

DASSAULT SYSTEMES

First Quarter 2026 Earnings Conference Call

23 April 2026 – Full Transcript

MARIE DUMAS, INVESTOR RELATIONS DIRECTOR

Thank you for joining our first quarter 2026 earnings conference call. Marie DUMAS from Dassault Systèmes, Investor Relations Director, with Pascal Daloz, Chief Executive Officer, and Rouven Bergmann, Chief Financial Officer are on the line with me to discuss our first quarter 2026 results.

Dassault Systèmes' results are prepared in accordance with IFRS. The financial figures discussed on this conference call are on a non-IFRS basis with revenue growth rates on a constant currency basis 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 now to hand over to Pascal Daloz. PASCAL DALOZ, Chief Executive Officer and Chairman

PASCAL DALOZ, CHIEF EXECUTIVE OFFICER AND CHAIRMAN

Thank you Marie. Good morning, good afternoon, everyone.

Before handing over to Rouven, I'd like to put this quarter into perspective of our trajectory. If you remember what I said in February, 2026 is a year of execution. Not vision. Not strategy. Really the Execution. Execution to strengthen the foundations for sustainable growth, to accelerate our transition to subscription, and to deploy our Industrial AI strategy.

Performance

Now, let me start with where we are. Back in February, we set clear commitments. Today, we are delivering on them. Q1 is on track: Revenue is up 3%. No surprises. No deviation.

We confirm our full-year outlook: 3% to 5% growth, with acceleration in the second half. And we will come back on this. But beyond the numbers, what matters is really the trajectory we are building.

Strategic framing

How are we delivering on this?

Through three levers, three priorities:

- Transforming our existing clients
- Expanding into new frontiers new territories,
- Scaling Industrial AI offers

We are executing consistently across all three.

First pillar – Installed Base

Let me start with our installed base. Globally, our clients are not slowing down— they are adapting, they are transforming themselves. In fact, they are not constrained by demand. They are constrained by the complexity: too many systems, too many regulations, too many unexpected things from geopolitics, and at the end, this is creating too much friction between design and execution, between sourcing and supply... This is really where we come in.

If you look carefully at our results, where it is visible is really on the recurring business: Annual Run Rate is up 6%. Rouven will come back on this. Cloud up 8%—more than twice our total growth. And **3DEXPERIENCE**, our platform is up 7%, despite a high comparison base. If you remember last year, we had a significant deal with Lockheed Martin.

For all of our customers, this is not just a shift in tools. It is really a shift in how companies operate.

Second pillar – New frontiers

The Second lever, the second priority, is the new frontiers—where growth comes next. Here, there are a few things to say: In Life Sciences, the environment remains challenging, but our platform approach is starting to deliver some results. I will come back on this. In the Consumer, we see discipline, speed, and scale: strong growth in apparel, and a growing momentum in Food & Beverage and Retail.

We are building strong positions for the future.

Third pillar – 3D UNIV+RSES

Third, 3D UNIV+RSES. This is the most important shift. This is where AI moves from promises to reality: not pilots, not proofs of concept, but real use cases, in production. This is possible because everything is powered by our Industrial AI architecture, which has been designed, imagined to serve the purpose for industry.

Industries overview

If we step back and look across industries, one thing is clear: we are increasingly acting as a critical partner. And it is visible.

In Mainstream, performance is broad-based. SOLIDWORKS continued to drive strong momentum. This could be seen as an early indicator of underlying demand dynamics across industries. Second, In Transportation & Mobility, demand is holding [up], despite the volume pressure. We remain the reference for most programs around the world and we continue to expand in the Americas. In Aerospace & Defence, after a strong comparison last year, the next wave is ahead. And Budgets are increasing, especially in the defence space, and we see traction in Marine & Offshore, where we signed significant deals

Beyond the core:

Few things need to be noticed also. In Consumer, growth is strong, driven by Centric with sizeable wins in apparel such as Nike, and a growing momentum in Food & Beverage and Retail, with landmark transactions this quarter, Ferrero, Amazon

In High Tech, our solutions benefit from the global scale-up of AI and cloud infrastructure. And In the Life Sciences, we are transforming a fragmented and slow environment with our platform approach.

And finally, In Infrastructure, the growth is driven by complex energy programs and this is where sovereignty matters.

So, the common piece across all industries, we are helping clients to move faster, improve quality, and to use capital more efficiently.

Customer examples – Installed base

Now, let's zoom on how to transform existing clients, let me make this concrete.

Take EATON. They are a global leader in intelligent power management, at the centre of electrification. Their challenge is very simple: to scale execution without adding complexity. And how do they answer to this? They unify everything on the **3DEXPERIENCE** platform on the cloud. Today, over 20,000 users work on a single system. The result: faster time-to-market, optimized costs, and value creation in the hundreds of millions.

Another good example is UK Fusion Energy. Their ambition: is really to deliver a fusion power plant by 2040. Definitely, one of the most complex engineering challenges in the world.

They chose **3DEXPERIENCE** as an operating system— to connect the ecosystem at large, you have a lot of companies involved, to ensure the data continuity, between the design, the engineering, the operations to build secure infrastructure.

This is a good example of what transformation is about when it's at the frontier of innovation.

New FRONTIERS

Now let's move to New frontiers

Many things we could say. First, in Semiconductors, the race for AI infrastructure is accelerating. And you know that designing advanced chips is extremely complex. That's why with our multi-physics simulation, companies like ANNAPURNA LABS, they can design and validate faster, delivering the next generation of cloud infrastructure. And ANNAPURNA LABS is one of the AMAZON companies, they are the ones providing chips, high value chips to AWS

If I look at Life Sciences, we are reinventing CRO business models; Shifting from a labour-intensive approach to an AI-driven operating model. And this is extremely important for them, it's a must. With our AI-powered Medidata platform, companies like WCT. WORLDWIDE CLINICAL TRIALS moved from dozens of fragmented systems to a unified enterprise solution. This is giving them the ability to be smarter, to enable smarter, faster studies, better execution, and real-time insights.

And both really are driving growth and margin improvement

In Consumer, speed is critical. With CENTRIC PLM, JM SMUCKERS accelerate product development while maintaining quality and control. And the result: faster innovation, better products, and a model that can scale, scale across the industry.

Expanding 3D UNIV+RSES

Now, let's move to the third lever— 3D UNIV+RSES—this quarter it is also delivering tangible value.

For the ones who had the chance to attend Medidata NEXT last month, We demonstrated how we connect the full Life Sciences lifecycle. From discovery, to clinical, to real-world outcomes With our AI virtual twins, Virtual twin of the drugs, virtual twin of the plants, virtual twin of the cohorts, we can do something which is unique: that is synchronize the drug lifecycle with the patient journey.

To accelerate this, we have introduced DOT. DOT is our Virtual Companion for clinical intelligence. The Results are already tangible: 30–40% higher enrolment rates, clinical data corpus build- time divided by five. I think it's really a step-change in performance.

GTC

At GTC, which was also in March, we showcased our Industrial AI architecture. Why is this important? Most of our peers they put AI on the top, we are putting AI at the core. Putting AI at the core means you have to redesign your architecture. This is done. This has been published, demonstrated and showcased.

What is unique in what we did. We are leveraging 40 years of science and industrial data. We are connecting the design, simulation, data, and workflows into one unified system, putting Industry World Models as the foundation

The Industry World model is for our software, what basically the LLM is for others. It is the foundation understanding the Physics, but it is also the foundation capable to produce Physics.

This is where we are making the big difference.

Virtual Companion & Video

Finally, we are releasing our Virtual Companions this quarter. You can see them on the slide. The takeaway: it is not only one companion or two, it is how they are becoming more specialized, more intelligent, and more connected. To do this, we combine industry know-how, with domain knowledge, and real-time data.

You can see if you take Leo, the Virtual Companion for Engineering, you could specialise them by discipline. This is how we scale intelligence across the board.

Capital Markets Day

Now to conclude, we will have our Capital Markets Day on November 17, 2026, in Paris, we will go deeper into this vision and roadmap. and we will also connect this with the financial plan

Thank you. Rouven, now over to you for more details on our financials, performance and outlook.

ROUVEN BERGMANN, CHIEF FINANCIAL OFFICER

Thank you, Pascal -- and a warm welcome to all joining us on the call today.

As you heard, Q1 was a solid start. We delivered revenue, margin and EPS well aligned with our objectives demonstrating our continued focus on execution.

Our recurring business continues to perform well, as reflected by the consistent Annual Run Rate growth of 6% Y/Y and net ARR increase of €35m sequentially.

Good operating discipline translated to strong operating cash flow performance, generating nearly €1 billion, in operating cash flow up 22% at constant currency.

The bottom line is, we are laying the foundation for acceleration throughout the year and into 2027.

Now, looking at the details of the financials for the quarter.

Total revenue reached €1,510 million, up 3% ex-FX with software and services revenue all up 3%.

On the revenue mix, upfront License revenue came in ahead of expectations at up 9%, driven by a number of significant multi-year deals. Subscription revenue grew 3%, reflecting a tough comparable from the landmark Lockheed Martin deal closed in Q1 of last year.

Turning to our recurring business growth: the Annual Run Rate or ARR provides a consistent view of annualized growth at a rate of 6%, and this is independent of the timing of revenue recognition.

And In the quarter, we added €35m in annualized value sequentially, bringing the total ARR to €4.371mn — encompassing all active subscriptions and maintenance contracts, including the annualized value of multi-year subscriptions where IFRS requires upfront revenue allocation.

So What drove ARR this quarter? It's a growing share of cloud bookings and continued expansion of multi-year subscription deals with higher total contract values. This broad-based momentum translated into double-digit Subscription ARR growth.

Now Turning now to our growth drivers.

The **3DEXPERIENCE** platform is at the core of our growth strategy.

In 1Q26, **3DEXPERIENCE** saw a 7% exFX growth and makes up 42% of our eligible software revenue, which is up 3pts compared to last year.

Cloud revenue grew 8% overall, with good momentum in the take-up of **3DEXPERIENCE** Cloud, up 30% YOY. You heard Pascal, some of our key wins: Eaton, UK Fusion, and all of them on the cloud.

We are executing on our growth drivers with a rate of growth more than 2-times versus our total software revenue.

Looking at our geographies,

Europe delivered healthy growth of 7% in the quarter, broad based across regions, with strong contribution from Home & Lifestyle and key energy deals (Infrastructure & Cities). This is a clear illustration of our diversification strategy at work — delivering impactful solutions across an expanding set of end markets.

Asia posted a mixed performance, it was up 3%, with a slight revenue decline in China as the primary headwind. Outside of China, the business remained resilient across geographies, with Korea, Japan and India all contributing meaningfully in our core industries.

Americas was down 1%, reflecting a tough comparable from the Lockheed Martin contract expansion of Q1 last year. Excluding this effect, Americas grew mid to high single digits. The underlying performance was strong, with double-digit growth in Transportation & Mobility and Industrial Equipment, and even stronger momentum in Consumer Industries.

Moving to our performance by Product Line.

Industrial Innovation was flat in Q1, mainly due to the tough comparable as mentioned earlier. Adjusted for this, Industrial Innovation was up mid-single digits, with the growth replicated across our core manufacturing brands DELMIA, SIMULIA ENOVIA, and CATIA, and driven by good traction in subscription revenue.

Mainstream Innovation had an outstanding quarter, up 14% YOY.

CENTRIC delivered a particularly strong return to growth this quarter, driven by notable new client wins — including a significant competitive displacement — and broad momentum across strategic verticals such as Food & Beverage, Retail and Sports Apparel.

This is a meaningful inflection point, and a testament to the new leadership team and the entire CENTRIC team. Clients are validating the strength and differentiation of our offer as they look to transform their business in a fast-moving consumer industry with AI at the center. This performance supports our full-year outlook of mid-to-high teens growth for CENTRIC, with Q2 Mainstream growth expected to normalize sequentially from this quarter's level.

Also, SOLIDWORKS momentum continued with high single digit growth in revenue and double digit growth in units. The performance was broad based across Geos. It underscores our strong

value proposition in the mainstream market, where short sales cycle and time to value are essential.

Now to **Life Sciences**, as expected, Q1 was still negative as MEDIDATA's business was mainly impacted by lower revenue contribution from partners. As expected, this reflects a carry over from lower 2025 bookings, while in the quarter we saw bookings volume and value trending positive vs last year. Also important to highlight, we signed a strategic multi-year partnership with Worldwide Clinical Trials, a leading CRO, standardizing all clinical activity on Medidata's platform and leveraging AI across all workflows to speed up and simplify study build and study execution. We see this as a first of a kind deal.

For 2026, we expect H2 to improve over H1, with the objective to reach positive run rate growth entering 2027.

Turning to cash flow,

We generated a strong €949 million **Operating Cash Flow** in the quarter, which was up 17% YOY and 22% exFX. As anticipated, this was mainly driven by positive working capital dynamics over the quarter, as account receivables decreased sequentially, reflecting strong cash collections and a favorable impact from contract liabilities due to higher billing activity.

Free cash flow was up 27% in the quarter driven by the strong Operating Cash Flow.

Cash conversion in the first quarter even jumped to 208% versus 167% in Q1 last year. Seasonally, Q1 is a strong cash collection quarter. At the same time, the progressive transition of our business towards subscription and cloud creates an opportunity for continued improvement in cash conversion.

Now To complete the picture,

Our overall **cash and cash equivalents** reached €4,875 million as of Q1, which reflects an increase of €750 million versus 1Q25.

Looking at investments in the quarter, it is worth highlighting that we completed an acquisition of a start-up to expand our cyber-system strategy with ALM capabilities (Application Lifecycle Management). Combined with **3DEXPERIENCE**, this acquisition offers a unique advantage for companies developing software-defined products. And We are excited to have a very talented team joining our Cyber-Systems CATIA Team.

To complete the picture, Our net cash position remains strong and stood at €2,396 million as of 1Q.

Now over to our Financial Outlook,

Firstly, we are confirming our FY outlook for Total Revenue of €6,290 to €6,410 million, or a range of 3% to 5% growth ex-fx, with Operating Margin in the range of 32.2% to 32.6%, and EPS of €1.30 to €1.34, representing 3% to 6% growth ex-FX.

For Q2, we expect Total Revenue in the range of €1,518 to €1,568 million, up 2% to 5% ex-FX. Software and services revenues are expected to grow in line with total revenue by 2% to 5%.

We target an Operating Margin between 29.5% and 29.9%, and EPS of €0.29 to €0.31, growing in a range of 3 to 7% ex-FX.

This is all based on our FX assumptions for an average rate published this morning.

To conclude, we had a solid start to the year. We delivered performance in line with our objectives and we confirm our FY guidance. Our growth drivers demonstrate that our strategy is working with the move towards Cloud and subscription providing the tailwinds for future growth. Our focus is on execution and operating discipline drove solid margins and strong cash conversion. This provides the foundation to invest in our long term growth and accelerate our AI strategy to deliver tangible value for our clients, employees and of course our shareholders.

Now, Pascal and I look forward to taking your questions.