François-José Bordonado
Vice President, Investor Relations

Thank you for joining us on our fourth quarter and fiscal year 2021 earnings conference call, with Bernard Charles, Vice Chairman and CEO, Pascal Daloz, Chief Operating Officer, Rouven Bergmann, Chief Financial Officer and Tarek Sharif, Life Sciences & Healthcare Sector Board Chairman.

- 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, François-José. Good morning and good afternoon to all of you. Thank you for joining us. It is a pleasure to be with you, today.

2021 HIGHLIGHTS

We had an excellent 2021 with a strong finish to the year.

- Total revenue rose 11% for the year, driven by broad-based demand across our end markets - the majority of which are growing double digits.

- Our strategic growth drivers performed well. 3DEXPERIENCE revenue increased 15%, with Cloud revenue rising 23%. Our 3DEXPERIENCE platform has been a competitive advantage, driving new client wins. The cloud is about inclusiveness and providing additional value to clients.

- Earnings per share increased 26%, thanks to good revenue growth and high profitability.

- For 2022, we have set the target for 9-10% top line growth.

As you can see, we have delivered very good results but just as importantly, we have the key elements in place to support sustainable growth. Our technologies are changing the game for clients across our three major sectors. We are expanding our footprint, deepening existing partnerships and adding new clients. We have invested in our team, establishing the next generation of leaders.

The stage is set for the future.
Now, I’d like to share some perspectives on our vision and strategy for the coming years.

THE EXPERIENCE ECONOMY: TEN YEARS AGO VERSUS TODAY

“Ten years ago, in February 2012, we unveiled our new brand identity to the world – “The 3DEXPERIENCE Company” – and our corporate purpose – “harmonize product, nature and life”. Today, the significance of our strategy is clear; our clients and partners have embraced the experience economy. They are transforming all sectors and industries with sustainability and human centricity as central pillars of a new era.

The experience economy, accelerated by the pandemic, triggers new categories of expectations from citizens, patients, consumers, learners and even workers.

This is apparent in our everyday life.

Tomorrow's mobility is no longer a matter of vehicles. It's a matter of desirable, sustainable mobility experiences. Tomorrow's healthcare is much more than therapeutics. It’s about the patient journey and precision medicine. Tomorrow's cities are not only a collection of buildings, streets and facilities. It’s about quality of life and quality of service.

As a consequence, all of our clients need to reimage their offers with a holistic view. Our answer is the systematic use of Virtual Twin experiences, based on modeling, simulation and real world evidence in a merger between the virtual and real worlds. Our ambition therefore, is to help our clients imagine, create and produce experiences for their own clients. Unlike the metaverse, we use 3D virtual world experiences to improve the real world. Only then, the possibility of harmonizing product, nature and life will emerge.

I believe the innovators of today and tomorrow have to think in terms of "universes", that is to say in terms of organic systems of systems that create, produce and play an experience in a circular economy.
With the 3DEXPERIENCE IFWE Loop, we can provide this holistic view combining value creation and value experienced, design and usage, to cover the full experience lifecycle. We can extend virtual twin experiences across universes. It’s about continuity of the WHAT, the HOW and the USE.

This is a new, revolutionary approach to innovation. As we have done in the past, with the early adopters, we will pave the way for the future across all three sectors.

Let’s think about the implications for Life Sciences.

Clinical research has moved beyond the hospitals and laboratories. As more and more technology is used to decentralize trials, the entire clinical trial experience is transformed, for everyone involved.

Patients can now participate in a trial from anywhere. Doctors and researchers can now collect more data in different ways.

IFWE connect the dots across clinical trials data, real world data and research and development, we can close the loop and make precision medicine a reality and elevate the patient journey.

Dassault Systèmes will be the only one capable of supporting end-to-end solutions in Life Sciences.

REASONS TO BELIEVE: ENABLING CLIENT TRANSFORMATIONS TODAY

The ongoing advancement toward a sustainable economy will mark this century.

We’ve revealed some of the dynamics we see progressing. I think it’s clear: our passion for innovation and our commitment to clients drive our ambitions.

Let’s have a few illustrations of how we are enabling clients’ transformations today.
I think we will see some good reasons to believe.

CLIENT WINS: WE ARE A GAME CHANGER IN THREE SECTORS

MANUFACTURING – IKEA

In the consumer industry, we have a very successful partnership with IKEA. With our 3DEXPERIENCE ByMe Platform Kitchen Planner, on the cloud, IKEA is enabling customers to use virtualization to design their dream kitchens!

The pandemic has led individuals to invest in their homes and has acted as an accelerator for e-commerce. The 3DEXPERIENCE ByMe Platform Kitchen Planner has allowed IKEA to take full advantage of these trends.

BYME Kitchen Planner was used by one million people in only a few months, and today has reached over 4 million, making it the most popular 3D consumer application in the world. This is the cloud advantage and also the mobile advantage.

INFRASTRUCTURE – PIRELLI

In mobility, PIRELLI is pursuing increasingly challenging goals in terms of sustainability, working on innovative materials and cutting-edge production processes. They have selected SmarTyre on the 3DEXPERIENCE Platform. They will leverage the capabilities of the Virtual Twin to foster innovation, reduce costs and time to market through simulation and modular design.

It’s great to be part of PIRELLI’s adventure to move everyone forward through technological and social progress.

LIFE SCIENCES & HEALTHCARE – PERRIGO

In Life Sciences and Healthcare, affordability is essential. Today, the cost of healthcare is growing twice as fast as the overall economy.
Perrigo, for 130 years, has been improving patient lives with affordable self-care products. The company is deploying several of our solutions - License to Cure, Perfect Formulation, Perfect Package - on our 3DEXPERIENCE platform. Their goal is to increase efficiency, quality and time to market.

We’re very pleased to help Perrigo have a positive impact.

Now you have some proof points. It’s plain to see: virtual twin experiences, powered by our 3DXPERIENCE platform, are helping clients evolve.

EXECUTIVE LEADERSHIP: THE RIGHT TEAM TO MAKE IT HAPPEN

We recently celebrated the 40th anniversary of Dassault Systèmes: two generations of innovators have revealed the power of virtual worlds to imagine and create disruptive innovation.

Now, we are focused on our next horizon: 2040. Our objective is to be the leader in sustainable innovation and to continue to position our clients at the vanguard of progress across Manufacturing Industries, Life Sciences & Healthcare and Infrastructure & Cities.

To support our long-term initiatives, we have established the next generation of executive leadership.

I’m so happy to have Pascal Daloz now focus fully on his mission as Chief Operating Officer to elevate and expand our value, to empower a new generation of leadership and advance our strategic direction.

At the same time, I am equally delighted to welcome Rouven Bergmann to the executive committee as Chief Financial Officer. Rouven has played a critical role in integrating Medidata. He has held COO and CFO titles and brings a mastery of financial matters related to software and the cloud.

Rouven, it’s wonderful to have you join us.

Ultimately, all progress is human. Investing in our people and culture is at the core of what we do. Our M&A activities are driven by both innovation capabilities as well as talent. We are focused on enabling teams to
transform and talents to flourish. When we acquired Medidata in 2019, Glen, Tarek and the incredible team they built were a key reason to believe in our future together.

I’m extremely proud of the significant innovation, strong culture and leadership Medidata has brought to the Life Sciences sector. We’ve been able to integrate, scale rapidly, accelerate growth and deliver excellent results.

It’s a great pleasure to now have Tarek Sherif as Chairman of Life Sciences & Healthcare.

Tarek, would you like to say a few words?

TAREK SHERIF, LIFE SCIENCES & HEALTHCARE SECTOR BOARD CHAIRMAN

Thank you, Bernard. It’s a pleasure to be with you today, in this role.

It’s now been more than two years since we announced coming together, and I could not be more excited about the progress we’ve made since then. Despite a challenging environment, the integration has been a tremendous success – thanks to Bernard and Pascal’s support and our teams who have come together focused on creating value for our customers and patients. Our teams are delivering amazing innovation and execution to advance clinical trials and new treatments for patients during these unprecedented times. And, it feels like we are just getting started, given the tremendous opportunities we see. Our impact on improving the patient experience and scaling precision medicine has never been clearer. This is what Glen and I always dreamed about and were convinced we would be able to do one day. It’s what brought us together as organizations in the first place and it is becoming a reality.

As many of you know, we suffered the tragic loss of Glen de Vries, my best friend and our co-founder late last year.
He helped transform our industry and his vision has always been an inspiration for all of us. Glen helped set the highest standards for Medidata and drove us to innovate and solve the most complex problems with energy and creativity. I am convinced that we will pursue progress in Life Sciences & Healthcare with the same passion he had. By continuing to do everything we can to support the business, we are honoring Glen’s legacy and we will ultimately ensure healthier lives for patients everywhere.

We have strong leadership team in place to carry us into the future and, together with Bernard and Pascal, and now Rouven, I share the conviction and confidence in our promising future.

With that, I’ll hand it back over to you, Bernard.

BERNARD CHARLES, VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Thank you, Tarek, for your leadership and friendship.

I’m confident we have the right team in place to execute successfully on the tremendous opportunities before us.

IFWE imagine the next twenty years, together we can make it happen.

And now, Pascal, you have the floor.

PASCAL DALOZ, CHIEF OPERATING OFFICER

Thank you, Bernard.

Hello to everyone. I hope all of you are doing well. Thank you for joining us today.

FINANCIAL PERFORMANCE (Revenue figures in constant currencies)

Turning to our financial results, the strong business momentum we experienced throughout the year continued into the fourth quarter, resulting in a performance well aligned with our guidance. Starting with Q4 top line,
year-over-year comparisons - and growth rates are non-IFRS and in constant currencies:

**Revenue:**

- **Total revenue** grew 10%, to €1.37 billion, above our 7% to 9% range. Software revenue also grew 10%.

- **Licenses** and other revenue rose 15% to €348 million, well above guidance.

- **Subscription and support** revenue increased 8% driven by high, double digit subscription growth, reflecting strong MEDIDATA and 3DEXPERIENCE performance. Recurring revenue represented 72% of software revenue.

- **Services revenue** was up 10% and we achieved services gross margin of 27.1%, substantially better than last year, thanks to the efforts we made to improve efficiency.

**Operating Margin & EPS**

From a profitability standpoint:

- In the 4th quarter, we delivered a strong operating margin of 36.8%. This was well aligned with our guidance of 36.4%, when taking into account the FX impact of 40 basis points.

- Q4 diluted EPS grew 17% to €0.29, compared to our guidance of €0.27 - €0.28.

- **Headcount:**
  - In terms of headcount, we are well aligned with our objectives. We saw strong hiring activity again in Q4 and lower attrition. Overall, headcount grew 4% and R&D was up 6%.
Given our track record of innovation and our mission-driven culture, we are confident in our ability to attract and retain top talent over the mid to long term. This is a top priority.

Let us take now a deep dive into our revenue performance with, first, our software revenue by geography:

- **The Americas** grew 7% during the fourth quarter driven by solid subscription growth. In 2021, the region benefited from strong performance in High-Tech, Transportation & Mobility and Life Sciences. The Americas represented 38% of software revenue.

- **Europe** increased 10% thanks to strong resiliency throughout the region. In 2021, Transportation & Mobility and Industrial Equipment grew double-digits. Europe represented 37% of software revenue.

- **Asia** rose 12% driven by market expansion in Japan, India and Southeast Asia. In 2021, China grew 19% and Asia represented 25% of software revenue.

Zooming in, now, on our **Product Line Performance**:

- **Industrial Innovation** software revenue rose 8% to €682.3 million in Q4. SIMULIA and DELMIA grew double-digit, thanks in part to larger client wins. ENOVIA showed strong subscription growth.

- In **Life Sciences**, software revenue totaled €245.1 million, an increase of 9% in Q4.
  
    - **MEDIDATA** grew over 15% on the back of a strong comparison base. We continued to see very good momentum across MEDIDATA’s portfolio including MEDIDATA RAVE, MEDIDATA ACORN AI and MEDIDATA Patient Cloud, as well as across end markets including pharmaceutical and biotechnology
companies, contract research organizations (CROs) and Medical Device Companies.

- We also saw high, double digit growth in attach rates again this quarter, which is extremely important because it shows growing with existing clients as well as capturing new customers.

  - From a product line perspective, the strong MEDIDATA performance was offset somewhat by lower-than expected BIOVIA revenue. This was driven by the delay of two large renewals. We expect to sign both renewals during the first half, so it’s really a temporary impact.

    - We are about one year into the Life Sciences engagement model transformation. Our teams have made significant progress – our deal with Perrigo is a great example.

    - We are confident in our strategy to provide the Life Sciences sector with end-to-end solutions that connect the dots between ideation, development, manufacturing and commercialization - just as we did with the aerospace industry decades ago. We believe this will be a differentiated capability in the marketplace.

- Moving on now to **Mainstream Innovation**: Software revenue rose 14% to €312.2 million in Q4.

  - SOLIDWORKS delivered strong results with software revenue growing high single digits. We continued to see good adoption of our 3DEXPERIENCE WORKS family, cloud-based solutions, during the period.

  - CENTRIC PLM is performing very well with high, double digit revenue growth. We are reaching more than 550 customers, representing more than 4,500 brands with an extremely high
satisfaction rate. In terms of diversification, we are seeing good uptake in Food & Beverage and other segments.

**GROWTH DRIVERS - 3DEXPERIENCE, CLOUD**

Now, let’s review our strategic growth drivers:

- Fiscal year 2021 3DEXPERIENCE revenue rose 15%, driven by strong subscription growth. It now accounts for 30% of total software revenue, an increase of 2 points relative to last year.

- 2021 Cloud revenue increased 23% driven by continued strength in Life Sciences and 3DEXPERIENCE. Cloud now accounts for 20% of our software revenue, up 2 points versus last year.

Clients across all sectors are transforming rapidly. They are turning to Dassault Systèmes to help them adopt new business models, accelerate innovation and embrace sustainability imperatives, putting consumers, patients and citizens at the center of experiences.

Our strategy is to enable these transformations with cloud native applications, cloud extensions to existing on premise investments and our 3DEXPERIENCE Platform.

**CASH FLOW AND BALANCE SHEET (YTD, IFRS)**

Turning now to cash flow and balance sheet items:

- Fiscal year 2021 cash flow from operations rose 30% year-over-year, to €1.613 billion, converting 33% of revenue to operating cash flow.

- Cash totaled €2.980 billion, an increase of €831 million versus an increase of €204 million in fiscal 2020.

- Our net financial debt position on December 31, 2021 decreased by €1.152 billion to €(0.89) billion, compared to €(2.04) billion on
December 31, 2020. This puts us over a year ahead of schedule on our deleveraging objective.

Now, to discuss our 2022 objectives, I’m very pleased to introduce Rouven Bergmann as our Chief Financial Officer. As Bernard mentioned, Rouven has played a vital role in integrating Medidata. It’s been a pleasure working together and a successful partnership.

Rouven, we’re thrilled to have you with us.

The floor is yours.

ROUVEN BERGMANN, CHIEF FINANCIAL OFFICER

2022 FINANCIAL OBJECTIVES (non-IFRS)

Thank you, Pascal. Hello, everyone.

I am thrilled to be here today, with you, in this new role. I’ve really enjoyed the opportunity to meet with some of you already and learn from many colleagues at Dassault Systèmes in particular Pascal since the acquisition of Medidata – which, as you know, we completed more than 2 years ago. Now after a successful integration, I’m looking forward to getting to know all of you and the broader investment community during this year.

Let me now turn to the FY 2022 financial.

We expect the broad-based dynamics we experienced in the fourth quarter and 2021 to continue into next year. We are focused on driving durable, long-term growth. Our growth drivers are well established, as highlighted by Bernard and Pascal.

- First, we are enhancing our leadership position across our major brands
- Second, we are accelerating the momentum with 3DEXPERIENCE and industry solution experiences –winning new customers and expanding within the installed base
Third, we are focused on delivering new experiences and value with cloud – so we will continue the momentum of MEDIDATA and MEDIDATA Patient Cloud. We will also expand the user base with the **3DEXPERIENCE WORKS FAMILY** in the mainstream market and deliver new value at scale with large enterprise partnerships like what you saw with Renault or Bouygues Construction.

With this in mind, we are targeting for FY 2022 Total Revenue growth of about 9-10% and Software Revenue growth in the same range.

When thinking about our Software revenue growth, keep in mind that last year we had a very strong year of License growth with 23% year on year, which brought us back slightly ahead of 2019 levels. Now for this year, we expect healthy double-digit growth at around 10% of up to 12% which reflects continued strong demand within our installed base. This trend is more in line with what we saw in Q4.

We anticipate recurring software revenue to increase by 9-9.5%, an acceleration of 100-150 bps versus last year, driven by continued momentum in subscription growth with cloud and solid improvement in support revenue, also resulting from the very good license growth we experienced throughout last year.

Services revenue is projected to grow between 8-9%, reflecting the increased activity levels of delivering innovation to our clients across all segments with solid margin performance.

From a profitability perspective, this past year we demonstrated the long-term scalability inherent to our business model. As we said throughout 2021, we plan to accelerate investments into our business and reengage in activities impeded by the pandemic. Accelerating the growth in our workforce **in line with our long-term plan** is our top priority. As such, we anticipate the non-IFRS operating margin to be in the range of 32.7% – 33.1%. Again, this is consistent with prior communication.
Let me continue with our proposed objectives for EPS. We expect non IFRS Earnings per Share to grow between 3-6%, reaching 1.00 Euro at the high end. This EPS guidance assumes a tax rate in line with 2021 levels of about 23.2%. Our financial objectives assume EUR to USD conversion of 1.17.

I will provide now additional color on what to expect for Q1: As you are aware, our business has some seasonality, and we expect to see growth rates progressing throughout the year. We expect Q1 total revenue growth of 7-9%, with Software revenue increasing in the same range and services revenue up 5-7% driven by continued broad based momentum across our geos. We expect operating margin at a range of 32.3-33% with an EPS growth of 3-7% versus last year.

As you heard from us during this call, we are confident in the long-term opportunity ahead and look forward to keeping you apprised of our progress throughout the year.

And now, Pascal, I’ll hand the call back to you.

PASCAL DALOZ, CHIEF OPERATING OFFICER

Thank you, Rouven.

In conclusion: The stage is set for our future growth.

- Our long-term strategic visions have been validated; the investments we made ten years ago to enable the experience economy - our platform, virtualization, best-in-class industry solutions and cloud - are paying off. Now, we are thinking about the next ten years.

- We have durable competitive advantages including 3DEXPERIENCE and our cloud infrastructure.

- Helping our clients transform to a sustainable economy affords a significant opportunity to deepen and expand our partnerships, and
our impact. This will be a strong, secular driver, underpinning growth across all three major economic sectors.

- We have the right leadership team in place to execute against the tremendous opportunities before us.
- Our commitment to clients drives our strategy and we thank them for their continued trust.
- Finally, we hope to resume in-person meetings with the investment community in the coming months. We hope to see you very soon.

Bernard, Rouven, Tarek and I will now be happy to take your questions.

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