparison basis and reflecting macro and end-markets as we see them presently. We are not able to fully factor in the potential impact of the health emergency, especially in China.

**WRAP-UP**

To sum up, as Bernard has indicated we are beginning a new Horizon, setting the stage for the coming decades, while advancing towards our 2023 financial goal. I also want to share with you that our success would not be possible without the intelligence, dedication and pride of all of Dassault Systemes’ employees, energized by a purpose giving strong meaning to our daily experiences as employees, citizens and human beings.

We hope you will put a **SAVE THE DATE** on your calendars for our Capital Markets Day in Paris on **June 12th**. We would now be happy to take your questions.