François-José Bordonado  
Vice President, Investor Relations  

Thank you for joining us on our first quarter 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

Thank you for joining, and good morning or good afternoon to all of you.

A FEW WORDS ON THE COVID-19 HEALTH CRISIS

Before moving to my formal presentation, I would like to share a few words on the COVID-19 health crisis. If a number of countries are in a somewhat post-COVID-19 situation, this is not the case everywhere, especially in India, where we are worried about our colleagues, clients and partners. I offer them our most sincere sympathies and thoughts.

The stock market is very much a forward indicator. As we observed in Q1, however, a number of countries continued with lockdowns and in some major countries, the worst part of the health crisis is before them.

PERSPECTIVES AS WE ENTER A NEW ERA OF INNOVATION DRIVEN BY SUSTAINABILITY

Moving to the presentation let me share some observations.

We are in a very profound period in human history. The entire world has now experienced lockdowns. We have had restrictions affecting normal family, work, leisure and social activities for more than one year. The health crisis has forced companies, industries and governments to adjust to these new circumstances. Each of us, individually, and acting together, we can have a positive impact. With the real world held in suspension to some degree, we have turned more to the virtual world to help improve the real world.
This timeframe and shared experiences have brought a new perspective on the future. What does this all mean? We are entering a new, accelerated period of innovation. I am not alone in thinking this - it is very clear from discussions with our clients and partners that industries are entering a new cycle of innovation driven by sustainability and characterized by a human-centric approach. Most companies want to move faster, change is going to happen on a new, remarkable timetable.

Further, innovation has a much broader definition – we speak about new products, new uses and new experiences with less impact on the planet. From the pandemic we can see emerge a wide span of topics where long-standing expert practices are now being questioned as the health crisis revealed their vulnerabilities and fragility.

The accelerated pace of innovation required in the three sectors of the global economy we are addressing, Manufacturing, Life Sciences & Healthcare, and Infrastructure & Cities, can only be achieved by the continued platformization, virtualization of industries. With our 3DEXPERIENCE platform – coupling Mod-Sim with extensive data science capabilities, we are well-positioned to help customers reset their value chain.

**FIRST QUARTER TAKE-AWAYS**

Moving briefly to the first quarter, we delivered a very solid start to 2021 with the results underscoring our strategic positioning:

- Our software revenue increased 10%, EPS grew 20% and recurring software revenue represented 81% of total software.
- Q1 results demonstrated the momentum and strong growth outlook for Life Sciences. It begins with MEDIDATA’s performance, the Life Sciences industry more broadly, and with the Life Sciences global sales organization we established this past quarter.
In Mainstream Innovation, we had a strong Q1 performance, with our largest brands, SOLIDWORKS and CENTRIC PLM results. In February, our 3DEXPERIENCE world event for the SOLIDWORKS global community was held – with the focus 100% on the future – the 3DEXPERIENCE platform and the new portfolio, which we call 3DEXPERIENCE WORKS. We are seeing positive momentum, especially in the simulation domain.

Customer engagements confirm the critical value of the 3DEXPERIENCE platform and industry solutions.

Looking at our financial perspectives for 2021, we are confirming our revenue objectives, and upgrading our EPS growth objective to 12 to 14% or 17-18% at constant currencies.

Now, let me move to some updates on our business.

GAME-CHANGER IN THREE SECTORS OF THE ECONOMY
Addressing industries within three sectors of the economy, our objective is to be as I said a game-changer – providing new experiences, new value networks and new ways of working – the workforce of the future.

Life Sciences & Healthcare Sector
In Life Sciences, we have spoken about the shift to a human-centric approach, with patient-centric innovation. When companies in this industry use the virtual world to help and improve real world patient experiences, the results are improved outcomes – continuous monitoring with devices sending information, virtual surgeries, next generation precision medicines are such examples and great examples.
We bring significant assets to this industry, where we are number one in the world. We estimate that 50% of drugs and medical devices are designed with our solutions. In clinical trials, more than 50% of new clinical trials use our Dassault Systèmes MEDIDATA solutions. Our presentation details many more metrics. We are mission critical to addressing three key challenges: 1) Creating precision medicine platforms; 2) Deploying digital and AI in developing therapies; and 3) Helping the healthcare industry deliver value-based care.

Let me share two examples.

- BioNTech, well-known now, utilizing their mRNA technology platform to develop rapidly a COVID-19 vaccine, has now adopted the 3DEXPERIENCE platform and our OneLab industry solution from BIOVIA with modeling and simulation capabilities to analyze the different COVID-19 variants and potential new ones that could arise. BioNTech has been a large client of MEDIDATA’s clinical trials software.
- Another example is Karyopharm, developing novel therapies in oncology, has extended its multi-year agreement with MEDIDATA. A fast growing company we have supported them selling one product in 2014 to now 10 solutions in 2021, and similarly as they have expanded the number of trials they do. Among the new products are Artificial Intelligence and Machine-Learning.

**Manufacturing Industries Sector**

Moving to Manufacturing Industries, as many of you know, we are the world leader in the automotive industry, with global car manufacturers and the supply chain. We have expanded our market presence working with virtually all of the new EV start-
ups, strengthening our position in electric, and now we continue again with large OEMs standardizing with us as they advance their timelines on their next generation vehicles portfolio. Moreover, we are doing the same with the new players becoming part of the EV value networks. This is happening because our portfolio well matches the needs of this industry.

**DATA CENTRICITY OF THE 3DEXPERIENCE PLATFORM**

Data Centric is a key component of the 3DEXPERIENCE platform. In that regard, we are pleased to share that Jaguar Land Rover is expanding its 3DEXPERIENCE adoption. We will be supporting the global strategy ‘Reimagine’ under the leadership of their CEO, Thierry Bolloré. Our industry solutions will help them reach critical objectives including: a Net zero carbon business by 2039, a Jaguar all-electric luxury brand from 2025, and the first all-electric Land Rover model in 2024, clean-hydrogen fuel-cell power development and collaboration with the value network.

Our work is around several axes – creating a unique experience for its customers, advancing its electrification initiatives, improving efficiency and with respect to the value network for electric cars, recomposing the actors. In order to achieve these objectives, JLR has selected several industry solutions experiences. Notably, data-centric roles represent half of the new investment, underscoring our strength in this critical area of investment by companies and the 3DEXPERIENCE platform for data science and data analytics and as an enterprise platform for many parts of the company.

Turning to the world of retailing, Gautier turned to our HomeByMe for Home Retailers 3D planning cloud solution. This helps Gautier from two important perspectives: first, the nature of the client experience, providing a truly unmatched
experience for customers and second, strengthening the client relationship by changing the nature to an advisory role for Gautier – ‘we will help you imagine and create your dream home environment’ is their statement.

I am also extremely pleased with the dynamic growth of CENTRIC PLM in this industry.

**Infrastructure & Cities Sector**

In Infrastructure & Cities, we are pleased to announce the extension of our strategic partnership with Bouygues Construction. The success of our current projects with Bouygues Construction calls for an accelerated and extended cooperation. By bringing the virtual twin experience to the construction industry, we are introducing new sustainable experiences – all on the cloud and mobile-enabled - and enabling all actors in the value chain (including on-site workers) to collaborate and innovate. The initial targeted number of users within Bouygues Construction is about 15,000 users and more so with their ecosystem.

With respect to the Cloud, with our two diversification sectors, we prioritize cloud and for Manufacturing we have a full cloud portfolio, but we will go at the pace of our clients including providing specific solutions for private cloud.

**SUSTAINABILITY: ADVANCING OUR GOALS AND HELPING OUR CLIENTS ACHIEVE THEIR OBJECTIVES**

I would like to draw your attention to some of our initiatives in Sustainability. We have become a signatory to the UN Global Compact, and we are a founding member of the European Green Digital Collaboration.
From a handprint perspective, we have initiated plans to have two-thirds of our new licenses from products providing a sustainability impact. Last quarter we were included in the global Clean200, the largest 200 publicly traded companies ranked by green revenue.

One example of our work is with BMW as a catalyst for sustainable innovation. They are expanding their use of SIMULIA for electric vehicles and hybrids systems. An important area of simulation is how to design the most efficient energy management system – while taking into account range requirements and user comfort. Thanks to 90 to 95% of the analysis being completed using virtual twin simulation, this reduces significantly the number of physical prototypes by BMW.

With that let me pass the call to Pascal.
Pascal Daloz
Chief Operating Officer and CFO

Thank you for joining us today.

FINANCIAL PERFORMANCE AT A GLANCE
(Revenue figures in constant currencies)

Looking at our financial performance, total revenue increased 8%, at the high end of our 6% to 8% range, at 1.17 billion euros. Software revenue growth of 10% came in above our range of 7 to 9%.

From a profitability standpoint, lower than planned expenses combined with the high end of guidance for revenue, led to a significant outperformance at the operating margin and EPS levels.

- Our operating margin came in at 33.9% versus the mid-point of our guidance of 30.7%. Revenue results contributed 70 basis points of the upside and lower operating expenses to 250 basis points.
- EPS came in at 1.14 euros, growth of 20% versus our guidance of 3-8%.

Zooming in on the components of revenue:
- License and other software increased 25% versus our guide of 0 to 5%. About five points of this growth came from a capex preference coming from our customers, of course. The other contributions to the upside came from results in China, and SOLIDWORKS as well as large 3DEXPERIENCE transactions, especially in Transportation & Mobility.
- Subscription & Support revenue increased 7% versus our guide of 8 to 10%. During the quarter, about one point of the estimated recurring revenue growth
outlook moved to a capex purchase. However, subscription revenue increased double-digits and the churn has been consistent with what we saw last year.

- With respect to Services, we were able to improve our gross margin to 12.1% from 2.9% thanks to the work completed last year, despite a revenue decrease of 9%, compared to our range of -2% to +2% due to the extended lockdowns in many countries.

SOFTWARE REVENUE BY REGION: Q1

Moving to a regional software review:

- In Asia, software revenue increased 10% in Q1. China was by far the best performing geo, up sharply - reflecting strong growth across our engagement models. It had the highest growth both for software licenses as well as for recurring software revenue. Korea saw the beginning of a recovery. We had key wins for 3DEXPERIENCE in both China and Korea. In Japan, we saw a strong performance in our indirect engagement models. Our major 3DEXPERIENCE engagements are proceeding as planned including Toyota. At Toyota, we have equipped almost 20,000 people and 18 car programs are ready on 3DEXPERIENCE platform right now. For India, despite the still difficult environment, we saw some year over year improvement and I would like to thank the team.

- In Europe, we are still seeing a mixed environment with software revenue up 6% in total. Northern and Southern Europe were the best performing geos, on improved activity in Transportation & Mobility, both with large mobility players as well as automotive suppliers.

- In the Americas, software revenue increased 14%, with strong growth in Life Sciences and in Transportation & Mobility.
SOFTWARE REVENUE BY PRODUCT LINES

Moving to a view of our software revenue by product lines, we continue to increase the reach and the balance looking at what we have done over the last several years. During the first quarter, Mainstream Innovation represented 23% of software revenue, Life Sciences was 20%, and within Industrial Innovation, CATIA accounts for about one quarter of our total software with complementary brands, adding to 32%.

Industrial Innovation

In Industrial Innovation, we saw strong momentum with these brands, notably SIMULIA, ENOVIA, DELMIA and NETVIBES. While CATIA 3DEXPERIENCE software increased 12%, overall activity led to a decrease of 1% for CATIA. In total, software revenue increased 4% in Industrial Innovation.

Life Sciences Product Line:

Our Life Sciences software revenue increased 16%. We are seeing strong momentum, led by MEDIDATA where software revenue increased 20% in Q1 driven by Rave in clinical data management, Patient Cloud and Acorn AI. MEDIDATA had a solid operating margin performance and a strong cash flow from operations.

BIOVIA is also shifting to subscription with its clients and to the Cloud. One example is Abzena, a contract development and manufacturing organization, involved in the manufacturing of biological drugs, including COVID-19 related. They had adopted the 3DEXPERIENCE platform with our License to Cure for Biopharma and our OneLab solutions on the cloud. This is an interesting case, as we see more and more traction in manufacturing and our OneLab solution is really suited to this market.
Mainstream Innovation:
Mainstream Innovation software revenue increased 20% in Q1 on strong growth for SOLIDWORKS and CENTRIC PLM.

SOLIDWORKS software revenue grew 18% in Q1 on both licenses software and recurring revenue strength. Software was up double-digits in all three regions. We saw record attendance at our virtual 3DEXPERIENCE World event. Our partners are seeing good traction with the 3DEXPERIENCE WORKS portfolio, with roles leveraging our strengths in collaboration and simulation especially.

CENTRIC PLM software and services revenues were up sharply in Q1, sustaining a recovery begun in Q4, with record bookings and strong new customer acquisitions – multiplying by three. It showed improvement in key geographic markets, including Asia with notable expansion in China. Finally, in addition to its leading market position in Home & Lifestyle with global brands in fashion, it is seeing early traction in its diversification in Retail and Food & Beverage. The acquisition of CENTRIC PLM will be completed at the end of Q2.

I wanted to share one of our SOLIDWORKS’ customers, Teel Plastics, who has adopted DELMIAworks. This engagement illustrates our ability to address a larger scope of our clients’ needs – what we call ‘Value Up’. In this example, Teel Plastics is able to quickly scale and manage multiple sites at the same time – especially important as part of the COVID-19 swab testing products and given the time constraints having the ability to deploy at multiple sites is a key advantage.

TRENDS BY KEY STRATEGIC INDUSTRY SECTORS
While we have covered a number of our industries indirectly, let me share some Q1 performance highlights to give you a sense of activity by industry as we start the year.

Beginning with Manufacturing Industries, we had double-digit software revenue growth in Transportation & Mobility, Marine & Offshore and Home & Lifestyle. Looking at Transportation & Mobility, this growth came from the strength across a number of domains, including simulation and data intelligence with NETVIBES. We are starting to see a recovery with automotive suppliers and some acceleration of investments by OEMs as they advance their new mobility initiatives. CENTRIC PLM drove the double-digit growth in Home & Lifestyle of course.

In the Life Sciences & Healthcare sector, Life Sciences software revenue grew 16%, benefiting from growth in the Life Sciences product line as well as from increased customer activity for SOLIDWORKS with Medical Devices companies and SIMULIA. This is also important, as we explained last year at the Capital Markets Day, we have a number of levers to expand our footprint and you see we start to see this benefit. We also are seeing increased customer sales engagements in manufacturing with Life Sciences companies.

In the Infrastructure & Cities sector, Construction, Cities & Territories increased double-digits led by our activities in China this past quarter.

**GROWTH STRATEGIES**  
**Value-Up, Value-Wide and Cloud**

Now, how are we progressing against our growth objectives? At our Capital Markets Day in Q4 last year, we discussed our growth goals and strategies to reach them.
Regarding 3DEXPERIENCE adoption, we have our two axis of growth. First, Value-up - increasing the value we bring to our existing customers, our installed base, through broader adoption of all our domain expertise. The second is Value-wide, - to extend 3DEXPERIENCE to new customers, including Mainstream market adoption. Both Value-up and Value-wide will bring 3DEXPERIENCE to represent about two-thirds of our software revenue by 2025.

In addition to this, you remember that the Cloud adoption, we see this as an opportunity to bring us new categories of users and new usages.

Let me recap some of our key metrics, on 3DEXPERIENCE and Cloud progression.

**3DEXPERIENCE PERFORMANCE**

3DEXPERIENCE non-IFRS software revenue increased 18%, with licenses and other software revenue up sharply – 57% which is almost twice the growth of licenses overall. The largest licenses deals in Q1 were more heavily weighted towards Asia and China.

**CLOUD PERFORMANCE**

Looking at our cloud contribution, it represented about 18.5% of our total software, a two-point increase from one year ago. Based upon our end market sectors, we set the goal last year to reach 2 billion euros in cloud software revenue by 2025, which would represent an estimated one-third of our total software, compared to 17% in 2020.

Our cloud strategy is set to meet our clients wherever they are and in the context of their industry: Our strategy is not one size fits all, but a cloud path for all. For that, we have three different paths.
✓ Native on the cloud, for new customers.
✓ Extended, with both on-premise and on the cloud solutions.
✓ Connected, with on-premise software solutions connected to our 3DEXPERIENCE platform on the cloud for collaboration and big data and this is what we call our PowerBy strategy.

In terms of capabilities, with Release 2021X, 95% of our portfolio’s on-premise capabilities are available as cloud solutions and the ones coming this year we will have more on the cloud than on-premise.

CASH FLOW AND BALANCE SHEET

Moving to cash flow, we had a very strong Q1, up 40% to 642 million euros. Net income and non-cash items grew 18%, with working capital evolution, in particular, non-operating working capital up sharply.

Our net financial debt position at March 31 was 1.5 billion euros, which is very consistent with our deleverage plan we communicated to you and expect to reach our goal at the end of this year.

2021 FINANCIAL OBJECTIVES: on a non-IFRS basis

Turning now to our 2021 financial objectives, the updates following Q1 are straightforward, taking in the OPEX upside and maintaining our revenue constant currency targets.

1. We are increasing our non-IFRS diluted EPS objective to 4.24 to 4.28 euros, leading to expected growth of about 12% to 14%, or about 17-18% in constant currencies, capturing the earnings upside from Q1. At the mid-point of the range, this represents an upgrade of 14 cents, comprised of a 2-cent contribution
from revenue and 12 cents from lower operating expenses, coming from Q1 and some adjustments in Q2 due to further restrictions on travel.

2. Similarly, we increase the operating margin 90 basis points, to about 31.7% at the mid-point from 30.8%.

3. We see a higher contribution mix from software revenue as Q1 lockdowns slowed on-site services work on the one hand as well as the expense timing ramp around travel and hires on the other side.

4. We are reconfirming our revenue objective range of 9 to 10% in constant currencies. Inside this, we shift up by 1 point of growth our previous software range, bringing it to 10 to 11% growth. For services, we shift down, bringing the services growth range to 4 to 6% growth, removing about 21 million euros.

5. The top-line growth this year is essentially all organic with the growth level aligned with our mid-term plans we shared at our Capital Markets Day last year.

6. With respect to Q2, you will find our guidance in the earnings press release and presentation.

**SUMMARY**

To summarize, we had a solid start to 2021 – in financial terms, and looking at the growth in our largest industries, the strength in two of our three product lines and improving dynamics in some of our largest geos is really giving confidence for the year.

We look forward to speaking with many of you in the coming days and weeks for virtual roadshows and conferences.

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

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