

**DASSAULT SYSTEMES**  
**2016 First Quarter Conference Call**  
**Thursday, April 21, 2016**  
**Final**

**François-José Bordonado**  
**Vice President, Investor Relations**

Thank you for joining Bernard Charlès, CEO, and Thibault de Tersant, CFO, to discuss our 2016 first quarter financial performance. This conference call follows our webcasted presentation earlier today in London. For your information:

- Dassault Systèmes' financial results are prepared in accordance with IFRS. We have provided supplemental, non-IFRS financial information and reconciliation tables in our earnings press release.
- Some of the 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 2015 *Document de référence*.
- Revenue growth figures are in constant currencies, unless otherwise noted.

I would now like to introduce Bernard Charlès.

**Bernard Charlès**  
**President and Chief Executive Officer**

Thank you for joining us here and on the earlier webcast.

**Summary Overview**

I would like to share with you a few key points today. As you saw, we delivered our first quarter financial results at the high end of our guidance range. Total revenue came in at 694 million euros and EPS at 51 cents, up 19% in total.

We had a strong increase in recurring software revenue, growing 8% in constant currencies. We continue to strengthen the predictability of our financial model, thanks to our long-standing focus on recurring software revenue.

New licenses revenue activity, as anticipated, was muted on high year-ago comps and a 2016 where we see clients' investments coming in a more back-ended manner.

At the same time, the traction with 3DEXPERIENCE came through loud and clear –translating into a 33% increase in 3DEXPERIENCE new licenses sales in the first quarter.

We believe 3DEXPERIENCE represents a very significant transformation for our clients and the market - moving from PLM, which is mostly a file-based system, to the 3DEXPERIENCE platform which is data-driven and model-based.

Key strategic 3DEXPERIENCE platform and Industry Solution Experiences wins this past quarter illustrate very well the direction leading companies are taking.

The power of the 3DEXPERIENCE platform in combination with our industry solution experiences is also strengthening our presence in Diversification Industries as illustrated with wins in High Tech as well as Marine & Offshore.

With this dynamic, looking ahead, we are reconfirming our 2016 financial objectives as Thibault will discuss in greater detail.

### **Regional Performance**

Moving to the quarter, on a regional basis, our growth was relatively similar across Europe, the Americas and Asia. Looking underneath at our 12 geos, we had an excellent dynamic in China, the strongest of all. In Europe, Southern Europe continued to perform very well, and we had a

solid level of activity in Central Europe. In the Americas, North America and Latin America both contributed to the growth of the quarter.

### **3DEXPERIENCE PLATFORM**

I indicated at the outset of my remarks that we are seeing a good dynamic with 3DEXPERIENCE. During the first quarter, 3DEXPERIENCE new licenses revenue increased 33% in constant currencies as I indicated. And from a mix perspective, it represented 30% of related new licenses sales, up 7 points from the year-ago period.

Why? Looking at companies in different industries, all of them are increasingly challenged with driving growth of their business. We believe that 3DEXPERIENCE is a breakthrough platform, moving businesses to a new world of innovation and execution. Companies want to create experiences rather than continue with static product enhancements. To do this, they need to collect and analyze large quantities of data and use them to model successful experiences.

With the 3DEXPERIENCE platform, we are delivering to them the required data-driven and model-based platform to eliminate files and enable them to dynamically model experiences with a full digital continuity.

And these customer experiences can evolve thanks to the ability of the 3DEXPERIENCE platform to interact and help clients improve these experiences based on data analytics, embedded modeling at all levels including multi-physics and behavior modeling, social collaboration and intuitive decision support. All this is done on a single platform creating a leap in productivity and business agility. Importantly, our business platform is defined by its ability to have full digital continuity, always connected and always in real time.

Let me share two examples with you at this point and I will share some further illustrations later on in my presentation.

The first example is Ipsen: Headquartered in France, it is a global specialty-driven biotechnological group with fields of expertise covering oncology, neurosciences and endocrinology. You may recall that Ipsen was one of the companies partnering with us for over five years in BioIntelligence. They selected our 3DEXPERIENCE platform because it is well suited to be Ipsen's new collaborative and innovative digital platform to support open innovation supporting Ipsen's drug discovery.

My second example relates to SOLIDWORKS, which also has applications on the 3DEXPERIENCE platform. One of its clients is the Center for Advanced Design, a product development consulting firm.

They adopted SOLIDWORKS Industrial Designer powered by the 3DEXPERIENCE platform and are cutting their design time by almost 60%.

### **ENOVIA for Collaborative Innovation**

ENOVIA demonstrates very well the power of the 3DEXPERIENCE platform to enhance innovation through real-time collaboration.

And thanks to the 3DEXPERIENCE business platform and the critical business domains ENOVIA addresses, such as – product planning, global product development, IP classification and protection, as well as Quality and Compliance, ENOVIA has been progressively strengthening its market position with numerous key decisions and many competitive win-backs.

From our internal analysis, ENOVIA's market momentum is clear, with a 75% win ratio on deals over half a million euros. And we estimate that of a pool of 100 large account wins, 40% are competitive displacements.

### **Ericsson Adopts the 3DEXPERIENCE Platform**

Ericsson announced jointly with us today, that our 3DEXPERIENCE platform has been selected to enable the digital transformation of Ericsson's business processes.

Specifically, Ericsson will replace its legacy backbone and connected IT applications with our “Business Operation Excellence” industry solution experience, based on the 3DEXPERIENCE platform, for a true end-to-end digitalization of its innovation, business and operations processes. This improved performance and efficiency will help Ericsson accelerate the delivery of powerful consumer experiences to the emerging Networked Society of connected people, industries and society.

As part of its vision to enable this networked society, Ericsson understands that the seamless integration of IT, telecom, hardware, and software is necessary to facilitate smart, connected software- and service-driven experiences.

In summary, we are very pleased that Ericsson has selected Dassault Systemes’ 3DEXPERIENCE platform, after a thorough review of the competitive landscape, to drive its business transformation and support its market leadership.

### **Industries Vertical Diversification - Overview**

Now, let me update you on our Diversification Industries more broadly. During the first quarter, they represented 31% of our total software revenue.

In addition to High Tech, we are continuing to gain momentum in Marine & Offshore, thanks to our 3DEXPERIENCE platform and Industry Solutions Experiences and we are also benefiting from our broader portfolio capabilities with acquisitions such as Quintiq, for example.

### **Industry Review: Marine & Offshore**

We have had a long-standing presence in certain segments of Marine & Offshore, but with the 3DEXPERIENCE platform and Version 6 architecture we have significantly strengthened our product offer.

Looking at our activity in this sector, the first quarter was another period of strength, with software up sharply in Marine & Offshore. Our wins include naval defense, where our software is helping foster technological innovation and improved collaboration between government and builders. In the commercial market our software is instrumental in reducing costs while improving quality and managing the complex network of regulations.

DCNS, a world leader in naval defense and headquartered in France, was a strategic win for us. They have selected our 3DEXPERIENCE platform and three Marine & Offshore industry solutions to pioneer a new era in the design, engineering, construction and lifecycle services of naval



defense solutions. Key to our selection was the ability of the platform and our industry solutions to manage the integration of the multiple complex systems and the high level of complexity involved in multidisciplinary collaboration on this scale.

Further, given the regulatory complexity in Marine & Offshore, we are pleased to have entered into a strategic partnership with Bureau Veritas, a leading global company in the domain of Testing, Inspection and Certification services. Its Marine & Offshore Division will be leading the digital transformation of the entire group. Using our 3DEXPERIENCE platform and linking it to Bureau Veritas' internal Veristar tools will save time and money for its clients while improving accuracy and traceability.

More broadly, certification is becoming a necessary and a collaborative process in an increased number of industries. Our 3DEXPERIENCE platform enables companies to move from a document-based approach to an experience-based certification process. Our cooperation with Bureau Veritas aims to empower businesses with this competitive differentiation factor.

My third and final example demonstrates how the expansion of our offer with Quintiq, for example, complements very well our diversification objectives. In Europe, Unifeeder provides a vital logistics link to all major

international container shipping lines enabling them to reach ports and regions beyond their access and where Unifeeder's marine assets are used to complete the final transport leg. Its customers need flexibility and agility, as operating conditions can change very quickly. With Quintiq's help Unifeeder is able to be responsive to clients, while also optimizing its own network capacity utilization.

With that summary, let me pass the call to Thibault now.

**Thibault de Tersant**  
**Senior EVP and CFO**

Good afternoon and good morning to all.

## **IFRS/non-IFRS Differences and Constant Currency Revenue Growth Comparisons**

My comments today are based upon our non-IFRS financial results. In addition, revenue growth rates are stated in constant currencies.

### **Financial Performance Summary**

Before going into a detailed review of the first quarter let me share some key highlights with you:

- We delivered at the high end of our revenue range.
- New licenses revenue in the first quarter reflected a return to its historical weighting within the year.
- Our long-term focus on building and strengthening our recurring software revenue was clearly visible with recurring software driving the quarter's growth.
- And our ongoing efforts to improve our operating performance were evident with underlying operating margin improvement of 60 basis points - well aligned with our full year goal.

- Earnings per share growth reflected our top-line performance as well as benefiting from a lower effective tax rate in the quarter on reversal of certain tax reserves.
- Finally, we had strong cash-flow generation in part reflecting our efforts to improve our working capital management.

### **Software Revenue**

Turning now to the quarter in detail, as anticipated, software revenue growth was driven by our recurring software revenue which increased 8% in constant currencies to €456 million. We saw very good recurring revenue performance in our three regions and really in most of our geographies. Growth in recurring revenue reflected both strong renewal activity, as well as new maintenance revenues coming from the level of new licenses activity in 2015. Recurring software revenue represented 74% of total software revenue in the first quarter.

New licenses revenue decreased 3% in constant currencies on a high comparison base, including 11 million euros over-performance in the year-ago quarter, and as I mentioned in my opening comments, reflected a return closer to its historical weighting in our yearly new licenses revenue activity.

## **Software Revenue by Product Line**

The two brands with the strongest new business activity in the first quarter were ENOVIA as Bernard highlighted and CATIA.

CATIA had double-digits new licenses revenue growth on a strong performance in Asia where it benefited from large accounts activity in Japan and sharply higher results in China. CATIA's total software growth of 5% reflects its high percentage of recurring software revenue.

SOLIDWORKS software revenue increased 8% in constant currencies driven by a sharp increase in recurring software revenue. New licenses activity was lower in the first quarter on a very high comparison base.

Other Software showed a decrease in software revenue of 2%, with a key factor being the absence of larger transactions in comparison to the year-ago quarter.

## **Services and Other Revenue and Gross Margin**

Services and other revenue increased 7% to about €80 million. We saw growth in both core services, related to 3DEXPERIENCE activity, increasing about 3%, and in our newer brands and product lines.

The services gross margin was 3.5%, with some higher third party expenses and a lower level of utilization as we start the year.

## **Operating Margin**

Turning now to our operating performance, our operating margin increased to 26.2% from 25.8% in the year-ago quarter. The underlying operating margin progression was 60 basis points, and we had about 20 basis points of negative currency impact.

## **Earnings per Share**

Non-IFRS EPS totaled 51 cents, and included 5 cents related to reversals of tax reserves. Normalizing our tax rate, non-IFRS EPS increased 8% in the quarter.

## **Operating Cash Flow**

Turning to our cash flow, it was a very strong quarter, with cash flow from operations increasing 17% to €309 million led by a strong improvement in working capital. In particular, we benefited from DSOs, which were lower by 7%.

Unearned revenue totaled €887 million, and represented a year-over-year increase of 10% excluding currency impact.

## **Confirming 2016 Financial Objectives**

Turning to our financial objectives, as we outlined in this morning's earnings press release, we are leaving them unchanged for 2016, despite absorbing additional currency headwinds.

- Looking first to revenue we are reconfirming our revenue growth objective of 6 to 7% in constant currencies for 2016. With our currency assumptions unchanged for the US dollar and Japanese yen, we are leaving our reported revenue range unchanged at €2.985 to €3.015 billion, thus absorbing headwinds from other currencies and the dollar and yen.
- With respect to recurring software revenue our sightline is pretty clear, and we are seeing trends somewhat better than our expectations in February. With respect to our pipeline of new business it remains very consistent with our earlier view.
- We are also reconfirming our non-IFRS operating margin of about 31%. As the first quarter illustrated we are targeting underlying organic margin improvement of about 50 basis points, but are assuming currency headwinds will hide a good portion of the progress.
- Our 2016 non-IFRS EPS objective is about 2.40 euros representing growth of about 7%. Excluding the currency headwinds I just mentioned this EPS target represents a growth of about 11%.

- And while we benefited from a lower effective tax rate in the first quarter, for the full year the effective rate is just half a percentage point lower, at 32.5%, than what we had estimated in February of a tax rate of 33% in our guidance.
- Just a few words on the second quarter, where our revenue growth outlook is 5 to 6% in constant currencies. We are anticipating a return to positive growth for new licenses revenue and a good evolution of recurring software. For services we expect them to be relatively flat in constant currencies consistent with our strategy of relying on system integrators more and more. Our operating margin outlook is 29 to 30%, so relatively stable compared to the second quarter of 2015. The EPS growth range of 0 to 4% is below revenues on stable margins so the currency headwinds are clearly visible, on the order of 4 to 5 points of growth.

With respect to our major currencies, we are assuming a US dollar exchange rate of \$1.15 per euro for the 2016 second quarter and \$1.14 per euro for the year. For the Japanese yen, our second quarter assumption is 130.0 and just slightly less for the year at 129.2 yen per euro.

We are also affected by other currencies as we continue to expand our business in new geographies with about 10% of total revenues outside of the major currencies. For instance, the British pound now represents



about 4% of our revenues and the Korean won about 3%. When adding the Chinese yuan and Indian rupee this gets you slightly above 10% of our revenues.

To conclude, I believe our results during the first quarter and outlook for 2016 represent a solid year of performance, and more importantly, a foundation for our growth dynamic going forward.

Let me turn the call back to Bernard.

**Bernard Charles**  
**President and CEO**

**Summary**

- In summary, I believe our financial results and business progress demonstrate the unique position we have with the 3DEXPERIENCE platform.
- During 2016 our goal is to capitalize on the traction we are building with the 3DEXPERIENCE platform and industry solutions with further investments in research and development to advance our solutions.
- In tandem, as we build our references with leading companies around the globe, we are increasing our sales capacity in selective industries where our momentum is gaining strength and where we are now ready to take the message to more companies and prospects.
- Finally, with respect to our shareholders, we delivered a strong 2015 and as a result the Board of Directors is proposing a 9% increase in the dividend per share for the fiscal year 2015.

Thibault and I would like to thank you for the questions earlier today on the webcast and we are happy to answer any further questions on this conference call.